Chapter 4.12
Information Technology Adoption and the Role of Organizational Readiness:
The Case of an Indian Bank

Monideepa Tarafdar
University of Toledo, USA

Sanjiv D. Vaidya
Indian Institute of Management, India

EXECUTIVE SUMMARY

This case describes the evolution of the use of information technology (IT) at National Banking Services, one of the oldest banks in India. It describes the bank's response to economic liberalization and the resulting initiatives for IT adoption. It highlights the influence of organizational readiness on IT adoption. In particular, it describes the negative influence on IT adoption of conditions such as the lack of top management support, skeptical end-user attitudes about the benefits of IT, and resistance from employee unions. The case ends with a description of the changing role of IT in the banking industry in India and the challenges confronting the bank.

ORGANIZATIONAL BACKGROUND—PRIOR TO 1985

Many countries around the world have undergone economic liberalization in the last two decades. As a result, organizations in these nations have been faced with changing industry structures, new policy directives, and greater competition. These changes have resulted in significantly higher levels of information technology (IT) adoption, prompted by requirements for greater process efficiency and better operational and management control. For instance, firms in China have experienced higher levels of IT investment as a result of increased competition (Kunnathur & Shi, 2001). Similarly, Montealegre (1998) describes a case of increased IT adoption in a Guatemalan organization, influenced by changes in the economic environment. Similar findings have been reported from other countries as well (Saxena & Sahay, 2000; Wolcott & Goodman, 2003).

However, all organizations have not adopted IT to the same extent, even in similar industries. While some firms have used IT to achieve significant competitive advantage, others have implemented IT only to the extent required, often only in compliance with regulations (Tarafdar & Vaidya, 2004). This is because there are significant challenges in firms in these countries, in terms of required organizational support, availability of information systems (IS) related to technical and human resources, and appropriate management of change that needs to accompany the transition to higher levels of IT adoption. For instance, studies have shown that it is difficult to acquire and manage IS-related resources because of inadequate physical and information infrastructure as well as social and cultural diversity (Montealegre 1998). There is also a paucity of adequate IS personnel and support (Jain 1997; Ranganathan & Kannabiran, 2004). Moreover, cultural and organizational issues, such as resistance to IT adoption and use and the existence of employee unions, have been challenges, as has been the frequent absence of top management support for the acquisition of IT (Dasgupta, Agarawal, Ioannidis, & Gopalakrishnan, 1999; Kanungo, Sadavarti, & Srinivas, 2001).

A number of studies (see Chwelos, Benbasat, & Dexter, 2001; Iacovou, Benbasat, & Dexter, 1995; Kuan & Chau, 2001; Mehrtens, Cragg, & Mills, 2001) have analyzed IT adoption using a framework that takes into account three antecedent factors: perceived benefits from IT adoption, organizational readiness for IT adoption, and external pressure for IT adoption. Perceived benefits describe advantages that organizations perceive from the adoption of IT, such as increased process efficiency and lower cycle times. Organizational readiness refers to the availability of adequate organizational resources as well as the presence of appropriate supporting conditions (such as top management support and a proactive approach, for instance) required for IT adoption. External pressure refers to influences outside the organization (such as, competitive pressures and government regulation) that lead to IT adoption. Using this framework, this case highlights challenges and issues in IT adoption in one of the largest public banks in India.

National Banking Services (NBS) was one of the largest public banks in India. The company was founded in 1906 and had its corporate headquarters in Mumbai. It had more than 2,500 branches in India and 19 foreign branches in 10 other countries. It employed more than 50,000 employees. The mission statement of the bank was:

…to provide superior, proactive banking services to niche markets globally, while providing cost-effective, responsive services to others in our role as a development bank, and in so doing, meet the requirements of our stakeholders.

The Indian banking sector was divided into three categories. There were 27 "public sector," or government controlled, banks, 31 private banks owned by Indian companies, and 29 banks owned by foreign companies. The larger ones, usually public banks, operated on a large, nationwide scale. They had on an average, more than 2,000 branches, more than 50,000 employees, and assets of more than 50,00,00 million INR. The smaller banks had, in general, less than 1,500 branches, and assets less than 15,00,00 million INR. Some of the smaller private banks had less than 100 branches, assets less than 70,000 million INR, and less than 700 employees. The public banks were under the jurisdiction of the Reserve Bank of India (RBI), which determined broad strategic directions and formulated policy decisions. All banks operated under broad financial and economic policies specified by RBI and the Ministry of Finance (MOF).

Related Content

Data Quality-Based Requirements Elicitation for Decision Support Systems
Alejandro Vaisman (2009). *Selected Readings on Strategic Information Systems (pp. 128-149).*
www.irma-international.org/chapter/data-quality-based-requirements-elicitation/28693

Creativity Enhancement: Use of a Simple Creativity Tutorial in Information Systems Education
Monty McNair, Caroline Howard, Indira Guzmanand Paul Watkin (2011). *International Journal of Strategic Information Technology and Applications (pp. 1-8).*
www.irma-international.org/article/creativity-enhancement-use-simple-creativity/58938

Using Semantics to Discover Web Services Based on Partial Data: An Update of Previous Research
Catarina Ferreira da Silva, Paulo Melo, Paulo Rupino da Cunha, Pedro Milheiroand Parisa Ghodous (2013). *International Journal of Strategic Information Technology and Applications (pp. 44-59).*
www.irma-international.org/article/using-semantics-to-discover-web-services-based-on-partial-data/103866

Aligning Six Sigma and ITIL to Improve IT Service Management
Peter C. Chan, Shauntell R. Durant, Verna Mae Galland Mahesh S. Raisinghani (2010). *Strategic Information Systems: Concepts, Methodologies, Tools, and Applications (pp. 2665-2680).*
www.irma-international.org/chapter/aligning-six-sigma-itil-improve/36839

Social Media Intelligence in the Exploration of National Cultural Dimensions for Online Social Communities
Sharon F. Dill, Cynthia Calongne, Caroline Howardand Debra Beazley (2011). *International Journal of Strategic Information Technology and Applications (pp. 68-79).*
www.irma-international.org/article/social-media-intelligence-exploration-national/52072