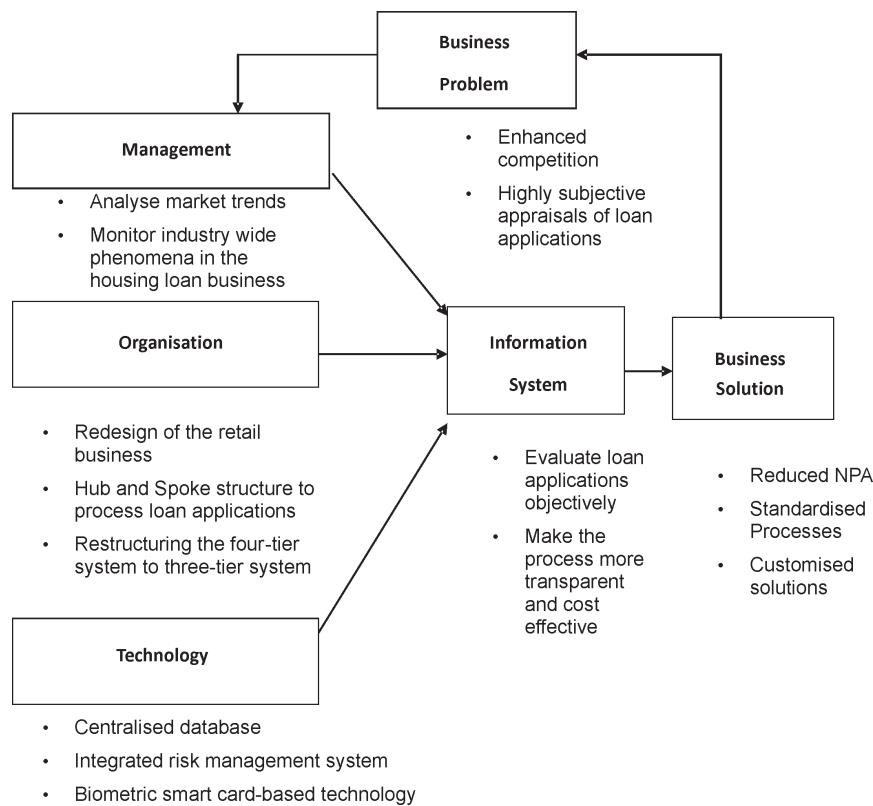


CASE ANALYSIS 4

Hemalatha Chandrashekhar

NB was faced with enhanced competition from Indian private banks and foreign banks due to the economic liberalisation and banking deregulations. As a reaction to this changed scenario, NB contemplated in a four-pronged strategy including the centralisation of the back office, setting up of a Hub and Spoke structure for retail business, setting up of an integrated risk management system and finally restructuring the four-tier system to three-tier system.

The following diagram highlights the important points raised by this case.



The case points to the fact that NB decided to follow the path of its competitors and leverage technology to implement its strategy and thereby stay in the race. IT and systems may be adopted in an organisation to fulfil a variety of objectives, one of which includes 'survival' in the face of tough competition. Hundred percent branch computerisation, implementing the CBS, building the ATM network and so on are some of the bare minimum requirements for survival.

However, in order to outperform competitors, wise choices with regard to technology investments need to be made at the appropriate time. NB rightly launched a drive for biometric smart card-based technology to facilitate marginal groups such as vegetable vendors, construction workers, rickshaw pullers - a step towards inclusive growth.

Another major secret to the success of IT and system investments is their alignment with the business strategy. In NB, the new system of information and data management and loan application appraisal processes seem to amply support the Hub and Spoke model for retail. The centralised database (at the Hub) facilitates the collation and centralisation of customer information, standardisation of processes for checking the credit worthiness of customers and customising solutions whilst the networked branches (the Spoke) facilitate ease of operation, verifications and communication with the customers.

The reduction in NPA over the past 2 years (2007-2009) may perhaps be attributed to this important business strategy - IT strategy alignment. However, Information systems technology is often the stimulus for a behavioural problem or issue. Unfortunately, there can be no technical solutions that can deal with behavioural issues. Appropriate Change Management initiatives should take care of counter implementation and resistance to change from the employees.

Complete support from the top management, constant communication of the top management with the employees at all levels, appropriate training and appropriate incentive schemes to encourage employees to embrace the new system are all vital to aid the organisation to transit smoothly to the new systems and processes from the legacy of systems and processes.

Author's Profile

Hemalatha Chandrashekhar

Hemalatha Chandrashekhar is a faculty in the area of Information Systems at Indian Institute of Management Indore. Her research interests are Recommender Systems, Automated Negotiations, Data Mining Techniques, and Agents in E-Commerce