



# LUND UNIVERSITY

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School Of Economics And Management (LUSEM)

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## **INHIBITORS TO BUSINESS MODEL CHANGE REALIZATION**

*Evidence from the European niche banking market.*

**A longitudinal case study**

Master thesis : Master's Program (Msc) Corporate Entrepreneurship & Innovation

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**Abstract:** The concept of business model offers several views on what it means and how it serves to enhance value capture, creation and delivery of an organization. However an organization which have experienced continuous growth, fails to realize the necessity for change. Moreover when the “wake-up” call for change occurs, some factors, as the authors identify as inhibitors, severely hinders the urge to move towards change. There might be some underlying issues or rather challenges behind the creation/emergence of an inhibitor, but how does that translate when the competitive landscape shifts and a change in the existing business model becomes a necessity?

**Title:** Inhibitors to business model change realization – *Evidence from the European niche banking market.*

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**Keywords:** Inhibitors, business model change realization.

**Thesis purpose:** The purpose of this thesis is to investigate, based on a European niche bank, what the inhibitors to a business model change realization, as well as what the root causes are.

**Methodology:** The overall research design was based on qualitative methodology. The approach for the case study was as per Bryman & Bell (2011) a longitudinal case study. 40 interviews and several pages of field notes, together with archive material provided by the co. were used for the research. For analysis purposes, the within case approach was conducted, based on 3 selected cases to answer the RQ.

**Theoretical framework:** The research study is based upon various literatures from authors related to the main concepts which emerged throughout the study. The concepts served to prove the main inhibitors behind realizing a business model change.

### **List of abbreviations**

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<b>BM</b>	= Business Model
<b>C1</b>	= Country 1 (refers to the country in which the bank operates in)
<b>ASL</b>	= The fictional bank name, as case unit of analysis
<b>OB</b>	= Online bank
<b>NR</b>	= Network of retailers
<b>MMT</b>	= Member of the MT
<b>MT</b>	= Management Team
<b>KPI</b>	= Key Performance Index
<b>P&amp;L</b>	= Profit & Loss
<b>KAM</b>	= Key account manager
<b>RQ</b>	= Research question
<b>CA</b>	= Current account
<b>DL</b>	= Dominant Logic
<b>SDL</b>	= Service Dominant Logic
<b>PDL</b>	= Product Dominant Logic
<b>CM</b>	= Country manager
<b>HPM</b>	= Head of Project management

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# Chapter 1 - Introduction

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## 1.1. Background

In today's dynamic pace of an ever shifting environment, increased competitiveness, change in customer demand, consumer behavior and technological opportunities an established organization finds itself in the face of great challenges. Moreover the core challenge lies not within the capacity to innovate, nor the willingness to change, but an underlying issue within the organization's business model (BM) itself. How is it that a company with high growth and strong force of human capital is unable to change with the environment and prepare for the future? How is it that a BM can be so rigid that disruption is the only option left? What is it actually that is stopping an established organization, who's growth has been continuous and successful, to change its existing BM? This research study offers an ample view on what the inhibitors of a BM change means, and why the realization is being unconceivable.

The topic of this study bears great importance to the current situation of how companies innovate in order to achieve greater competitive advantage, deliver better value and at the same time capture more value. Building upon Amit & Zott (2012) view on how expensive and inefficient it is to innovate on products and processes, in terms of gaining competitive advantage and better profit margins, whereas what companies should really focus on, is how to innovate on their BM (Amit & Zott, 2012). What is causing this change in corporate strategy is the fact that the emergence of disruptive innovation are not only changing industries but creating new ones (Amit & Zott, 2012). This pattern of change is very much emergent in the banking industry as well, where the traditional way of doing business is collided with a new market standard. The new standard consists of innovative companies serving the market with financial solutions, without actually being a bank (also known as non-bank innovators), and a completely different way of engaging with their customers.

The banking industry faces low-differentiation products due to heavy and strict regulation, and thus creating intensity on service innovation. At the same time banks are faced with great expectations from the general public as trust and loyalty has severely declined (Shim et al., 2013). Banks also play a role as a powerful societal trust, which reflects on the health of the society (Shim et al., 2013:27). Post-crisis, the banking industry has become a sensitive topic for the society and the lack of trust has put more pressure on banks than ever before. In such a changing landscape, the importance lies in banks changing their existing BM and bundling it around customer needs and demands. In order to change according to the new market standard, banks are not only being met with a contrasting customer perspective but also facing great challenges from compliance. On the other hand, the industry is getting highly IT intensive where technology is crucial for achieving efficiency and differentiating on the market. Banks are now obliged to re-think their BM's , adjust to customer needs and re-gain ownership on customers and distribution channels, thus building closer relationship to sharpen segmentation and improve offering.

It is the case, however, that some actors are currently facing serious challenges, as stated by one of the participants in the current research:

*“Those are the three corner stone that we are trying to mitigate, we got the IT resources that are limited, everything is getting more and more expensive, and then we have the compliance issue which is getting stronger and stronger and putting more and more pressure on us, and then we got the customer offering that we want to do things with” (MMT<sup>1</sup> ASL bank)*

## **1.2. Problem discussion**

The BM construct and its dynamics has been increasingly drawing the attention of researchers and practitioners for the last decade, creating a new academic field and although guidelines for implementation and managing changes has been mentioned, little attention has been paid so far to the inhibitors of a successful BM change implementation.

There is a coherent view amongst authors about the various challenges related to BM change (McGrath, 2010; Amit & Zott, 2010; Sabatier et al., 2010; Chesbrough, 2010; Sosna et al., 2010;

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<sup>1</sup> Member of the Management Team

Cavalcante et al., 2011), mainly drawing on the field of organizational change. Kuratko et al. (2011) offers a framework of challenges to corporate entrepreneurship, which is closely related to BM change. So far the most systematic one, to our<sup>2</sup> knowledge, is Cavalcante et al. (2011) whom propose various challenges related to the four types of BM changes varying from organization inertia and path dependency, lack of competencies, to uncertainty and ambiguity. Those phenomenon, have long been examined in literature, but in the domain of organizational change (Colombo & DelMastro, 2004; Hannan & Freeman, 1984; Lieberman & Montgomery, 1998; Schwartz, 2012; Kelly & Amburgey; Sydow et al., 2009; Liebowitz et al., 1995; Drier et al., 2009). Moreover, in organizational change a firm's cognition and way of doing business are either inflicting neutral towards change or negatively (Prahalad et al., & Bettis, 1986; Kuratko et al., 2011; Prahalad et al., 2004) and conceptualized by latter mentioned authors as dominant logic (DL).

However these views are rarely denoting the concepts as specifically to BM change realization, nor is there any classification (except from Cavalcante et al., 2011). Furthermore, there seems to be no distinction drawn between challenges and inhibitors. Based on that it seems that there is a certain gap as to what extent these concepts have any impact on a BM change, let alone serving as actual inhibitors.

The aforementioned concepts relates closely to today's organizations, and especially banks' changing strategy and leadership in terms of addressing the various challenges met by market and consumers, post-crisis. BM change in banking or any other industry requires leadership and a sense for change (Doz & Kosonen, 2010). The classic school of strategy sees it as a corporate agenda (Porter, 1996) whereas in today's environment a strategy is a norm to create wealth and for an organization to be entrepreneurial (Ireland et al., 2001; Kuratko et al., 2011). However Prahalad & Hamel (1989) suggests that a strategic intent is necessary to determine an organization's level of ambition. In relation to BM, Casadesus-Masanell & Ricart (2010) sees strategy as a sub-set for BM realization. However in the current environment for banks and other organizations, successful implementation is more crucial than the actual intention.

For the organizations aiming at thriving with a growth creating BM, it becomes a question of what does it take to handle the new stream and the old stream (Kuratko et al. 2011; Markides & Charitou,

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<sup>2</sup> Referrals to, us/we/our, is to the authors of this thesis.



2004; O'Reilly & Tushman, 2008). The need awareness is there, but the balance itself is a challenge. In addition, the aftermath of the financial crisis forced some actors to hastily reconsider their firm orientation.

Throughout this thesis, we will aim to address what we assume as being the inhibitors, both historically grounded and emergent, to realizing a BM change in the given environment, and also relating the various themes translated into our case study.

### **1.3. Research question**

Based on the selected literature and its implications to our case study the following RQ will be the topic attempted to explore:

*How are the potential inhibitors to business model change realization formed through time? Evidence from the European niche banking market.*

The RQ is constructed with a single relation, meaning that we deliberately attempt to identify the main inhibitors related to our theoretical case study.

### **1.4. Purpose**

The purpose of this master thesis is to explore the key inhibitors to realizing BM change in niche banking actors, related to the theoretical case study. The study aims to look upon the evolvement of the BM in its transition from exploration to exploitation activities and the implications it has for intentional change initiatives. Furthermore, the purpose is to explore how certain BM change inhibitors preempt or bias realization.

ALS Bank bears high degree of relevance to the purpose of this research, due to the fact that the contexts it operates in ranges over all mentioned challenges. It is a niche actor and its historical developments clearly display the path of a growing bank, where inefficient transition from exploration to exploitation, challenge the imperative for change which the market imposes.

## **1.5. Delimitations**

Apart from various selection of literature, we also delimit ourselves from exploring external factors as inhibitors for BM change realization. This is due to the notion that external factors are variances of indirect forces whereas internal inhibitors are self-created and/or self-inflicted. Further delimitations include examining other firm idiosyncratic factors that are not mentioned due to the fact that it has been aiming for a certain level of abstractness. Lastly although dual BM's is apparent in the case study, we delimit from gaining a deeper perspective into that single concept, as the focus is on inhibitors related to any particular BM.

## **1.6. Key concepts**

The key concepts which surface throughout the research are in a non-orderly fashion inhibitors, BM, BM change, inertia, path-dependency, dominant logic (DL) and cognitive models. As these concepts are the most cohesive throughout the study and findings, further subthemes and supporting concepts will emerge.

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## Chapter 2 – Theoretical Frame of Reference

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### **2.1. BM definition and perspectives**

The notion of BM has been gaining increasing attention amongst the academic community and practitioners alike. Of superior interest prove to be the opportunities that BM change might spur for a firm (Amit & Zott, 2012). In the literature, there are two main approaches, being the static and dynamic perspective of a BM.

#### **2.1.1. Static perspective**

By static perspective it is meant the depicted by Osterwalder (2010) and Johnson et al. (2008) concept where BM's have constant building blocks. Osterwalder's view on BM defines it as "the rationale of how an organization creates, delivers, and captures value" (Osterwalder, 2010: 14), being a construct of nine building blocks. A resembling approach is adopted by Johnson et al. (2008:54) by pointing as building blocks as the customer value proposition, key resources, profit formula and key processes. Both authors imply the importance of customer value proposition as being notably the central part. In the same line of thinking Teece (2010) suggests that a BM embodies the "architecture" on how an organization does business.

#### **2.1.2. Transformational approach**

Another perspective on BM's is seeing it as a dynamic set of interrelated activities which may be managed to avoid contingencies and exploit positive inter-influences. Some authors see it as a continuum between management's choices (in terms of policies, assets and governments) and their respective consequences (Masanell & Ricart, 2010). The RCOV (resources, competencies, organization and value proposition) framework suggested by Demil and Lecocq (2010) integrates

the resource based view of a firm and the BM construct and suggests that dynamics comes as a result of the organization's intended choices and the environment. Alternative view of BM to be considered is the activity system perspective of Amit and Zott (2010) where a BM is "the purposeful weaving together of interdependent activities performed by the firm itself or by its suppliers, partners and/or customers" (Amit & Zott, 2010:218). Furthermore, same authors in their earlier work carve a slightly different view on BMs, that is the transaction based theory, where a firm's BM constitute the content (goods exchanged and competences used to enable the exchange), structure (parties in the exchange and the ways in which those parties are linked, sequencing and exchange mechanism) and governance (ways in which flows of information, resources and goods are controlled by relevant parties, legal form of the organization and incentives for parties) (Amit & Zott, 2001). McGrath (2010) defines the BM as constituent of two core components being those the "unit of business" (which is what the customer pays for and is considered as a main focus of strategy) and "key metrics" (process or operational advantages for delivering superior performance, which are most often derived by typical constraints in the value chain of similar actors). According to her the BM is a construct that gives management the opportunity to act on environmental changes. As seen there is no academically unified view on what the BM represents. However, given the fact that it lays in managerial domain of action, BM change is increasingly considered by executives as a way to achieve competitive advantage (Amit & Zott, 2012). It can be argued that this is especially relevant in an industry that allows low product and service differentiation (ex. highly regulated). In the same line of thinking Johnson et al. (2008) suggests that the secret towards maintaining a thriving business is in being able to recognize the moment when it needs a fundamental change (Johnson et al., 2008). The current master thesis will mainly employ the transaction based approach suggested by Amit and Zott (2001).

## **2.2. BM "drift" and change**

Johnson et al. (2008) suggests that changing an established company's BM should not be taken lightly. Apart from the lack of unified definitions on BMs, there are differing views as well on what should be defined as a BM change. The following paragraphs explore some of existing perceptions of BM change and shortly outline a distinction between BM change and BM "drift" (Demil & Lecoque, 2010). Such distinction is made in the light that a BM change can be pursued intentionally

by managers or it might happen without premeditation, as a result of unintended consequences of managerial decisions (Demil & Lecoque, 2010).

### **2.2.1. BM “drift”**

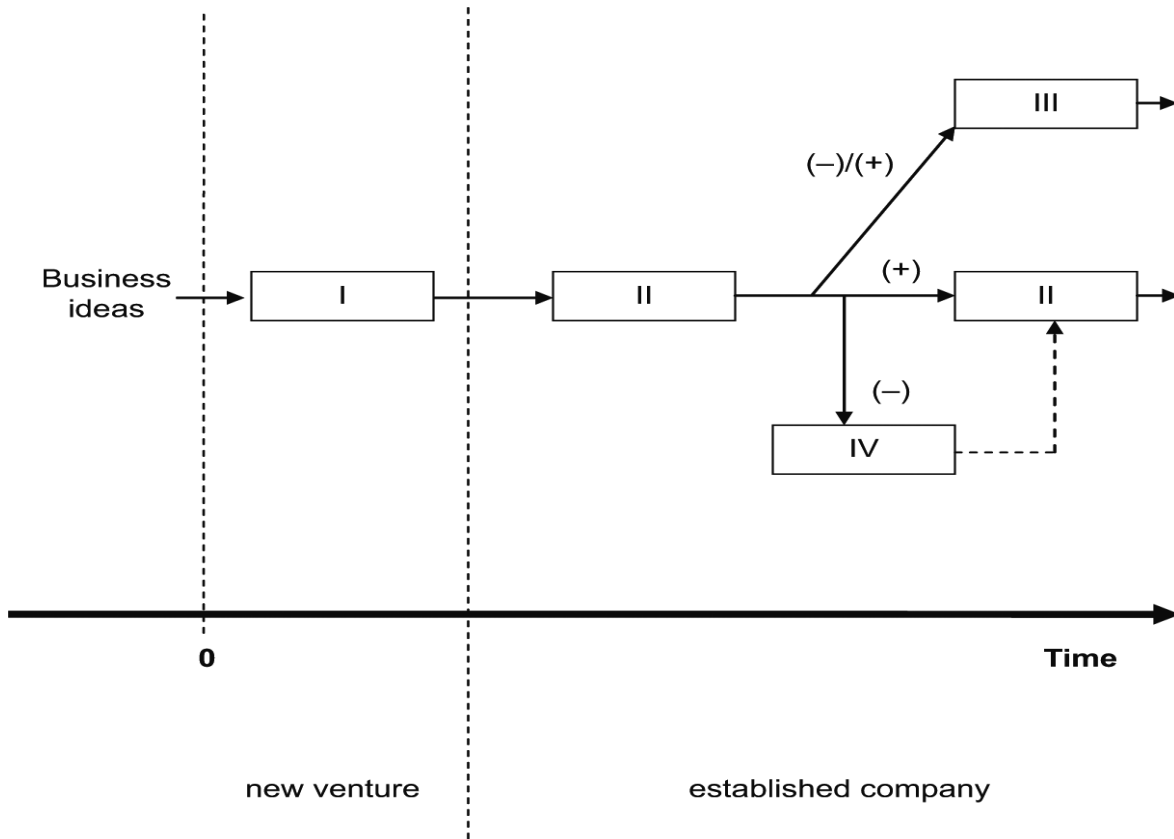
Demil and Lecoque (2010) argue that a BM might evolve in response to both internal and external factors, the internal being the consequences of management’s decisions and the emerging dynamics between the core components of the BM. The authors contend that the evolution is result of “intertwining emergent trends and events with the result of deliberate decisions” (2010:239) and distinguish between voluntary and emerging changes of the BM. They imply that changes might be a result of the “BM’s drift” or the “ongoing adjustments between and within components” (2010:241) that managers engage in. Those adjustments present opportunities as well as threats for the company, especially in relation to McGrath’s proposition that BM evolution is “highly path dependent- early experiments often shape the trajectory for models yet to come” (2010:254). Furthermore it is proposed that managers should monitor on a continuous basis the risks and uncertainties, understand the systemic nature of the BM and implement deliberate actions to promote consistency and change by adapting or even completely redesigning their BMs. Similar aspect of BM co-evolution (dynamics between internal and external contingencies) is referred by Aspara et al., (2011). Authors underline the importance of the cognitive and interpretative aspects for transforming the BM (Aspara et al., 2011; Cavalcante et al., 2011). McGrath argues that “decision makers must recognize threads to their BM’s viability (... ) and mobilize resources to address them” (2010:257) by engaging in proactive discovery-driven change of the BM.

### **2.2.2. BM change**

However categorization of intentional change of a BM is not fully agreed upon either. Johnson et al. (2008) identify three main changes considered to be a BM change: when a new profit formula is needed, when new key resources and processes are employed and when new metrics, norms and rules are necessary.

Giesen et al. (2007) distinguish between three types of BM innovations, namely: industry (related to industry value chain redefinition), revenue (offering reconfiguration and pricing) and enterprise model (innovation on the role an enterprise is having in the value chain or NR and suppliers). Moreover Govindrajana and Gupta (2001) identify three action fields for BM change, those being the value creation system, the delivered value and the customer base, where changes in one of those affects always changes in the others, underlying the systemic effect. According to Amit and Zott (2012) BM innovation happens in multiple ways by inflicting changes in each of the elements of the activity system (Amit & Zott, 2010) of the BM: content (activities), structure (linkage between activities) and governance (parties performing the activities). The authors argue that changes in any of the elements might reflect on the other ones.

Cavalcante et al. (2011) propose a comprehensive framework categorizing BM change. By applying a process-based perspective on the BM (i.e. core standard repeated processes), the authors define degree of changes as amendment of a core standard repeated processes. They point at four different types. BM creation refers to the transition from the “business idea“ to getting a new BM running, where situation is characterized by uncertainty and vague cognitive maps of how processes should look like (block I in the figure below). BM extension is referred to as adding or expanding existing core processes to an existing BM to explore opportunities on the market, offering new lines of business throughout time etc. BM extension does not follow a pre-established pattern or track, but it does involve changing of practices, (movement between block I and II). BM revision comprises removing something that modifies an existing model and replacing it with a new, alternative process or way of doing things (transition block II to III). Revision is a major BM change and is influenced by the lack of BM sustainability, competition and new entrants with substitute offerings. It often happens when extension of BM does not work in the proper and expected way. In this case organizational inertia and cognitive manifestations of employees are challenging the revision. BM termination occurs when different processes have been terminated (block III to block IV) or abandoned. (Cavalcante et al., 2011:1330-1334)



**Figure 1.** – The model exemplifies the four different BM changes.

**Source :** Cavalante et al. (2011:1331)

To understand BM changes and in particular the inhibitors to BM change in practice it is crucial to consider both intended and unintended amendments over time and the interaction between them. In terms of that, the evolution of the BM is defined in the context of “the relationships between managerial actions and their outcomes manifested in realized economic exchanges and business results” (Tikkanen et al., 2005:791)

### 2.3. Triggers for BM change

To provide a well-rounded overview of BM change, hereby shortly outlined the main triggers for companies to consider a change. McGrath (2010), talks about environmental constraints that are shifting and creating more limitations for some players (e.g. heavy regulation or governmental limitations) and loosing obstacles to others (e.g. technology). She points as well towards that

changing social norms and shifting financial constraints might give impulse to BM development, where due to uncertainty experimentation as the most sensible approach. (McGrath, 2010:253). However an interesting question is how decision makers view upon those changes and how they decide to act (or not to act) upon them. Considering a BM as dynamics of choices and consequences proposed by Masanell and Ricart (2010) it might be argued that the perception and ambitions of decision-makers prove to be crucial for BM developments.

With internal perspective Demil and Lecocq (2010) add the structurally shifting cost and revenue formula as an early sign of unintended BM change.

#### **2.4. Challenges & inhibitors to BM change in existing literature**

There is no strict distinction in literature about what is considered a challenge and an inhibitor to the efforts towards BM change. Different authors refer to those notions in differing ways as seen from the literature review. However, to achieve clarity in the analysis we will draw distinction, considering a challenge being conditions that could preempt BM change for happening or slow it down and inhibitor as an organizational condition or challenge that proved to show adverse effect at the time of launching a BM change initiative. The focus will primarily lay on the actual inhibitors.

Existing literature referring to BM change obstacles draw mainly upon challenges to organizational change. Kuratko et al. (2011) propose a categorization of obstacles to corporate entrepreneurship. The framework ranges over existing systems, structures, strategic direction, policies and procedures, people and culture (Kuratko et al., 2011:351). By placing BM change in existing organization in the field of corporate entrepreneurship, the authors imply that some of the suggested obstacles will relate to BM change obstacles as well.

Furthermore Cavalcante et al. (2011) discusses various challenges at different stages of BM change. When referring to BM creation the authors point at uncertainty and ambiguity, lack of knowledge, skills and resources as key challenges. In the case of BM extension main challenges identified relate to recruiting and selecting the necessary human capital, as well as coordinating integration between existing and expanded activities of the company. More significant challenges a company faces when embarking on a BM revision where apart from the uncertainty and ambiguity and lack of



knowledge skills, path dependence, organizational inertia and employee resistance to change are considered (Cavalcante et al., 2011).

The need for change depends to a significant extent of a company's decision makers which involves the cognitive aspect and decision making ("dominant logic" (Prahalad et al., 1986)) in the list of challenges in front of BM change. According to Cavalcante et al. (2011) the latter is mainly manifested in the stage of BM revision and termination. Building on that concept Chesbrough states that "the success of established BMs strongly influences the information that subsequently gets routed into or filtered out of corporate decision processes." (Chesbrough, 2010:358).

As the focus is on an existing BM, we thereby discard the further exploration of inhibitors for BM creation and termination, leaving us with extension and revision. The key challenges related to BM extension and revision enacted by existing literature will constitute the referential framework and serve as supportive academic backing for the findings, along with potential emergent topics.

#### **2.4.1. Inertia and path dependency**

Inertia refers to "the tendency of organizations to maintain the status quo or to resist deviating from existing structural schemes" (Schwart, 2012:550). It is condemned as being a potential inhibitor towards change in organizations, even at times when change is necessary for the betterment of the performance of the firm (Colombo & DelMastro, 2004). However, it has been mainly related to large-scale firms. Within the organizational inertia, authors describe several subtypes: structural and learning (Hannan & Freeman, 1984), incumbent (Lieberman & Montgomery, 1998), deliberate structural inertia (Schwart, 2012), etc.

In their work Hannan and Freeman (1984) suggest that accountability and reliability are essential for an organizational sustainability and continuous growth. Aiming at that, organizations institutionalize routines to create reproducible structures which cause structural rigidities (Hannan & Freeman, 1984; Kelly & Amburgey, 1991). Institutionalization, as suggested, might manifest itself in deliberate standardization of processes or by conscious decision making, where employees decide to reproduce the structures existent from the previous day. The latter, however is claimed to be highly unlikely. Inertia might lead to efficiencies or might prove to be dangerous for

organizations in the face of changing environments. Hannan and Freeman (1984) mention as well learning inertia where organizations undermine the need for learning new and maintaining the level of their existing competences if not used in the daily tasks. In the same line of thinking Sydow et al. claim that “inertia occurs via the intended establishment of reliable organizational structures; there are no structural dynamics” (2009:691)

Tripsas and Gavetti (2000) offer a perspective on managerial cognitive behavior which contributes to organizational inertia. Furthermore Schwartz (2012) talks about deliberate structural inertia where decision makers tend to attribute legitimacy to inertia in change programs and define it as a reasonable choice.

Another view is the concept of first mover disadvantages leading to incumbent inertia (Lieberman & Montgomery, 1988), where a firm gets locked into a specific set of fixed assets, becomes reluctant to cannibalize existing product lines or may become organizationally inflexible, offering “often a rational, profit-maximizing response”(Collins & Montgomery, 1988:48) to the changes on the market. McGrath states that incumbent firms fail to respond effectively to externalities, and thus experience intensified competitiveness with actors offering disruptive BMs, and furthermore miss opportunities (McGrath, 2010:257:260). Regarding BM change, it is suggested that a firm remembers overtime its processes, learned templates for allocating resources creating organizational lock-in effects both in cognition and in strategic direction (Amit & Zott, 2010; Sosna et al., 2010:397:386). Cavalcante et al. (2011) see inertia as an obstacle in front of BM change revision. Inertia can be related to an inhibitor to BM change, in the sense that it creates change reluctance amongst managers and failure to act on necessary opportunities due to the companies’ rigid structure, and past beliefs. “Transforming the BM of a successful company is never easy, as inertia - from many sources- defends the status quo.” (Doz & Kosonen, 2010:382).

Closely related to inertia is the concept of path dependence, referred to as both conditioning factor and on occasions, an obstacle for BM change. (McGrath et al., 2010; Cavalcante et al., 2011). As Sydow et al. (2010) point path dependency “is supposed to mean more than the mere existence of timeworn routines, cognitive rigidities, or structural inertia. It is, first of all, a process.” (2009:690) Furthermore the authors suggest 3 stages for creating a path dependent organizational lock-in: namely the existences of singular historical events, which may, give some conditions evolving into “self-reinforcing dynamics and possibly end up in an organizational lock-in” (Sydow et al.,

2009:690). Liebowitz et al. (1995) distinguish between 3 orders of path dependence where the first does not inflict inefficiencies; the second creates inefficiencies that were unpredictable at the time of decision making and the third inefficiencies that were remediable. In terms of BM change obstacles, the analysis considers second and third order. Driel et al. (2009) refer to the abstract nature of path dependency and define it as the interaction of two main elements “sensitivity to initial conditions” and “lock-in mechanisms” (2009:50). Furthermore, addressing the fact that organizations are created by routines, the authors introduce a cognitive element in terms of “meta-routines as a propensity to select particular solutions for certain types of problems:” (2009:51).

In relation to BMs, it can be argued that path dependencies might manifest themselves in what Amit and Zott (2010) call interdependencies between the content, structure and governance of a transaction, that are “created by entrepreneurs or managers who shape and design both the organizational activities and the links (transactions) that weave activities together into a system” (2010:218), thus underlining the element of managerial cognition and action. Furthermore, McGrath (2010) refers to the fact that BM developments are highly path dependent. There seems to be a common view that BMs are highly influenced by the path dependency, which further creates leaders’ reluctance to change due to the fear of abrogating the extant value of the firm (McGrath, 2010:253; Chesbrough, 2010:356).

### **2.4.3. Dominant Logic**

The concept of DL is as well adduced in literature as an inhibitor to BM change (Cavalcante et al., 2011). There are namely 3 distinguished views. One is the cognitive process of managers (Prahalad & Bettis, 1986; Kuratko et al., 2011), “A dominant general management logic is defined as the way in which managers conceptualize the business and make critical resource allocation decisions - be it in technologies, product development, distribution, advertising, or in human resource management “(Prahalad & Bettis, 1986:490) to achieve strong economic results. “These tasks are performed by managing the infrastructure of administrative tools like choice of key individuals, processes of planning, budgeting, control, compensation, career management and organization structure” (Prahalad & Bettis, 1986:490). Therefore, we might conclude that there are namely two elements: conceptualization of business defining resource allocation and managing the infrastructure of administrative tools to achieve performance. One of the aspects of DL is directly related to how

managers perceive and conceptualize the business (Prahalad & Bettis, 1986), referred to as “schemas” or “pre-existing knowledge systems” (1986:489) Tikkanen et al. argue that cognition acts as a filter to “actors’ perceptions and beliefs concerning the function of the BM to certain organizational actions”(2005:792). Same authors talk about the cognitive aspects of a BM referring to “the systemic meaning structures or the belief system of a company. The belief system is seen as the driver of decision making and, subsequently, action.” (2005:790). Similarly Prahalad and Bettis (1986) stated that the schemas permit managers to “categorize an event, assess its consequences, and consider appropriate actions (including doing nothing),” (1986:489). Thus, the cognitive aspects of DL manifest themselves mainly in the decision making process. Additionally, as Chesbrough suggests “the success of established BMs strongly influence the information that subsequently gets routed into or filtered out of corporate decision processes” (2010:358).

Administrative aspects refer to how managers use the set of administrative tools for governance such as “choice of key individuals, process planning, budgeting and control system, compensation, career management and organization structure” (Prahalad & Bettis, 1986:490). Abushaiba et al. argue that performance measurement systems might prove to be crucial when it comes to “strategy implementation by helping to translate firm’s strategy into desired behaviors and results, communicate expectations, monitor progress, provide feedback, and motivate employees” (2012:188). Kuratko et al. (2011) refer to control systems stating that they provide “structure to tasks and operations within the enterprise” (2011:297). Similarly to Prahalad and Bettis (1986), in the domain of control systems Kuratko et al. (2011) place as well budgets, job descriptions, reporting, sales quotas and activity reports, objectives, internal communication governance, etc. In relation to managerial DL it is sensible to mention the concepts of ambiguity and uncertainty. Uncertainty is defined as “a situation in which the relevant decision variables are known, but the organization does not know the exact values these variables should take.” (Andries & Debackere, 2006:99). Ambiguity, on the other hand, supposes there is “inability to recognize and articulate variables and their functional relationships” (Schrader et al., 1993; Andries & Debackere, 2006:99). As Cavalcante et al. (2011) suggests BM revision brings a high degree of both. Furthermore McGrath (2010) points at uncertainty as one of the main reasons for adopting a discovery-driven approach in BM evolution initiatives (McGrath, 2010). Schemas help managers to make their way through the huge amount of information and uncertainty, thus avoid becoming paralyzed by the need to analyze 'scientifically' an enormous number of ambiguous and uncertain situations. In other

words: “managers must be able to scan environments selectively so that timely decisions can be made” (Hambrick, 1982; Prahalad & Bettis, 1986:489). In the same line of thinking Chesbrough (2010) argues that with the help of DL firms assess “what information are important, and it will seek information that fits with this logic and eschew that which conflicts with it” (2010:358).

There is as well another perspective on the DL which includes the concepts of Service Dominant Logic (SDL) and Product Dominant Logic (PDL) (Vargo & Lausch, 2008; Purvis & Purvis, 2012). Recent view on DL by Prahalad (2004) suggests that PDL could create blinders to environmental changes and limits arising opportunities (Prahalad, 2004:178). To understand how this reflects on the BM construct we draw from the findings of Doz and Kosonen, who describe how the company KONE, by reaching the right level of abstraction of the BM managed to switch from “product perceived as mature and uninteresting to a customer-oriented functional definition has been a breakthrough for the old traditional elevator company” (2010:375). The leadership reluctance to change a BM derives from the fact that the individual arose to the position operating under the traditional existing BM (Chesbrough, 2010:358, 361). Furthermore as DL is related to an established cognitive rigidity, fear of negative consequences on the existing BM is apparent amongst managers (Chesbrough, 2010; Sosna et al., 2010:397).

#### **2.4.4. Leadership and Strategy**

There seems to be a consensus in existing literature that leadership has an important role when it comes to corporate entrepreneurship and transformation (Kuratko et al., 2011; Ling et al., 2008; Doz & Kosonen, 2010). Going back to the example of KONE where switching from PDL to SDL brought company success (Doz & Kosonen, 2010), it is important to notice the role of the leader for enabling BM change. They contend that “without a top management team’s willingness to consider BM redefinition, and more importantly, able to achieve collective commitment to taking the risks necessary to venture into new BMs and (more difficult) to abandon old ones.” the awareness of the need for change is useless (2010: 376). Further referring to that, McGrath (2010) says that main challenge in front of leaders is to recognize the obsolescence of their BM and “then to mobilize their resources to address the concerns” (McGrath, 2010:256). Kuratko et al. (2011) places in the domain of strategic leadership some of the main issues related to BM change, such as questioning the DL, revisiting the simple questions like “What business are we in?”, linking entrepreneurship

and strategy, etc. (2011:327). Having in mind the potentially indispensable role of the leader for successfully implementing a BM change initiative, we look upon 2 main perspectives. On one hand, Ling, et al. (2008) discusses the relationship between the role of the CEO and the willingness of the top MT (TMT) to engage in long term initiatives of corporate entrepreneurship. On the other, it is relevant to consider the proposed by Doz and Kosonen (2010) framework for achieving strategic agility. Ling et al. identify several propositions that are highly important for the role of the transformational leader as opposed to the role of the transactional one. The authors refer to the transformational leader as “givers” and “definers” of adaptive organizational culture, inducing organizational members to engage and respond to environmental changes (2008:557). It is further suggested that CEOs have the power to shape the characteristics of their TMT members and thus, their way of driving a company forward (behavioral integration or the willingness to collaborate, decentralization of responsibilities, risk-taking propensity and long-term compensation.). Doz and Kosonen, on the other hand, talk about the role of the leader in creating the strategic agility of a company and, thus, its possibility to adapt and change in the process or renewing its BM. The authors define “strategic agility as the ‘thoughtful and purposive interplay’ on the part of top management between three ‘meta-capabilities’” (Doz & Kosonen, 2010:372) being those strategic sensitivity, leadership unity and assuring resource fluidity. The three concepts namely embody the ability of the company to sense ongoing strategic developments, achieve unity amongst the management team (MT) upon the agenda and reallocate resources fast enough to respond to the environmental changes.

It makes sense to include here that the top leadership function in terms of building behavioral integration (Ling et al., 2008) and leadership unity (Doz & Kosonen, 2010) might be considered in terms of the enabling leadership described by Uhl-Bien et al., exhibited in “(1) fostering interaction, (2) fostering interdependency, and (3) injecting adaptive tension to help motivate and coordinate the interactive dynamic.” (2007:309). Regarding leadership, it is imminent to consider, apart from the mediation role of the CEO engaged in enabling leadership, the importance of setting a compelling vision or strategic intent (Pralhad, 1989) to drive change initiatives forward. Ling et al. talk about the need for “visioning mechanism that helps followers see how their actions can subsequently influence future firm performance” (Ling et al., 2008:562; Cogliser & Brigham, 2004). When referring to building the ambidextrous organization (which by all means might include manage old and new BM for same time (Sosna et al., 2010; McGrath, 2010), O’Reiley and Tushman state that

in order for implementation to be successful visionary leaders and strategy are especially important, as well as ensuring that the proper organizational alignments and structures are in place to enable appropriate assets assembly, resource allocation decisions and timing. They contend that this involves “developing a consensus among the senior team about the strategic intent, avoiding the decision traps that path dependencies and mindsets bring, and aligning the BM and strategy. (O’Reilly & Tushman, 2008:191). Furthermore in the strategic entrepreneurship literature (ex. Ireland et al., 2001; Hitt et al., 2011) the role of the leader is stressed, even described as “a human dynamo who through sheer force of personality and brilliance of vision can transform any company” (Ireland et al., 2001:50). O’Reilly and Tushman put it as” overarching vision and values permits employees from the legacy and new business to forge a common identity, even as they pursue different business strategies” (2008:197). Same idea imply Sosna et al., (2010) by stating that the owner- manager’s cognition and sense making, along with his/her ability to communicate and engage people is what drive BM changes.

In summary, as Tikkanen et al. put it “the function of the strategy is to give meaning and direction to the development of the company’s BM” (2005:793), meanwhile the “strategic intent involves long-term organizational commitment to ambitious business objectives, creating a shared mindset and a sense of direction for the company” (2005:793).

#### **2.4.5. Exploitation and exploration**

Driven by the discussion about BM change, its inhibitors and the complexities that companies encounter in managing old and new stream, it makes sense to introduce the concepts of exploration and exploitation.

There has been debate in literature regarding the definition of exploration and exploitation in terms of learning. Gupta et al. suggest differentiation “between exploration and exploitation by focusing on the type or amount of learning rather than on the presence or absence of learning.” (2006:1). Exploration activities relate to opportunity seeking behavior, putting imperative to engage in active learning, meanwhile exploitation activities put emphasis on advantage seeking where focus is on achieving efficiency (Ireland & Webb, 2007). According to Ireland and Webb exploration bears some uncertainty which might not be appealing to stakeholders and employees who are not used to

novel routines and prefer to stick to the established way of doing things, thus employees tend to prefer the “known to the unknown” (2007:51). Kuratko et al. confirm that by saying that there is a “natural tendency for people to resist change” (2011:353). Exploration “success depends on the firm’s ability to acquire new, diverse knowledge and subsequently integrate it with existing knowledge” (Ireland & Webb, 2007:53). On the other hand, exploitation behavior aims at achieving efficiency and seeks for advantage of what is already given in a firm (Ireland & Webb 2007; O’Reily & Tushman, 2008).

There seems to be a consensus that integrating exploration and exploitation activities is crucial for the survival of the firm (O’Reiley & Tushman, 2008; Kuratko et al., 2011; Ireland & Webb, 2007 etc.). Based on previous research on the topic, O’Reiley and Tushman (2008) argue that exploration and exploitation activities might be sequential or joint in the process of managing ambidextrously.

Certainly when referring to exploration and exploitation, companies should bear in mind the differing requirements in terms of structural and cultural characteristics of a firm to maintain both behaviors. There are three main aspects to consider on that account: to what extent procedures will be standardized, degree of formalization of processes and structural mechanisms (or degree of centralization of authority over the use of organizational resources) (Ireland & Webb, 2007).

Both views require different organizational approaches where “organizational structures characterized by decentralized authority, semi-standardized procedures, and semi-formalized processes support exploration” (Ireland & Webb, 2007:54), meanwhile exploitation needs mechanisms which permit focus on “core set of knowledge and capabilities” (Ireland & Webb, 2007: 56), higher degree of formalization and standardization and more centralized structure.

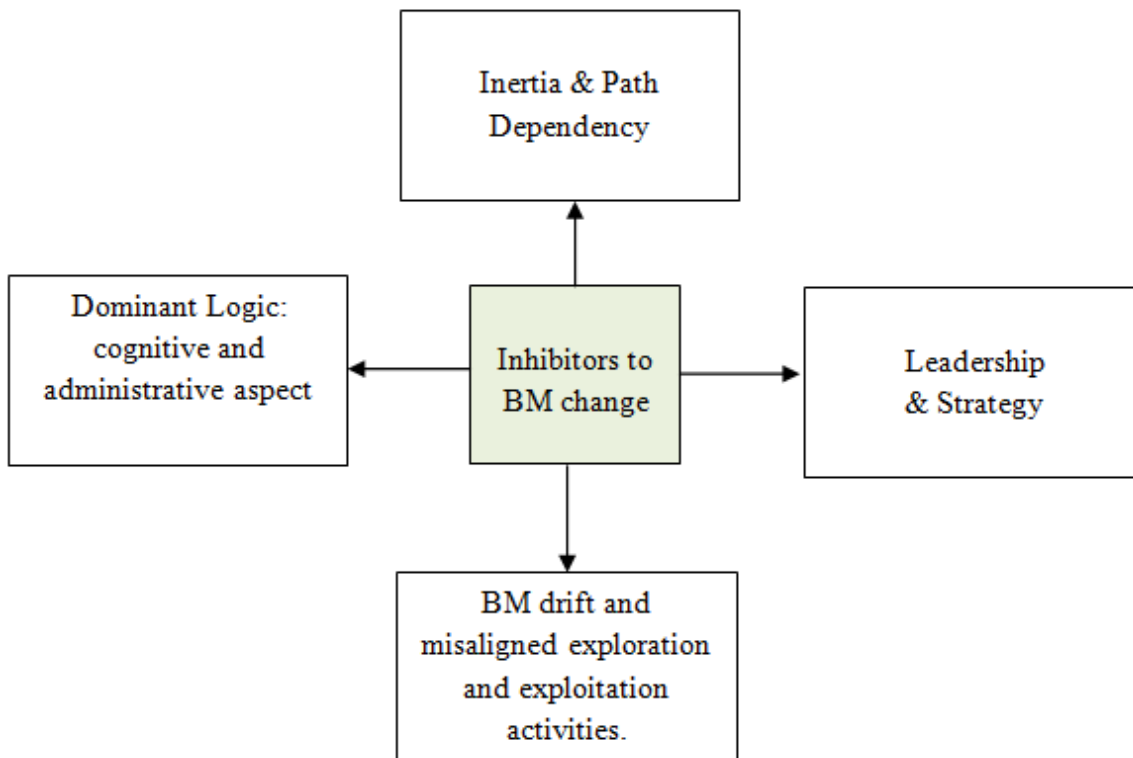
Authors suggest that “exploitation tends to drive out exploration” (Ireland & Webb, 2007:51), where companies adjust structures between organic and mechanistic (Ireland & Webb, 2007; O’Reiley & Tushman, 2008) to fit the requirements of different exploration and exploitation activities.

This perspective is consistent with the concept of “cycling” that Kuratko et al. (2011) present on the benefits and risks companies run when switching between entrepreneurial management and organic structure, supporting exploration, to conservative management and mechanistic structure to exploit efficiencies (2011:200). Exploitation and exploration activities relate directly to BM change in



terms of adopting the discovery driven approach McGrath (2010) suggests, as well as manage, suggested by Sosna et al. (2010), trial and error BM change. Furthermore Chesbrough (2010) sees barriers to BM change in the managers' commitment to the ongoing work and the current performance of the firm.

Much has been noted by the former mentioned authors as to what challenges the change of BM, but a consistent framework seems to be absent. Based on the literature review, we identify the following topics presented in a model, which might prove being an inhibitor to BM change realization.



**Figure 2.**The model depicts the starting point for the current research based on literature review

## Chapter 3 – Method

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### 3.1. Overall research design and process

Current research employs qualitative methodology, namely a longitudinal case study to answer the addressed questions by understanding the dynamics of a single setting (Eisenhardt, 1989:534). In particular it aims at exploring interrelatedness of different concepts, identified throughout the literature review, gain insights about the consequences they bring and potentially identify new emerging themes that exhibit themselves as inhibitors to BM change realization. Translating highly abstract concepts into practice is as well considered being a contribution. Thus, theoretical knowledge aimed for has middle-range character (Bryman & Bell, 2011:9) and combines existing theory (deduction) with inductive approach in identifying the forces acting against BM change realization.

The overall design adopted hereby is similar to Burgelman (1983) where within case study was combined with cross-case analysis. Hereby longitudinal case study of ASL bank is combined with 3 unsuccessful projects for BM change realization, analyzed, and compared for cross-case patterns to secure validity. The framework of the research followed the suggested by Eisenhard (1989) on building theory out of case study. Multiple data collection methods were used to triangulate the evidence and iteration between data collection and data analysis was performed to make adjustments to collection method on rolling bases, assessing the underlying relationships between constructs. Emerging assumptions were validated by the independent, but complementary and often convergent observations of the 2 researchers, thus distilling main themes, later tested in interviews.

As suggested by Eisenhardt (1989) from the existing literature, were identified potentially important constructs, further developed in Chapter 2. Literature was used to systematize data where considered appropriate.

For 7 months (4 days per week on average) the authors<sup>3</sup> did an internship in the company in question, engaging in participatory observation while doing a company specific business development project on BM change. This provided the unique opportunity to witness reactions, reflections and spontaneous discussions amongst MT representatives. In addition to that, interviews were conducted with employees of the company in question which gave different perspectives on the challenges in focus.

Melting with the working environment, while still being outsiders provided unbiased by official position data and insights that complemented very well the main data gathering stream. Ethnographic insights were gained, while avoiding the “Hawthorne effect” of modified behavior (Bryman & Bell, 2011:50). After the second or third conversation with interviewees, they became willing to share varying emotions, beliefs and often dissatisfaction.

### **3.2. Data Collection**

Throughout the research, data collection comprised multiple sources. Forty unstructured and semi-structured interviews were conducted in a 7 month period with employees and the MT<sup>4</sup>. Workshops and joint meetings on current BM and future alternatives with MT and long-term employees were conducted and provided observational insights during the discussions amongst participants. Throughout the workshops main themes seen as BM inhibitors were discussed. Furthermore historical archives, company annual reports and field observation notes were used and several informal conversations were conducted.

First round of interviews with MT members<sup>5</sup> (CM, Head of OB and Investment group member) and long-term employees was aimed at discovering the evolution of the BM through time. Interviewees were asked to draw a timeline of the major events that caused changes in the BM of both business areas from the very inception. Together with the MT, 4 distinct time periods with similar logic that implied ongoing BM evolution were identified. Data was coupled with company documents and archives. As memory is involved, to make sure that participants first open up

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<sup>3</sup> Here the use of “the authors” is referred to the researchers of this thesis.

<sup>4</sup>Through interviews one interviewer was adopting the outside observer role and the other was asking the questions

<sup>5</sup> MMT

towards past events and get the time to get back to old documentations, a draft of the model was sent to them for validation. Each participant had different perspectives on events depending on the positions occupied in time however that permitted to get the full picture.

After data was sorted through the transaction based model of Amit and Zott (2001), it was sent to participants to elaborate on circumstances around different periods.

Apart from the within case analysis, to cement findings a cross-case strategy has been adopted (Eisenhardt, 1989). Throughout the last years 3 major themes have been considered on an ongoing basis where proactive managerial behavior was needed to promote BM change: integration of e-commerce solution, introduction of salary account and an adoption of a new mobile digital channel. Those were adopted as units of analysis due to their relevancy and diversity, which, according to Eisenhardt (1989) leads to more “sophisticated understanding” of findings (1989:541). Two of the initiatives come from the two business units and the third one was aimed at building a two-sided network- like BM.

In a second complementary set of interviews, interviewees were asked to elaborate on what inhibited those projects to get the three projects realized, fully or at all, and what challenged their development path. Although the problems that those projects faced had been previously discussed in order to achieve data saturation, semi-structured questionnaires were used:

1. Who initiated the project? Under what circumstances?
2. How was the project evaluated? Any specific considerations during the discussions?
3. What were the challenges it encountered throughout the way?
4. Could you elaborate on why it didn't work out as planned (or at all)?

Additional questions were asked where clarification was needed. Participants in that second set were CM, Head of NR, Head of OB and HPM.

A table of all interviewees, unstructured and semi-structured is presented below. All interviews were recorded and subsequently important parts of them transcribed.

<u>Distribution of Interviewees by job title</u>	<u>Number:</u>
NR related:	9
Business Development Manager	1
Head of Network of Retailers	4
KAM 1	2
KAM 2	1
Sales Coach	1
OB related:	9
Head of OB	4
Business Development Manager	1
Investment Group Manager	3
Team Leader (Credit Card)	1
Operations:	5
CM	4
HR Manager	1
Product & Project Management:	8
HPM	2
Project Manager (Loans)	2
Project Manager (Savings)	2
Project Manager.1	1
Project Manager.2	1
Marketing:	7
Head of CRM	2
Head of Marketing	2
Co. Journalist	1
Marketing Project Manager	2

IT & Media: Mobile Expert	2
<u>Total</u>	40

### 3.2.1. Operationalization of data

For data operationalization of the within case study the transaction based model of Amit and Zott was employed, where “A BM depicts the contents, structure and governance of transactions designed as to create value through the exploitation of business opportunities” (Amit & Zott 2001:511).

It is believed to be an appropriate framework due to several reasons, directly related to the case study in focus. On one hand, the proposed framework is suited mainly for BMs operating in virtual markets, which as suggested by the authors, are a different environment for businesses. Using the transaction based model Amit and Zott is believed to be appropriate, as they focus on the sources of value creation in e-business and look at the systemic effect of a BM change. The case study in question is itself conducts its activities mainly as an e-business<sup>6</sup> as distribution channels are exclusively digital or mediated through a Network of Retailers (NR). This, however, drives us to the next rationale, which is the boundary spanning role of the BM, valid in this case in terms of the NR.

Furthermore, the focus in the banking and finance business is mainly on services and transactions and value is being created mainly by the actual exchange of the “good”, ergo, financial resources.

It is believed that using a framework suited for e-businesses as such and translating it in banking would bring more value due to the ongoing convergence between banking and IT industry where banks are focusing more and more on digital channels and the importance of branches is decreasing.

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<sup>6</sup> BM outline of ASL bank is provided in Chapter 4

The focus was placed on 4 main salient periods of BM evolution:

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**1989-1994** - Creation of the NR

**1995-2005** - Exploration: extension of the offer and business growth

**2006-2008** - Profitability focus

**2009-2013** - Exploitation and revision attempts

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Based on the obtained data and using existing literature on challenges of organizational change (Cavalcante et al., 2011; Prahalad & Bettis, 1986; Kuratko et al., 2011; Chesbrough, 2010) various qualified guesses were formed as potential inhibitors: dominant logic, inertia and path dependency, leadership and strategy, misaligned exploration and exploitation activities cycle.

To explore concrete implications for BM change as mentioned three projects were selected. BM extension is defined as “adding activities and/or expanding existing core processes to an existing BM” (Cavalcante et al 2011:1332). The e-commerce initiative closely relates to that definition as it would mean for ASL bank an extension of services for the partner of networks in a modular and scalable way as customized solution already exists. The initiative MeMobile aimed to be a revision by creating a two-sided network, thus revision, ended up as an unsuccessful extension, adding a mobile channel to reach customers. BM revision “implies intervening in existing process/es which in turn implies following a different direction and/or exploring alternative ways of doing business.” (Cavalcante et al. 2011:1333.). The third project we selected falls under that category – the adoption of a CA<sup>7</sup>. Such change implies for ASL bank a different position on the market, requires change in resources, activities, infrastructure, communication with customers

### **3.3. Method for data analysis**

The method for data analysis includes namely 2 steps, an iterative process of within case study (combining inductive and deductive approaches), combined with a cross case analysis.

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<sup>7</sup> Transaction, salary account

During the within case analysis extensive field work, cognitive maps, graphs, mappings of the BM and of the emerging problems that interviewees were pointing at were used, where the aim was to understand underlying relationships between emerging topics. The within case analysis was highly iterative and provided insights of the complexity of the context where the three projects were unfolded.

The cross case strategy aimed at exploring the inhibitors for BM change through different unsuccessful attempts. Eisenhardt's (1989:540) approach was adopted where relevant data was sorted through emergent inhibitors and compared on similarities and differences along cases, looking for company-wise patterns, case-specific implications and internal relations. Literature was used for explaining and backing up the different inhibitors that arose.

Theoretical sampling (Bryman & Bell, 2011) was used to make sure research covers different perspectives of emerging themes. At the same time repetitive topics permitted the authors to reach satisfactory levels of theoretical saturation of the concepts for which additional conversations were conducted.

When transcribing and using interview citations, it has been made sure that integrity of the phrases has been transcribed and where necessary clarifying words have been added, so as not to lose the meaning of what is being said. For clarity, a transcript of the most notable interview quotes are attached as appendix 2, 3 and 4.

### **3.4. Reflections on method choices**

Although it is claimed that reliability and validity of qualitative research are biased, it is believed that the limitations are acceptable as a tradeoff to explore dynamics or interrelated concepts and bring theory and practice together in a middle-range theory. It is supported that "it is the intimate connection with empirical reality that permits the development of a testable, relevant and valid theory" (Eisenhardt, 1989:532). It has been taken into account that due to idiosyncratic nature of a case study generalizability is limited. High generalizability was traded off for more practical insights on the topic in the literature for BM change inhibitors. However, following the prescription of Eisenhardt's existing academic literature was used to compare with.



External reliability is aimed by explaining in detail the researchers' role in the company as well as describing the method of data gathering and data collection and its implications from our perspective. Internal validity was aimed for by assuring inter-observer consistency (Bryman & Bell, 2011:159) throughout all of the interviews and data gathering events where impressions of both observers were gathered on a daily basis and written down.

## Chapter 4 – Presentation of data

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### **4.1. Current BM of ALS Bank**

The current BM of ALS bank depicts multiple BMs with partial integration throughout the value chain (Osterwalder, 2010), as it consists of two independent business units with different BMs. NR area offers to big retailers loyalty services and financial products for their end customer. The partnership is formed on a fully customized ground, where services are designed on the retailer's demand and revenue models are individual. This also implicates that their overall approach for ALS is back-end mannered.

The other business unit – OB – operates with a “no frills” BM, which permits it to streamline the application process to the end customer and offer plain and simple products (being savings account and unsecured lending). Furthermore automated individual pricing, aims at extracting more value of each purchase. OB conducts its communication and offerings of their products and services via the web channel and thereby achieves low cost operations and minimization of administrative intensity.

ALS bank operates in 3 countries, but is characterized by strong local decision making power. In search for coherence around 2010 a centralization process started where a central board of directors was established and IT resources were gathered in a separate central organization. Countries still remained almost fully independent and worked with IT on an internal market place basis.

ALS's management is being increasingly challenged by an unprecedented abundance of emerging market actors (Williamson, 2010). These alternative actors pressurize pricing and cost structures to an extent where even the most entrenched organization's sense of urgency is becoming apparent.

Based on Amit & Zott's (2001) transaction based perspective on BM, ASL Bank's evolutionary changes in the BM is structurally mapped according to the design elements of the transaction (Amit & Zott, 2001). The mapping examines a wave of both increase and reduction in the activities as well as demonstrating a growth expansion (see appendix 1).

### **1990-1997- Creation of NR**

ALS bank started with highly customized and a fully serviced functionality for the retailers. This resulted not only in a complex BM later in history but also an administrative intensive activity. However offering such a setting to their partners, it gave ALS bank a unique position against alternative actors on the market. Partners were big retailers with central governance. Apart from customer support the end customers of retailers, ALS Bank provided KAM's at the retailer's disposal, for any administrative or conflicting situation on a day-to-day basis. ALS positioned itself on the market as a niche player.

### **1998-2005 – Exploration: extension and business growth**

ALS Finance observed a potential gap in the market, and embarked on the opportunity to fill in the void of customers demand and thus acquired a banking license, thus creating the OB Unit. Later in those years, the occurrence of the web based BM of ALS Bank meant that the organization was being driven towards a new setting of interaction with the customers; cost reduced pricing structure and new path for wealth creation. Due to the internet bank, the flexibility gave the consumers the opportunity to have at least one more bank. The OB expanded its offer significantly through this period, where apart from savings and lending it expanded and started offering funds, mortgages and online bill payments.

NR, on the other hand, saw a massive growth expansion from acquiring new partners/retailers with strong brands. ALS NR adopted a back-end supplier relationship with its partners where it offered

white labeled loyalty cards and other solutions, directly integrated between ALS and the partner IT systems. For both business areas, the focus was increasingly being instilled towards high revenue growth whilst maintaining strict focus on bottom-line. NR aimed at achieving economies of scale by acquiring more and more partners.

### **2006-2010 – Exploitation: profitability focus**

A bit prior to 2006 a consolidation process started where big part of the endeavors were terminated and focus was placed strictly on highly profitable products. ASL OB started leaving out one by one the propositions from its previous offer, ending up in 2009 only with savings account, unsecured lending and an outsourced mortgage. During this time the OB made its first attempt for major BM change, presenting to the board of directors the option of adopting CA<sup>8</sup> which was turned down.

At the same time NR saw reduction of its partnerships where the less profitable ones were renegotiated or terminated. However the shift went over to optimizing and enhancing the performance of their credit card system, which also resulted in additional clean ups of their offers. The BM setting of ALS Bank saw a reduced offering and strong focus on per product profitability. The initiation of new product line NewCar was another of one of their exploration attempts into another market.

### **2011-2013 – Exploitation and revision attempts**

After 2009 the organization had central board of directors and was in group with the other countries where it operates. With the alternative actors on the market adapting to changes in both consumers and channels for new wealth creation, ALS Bank saw a need to look into the future and redefine their position on the market. The initiation of the project MeMobile was set off and meant that ALS had a new channel to reach out to their customers. The mobile application was foreseen as a first step towards being able to offer the bank's clients the possibility of making direct payments from their mobile phones in the retailers' stores, thus creating a two-sided network market. It also paved

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<sup>8</sup> Transactions or salary account

the way for an opportunity for the brand to become more ubiquitous and aimed at bringing both areas together to bring superior value to the end customer.

During the same period the CRM system UniCRM was acquired, and was an offset to better customer interaction and additional activity to the existing BM for both areas.

### **2013- Present times and the road ahead**

From the ease of the financial crisis, the organization foresaw the introduction of innovative solutions. Further initiatives towards BM extension and revision were initiated, e.g. a possible transactions account and several initiatives on e-commerce, not without meeting challenges. The analysis of the 3 cases in Chapter 5 aims at exploring those effects.

## **4.2. Case Selection**

To examine some of the main themes that influence the unsuccessful realization of intended BM change three cases were considered. One of the initiatives has been partly deployed before and was sought to expand in a scalable solution (e-commerce solution), the other (MeMobile) went half way developed when its concept was redefined and faded away in the daily business and the third (CA) has been up for discussion and investment investigation for 2 times, but never got through. The three cases are believed to cover the spectrum of challenges ALS bank encountered throughout time in the company's effort to introduce BM changes. They exhibit wide coverage as one was initiative in the retail distribution business unit (NR), the second one in the online distribution business unit (OB) and the third one was embarked on with the ambition to build bridges between those two.

### **4.2.1. Case 1- E-commerce solution**

At the request of the existing partner retailers ALS bank tried to introduce an **e-commerce solution**. The solution was already existing for part of the network, but with highly customized IT integration, for which it was not deployable to other retailers than the ones that already had it.

*“...and the foundation was, how it was set up in the beginning, it was not scalable, because the partners were unique...” (Head of NR)*

As market expanded and the demand for such solutions rose drastically and members of the current network were increasingly getting interested in it, ALS sought for ways to gain market share in this business, where competitors were getting more active with fast and flexible solutions.

*“...other competitors could implement within a month, because once you have the IT set you are all set to-go..”(Head of NR).*

For that, on the request of existing partners, the manager for the business unit promoted the idea and one year later the C1 MT finally agreed upon investing in a newly built and easily deployable modular solution, as the prospects of return looked very promising. During that time, however, due to the slow pace, the company lost one of its biggest retail clients interested in the solution.

A high priority was given to the project. Due to its importance for the extension of the current business and the good business case, a suggestion was made that the project should perhaps be considered on a central level as it was important for the businesses in other countries where ALS bank operated as well. The company already had problems with customized IT integration work and the ad hoc settings amongst countries where it operated and amongst the big retailers, which were its clients and channel to reach the end customer, thus it was sent for consideration on a central level:

*“It was quite a huge project... with lot of missing experience, we don't have that kind of competence, personalities and resources that you need to have, then it was central again... Maybe we will lose a bit of time, but at least they take the responsibility.” (HPM).*

Later the central level board decided that the project was not a priority for other countries and bounced it back to the local level (ALS C1), thus the project has been going back and forth between the local and the central level for almost two years.

In the meantime two employees on a local level were working almost full time with it, without being able to bring it too far. Due to the intense coordination efforts between local and central level, the lack of decisiveness to act on it on a local level and the desperate attempts to fit it in the local budget, the initiative lost momentum and was postponed for at least one more year.

*“Why can’t we start with the question: What will it take us to be No. one in e-commerce instead of spending one year in figuring out how to handle it within the budget. We are spending more time to see how to fit it in the budget rather than how to be No 1.” (Head of NR)*

Moreover it seemed that there is disagreement between MT members on whether it should be built in-house or outsourced. All interviewees stressed several main challenges in terms of performing on the e-commerce project (that would comprise a BM extension). Amongst those the most prominent were the challenge of the IT structure and resources, the budget problems, the initiative ownership and decisiveness to act on it.

Currently the project has been set under a halt and is being re-assessed, by the MT.

*“We have the web invoice and e-commerce, it has been a project for one and a half year now we got to the conclusion where we say, oh this is too big for us! Do we have what it takes to do so, in terms of competence, willingness, do we know what we want?” (KAM)*

#### **4.2.3. Case 2 Current account initiative**

Throughout the last 7 years ASL bank MT has twice brought on the table the initiative to adopt a CA, the company has since then engaged in building two business cases. The first time unsuccessfully and the other one is being considered at the time of writing this thesis. The CA adoption is hereby defined as a bigger initiative including BM revision as it would require that ALS take a completely new position on the market and major changes in existing resource base, activities, technological infrastructure, communication with customers, etc. Moreover, it requires a huge investment.

The first time that the initiative was launched was in 2008 when ALS was in the end of its offer expansion cycle and was the way to matching the offering of its big bank competitors. By almost serendipity ALS bank started to offer all kind of standard banking products, without the CA. There was a suggestion to the board then on behalf of the MT for building a full-scale banking organization that was turned down.

*“The board said no (to current acct), nice work guys, but no ...now it’s product –centric again, every product should be profitable...that is why we terminated the funds.”(CM)*

The second time the initiative was launched was in 2012 when an investigation on the potential costs has started. It is still ongoing, however it is believed that due to the new group CEO, who is highly customer-oriented, the newcomers in the C1 MT and the changes on the market in terms of raising competition, the moods have changed the chances of actually approving that such a major step is crucial.

It is important to note that the second time the initiative was launched was again by the MT, but now it was backed by the CEO and a new customer- oriented agenda:

*“It’s a lot of wording around customer centralization, but the overall picture is blurred. We see a new strategic intent again, that is not rooted in historical events and...we’ll see” (CM).*

It has been suggested that the management had its reserves towards the adoption of a CA. ALS OB has long been an OB offering exclusively savings accounts and lending products, without having any interaction with their customers. The “no frills” BM has long been securing good revenues and very low costs, but at the same time, driven ALS bank away from its customers. Furthermore, the management exhibited pride in the fact that their company is different:

*“I think we have always been a challenger to the big banks, I myself don’t want to be one of the other banks, we try to be something else” (CM).*

Part of the MT was struggling with figuring out why they need to adopt the CA as they didn’t see the return on it. Moreover they were cautious because the previous expansion cycle posed organizational problems in terms of structure. A CA in place requires an investment of a lot of time and resources to redesign all through the value chain the current way of doing business and reconsider the technological aspect of the existing banking infrastructure. This huge amount of work was keeping them back from admitting that changes on the market will require the bank to act sooner rather than later.

Another perception that turned out to be a problem was the conviction that customers would raise their expectations significantly which would put ALS in the position where they need to keep expanding their offering. The concern was that it will finally be forced to become a full-scale

ordinary bank, put pressure on expanding the existing competences significantly and enter businesses with low margins, thus complicating the business significantly and lower the profit.

There is as well another viewpoint being that the management didn't really see the need for engaging in such change as the current business was doing very well in terms of profitability although everybody had the sense that perhaps it will not be long until the BM gets exhausted:

*“As long as we've been growing in volumes and been able to keep good profitability on that there is no actual need of getting in business with lower margins” (Member of Investment group).*

However, the MT was aware of the ongoing change on the market and the need to reconsider the offering due to the raising competition and customer demands pressure, on one hand and the raising regulatory impact, on the other.

After the financial crisis, completely new ways of doing business were introduced on the market, bundling offerings around specific customer segments needs and investing heavily in user experience technology to secure long-term relationship with the customers, locking part of the MT between the obvious need for change and the strong bottom line focus.

*“...sometimes you can't measure it, you just need to have a feel for it...” (Head of OB)*

Due to its long standing position at delivering plain and simple products on the OB side, ASL faced underdeveloped bank infrastructure and online platform that covered only the minimum requirements to maintain those products, measurement systems were designed exclusively to follow up product-based performance and sales. Working responsibilities were unclear sometimes and the organic structure might endanger proper handling of customers' everyday transactions and queries', there was as well lack of relevant competences in payments.

*“I think we need to have the structure in place for the CA; we need to do a lot of work in terms of follow up. Every P&L and report we have is product-based, there is no one to measure for example cross sales. We have a problem in doing the business case. Maybe we need to be more long-term.” (Head of OB).*

Furthermore, the second time the initiative was launched MT was struggling with defining the value and purpose of such an investment:

*“We have a problem in doing the business case. Maybe we need to be more long-term” (CM).*



### 4.2.3. Case 3 – MeMobile

The third case for the analysis is MeMobile. This is an initiative that ASL bank embarked on initially with the intent to build a bridge between the two business areas. If it would have to fruition it would have meant at least the beginning of BM revision for ASL because through MeMobile the bank tried to exploit new channels and practically form internal two-sided network between its two business areas.

The initiative was based on an arbitrary decision of the then CM who wanted to experiment with the emerging mobile trend on the market and try to exploit the potential of synergies between the business areas. Interviewees defined this initiative as “weird”, but “at least looking in the future” as it had no business case and no defined BM behind it. The then CM “sold” the initiative to the central level and achieved resources to start the development of the mobile platform, where end-customers and retailers could meet, ASL being the mediator. The project was thought as a bridge because after the initial launch it was expected to embed apart from the loyalty credit cards of customers, a mobile payments processor, thus forming an internal market place, mediated by ASL.

After the start of the project it was assigned a very experienced project leader, although there were no set milestones and shared understanding on when the product needs to start to deliver results on the business side, neither on how it should be measured, which proved to be an inhibitor for the CA adoption.

MeMobile faced even more serious problems in terms of not being in any way aligned with the ongoing business, although the concept itself is not irrelevant. The only mobile expert hired after the MeMobile was developed puts it like this:

*“I think it was driven hard by the CM, a project manager and a mobile expert, it was run as a separate project and was pretty much isolated to them and it’s not really built in to the general offer of ALS” (Mobile expert).*

The initiative was a huge step towards changing the organization, but it found no acceptance on the business side and no one took responsibility or care of it:

*“The problem was when he hand it over to the business side” (HPM)*

One mobile expert has been hired since then to try to bring it ahead, however the initiative is facing some compliance issues and is not accepted by the NR as it didn't deliver as expected in the emergence of payment solutions.

Later with another interviewee it was mentioned in line with that:

*“...the problem was that it didn't fit in the daily business, no plan for follow up, it was quite long and most expensive ever.” (HPM)*

Furthermore there was not an initial plan on how to capitalize on it, developments didn't go too far because there was no infrastructure to handle services (as MeMobile is) and because there was not an articulated revenue model and selling proposition.

The project has currently been stopped for any further developments. Around 100,000 downloads has been of the mobile application, and it is claimed that there are 10,000 active users. There has been much discussion, whether or not the project should continue and be developed any further. On that account, amongst the employees there are differing views about what the future holds for this project.

## Chapter 5 – Analysis & Discussion

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### **5.1. Within case study analysis – roots of BM change inhibitors in the context of sequential exploration and exploitation orientation**

BM design is a challenging task. Depending on the degree of change it often has implications throughout the entire chain of activities of the company and the individuals involved in them. It requires systemic and holistic thinking (Amit & Zott, 2011). A good BM design, however does not guarantee successful implementation. Casadesus-Masanell and Ricart (2010) states, that a BM represents a realized strategy, thus “effective implementation of an average strategy beats mediocre implementation of a great strategy every time” (Pryor et al., 2007:4).

BM change inhibitors seem to be often deeply rooted in the organizational memory and behavior. McGrath (2010) suggests that business models tend to be highly path dependent. “Institutions are “carriers of history” (David, 1994), and history cannot be intermittent; it does not matter only occasionally—it always matters” (Sydow et al., 2009:633). Similarly when referring to managements’ DL and the “schemas” that define managements’ decisions Prahalad et al. underline that those are systems that represent beliefs, theories and propositions that have developed over time based on managements’ personal experiences” (Prahalad et al., 1986:489).

In order to understand the essence of the business model change inhibitors and explore the path dependent situations, it is appropriate to start the discussion by examining the development of ALS banks’ BM over time.

Throughout time ASL has been engaged mainly in exploration activity, where different market opportunities were jumped and capitalized on rapidly driving the company fast forward. Around 2006 a profit orientation was declared and business logic started switching to exploitation style, not without internal challenges.

Drawing upon the sequential view on ambidexterity (or punctuated equilibrium - Gupta et al., 2006; March, 1991) it is suggested that companies “adjust their structures by the phase of the innovation process: organic structures are employed to explore followed by mechanistic structures to exploit” (Tushman & O’Reily, 2008:193). However this view stands that the feasibility of the switching between exploration and exploitation activities is contingent upon the rate of change on the markets and the ability of the firm to achieve structural and organizational alignment. This kind of organizational change is referred in mentioned literature as a conscious company activity. The case study in question however shows that companies not always assess the risks of switching between opportunity-seeking and advantage-seeking behaviors and are not always aware of the additional alignments needed. Moreover, they often seem to be led in their decisions by changes in the bottom line and cost structure. According to Demil and Lecocq (2010) the structurally shifting cost and revenue formula might be considered as an early sign of unintended BM change, which is often left unconsidered by companies, leading to vicious cycles of the BM.

The first part of the current analysis aims at exploring how the organizational misalignment in transition periods created premises, which proved to be harmful in the long run and, in particular, to be undermining organizational ability to change its BM.

*“In our cycle of doing things, now it’s time to consolidate what we’ve done, to go down, to narrow, but I am pretty sure we will be off again and start deriving new things, new opportunities” (CM)*

Throughout the years ASL bank has been involved in cycles of change where the offering and activities in both business areas have expanded and contracted. The very creation of the OB as an additional business model to the NR spurred from detected market opportunity:

*“The creation of the OB...well...there was a regulation on banking. This triggered, aha, opportunity, new market! I think it was more like “ok, this is possible, let’s do it, this is market activity. We didn’t know what will it cost us, we just did it.”(Head of OB)*

Exploration and opportunity seeking behavior is clearly exhibited in the first 15 years of the company’s development where offer in both business areas significantly expanded, the network of retailer ships grew and the company maintained stable growth pace.

*“When we started the bank, the savings account, almost by coincidence started to build a full scale bank and the other thing is that this is costly, we just do it. That’s typical, an opportunity, interesting, let’s try it.” (CM)*

The continuous exploration phase at ALS bank was combined with organic structure and the dynamic seizure of multiple opportunities that the market presented. The OB started offering lending products, mortgages, mutual funds, online bill payments, insurances. During that time, the retailers’ network was significantly expanded and new services were added.

*“Ok, we have a platform, fixed cost and we have new business on it, good, and the unit cost will go down, but what was visible here was that we added more business, but the cost had followed, because we added more supporting functions and more people.” (CM)*

Through almost 12 years ASL bank managed to maintain remarkable financial results through active opportunity-based company activity, however March (1991) contends that explicit focus on strict exploratory behavior has pervasive impact on company’s competences: “Adaptive systems that engage in exploration to the exclusion of exploitation are likely to find that they suffer the costs of experimentation without gaining many of the benefits. They exhibit too many undeveloped new

ideas and too little distinctive competence” (March, 1991:71). Such effect has been noted on several occasions throughout the interviews held with the MT:

*“But this is the case, we are all generalists! I would say we are missing both banking and adequate IT skills.”(MMT)*

Opportunities in ASL bank have through time been assessed based on their short term contribution to the company’s profitability. As much as the opportunity seizing has the traits of exploitation activity, the missing elements in ASL were the learning imperative, the strategic intent and the aligned structure and measurement system. That seems not to be unusual, Kuratko et al. (2011) mention that few of the companies that have been engaged in entrepreneurial activity conducted any systematic analysis of completed or abandoned projects.

Referring to the learning process, March claims that “organizations store knowledge in their procedures, norms, rules, and forms” (1991:73) or through their employees. As already mentioned ASL bank kept organic<sup>9</sup> organizational structure for a long time throughout the exploration period:

*“We are not a good company at keeping structure<sup>10</sup>, we do things and then we go on” (CM)*

Lots of initiatives at ASL dived and were lost in the non-codified organizational memory. Throughout the growth of the company, this effect resulted in everyday production and development errors, which entangled the employees in problem solving activities. The lack of strategic intent is a problem ASL faced due to the scattered exploration activities it engaged in. On one hand it pushed the organization to have exclusively short term focus and reluctance to long term commitment on behalf of the management, on the other it contributed to ASL losing direction:

*“I think it’s been taking lots of energy out of the organization, it’s been jumping on and off.” (CM)*

However all of these disadvantages of the exploration phase did not become visible up until later in time. Throughout the first years the company was growing exponentially and the bottom line success didn’t show any signs of unsustainability, which expanded the managerial comfort zone.

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<sup>9</sup> Hereby “organic” as opposed to “mechanistic structure” is used in the sense suggested by Kuratko et al. 2011:198

<sup>10</sup> By “structure” the interviewee referred to documentation, processes and procedures.

*Yeah perhaps we didn't really realize it, that we need to take those trials and errors and make something solid out of it. (CM)*

Dynamic views on BM (Demil & Lecoque 2010; McGrath 2010; Ramon-Massanel & Casadeus, 2010) contend that the business model is a construct within the managerial span of action and its viability depends on creating virtuous continuum between decisions and consequences. Through this period there were a lot of decisions that proved to be crucial for the later efforts for BM change in both areas. For example the bank offered highly customized solutions to its NR, which initially brought huge success, but in the long run proved to turn into path dependent lock-in. Furthermore the impetus to bring more retailers override the intended strategy to develop strong front-end IT capabilities, which turned out to be crucial in the new competitive landscape for the OB, as well as for extending the services on the retailers' network side:

*“Back in time, we had an IT strategy, we said “well we will be good at the customer end IT and we tried to focus our resources there”, over the time we failed ...its where we always have problems to find resources, because we need to be quicker, more flexible... we are not sure what happened” (CM)*

The aimed economies of scale got biased by the raising maintenance costs and the system itself got overloaded. These were as well the first signs of changing business cost structure. ”Theoretically, changes in a firm's BM may lead to an increase or a decrease in its performance in terms of margin which may constitute signals about its sustainability” (Demil & Lecoque, 2010:236). On the other hand, later it turned out that namely the front end development was the condition to develop the OB business.

*“We took on about 3 to 4 new partners for each year, but a lot of those businesses were too small and then we did some consolidation and the board said: this is not good, this is not profitable enough, the bottom line is too small, the KPIs are not good enough, get rid of them, transform them, you are not going to have it that way” (CM).*

Demil and Lecoque further suggest that “drastic changes in a BM's revenue and/or cost structures are the consequences of radical BM changes” (2010:241) , attributing the radical BM changes as a result to the incremental changes caused by a BM “drift” where “from the multiple internal changes

generated by the BM's operation and managers'" (2010:241). However, the first signs of changing cost structure were addressed by reducing the company's NR, rather than rethinking the BM.

After 2006 organization-wide focus on profitability was proclaimed and up until 2008 the offer of the OB was reduced up to savings and lending products, meanwhile the NR was significantly reduced down to the most profitable ones. However, in 2006 the first proposition for adopting a CA by the MT in C1 was turned down due to the high costs and because it was perceived as pervasive to the concept of niche bank. The agenda for active cost reduction got reinforced through time and evolved into a major inhibitor.

In 2010 in search of efficiency a centralization process started where the most valuable resource pool - IT was moved to central level and was shared with several other countries. Short term focus, combined with aggressive exploration activities throughout almost 10 years of history left its mark on how ASL bank was being run, forming the short term decision-making logic of the MT:

*"We don't do business that will takes us forever to bring the money back in, that is the kind of company we are, that is what is controlling us. If you have a good business case, everything is possible." (CM)*

After the focus on profitability was adopted and offer was reduced due to improper alignment between company orientation and structures efficiency was mostly seen as cost reduction rather than opportunity to optimize the value creation chain, which showed its impact later on as an ongoing shortage of resources. Focused on maximizing profitability after the exploration phase ASL bank missed on the challenge to transform "one internally consistent strategy and organizational alignment (e.g., a focus on efficiency or exploitation) to another" (O'Reilly & Tushman,2008:193). The new mechanistic management and control systems where focus was strictly placed on profitability and cost reduction did not match the inherited organic structure of the organization and throughout time it got stuck in what has been called in literature unstructured unadventurous firms (Covin & Slevin, 1990; Kuratko et al., 2011). That situation got reinforced by the hit of the financial crisis, which put serious challenge in front of the banking sector as a whole and reinforced the strict control systems. The lean cost and undermined competencies favored ASL at that time, but put serious obstacles toward its future.

*“I think that all decisions and everything, the steering methods.....it has been so much controlled we have gone so much away from the market and the customer onto this internal affairs: controlling, monitoring and revenue and the financial crisis as well”.*(Head of OB)

The lack of enabling leadership (Uhl-Bien et al., 2007) made employees to adapt the activities through the value chain to satisfy the requirements of the highly fragmented and product or partnership based measurement system, thus creating serious structural inertia and core rigidities “making the firm rigid and overly committed to inappropriate skills and resources” (Schilling, 2010:124). Key employees throughout the value chain committed their efforts to delivering results on a product line and/or a partnership. This new “silo” structure further undermined the organizational knowledge, as well as the possibility to exploit synergies between business areas. This strictly product based measurement systems, focused at extracting value per unit had pervasive effect on the ability of the entire organization to embark on a joint BM change:

*“I think we decided to measure businesses separately and that has increased the walls between business units and between partnerships, sort of “that’s my P&L” thinking, silo not overall.”*(CM)

That component of managerial DL would later translate in the difficulties to rationalize the imperatives of environmental changes and would create the so called “blindness” for assessing the new logic of the entire industry (Prahalad, 2004). It later proved to be crucial for the BM change in ASL bank, as Carande and Anzevino suggest the future bank innovations would aim at aligning a viable business strategy for banks with “the features and functionality that customers are looking for, along with the price transparency required for customers to make educated decisions...” (2010:38), in which ASL could not deliver to the market. Such misalignments over time led to organizational dysfunction, which spur inefficiencies. According to Gupta et al. 2006 the difference between exploration and exploitation lies not in whether there is learning, but what is being learned. Interestingly, the earlier exploration agility of the employees translated in problem-solving orientation in the new exploitation agenda.

*“What we are good at? Putting out fires.....helping each other when there is a problem.”*(employee)<sup>11</sup>

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<sup>11</sup> It should be noted that this message was transmitted by the answers of both employees and local MT.



To sum up, the unsuccessful intent of ASL bank to switch between exploitation and exploration periods and the crucial missing elements through both phases (in the exploration phase: organizational learning, more long-term focus, non-financial measurements and development of new competences and compelling strategic intent; in the exploitation – focus on achieving real efficiency and putting the right structures and measurements in place) to a great extent defined the company's future ability to change the business model, even though managers were claimed to have decentralized decision making power.

As a result of the described “drift” of the business model, combined with high profitability and favorable environmental conditions over time, undermined the ability of ASL bank to address the challenges that the incremental BM changes posed to the intentional change initiatives over time. In the NR' side, the customized solutions caused technological problems, whereas competition was gaining speed with easily deployable modular solutions, on the other the OB was facing serious competition on the market and was limited in expanding its offer because of the costs for acquiring additional infrastructure and competences, uncertainty and managerial logic.

Those developments originated some of the major obstacles to future BM change initiatives, even after the MT recognized that they need to react. Those varied between lack of competences, fragmented working style (silos), path dependency, managerial DL in its three dimensions: cognitive perception of the business, administrative tool usage and overall industry view (PDL). Furthermore the short term bottom-line focus and problem solving, combined with uncertainty regarding the strategic intent of the company resulted in general a sense of lack of commitment to long-term goals.

## 5.2. Cross-case patterns to build validity

Three unsuccessful initiatives of BM change in ASL bank were selected and compared to validate the findings and gain new insights on the inhibitors. Table 1 summaries the main inhibiting factors each of the projects faced:

Project Name	<b>NR:</b>  <b>E-commerce-BM extension</b>	<b>OB:</b>  <b>CA (CA) -BM revision</b>	<b>Two-sided network:</b>  <b>MeMobile-intended as BM revision, handled as extension</b>
<b>Inhibitors distilled based on interviews and ethnographic data</b>	IT structure – customization has led to non-scalable solutions and costly further developments	IT structure- large investment in infrastructure is needed, as previously lack of decision led to obsolescing existing infrastructure	Initiative was handled as a separate project for which it is not built in the offer; does not fit daily business;
	Ownership over initiative- no concrete decision making and willingness to make it happen	Uncertainty- market uncertainty over payments’ infrastructure, uncertainty of how it should the offer look like and why does ASL need a CA on the first place;	Lack of common vision and thus, the right requirements specifications were not added at the initial development stage, immediate further developments were not feasible
	Prioritization – main priority for the local organization, but on a central level there are other issues as compliance and IT	Prioritization- on one hand focus placed on NR as relationship is stable and long term, OB provides services over the Internet and the outcome is less predictable	Lack of BM about how to integrate it in the business and make it attractive for retailers and end customer
	Budget restriction –	Cognitive perception- CA is	Lack of persistence in

	lean cost management and the conviction that everything should fit within the budget	perceived as a disruptive step towards full scale banking ; management has pride in being a different bank; perception that customers' expectations will raise exponentially;	pursuing betterment of the initiative after initially it didn't take off as planned; no sense of urgency
	Willingness to commit to long-term projects- make things happen, not leave them half-way	No organizational structure in place to handle it; lack of appropriate measurement systems to measure future performance; attempts to fit it in old measurement systems and business case templates	Leadership: Lack of ownership over synergetic ambitions between both business units;
	Decision making process – slow, uncertainty who has the power to decide	Short term orientation – projected ROI in business case is perceived to be too far in time	Decision making : too fast in launching it, absence of decisions in using it as a bridge between the two units
	Competences- lack of competences in e-commerce	Competence: missing payments competences; IT architects and front-end developers	Competences: not enough competences in-house to push it forward further
	Resource allocation – not enough resources are being allocated to make things happen;	Lack of shared perception amongst the MT on the value of having a CA : one camp perceives it as a step towards a customer centric organization; the other as an addition product to boot customer loyalty and thus, sales of loans;	Brought only half way in developments; lost momentum;
	N/A	Lack of sense of urgency – no	Lack of shared

		perceived need to enter a low margin business	understanding for purpose
	N/A	Strategic vision is missing and thus, inhibiting big decisions; Lack of leadership support	No structure on the business side to handle it (measurement systems); fell ”between the chairs

**Table 1:** Table was compiled based on the whole set of interviews, meetings and workshops, where a high degree of data saturation was achieved. A set of transcribed salient interview quotes relevant to each project are attached as appendixes 2, 3 and 4.

Despite being completely different, throughout the cases there are some salient topics, which would be the focus of the current research.

IT structural problems were manifested as inhibitors for two of the projects that were to be integrated in the existing infrastructure. The e-commerce project showed clearly being a path dependent inhibitor where “the existence of a superior alternative that the organization is unable to pursue” (Sydow et al., 2009: 703) was demonstrated. Similarly the CA solution had difficulty in being implemented due to the not up-to-date OB system, which however was rather a result of incumbent inertia (ASL limited its OB assets to the products and the system maintaining them). Lack of shared understanding and vision was demonstrated in both attempts for business model revision (CA and MeMobile), although in the latter the strong leadership influence at the beginning overcame that. This derives the suggestion that importance of strategic leadership is especially high for initializing and keeping momentum in BM revision. After the CEO’s support declined, the initiative of MeMobile faded away and temporarily was handled as value added. In relation to that, it is worth noting that all three initiatives suffered from lack of strategic direction and shared belief that it is the right thing to do (MeMobile faded after the CEO switched focus). The short term focus and the unwillingness to commit were as well pointed as inhibitors that all three projects faced along with uncertainty of outcome along with that all new concepts (CA and MeMobile) were unconsciously sabotaged by the managerial attempts to fit them into old measurement systems, as well as by the lack of appropriate structures on the business side to handle them. All three projects suffered from lack of relevant competencies. Both projects that were actually realized to some extent were identified by interviewees as “half-way” mediocre solutions. Prioritization and budget

focus were identified as main inhibitors for the extension project, as well as for the CA. Lack of proper on-time decision-making has been identified as a problem posed in front of all 3 projects, albeit in different aspects. The CA was most heavily affected by the managerial cognition of niche and full scale bank, as well as by low sense of urgency of adopting it (low sense of urgency was also salient in MeMobile and e-commerce to a certain extent) although it has been clear to the MT something needed to be done, the CA has been perceived as pervasive to the uniqueness of the organization. Structural inhibitors affected both new concepts (MeMobile and CA).

Looking for replication logic that could combine with the within case study findings, most salient inhibitors were selected for further elaboration. Given the limitations of a case study approach, in the following part of the analysis literature review has been unfolded to interpret the findings, build internal validity and sharpen generalizability (Eisenhardt, 1989).

### **5.3. Inertia and Path dependency**

Both phenomena are often pointed as being inhibitors to BM change (Cavalcante et al., 2011). Empirical data provided proof that both tend to play a major role as inhibitors. Inertia is claimed to be a source of stability for organizations, as Doz and Kosonen (2010) put it, it guards the status quo. Literature relating inertia to BMs examines the relation between change inhibitors and structural, cognitive and strategic inertia of the incumbent. In the case study in question inert forces started acting mainly after the transition to exploitation activities, where the rigid bottom up inflicted organizational structures and measurement systems formed the status quo. It affected both employees and management.

The underlying effect of organizational misalignment between exploration and exploitation resulted in employees' self-created order where bottom up structural rigidity maintained the ongoing business, but left no place for new initiatives. Although the role of people in implementing a strategy or supporting any other organizational change is acknowledged and thus, their resistance to change might be considered a significant inhibitor (Kuratko et al., 2011; Pryor et al., 2005), attachment to old routines and direct resistance to change was not manifested as a direct inhibitor to BM change. However, emergent rigidities burdened structures and undermined efficiency, creating labor intensive activities and confusion of what is expected from them.

*“We have an IT always saying we don’t have documentation, and now we had an error and there was documentation...but people didn’t work according to it, so.. it’s the same problem... if we don’t have documentation, people don’t know how to proceed, if we have documentation, they don’t follow it, they don’t know how it works.....same problem” (HPM)*

This structural rigidity and sub-optimization of tasks by the employees was created and reinforced by the perceived lack of leadership and work mandate. It was the reason why both CA and MeMobile did not find place on the business side:

*“Within that reorganization there were a lot of issues that landed between the chairs. It’s not my responsibility, it’s not mine either, so whose is it? Instead of stepping one step forward and pass the leap, we stand on our side. We don’t know exactly who to do some task” (KAM for NP)*

The sense of uncertainty of direction affected as well the MT, inflicting short termism and strict bottom line focus. Even conscious on the requirements of the environment to act, all investments were directed to the perceived as successful mechanisms to boost sales or managerial “meta-routines” exhibited in selection of “particular solutions for certain types of problems”. (Driel et al. 2006:51) (ex. online application process improvements; marketing sales-driven campaigns, etc.).

*“And that is...kind of truth in the company...volume equals to marketing...and that is because the products haven’t been altered a bit for the last 4 years”. (Head of NR.)*

Incumbent inertia manifested in the way the OB was handled as well, because the perceived imperative of being a niche bank, the lean cost management and the absence of decision on developing the bank further led to lock-in in the available assets (banking system, competencies and distribution channels).

*“Right now if we have a problem with our Internet bank,, we can live with that. If we introduce the CA, that would be crucial, we need to be there all of the time.”(CM)*

Supporting that Chesbrough (2010) argues that the success of an established BM strongly influences further corporate decisions. Due to the lean cost management, ASL was really a successful company, but not sustainable. Furthermore, it is believed that “the functioning of a BM

becomes visible in managerial decisions and actions. Actions and outcomes also emerge autonomously as a result of the systemic consequences of different organizational configurations” (Tikkanen, 2005:791, Miller, 1986). Thus, its change is also contingent on managerial decision making.

This meta-order that employees and management created however was far not efficient and undermined the possibility to exploit synergies and the decision-making time. The lack of proper coordination mechanism slowed everything down.

*“If we are going to do something, we need like 5 meetings with everybody attending in order for it to happen, we need to have focus whether you really contribute to this meeting. If you don’t know what you are doing there, don’t go.” (MMT)*

“PMS can play a key role in strategy implementation by helping to translate strategy into desired behavior and results, communicate expectations, monitor progress, provide feedback, and motivate employees to improve firm’s performance” (Abushaiba et al., 2012:189). Strictly fragmented and bottom line measurement systems contributed to reinforcing employees’ frustration and silo working, which led to the failure of two of the initiatives in question due to lack of ownership, defined as BM extension : e-commerce and MeMobile.

In terms of path dependency, hereby we adopt the suggested view of Driel et al. (2009) that path dependency implies the path taken is not determined by initial conditions but rather by intermediate events. Thus, both phenomena are closely related and the current research stands the view that the question of which comes first is contingent upon the timing of intermediate events, triggering the path dependency. In the case of ASL path dependency proved to be an inhibitor to BM change on the NR’ side and, in a lower degree in the OB.

*“You have to be aware that all situations that we have today has been based on decisions made by the MT, assessing risk and consequences and...yes, the result. Then you can have opinions on that, but....” (HPM)*

When it comes to the NR, the high customization of the relationship produced a lock-in effect and turned into a direct obstacle in adopting scalable e-commerce solution, thus extending the business model in a highly profitable area. The intermediate event the researchers identified as triggering the

lock in was when the bank decided to offer tailor-made solutions helping the retailers to boost their sales. The exponential growth in partnerships led to technological lock-in.

*“What happened was with all the cases of ALS Bank, the development was built specifically for the product. The most of our foundational problems is the way the IT structure is set-up, and it’s set up in a way where products are not scalable, and cannot be applied to other partners. We can’t do anything with our existing partners, because if we have limited resources we need to secure a scalable solution.”(Head of NR.)*

### **5.3. The Dominant Logic**

Closely related to inertia is the concept of managerial DL. Cavalcante et al. refer to DL as an inhibitor to BM revision as radical changes will make managers “to question their mental models (Markides, 1997) and the “DL” (Prahalad, 2004)” (Cavalcante et. al 2011:1335). Authors argue that DL inhibits mainly in case of BM revision and termination.

In the case of ASL bank DL proved to play significant a role in several dimensions: management perceptions of how the business should be run, resource allocation decisions, and prioritization. Following the definition of Prahalad et al. (1986) hereby it is explored how the managers’ DL influenced the realization of the changes.

The MT clearly gave prioritization to the more profitable and short term business (NR) and systematically undermined investments in the OB. This proved to be an inhibitor at the time the CA and user interface revamp initiatives were launched. As both business areas are pooling the same IT resource base, this proved to be crucial for the path of the bank:

*“I can look at my follow up chart and show you what has been the prioritization. We have been having a tug war for a long time over this customization with partners. It takes us no further. Maybe they should consider that we need to have a bank in the next 10 yrs.!” (HPM)*

Apart from prioritization between the two business units, environmental changes impacted on management decisions. After the financial crisis, the increasing regulatory pressure, challenged all financial players. For ASL that meant further burden on the lean resource base of the company.



*“We need to be compliant!” (CM)*

Throughout the three initiatives control and measurement systems spurred several obstacles. On one hand that relates to the way employees’ work is being assessed, on the other, however, it has to do with the way the business is being measured and, from there, the way managers struggle to rationalize the value of new initiatives. The budget system proved to be challenging for the realization of the e-commerce initiative:

*“We are spending more time to see how to fit it in the budget rather than how to be No 1.” (Head of NR on e-commerce)*

Unit based measurement systems for employee performance in ASL led to silo working and restricted attention span from employees, as well as the unwillingness to engage in new initiatives that didn’t contribute directly to their performance, something which proved to be problematic especially for the MeMobile initiative where employees considered it to be a “non-invented here” service, moreover, ASL did not have a way to handle services at all.

The MT was aware that it is not feasible to measure new concepts with the old product-based indicators, but the short term span of attention and the sense of uncertainty made them reluctant to risk leaving out old indicators, this was especially the case with the CA:

*“ I think we need to have the structure in place for the CA; we need to do a lot of work in terms of follow up. We have a problem in doing the business case. Maybe we need to be more long-term. ....But we have here people who were strictly related to the products, we have never been able to say what is the lifetime value of a customer, we have never taken this step. There is structure in place. The other thing would be to take two new different controllers who can tell us how to do it in a different way, that will not happen.” (CM on assessing the perceived obstacles to adopting a CA).*

Inappropriate measurement systems and assessment of opportunities in the new, service oriented DL proved to be a severe inhibitor to amending the value proposition with the CA, which was acknowledged by part of the MT:

*“We are more of...ok, can you prove this? How can we deliver a pay-back on developing the Inet bank? ...We missed out on user experience, for 2 years been struggling for that, but....you know how do you measure that?!” (MMT)*

Throughout projects, despite being aware of the need for new approach, management sought to fit the new initiatives and concepts in old measurement systems.

Direct manifestation of the firms' DL were the cognitive models of the MT of a firm. Prahalad et al. (1986) claim that the MT is not an abstraction, but a 'collection of key individuals' or dominant coalition<sup>12</sup> (Prahalad & Bettis, 1986:489) that significantly influence the firms' development. The perceptions of the MT prove to be crucial when assessing the BM change initiatives in ASL:

*“The thing is what we've been brought up with is the product and the niche bank and all initiatives in another directions has been closed down”. (Head of OB)*

There was an ongoing conviction that the adoption of CA would translate into transition towards full scale banking and spur raising customer demands. In line with Cavalcante et al. (2011) in ASL case the BM revision initiatives were difficultly given a meaning in the context of ASL. Apart from the technological and structural arguments against the adoption of the CA, cognition was one of the strongest:

*“I think we have always been a challenger to the big banks, I myself don't want to be one of the other banks.... All of a sudden people will want to get pre-paid card, because they have kids and want them to handle their finances...and then they will want a pension account, all the things that are related to the basic banking needs of the many people. In order to be really profitable we need to have more products.”(CM).*

In line with that managers posed the challenge to develop an “ability to distinguish changes that require only the development of new technological capabilities from changes that also require the adoption of different strategic beliefs.” (Tripsas et al., 2000:1159).

*“MeMobile could have been leveraged in the two areas as well, as a communication tool, but we didn't decide on it. It wasn't crystal clear whether that is a good idea.”(CM)*

Prahalad et al. draw a distinction between the PDL and the SDL. As noted ASL bank conducts its activities mainly online (OB and doing the integration of the partners' platforms with the banking system). Drawing upon Amit and Zott's (2001) notion of value creation of e-business, namely lock-in, efficiency, complementarities and novelty, we could easily relate it to the described by Vargo

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<sup>12</sup> Albeit the authors are referring to the corporate level of managers, hereby we translate the concept to the country level due to the high decision-making discretion and span of control the MT in C1 had over the course of ASL bank

and Lusch (2008) features of SDL (where according to authors all economies are service economies, SDL is inherently customer oriented and relational, all social and economic actors are resource integrators, customer is always a co-creator and the ability of organization to produce desired change is a premise for CA, etc. (Vargo & Lusch, 2008:7).

The PDL adopted by ASL bank and its “no frills” offer, along with the strong focus on profitability proved to be highly powerful both over managements’ cognition and the acceptance of the newly proposed initiatives for BM change. There were two “camps” in the MT, one stuck to the old PDL and one aiming for the new SDL to view upon the business.

*“There are some things you cannot measure, what drives customers to us is intangible (...) We can do it differently! I guess if we have had some more stamina, we would have been there the first time...or more focus.”(Head of OB)*

The “imperfect representations” of situations, as Tripsas and Gavetti call them “influence the manner in which managers frame problems and thus how they search for solutions.” (2000:1148). Such division, however, blocked the decision making process and brought disunity in the MT over the BM change initiatives.

*“But even now it is not a customer centric thing, we are combining two products- to sell more lending.” (CM)*

In the face of technological discontinuities is the “ability to distinguish changes that require only the development of new technological capabilities from changes that also require the adoption of different strategic beliefs.” (Tripsas et al., 2000:1159).

*“MeMobile could have been leveraged in the two areas as well, as a communication tool, but we didn’t decide on it. It wasn’t crystal clear whether that is a good idea.”(MMT)*

Overall managements’ cognition proved to be crucial for BM revision initiatives (CA), but not for the extension (e-commerce). The third project (MeMobile), being a joint and somewhat “external” idea to the MT, was more contingent on factors as leadership and vision, which will be discussed further.

## 5.4. Lack of resource slack

Kuratko et al. (2011) refer to the concept of slack as “degree of looseness in resource availability” (2011:312), arguing that lack of slack hinders new initiatives and is tightly related to budgeting process. However, the authors refer to resource slack more in the context of corporate entrepreneurship and innovation. While we agree with the concept as throughout the investigation process the need for resource pools dedicated to innovation and development has been brought up more than once by managers in ASL, it seems reasonable to expand the concept of slack over company-wise competences and resources in general. By integrating the competences and resources in the framework of the BM, Demil and Lecoque (2010) state that the dynamics of the BM and the efficient usage always leaves unutilized resources that might spur new opportunities. That view seems completely consistent with the aim for exploration and exploitation activities discussed earlier.

We have already discussed that during the transition period towards exploitation, ASL aimed at severe cost reduction, keeping up only with the resources necessary to maintain the reduced offering and strict budget control.

*“Just squeeze, squeeze and making the most out of it.” (Head of NR)*

This lean resource management imminently took away from the organization competence and resource excess that could potentially bring differentiation on a later stage. In relation to this, Barney (1991) mentions that a firms’ resources that provide competitive advantage today might be nullified by a structural change in industry. Such change became obvious on the banking market. As Carande et al., (2010) state post crisis “the banking business model undergoes transformation in order to realize new growth opportunities, it will be important to understand the short-term “shocks” to costs.” (Carande et al., 2010:38) On one hand, when the challenging market situation showed its signs, ASL needed to look for a way to handle that within restricted budget availability and outsourced crucial capabilities, on the other, regulatory pressures undermined the ability of the company to prioritize commercial projects:

*“Then there is a problem in making decision, there is a problem in allocating enough resources to make it happen, it’s the way we always do it, let’s have one person to do it, and then it’s gonna be*

*okay.... And then we have the general IT problem, which is eating all the resources” (Head of network)*

All three projects were directly affected in one way or another by the lack of necessary competences and this proved to be an inhibiting factor either to their launch or success. The lack of resource slack undermines the ability of the companies to engage in discovery-driven approach (McGrath, 2010) to BM change, thus avoiding the uncertainty pertaining to bigger projects.

In ASL bank resource allocation decisions were strictly based on bottom line result where every initiative should prove that it has the real potential to hit break-even within 2 years.

### **5.5. Short termism versus Commitment**

All three projects showed signs of aversion to commitment to long-term developments. Although with good profitability prospects, the e-commerce initiative was aimed at being transferred to central level due to the fact that the project was perceived as huge and could potentially require a lot of investments and missing competences from the local budget.

*“Willingness to commit is the main problem, we normally do something, someone tries a little bit and if we fail, we say no, that was not a good idea, we shouldn’t do it. But usually we fail because we don’t go the whole way and then we prioritize something else. We take 3 steps out of 8 and we say “ok we can survive with this”, let’s do something else, and when you do this for 10 years everything you do becomes mediocre, instead of deciding we are going to be number one here.” (Head of partners’ network)*

The longitudinal analysis showed that short termism was a result from historical heritage of the exploration period and the strong bottom line focus and the actual lack of focus during the exploitation period.

*“We don’t do business that will takes us forever to bring the money back in, that is the kind of company we are, that is what is controlling us. If you have a good business case, everything is possible.” (CM)*

Such orientation proves to be an inhibitor especially to BM change initiative. By placing the BM construct in the strategic spectrum of company choices, Casanessus- Masanel and Ricart (2010) contend that BM change requires commitment to key strategic assets. Doz and Kosonen further state that what really matters for successful BM change is a “collective commitment, a bonding to the outcome of the decision process. “ (2010:377)

### **5.5. Lack of sense of urgency**

Talking about innovation in established companies Kuratko et al. (2011) refer to the need for sense of urgency that can make things happen. According to the authors urgency refers to “a call for immediate action, a pressing need to do things differently, a belief that time is running out.”(2011:434). The insights from the case study in place suggest that the lack of such sense, imperative for action, proves to be an inhibitor to BM change realization even when management is well aware of the coming need for change.

During the investigation period, however, only two members of the MT exhibited awareness of the sense of urgency for business model change:

*“If we continue like this, then we might go into trouble in a few years, because we don’t have the best customer experience solutions, we are not in mobile sector...and it’s like maximizing every year. So it’s a general sense .We are not very open to see what it take to make business., to squeeze, squeeze but still maximize, it should be if we have this e-commerce idea, then the first question should be, what is the budget, how much does it cost ” (Head of NR)“*

and

*“That is our main problem, we never get to any conclusions...I would like to see some action.”(Head of OB)*

Another factor contributing to this situation is the fact that ASL bank was very profitable throughout time. That was pointed as one of the main reasons for inert organizational behavior when it comes to digital presence. The lack of focus over the MeMobile initiative was conditioned by the focus ASL bank had on aggressive selling and cost reduction and the good results on the bottom line:

*“I think the problem is that the bank is still making a lot of money, there is no disruption in the earnings, even if we are lagging behind (in mobile presence) so we are getting away with it.” (Mobile expert)*

Although all members acknowledged the need for change at some point, most of them (the ones who had the income responsibility) could not see the point of developing further the offer radically if growth problem was not present:

*“As long as we’ve been growing in volumes and been able to keep good profitability on that there is no actual need of getting in business with lower margins. Becoming a bigger bank is decreasing the margins and that is not what we’ve been asked for in making the money”. (Member of the investment group)*

The lack of proactiveness from the MT to engage in active discussions on the initiatives that need to be undertaken in order to maintain competitive advantage and design strategic intent as well came as a result from inert behavior, rooted in historical reasons. As Kiesler and Sproul (1982) suggest cognitive representations are mainly based on historical experience and not that much on current knowledge of the environment.

*“But we are not a strategic company, now it’s like we have done a lot of things, lets consolidate them a bit with the one operating model and we probably will keep going , if we have the same management, the same owners, the same approach and probably in 10 years we’ll be brought together a bit again.” (CM)*

McGrath points that main challenge for leaders is to get “decision makers to recognize the threats to the viability of their business models before it is too late, and then to mobilize their resources to address the concerns” (2010:257). Current empirical study shows that action is contingent upon strong and determined leadership and unlikely to happen, is an ongoing sense of urgency and is not present within the company.

## **5.6. Leadership and strategic intent**

It has been suggested that “accelerating BM change and renewal without a TMT willing to consider BM redefinition, and, more importantly, able to achieve collective commitment to taking the risks

necessary to venture into new business models and (more difficult) to abandon old ones.” Doz and Kosonen (2010:376)

Despite the multiple inhibitors that were manifested throughout the projects, seemingly as a main inhibitor emerged the ineffective leadership of the organization. The longitudinal case study further permitted to follow up the impact of some of the main influences that leadership issues had over organizational development and in particular, over BM change initiatives. Tripsas et al. suggest “changes in both the CEO and executive team have been found to initiate discontinuous organizational change (2008:1158; Tushman & Rosenkopf, 1996), ASL bank case study confirmed that.

*“I think what also set the agenda who’s running the company, who’s the CEO. We had a shift in 1999, he re-organized creating a sales organization, before that it was sales and marketing, we moved to web bank and we had a lot of sales driven approach.” (Head of OB)*

Throughout the entire investigation period, one of the main issues emerging was the lack of leadership skills company-wise. Both employees and MT<sup>13</sup> were stuck in short term business and fast returns due to the strategic uncertainty. This general organizational feeling was embodied in the company-wise shared question “What kind of company we are building?”. The lack of visionary leadership was pointed as the reason for sometimes inefficient resource usage and unfocused initiatives, thus refrains the company from adopting a discovery driven approach to BM change.

*What we’ve been lacking now is the direction... We will take those small steps, incremental innovation...but it will need to narrow the scope down and be efficient in resources even if it means that we need to make more business. (Head of OB)*

This situation further spurs uncertainty and ambiguity, which is as well pointed by Cavalcante et al. (2011) as a major challenge to BM change. In the case of ASL bank it inhibited all three projects from performing.

In the case of the CA the local MT had hard time in articulating how the CA should look like and how it would be integrated in the offering. As already mentioned there were two “camps” with different DL, and although all of them acknowledged the need for change and were willing to

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<sup>13</sup> The problem of strategic direction was addressed by all 40 interviewees as major concern



embark on it, here was uncertainty of what the change should be. Furthermore when asked what has changed with the second initiative and why do they believe that it is going to be feasible all answers converged in new CEO, new agenda and changing market situation. Throughout the research period interviewees were as well provided analysis of the success of other actors on the market in similar situation where the change in MT led to virtuous success.

*“Now we have a new CEO, new member of the board with different view, climate in the sector has changes as well .There are a lot of managers who think differently now. I think we have matured as an organization and seen that this is not feasible anymore...” (CM)*

Furthermore, a proof for that was the mid-way realization of the MeMobile project where the endorsement of the CM brought the initiative to actual development and launch and initially spur pride across the organization.

*“He (the former CM) was very enthusiastic, there was a lot of focus on it from the entire organization” (HPM)*

However, what was missing in this project was what a constant engagement. Setting the leadership action agenda Doz and Kosonen (2010) underline the importance of the leader in accelerating strategic renewal. In ASL bank the integration and building of interdependencies to set a common valuable agenda in the TMT, as well as the alignment of common interests was claimed to be crucial should the project succeed, especially given the complex BM.

*“I can make decisions in my area, over my P&L, but who takes care of synergies?!Nobody!” (Head of OB).*

The MeMobile case is as well a good example of at least initial stages of transformational leadership attempts (Ling et al., 2008) and the ambition to create behavioral integration amongst the TMT. Despite not being successful, the initial attempt was acknowledged by all interviewees as an initiative that is at least looking into the future. The withdrawal of the CEO’s support manifested again in disunity in the TMT and focus on the daily business:

*“MeMobile could have been leveraged in the two areas as well, as a communication tool, but we didn’t decide on it. It wasn’t crystal clear whether that is a good idea.” (CM)*

## **5.7. Discussion**

The case study of ASL bank shows that the concepts of DL, inertia and path dependency are closely intertwined and should be studied holistically as they have the potential to inflict organization-wide lock-ins in managerial cognition (Driel et al, 2009), technology (Schilling, 2011) or regulatory. Furthermore current analysis has detected some interesting interdependencies between these constructs. In the case of ASL bank the managerial DL formed through time between exploration and exploitation actually created both employee-created inertia through inappropriate measurement systems and path dependency through the resource allocation decisions. The cost reduction orientation strongly influenced the available organizational slack of resources (Kuratko et al., 2011) and deprived the company from resource buffer once the change in industry almost “nullified” the value of its competences. The lack of leadership and strategic intent through transition periods not only created operational and resource allocation inefficiencies, but as well created uncertainty throughout the company, thus giving place to short termism and lack of commitment. Without common agenda and a “functioning “community” at the top, an organization cannot effectively develop and exploit new knowledge” (Ling et al., 2008:559). Although organic structures and work discretion are highly praised as innovation thriving environment (Kuratko et al., 2011), in the case of ASL bank they turned into self-inflicted silos.

Cavalcante et al. (2011) suggests that the extension of BM is mainly challenged by risk control and resource shortage. However it is contended here that there are other organizational inhibitors as unwillingness to commit, short term orientation, lack of sense of urgency, etc. He furthermore places the BM extension in the domain of trial and error learning (Sosna et al., 2010). Both Sosna et al. and the current case study show that enabling leadership is crucial for those activities to thrive and succeed. For that, proper knowledge appropriation and integration structure should as well be in place (March 1991).

Furthermore he suggests a list of BM revision challenges, which the current case study explores in relation to namely two inhibitors to BM change realization: leadership and DL. As Ling et. al (2008) suggest the interface of TMT and the CEO is highly important for organizational prosperity.

ASL bank shows it is crucial for successfully changing the business model. It is firmly believed that future research should focus on that, perhaps drawing from the ideas of Doz, and Kosonen (2010)

## Ch 6 – Conclusions & Implications

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### **6.1. Conclusions**

This research study explored how unintentional BM “drift” led to inhibiting intentional BM change. Namely path dependence, DL, inertia, lack of sense of urgency, short termism and lack of commitment and the lack of resource slack were identified as inhibitors. It is believed they could be narrowed down to the relation between DL and Leadership.

It is acknowledged that there is still much study to be conducted in order to elaborate altogether and conduct more in-depth research, addressing the various inhibitors identified in their dynamics and the effects of exploration and exploitation activities on companies. Studies of failures are highly important because they serve as a “wake up” call for both managers and practitioners to revise theory and bring it closer to practice. It is believed that the current study bestows some insightful fragments for further research.

### **6.2. Implications for future research**

In this study we have explored the phenomenon of ALS Bank, and the various inhibitors affecting their attempt to change the existing BM. What drew the attention in developing this work was that the model proposed by Amit and Zott (2001) does not leave clear how the government of the transaction should be translated in practice, this is important as the boundary spanning role attributed to this model bears the question of optimization of the transaction so that the main firm could appropriate more value. In the case of ASL this was a major problem within its NR.

More should be explored on the notion of BM “drift” and how it translates into actual inhibitors to BM change realization. Although we did not identify any specific connection to the core business, due to the fact that the case analysis was in regards to bottom line preference, we do believe that BM change should be considered from the perspective of multiple BM’s. As formerly noted we see a certain distinguish between inhibitor and challenge, another interesting gap to be explored upon is to see how can such inhibitors be overcome once an adversity is met, to what extent it is possible to avoid those inhibitors, and moreover if it is possible to “dismantle” an organization from the inhibitors. We also suggest based on the work of (Liebowitz & Margolis, 1995), who examines the various degrees of path-dependency, to translate their ideas into the context of BM change inhibitors related to the identified concepts in this study, i.e. how inflicting the “locking” are to these inhibitors to realizing a BM change. We also suggest to, explore upon sequential exploration and exploitation and the risks of misalignment. Assessing and examining on an organization’s capabilities and competences to cope with such change, can also serve as being an interesting research subject. We have reasons to believe that a BM might not be dependent on the various past events and decisions taken. Finally we suggest that this study should be translated into larger organizations as well as early start-ups and entrepreneurial intensive companies, where the early signs of the identified inhibitors occur.

### **6.3. Practical Implications**

In addition to the theoretical bestowments outlined throughout the thesis, the study also contributes to new insights for practical business management. Our view is suggested mainly towards SMEs.

Since it appears that the various inhibitors are based on historical events and decisions, and are present at ALS Bank, managers who wish to break out in order to realize BM change, should make an effort to recognize the inhibiting challenge and facilitate new cognitive models. The behavior should promote a changing organizational environment, and fashioning the whole company’s activity system (Amit & Zott, 2012).

It is in our view, that however well developed and value creating a BM might be it does not last forever. Managers of the organization must embrace change, and govern activities towards a sustainable BM, scalability is a key. This means that the BM can change with the environment, and not become locked-in, and thus forced towards aggressive selling, and losing customer focus. On

that note it can also be implied that growth does not equal sustainability, as it can act as blinders for the organization (Prahalad, 2004).

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## Appendix 1

Business model evolution ASL bank (NR and OB)	1990-1997 Creation of NR	1998-2005 Exploration: extension and business growth		2006-2010 Exploitation: profitability focus	
<b>Content</b>	NR:	NR:	OB:	NR:	OB:
<b>1)activity</b>	Providing sales financing solutions	help retailers “to sell more”	niche bank	services to retailers aim at help them “to sell more”;	Niche bank with very limited no-frills and DIY (Do-it-yourself) services
<b>2)Goods and info exchanged</b>	white labeled credit cards with highly customized functionality ;	retailer branded Visa cards, store cards, customer support for partners’ clients;	expansion- apart from savings account, lending products, equity funds, mortgages, bill payments are added to the offer and soon after that a mass reduction was started	very flexible and customized solutions	loans and savings accounts, mortgages;
<b>3)Capabilities to enable it</b>	credit card handling, IT developments,  OB- a banking license acquired	customization;  KAMs, back end IT developments	simple banking capabilities and IT; sales	KAMs (mission to keep the partners happy); IT developments	sales and marketing  <b><u>2006 first CA initiative turned down by the board</u></b>
<b>Structure</b>	ALS.- NR-end-cust.;	ALS.- NR(big retailers, strong brands, central controls)-end customer ;	ALS.-end customer	ALS.-retailers-end-customer	ALS.-end customer, product-based segmentation;
<b>1) Parties involved</b>					
<b>2) link between parties (distribution)</b>	KAMs, integration of IT systems;	KAMs, integration of IT systems;	over the phone and later in 1998 OB;	Less profitable partnerships are terminated, others renegotiated	Channel work: online application, online confirmation, e-sign
<b>3) Exchange mechanism (revenue)</b>	direct and solid two-way relationship  every partner has different revenue model  *acquisition of new partners	direct and solid two-way relationship Revenues: fees and CC receivables and depending on solutions	extension of channels through affiliate programs, online applications;  no direct relation to the end customer  Revenues: Loans and mortgages		Revenues: loans and CC
<b>Governance</b>	A finance company	ALS. adopts a back-end,	NP and OB still have	NP and OB come	Product and profit focus;

1) <b>How parties control flows of info, resources and goods</b>	is registered ;	supplier approach; The retailers keep their customers' ownership and info, despite the fact that the end customer is ASL's client as well	different P&Ls	together,	individual pricing on loans to maximize sales profit.
2) <b>Legal form</b>				IT maintenance of card system is centralized to secure that throughout countries same partners use same IT developments	
3) <b>Incentives to participate</b>		customized deals with partners ( almost all have different revenue models);			

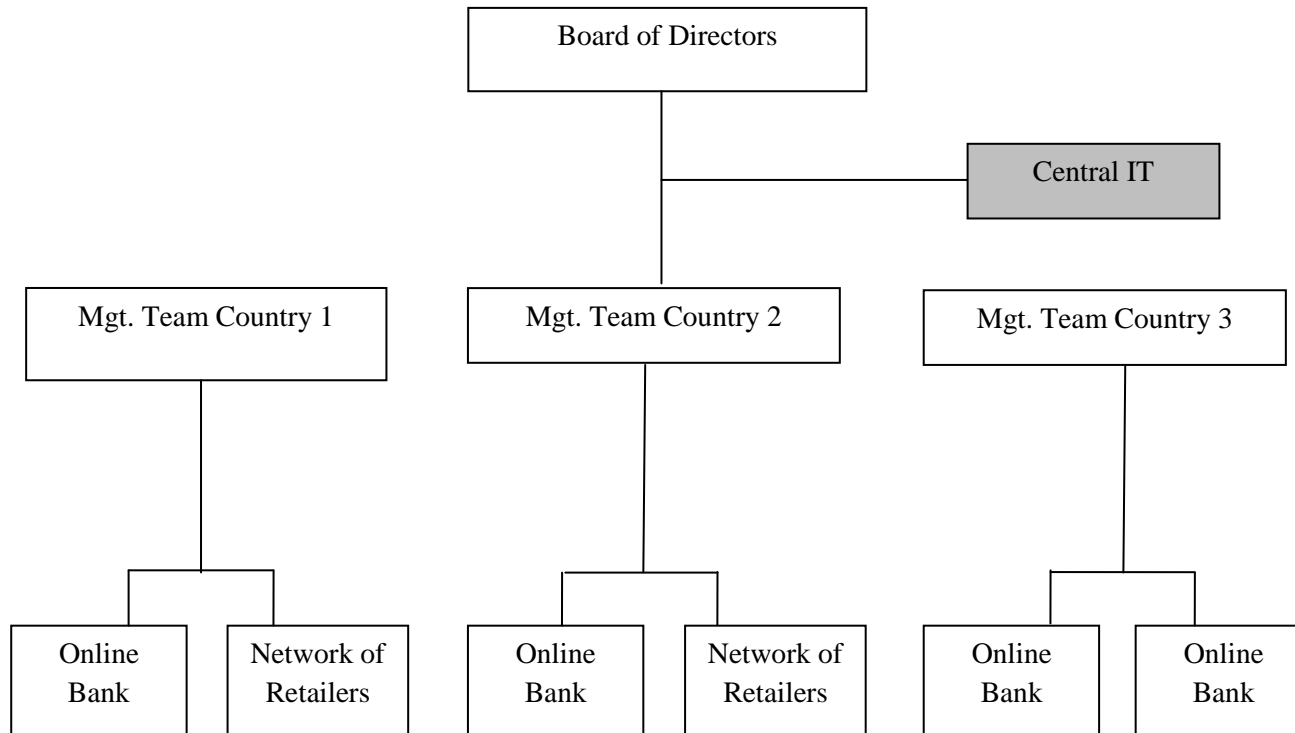
	<b>2011-2013</b>		<b>2013 and on</b>	
	<b>Exploitation</b>			
<b>Content</b>	NR:	OB:	NR:	OB: savings, lending, mortgages,
1) <b>activity</b>	ASL sells "more of the same" due to increased customization costs	Niche bank	" more of the same", attempts to promote more CRM, but not enough competences.	
2) <b>Goods and info exchanged</b>	loyalty, bonus cards, customer analysis, Visa card, store cards	focus on good margins in loans, savings are funding		
3) <b>Capabilities to enable it</b>	acquisition of CRM system and competences to satisfy partners' demands;	active development of marketing department		
	<u>e-commerce initiative for extension of services</u>	<u>2011: Mobile presence – application to fill the brand and bring both business areas together (MeMobile)</u> <u>2012: Second CA initiative</u>		
<b>Structure</b>	ASL-NR-end-customer	ASL-end customer		
1) <b>Parties involved</b>		Web		
2) <b>link between parties (distribution)</b>	End customer is reached through the NR	Brokers		
3) <b>Exchange mechanism (revenue)</b>	Individual revenue streams	<b>MeMobile (thought as BM revision, handled as extension)</b>		

<b>Governance</b>	New organizational structure-merger of companies in different countries under the umbrella of a central level (IT and management are central);	ASL should step up and achieve better brand recognition
1) <b>How parties control flows of info, resources and goods</b>	partners have high negotiating power; pressure for e-commerce solutions;	
2) <b>Legal form</b>		
3) <b>Incentives to participate</b>		

NR – NR: distribution of loyalty credit cards through big retailers;

OB- OB: providing end customer with basic customer loans and savings accounts via the web;

**ASL bank Organizational chart:**



## Appendix 2

### CA as a BM revision

#### Interviewees and considerations

#### HPM

I would say all new concepts will be discussed on a central level, because the budget we have does not include new concepts, they will need to have extra investments.

Oh, I've been involved in 2 pre-studies in the last years. First, owners said that we will not do this, you need to have someone to invest, to do a transaction account it is not something you cannot do based on your own result. Due to the costs or that we shouldn't be that kind of player, we should be better in what we do.

Second time, I would say now that the steering has changed, we have new steering governance, we have a new CEO and, the fact that we are working closing to the Retailer now and the services that changed on the market, as a bank you need to have customers with a lot of transactions. If we look that mobile will increase, then we need to be there and stay on the market.

At least with having a CA we will take another position on the market. It's interesting to see whether we can fulfill this time, if we have a challenge. There will be a lot of work to do, but...

I would say the management has to stick to the plan. Now they say: "Oh we have a new partner, it's so important! We need to go fast to production, we need to do that in the way they want it".

I can look at my follow up chart and show you what has been the prioritization. We have been toggling for a long time over customization with partners. Maybe they should consider that we need to have a bank in the next 10 yrs.

If you look at the OB it is different. It is over the Inet, if you cannot offer the right thing they will go to another bank, it different kind of pressure on decisions.

If your priorities are in the short term, you will never get the bank further.

If we have a 5 year plan, we only look at the priorities that will take us through the first two!

All decisions has been made by the MT, if they decide we should take 30 % of the development budget for a new partner, then we have to do that.

You have to be aware that all situations that we have today has been based on decisions made by the MT, assessing risk and consequences and...yes, the result. Then you can have opinions on that, but....

It's how we look at the business, is it good to gain 95 % or see why you miss the other 5 %?

The steering group need to challenge themselves to say " We say no to this partner because we have decided to take the bank this further, in this version and you stick to this".

### **Head of Network Retailers**

This shouldn't be measured by P&L as we do! As I see it as having a marketing role, to attract customers and we can do a lot more with it...

### **Head of OB**

We sort of have history of , no, everybody is doing this, put this away, we will not do this. There is two ways of looking upon this and what I have heard in discussions, what has been going on, we can have it as a salary account or as an enabler...



That's our main problem, we never get to any conclusion.

“We are more of...ok, can you prove this? How can we deliver a pay-back on developing the Internet bank?”

Our vision has been blurred, we missed on the who and how. Our vision was P&L.

Main obstacles? Organizational, people and steering issue as well as maturity of organization.

And we have product focus, then revenue and then sales, and then you get people who are narrow minded with their revenue, sales and P&L, who is taking care of the synergies. Even the MT is measured by sales.

How it will look like? Do we need this system? What's the purpose?

I guess if we have had some more stamina, we would have been there the first time, or more focus.

“It has been a blurred picture overall, I haven't felt that I have the mandate to do what we want to do on the Danish market, I think that has been one of the issues”;

I think what also set the agenda who's running the company, who's the CEO. We had a shift in 1999, he re-organized creating a sales organization, before that it was sales and marketing, we moved to web bank and we had a lot of sales driven approach.”

“As long as we've been growing in volumes and been able to keep good profitability on that there is no actual need of getting in business with lower margins. Becoming a bigger bank is decreasing the margins and that is not what we've been asked for in making the money”.

We don't do business that will takes us forever to bring the money back in, that is the kind of company we are, that is what is controlling us. If you have a good business case, everything is possible.

Now we are in a situation where the growth has more or less stagnated and therefor you are not making the numbers it might be more interesting in looking into low profitability products

We wouldn't include ts acc. If it wasn't necessary...for more interaction with the customers, now it is necessary!

What they don't understand is that a CA does not make us a full-scale bank! We can do it differently!

There are some things you cannot measure, what drives customers to us is intangible.

We missed out on user experience, for 2 years been struggling for that, but...you know how do you measure that?!

We have a list of problems pointed by customers and the application form is around number 100, but we still prioritize that, because it will bring more sales, faster...

"You need to go for it all the way to get a nice P&L, not just, "let's do this, let's try this as well", I guess we have been doing that historically....

## **CM**

DS being customer centric... well we were almost there in 1995 but we didn't have the organization, maybe that was the reason where it all went wrong, the way that we were measured, the way we followed things up. We were like...this is getting expensive; perhaps we need to remove it. "What type of money are we making of mortgages ? Perhaps we need to reconsider that."

The board said no (to curr acct), nice work guys , but no ...now it's product –centric again, every product should be profitable...that is why we terminated the funds.

The business case was 5 year and a lot of the revenue was in 5 or 6 yrs. The board said “ You need to focus on profitable products, good easy attractive and sell by themselves.”

“The thing is what we’ve been brought up with is the product and the niche bank and all initiatives in another directions has been closed down”.

Now we have new CEO, new member of the board with different view, climate in the sector has changes as well .There are a lot of managers who think differently now.I think we have matured as an organization and seen that this is not feasible anymore and, well, our growth has stopped.

I think we have always been a challenger to the big banks, I myself don’t want to be one of the other banks , we try to be something else, a little bit different on the customer side.

I think we need to have the structure in place for the CA; we need to do a lot of work in terms of follow up. We have a problem in doing the business case. Maybe we need to be more long-term. I think we have the awareness on the first place that we need to have structures in place.

But even now it is not a customer centric thing, we are combining two products- to sell more lending. And we need to do something follow- up wise. When we look at a campaign we have a hard time understanding how to handle them, we are followed up that way, every P&L and report we have is product-based, there is no one to measure for example cross sales.

“..it’s the sales that count, that’s where we get measured...”

Right now if we have a problem with our Inet bank , we can live with that. If we introduce the CA , that would be crucial, we need to be there all of the time. All of a sudden people will want to get pre-paid card, because they have kids and want them to handle their

finances...and then they will want a pension account, all the things that are related to the basic banking needs of the many people. In order to be really profitable we need to have more products.

Even now I am not sure whether that has a value or it's just funny money. If we had a way of thinking about active customers being an asset.

The banking system and I card: I would rather call it absence of decisions. We decided to think about how to close the gaps between them, but we never went for that. We didn't really have the motive. We need to figure out in terms of functionalities where to place CA and debit card.

The banking system was not in our priorities, products we had worked well there, we used them for operational level but never really got to discuss whether it will work if we get a lot of new customers. It's quite easy to define what your responsibilities are.

If we are going to do something, we need like 5 meetings with everybody attending in order for it to happen, we need to have focus whether you really contribute to this meeting. If you don't know what you are doing there, don't go.

It's not like, this is how an actor like us will look like in 8 years, let's see what we need to do to get there.

“ Those are the three corner stones that we are trying to mitigate, we got the IT resources that are limited, everything is getting more and more expensive , and then we have the compliance issue which is getting stronger and stronger and putting more and more pressure on us, and then we got the customer offering that we want to do things with customer offering and then we get to IT, because it's not feasible within the budgets and then we get to compliance and they say, no if you cannot do that”.

“It’s a lot of wording around customer centralization, but the overall picture is blurred. We see a new strategic intent again, that is not rooted in historical events and...we’ll see”

A statement from the executives has been “Get a good business case and we’ll do it”.

We acquired people who were strictly related to the products, but we have never been able to say what is the lifetime value of a customer, we have never taken this step. There is structure in place. The other thing would be to take two new different controllers who can tell us how to do it in a different way, that will not happen.

“We need more architects that can tell us how things should be built to make it more flexible, someone who knows how to build the CA so that it can be reused in Denmark and...”

I think it was more an ambition to go all the way , but we didn’t take the step of CA .In 2006 we presented to the board an idea to adopt a customer centric approach, but it was turned down- too much money, too far away”

“And this is because we haven’t been able to prove it’s a good business. If this has been a two years payback it would have been done years ago”

**KAM:** I have very little knowledge about the OB. Most likely if we look upon synergies, we could look something, but it’s about loans and savings account, its not that everyday business. The NR business is more about when customers are in the shop, their everyday ts.

## Appendix 3

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### MeMobile

#### Interviewee and consideration

#### HPM

”The decision was taken by one person, it was taken by the former CM. He said he didn’t care, wanted to do this, and he did it”

“It was at least something that was looking into the future. “

We just don’t have infrastructure to handle services!

“You need to have common vision, you need to have requirements specification: if you haven’t added the right competence like compliance, like risk, like user acceptance check that will be able to validate. It’s important not to push this too quickly.”

“The problem was when he hand it over to the business side. The project leader did a lot of things which he wasn’t supposed to do and it meant that the project manager more or less planned the roadmap.  
“

He (the former CM) was very enthusiastic. But all the way, it was a project for 3 and a half years, but when you have a project that long, it needs to start to deliver at some point to the business side, someone needs to take responsibility and there was no business case, we have to have a plan when this will be a project and when it will be a daily business. We need to get the benefit of investment.”

#### Head Of Partners Network

“It was a strange project, cost more than anything else, perhaps more

than e-commerce, but we just did it, without knowing what we were doing, here all of a sudden we got resources. Someone thought it was a good idea, there was not even a business case, there was nothing;”

“to be present in an online channel; do something, here is the money, what we are aiming for we don’t know, but let’s do it and see what happens, still we don’t collect one krone on MeMobile.”

“We still cannot show to our partners that it is good for them and generates sales. Some partners even think why invest time in publishing offers, because no one is using it? The product is not good enough. There should have been more features that bring advantage to the customers.”

”Then again on the market there is uncertainty on where the mobile payments will go, that’s a problem and nobody is being successful.”

**Head of OB:**

“It was the first attempt to make more of ALS Bank . We have missed the other side of it, the business model, how do we get the partners attracted to it? People are not using it and partners are not posting offers, it is used as a balance check.”

“The sales didn’t take off as planned. And it’s been a slow market, there is a lot of hesitation on the market. Our effort first is focused on sales instead of take this time...ok , let’s take this time out time to rethink and rebuild, instead of focusing on numbers.”

But we put the business developers on their own, in the same way we put the mobile expert on his own and expect them to bring change.

**KAM**

“We have launched MeMobile and there was a lot of focus on this, we had it because it is fun to have, but now it doesn’t work as

we planned, it's not much focus on that. We had focus on that, now we get to something else. Why can't we take it all the way and not leave it half-way? We already created the demand on the market."

It has a lot to do with decision making, before you take the next step make sure you've finished the first step. It would have been better if management were more clear about what the expectations are.

**Mobile Banking Manager:**

Asked whether MeMobile runs the risk to fall "between the chairs" in ASL and not be able to maintain momentum : " Yeah, I think MeMobile is getting there, that is why I said stop developments and try to sell it .If it's not working it's either the salesman or there is no market for it "

"I think it was driven hard by the CM, a project manager and a mobile expert, it was run as a separate project and was pretty much isolated to them and it's not really built in to the general offer of ASL".

" ASL is very entrepreneurial company, but there is no direction, there are initiatives pulling that way and this way". This was fun for 6 months, half done and then we leave it and move to something else."

"I think the problem is that the bank is still making a lot of money, there is no disruption in the earnings, even if we are lagging behind (in mobile presence) so we are getting away with it."

**CM:**

MeMobile has the potential to be a glue, but at the same time it shows on some of the obstacles we have in the organization. For example digital channel manager for the OB is not keen on integrating mobile bank in MeMobile, it shows that we are still two



companies.

MeMobile could have been leveraged in the two areas as well, as a communication tool, but we didn't decide on it. It wasn't crystal clear whether that is a good idea.

## Appendix 4

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### E-commerce

<b>Interviewee and considerations</b>	<b><u>Head of Partners Network.</u></b>  ”It really started with some of the retailers asking for e-commerce solution.”  “What happened was with all the cases of ALS Bank, the development was built specifically for the product. The most of our foundational problems is the way the IT structure is set-up, and it’s set up in a way where products are not scalable, and cannot be applied to other partners. We can’t do anything with our existing partners, because if we have limited resources we need to secure a scalable solution.”  ”There is a paralysis in the organization where decisions are made in a strange way, because even though we know its high profitability, we go through the steering group and wait a year to put two people on the project. Even though we decided that this is an important project for us.”  “As a company we are so afraid of doing mistakes that we’d rather don’t do anything. We are really slow.”  “Then there is a problem in making decision, there is a problem in allocating enough resources to make it happen, it’s the way we always do it, let’s have one person to do it, and then it’s gonna be okay. And then we have the general IT problem, which is eating all the resources. And the 4 <sup>th</sup> one would be, if we should do it in-house ourselves or we should do it outside. So there is a constant tug war, where we can’t decide on if we should do one thing or the other. Ultimately it’s a leadership problem, but the question is where the problem is.”
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There are several tugs of war, we have different opinions and no one knows who has power to decide whether we really want to do this and that.

“The basic problem is that there are no resources, there is no one saying this is top priority makes it happen. Country 1 bank being the single largest unit, our highest ranking priority commercially is going to be ranked 26. So ahead of that we have compliance issues, we have IT. And our most prioritized product is the banking product being no.26.”

The budget is priority no 1. The main commercial priority is No 26, ahead of that it is compliance issues, IT, all kinds of things. Willingness to commit is the main problem, we normally do something, someone tries a little bit and if we fail, we say no, that was not a good idea, we shouldn't do it. But if we get the budget away and say, we only have one goal and that is to succeed, how much will it cost? If we fail it's not gonna be because we invested too little". But usually we fail because we don't go the whole way and then we prioritize something else. We take 3 steps out of 8 and we say "ok we can survive with this", let's do something else, and when you do this for 10 years everything you do becomes mediocre, instead of deciding we are going to be number one here.”

“Within that reorganization there were a lot of issues that landed between the chairs. It's not my responsibility, it's not mine either, so whose is it? Instead of stepping one step forward and pass the leap, we stand on our side. We don't know exactly who to do some task”

“If we continue like this, then we might go into trouble in a few years, because we don't have the best customer experience solutions, we are not in mobile sector...and its like maximizing every year. So it's a general sense .We are not very open to see what it take to make business., to squeeze, squeeze but still maximize, it should be if we

have this e-commerce idea, then the first question should be, what is the budget, how much does it cost.”

Why can't we start with the question : What will it take us to be No one in e-commerce instead of spending one year in figuring out how to handle it within the budget. We are spending more time to see how to fit it in the budget rather than how to be No 1.

**KAM:**

We have the web invoice and e-commerce, it has been a project for one and a half year now we got to the conclusion where we say, oh this is too big for us! Do we have what it takes to do so, in terms of competence, willingness, do we know what we want?

**HPM:**

“We had this issue, about e-commerce, we decided it's local, then it went to a central level, then it came back to Denmark again. It is a huge project with a lot of missing experience, we don't have this kind of competences or personalities, resources that we need to have, so it's central again. Maybe we will lose a bit of time, but at least they take the responsibility.”

**CM**

“We tried to establish strong and proactive system owner. We actually decided to give away the responsibility for Icard to IT, bcs we had really short term thinking and identified that as a problem. Actually I blame IT for that, they should have said now this is my system, we are going to take care of it. Maybe the problem is that decision making on the system is too decentralized.

Maybe we can agree on something, a timeline for development and then in three months as a CM I will go and say “you see, we agreed,

but we have a new partner coming in and we'll make a lot of money and he will get away with that.”

“We have a culture of local decision making, maybe that's the problem.”