

STRATEGIZING ROUTINES IN HSBC (UK)

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ABSTRACT

This paper aims to develop and apply the concept of strategizing routines, which refers to the organisational routines that shape the way the firm's strategic path is developed over time. While the idea that the firm's development is based on routines is not new, there has been little theoretical and empirical investigation of the nature of these routines. For the purpose of this research we took two leading strategy process models and deconstructed the notion of routines involved in the process. We then developed a typology of three sets of strategy-making routines. The first set includes the routines that are involved in setting the economic and technical characteristics of the strategic actions. The second set includes the routines that build and maintain the organisational support for the strategic actions. The third set includes the routines that shape communication in the firm, which provides the context for the first two sets of routines.

Background

Recently, the strategy literature has focussed increasingly upon the organisational processes that form the basis for the development of the firm's strategy (Teece et al., 1997, Johnson and Huff, 1998, Eisenhardt and Martin, 2000). These scholars, along with many others, focus on the routines, competencies and capabilities of the firm that shape its development in the long run. This approach shifts the traditional focus in research from products and markets to a more micro strategy approach which aims to understand the way in which the competitive advantage of a firm is actually developed (Johnson and Bowman, 1999). Our research follows the latter approach by describing the organisational routines that are the sources of a firm's strategic development.

While the current discussion relating to the nature of strategy making focuses mostly on contingent elements such as markets, product portfolios or managerial actions, our objective here is to stress the routinised elements of this process. The idea that routines shape the development of the firm is well grounded in the literature (March and Simon, 1958; Penrose, 1959; Nelson and Winter, 1982, Cyert and March, 1992; Teece et al., 1997). However, there is little theoretical or empirical research into the nature of these routines and the way they shape the firm's strategy making.

The idea of strategizing routines was initiated by Nelson and Winter (1982), who suggested that the long-term development of a firm, and hence its strategy, is governed by certain types of routines. These routines are firm-specific, i.e. they differ from one firm to another. Teece et al. (1997) refer to the processes that yield the firm's strategy as dynamic capabilities. These capabilities (Teece et al., 1997, Eisenhardt and Martin, 2000) are the *"firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities, thus, are the organisational and strategic routines by which firms achieve new resources configurations as markets emerge, collide, split, evolve and die"* (Eisenhardt and Martin, 2000: 1107). We feel, however, that the elusive nature of the term "dynamic capability" makes it difficult to operationalise in a systematic study of the development of a firm's strategy. Hence, a preferable course of action is to return to the original concept of "strategizing routines". While the definition of the role of these is clear, the literature is much less coherent on their nature, the means by which they may be identified, and the types of processes, which constitute them. These issues are the focus of the present investigation.

Introduction

The most prominent strategy-making model in the literature is the Bower-Burgelman model (Bower, 1972; Burgelman, 1983, 1994, 1996; Noda and

Bower, 1996). This model suggests that the process of developing initiatives in a large, complex organisation can be explained in terms of four interlocking processes: definition, impetus, setting the structural context, and setting the strategic context. A definition process is “a cognitive process in which technological and market forces, initially ill defined, are communicated to the organisation” (Noda and Bower, 1996: 160). The impetus process is “a largely sociopolitical process by which these strategic initiatives are continually championed by front-line managers, and are adopted and brokered by middle managers” (Noda and Bower, 1996: 160). The setting up the structural context, which is the role of the top team, shapes the strategic development of the firm. The structural context includes “various organisational and administrative mechanisms such as organisational architecture” (Noda and Bower, 1996: 160). The setting of the strategic context is “a political process through which middle managers delineate in concrete terms the content of new fields of business development...and attempt to convince top managers that the current concept of strategy needs to be changed” (Noda and Bower, 1996: 160).

In similar vein, Bartlett and Ghoshal (1993; Ghoshal and Bartlett, 1997) identify three types of processes that shape the development of the firm. They argue that strategic development is the result of iteration and co-operation among three core processes. The first is the entrepreneurial process, by which the frontline creates and pursues opportunities. The second is the integration process, by which the middle managers link dispersed knowledge and skills across the firm’s unit. The third is focused primarily around the creation of an overarching corporate purpose and ambition.

The contribution of these models to the development of the thinking on the strategy process is vast. The two models regard strategy making as a complex, non-linear process that should be seen as an organisational effort and not the effort of just one group or person within the organisation. Moreover, these models portray various managerial and administrative mechanisms, each of which influences the firm’s strategic development. This highlights the fact that

strategy making is not a one-period phenomenon but is a set of linked organisational mechanisms that form part of the daily social fabric of the firm (Johnson and Huff, 1998).

However, the Bower-Burgelman and the Bartlett-Ghoshal models tend to overlook two major issues. First, the two models describe the development process of initiatives as a bottom-up process. However, this perception arises from their case study selection and should not be seen as a universal phenomenon. Both models were formulated through research in large, complex, technology-driven organisations, in which front-line managers had the most advanced knowledge. Undoubtedly, a different selection of cases would have yielded a different view of the process. Moreover, Burgelman (1983) emphasises that his study concentrates on initiatives drawn from the firm's main strategy focus, and that he does not study projects that were part of the organisational objectives. This selection of cases could easily lead to the view of strategy as a bottom-up process. The research shows that different companies have different modes of making strategy (Hart, 1992). Thus, while the Bower-Burgelman and Bartlett-Ghoshal models stress a generative mode of strategy making (Hart, 1992), in which the strategic actions are driven by the organisational members' initiatives, this is not the case in all companies. Both models criticise the traditional view of strategy that attributes strategic thinking to the top team and the execution to the lower level. However, they replace this with an equally limited proposition: that the line managers shape strategy by developing new initiatives and also executing them. In the present study, however, we wish to suggest that knowledge pertains to the whole organisations, and that its creation is based on iteration and discussion within and across all the firm's layers (Nonaka and Takeuchi, 1995).

The second issue that these models overlook is the existence of routines within the organisation. The driving force in the Bower-Burgelman model for the four core processes is power. Accordingly, each case can be assumed to behave differently according to the political situation involved. On the other hand, the

existence of routines in organisations (Nelson and Winter, 1982) suggests that the process is routinised. The Bartlett and Ghoshal model suggests ways of setting organisational managerial and administrative mechanisms that would support the strategy creation of the firm. In this respect, they acknowledge the existence of routines and suggest ways of modifying the organisational routines to support the strategy making. However, the idiosyncratic character of the firm is not considered, so they assume that it is possible to develop a similar set of routines in every firm. This concept contradicts the basic assumption that each firm develops its routines on the basis of its own particular history.

In order to overcome these two limitations in the next section, we develop a framework for strategy-making that consists of different issues that were recognised both in the Bartlett- Ghoshal and Bower-Burgelman models. These are: the definition process that sets the technical and economic characteristics of the strategic action, the integration process that develops and maintains the organisational support of it, and different structural mechanisms that constitute the “organisational glue” and are the context in which the first two processes occur. In order to search for the organisational routines, we did not have any assumption on the way the organisation conducts these issues. Rather, we assume that any organisation develops for itself its idiosyncratic way of making strategy. Put differently, we argue that every organisation develops for itself its own “theory” of strategy making.

The Research Model

The Definition Process

Our starting point in this inquiry is to study routines involved in the development of strategic actions, as portrayed by both the Bartlett and Ghoshal model (1993) and the Bower and Burgelman model (Burgelman, 1983, Noda and Bower, 1993). The latter model suggests two core strategic processes: the “definition” process and the “impetus” process, through which initiatives are developed. The definition process “encompassed the activities involved in articulating the technical-economic aspect of an ICV (internal corporate venturing) project”

(Burgelman 1983: 229). This is “a cognitive process in which technological and market forces, initially ill defined, are communicated to the organisation” (Noda and Bower, 1996: 160). As discussed above, the Bower-Burgelman model assumes that the line managers conceptualise and develop the initiatives by themselves. The authors ignore factors that shape the way in which an idea emerges and the importance of interactions between the organisational members. What must be stressed is that the notion of definition includes not only the communication of the idea, but also the way in which the strategic action characteristics are developed.

We study the definition process through two lenses. The first one focuses on the factors that lead to the initial conception of the idea, i.e. how the direction for the idea is set. The second lens focus on the knowledge creation processes in the firm (Nonaka and Takeuchi, 1995). For the first lens, we use Hart’s (1992) typology of five factors that shape the way in which strategy is developed in the firm. The concept of strategy making mode includes the notion of strategizing routines, since it argues that the company acts in consistent way over time. Hart (1992) first developed his typology of modes from the five forces¹ that facilitate or create the “spark” that causes the initiation of the firm’s strategy. He then built a consistent process of strategy making following these forces. These modes are the archetypes of strategy making. In reality, a firm’s strategy-making mode draws on elements from several archetypes (Hart, 1992).

For the second lens, we highlight the way in which knowledge is created in the firm. The model of Nonaka and Takeuchi (1995) sees knowledge creation as an organisational, rather than individual, process. Thus, we extend the boundaries of the “definition” in the Bower-Burgelman model relating to process to the way in which the organisation sets the economic and technical characteristics of the strategic action. Following that the investigation of the definition process in the firm consist of two elements: (1) the way the idea spark and the factors that

¹ The forces are: the top team, the organisation mission, the planning system, internal processes and unorganised organisational members’ initiatives.

shaped it, and (2) the routines involve in the creation of the knowledge in the firm that sets the technical and economic characteristics of the initiatives.

The Integration process

The second process in our model is the integration process. Here we follow the discussion of the integration process in the Bartlett-Ghoshal Model and the discussion of the impetus process in the Bower-Burgelman Model. In the latter case, the “impetus” process is regarded as the process by which the project “gained and maintained support in the organisation” (Burgelman, 1983: 229). Bartlett and Ghoshal’s “integration” process emphasises that the most important role of middle managers is to link resources between the organisational units in order to give support to the initiatives. We seek to combine these perspectives into our working model of the integration process. We view this process as a political process that builds and maintains the organisational support for the strategic action. In order to study this process, we divide it into two sub-processes. The first one focuses on the process through which the top team adopts the decision, and in this way top-team support is built. Here we use mostly the work of Dutton and Ashford (1993) of selling issues to the top team. While the support of the top team is important for signalling the organisation’s need for co-operation, it is not enough. In the second sub-process we focus on the co-ordination mechanisms in the firm that maintain the organisational support for the strategic action (Mintzberg’s 1983, 1998).

The concept of agenda building is not well studied in the literature (Dutton, 1988, Dutton and Ashford, 1993; Fenton, 1996). Dutton (1988) and Dutton and Ashford (1993) develop two contingency models that try to explain why, in any organisation, some strategic issues receive attention, while others do not. Their models focus on the characteristics of the issue, the way the project was presented, the other strategic projects and the political power of the project sponsor. In both model the idiosyncratic behaviour of the firm, in which an issue become important does not get any attention. Fenton (1996) develops a processual model for agenda building, namely the process in which an issue

becomes consider as important in a firm. She studied the agenda-building process in two firms from the same industry and with a similar context and history, and showed that each firm had a different process of agenda building. Following that we took to our model the firm's routines in which an issue is became impotent and gets the top team attention.

After the attention of the top team has been developed and the top team has approved the initiative, the project leader needs to execute the project. In so doing, he or she needs to co-ordinate between the organisational units on the use of valuable resource allocation and the supervision of the related work done by the units (Bartlett and Ghoshal, 1993). Co-ordination in the development of the initiatives is of crucial importance because the unit resources that were built according to past requirements do not include the current needs of the initiatives, and must therefore be modified. However, since the requirements are not yet known, there is inevitably a temporary shortage of resources. This might cause non-cooperative behaviour, not only because of the likelihood of opportunism, but also because of the different positions and objectives of the participants in the process. This is why co-ordination mechanisms become critical in the development of strategic actions. Mintzberg (1983:4) suggests that "co-ordination mechanisms seem to explain the fundamental ways in which organisations co-ordinate their work".

The Structural Context

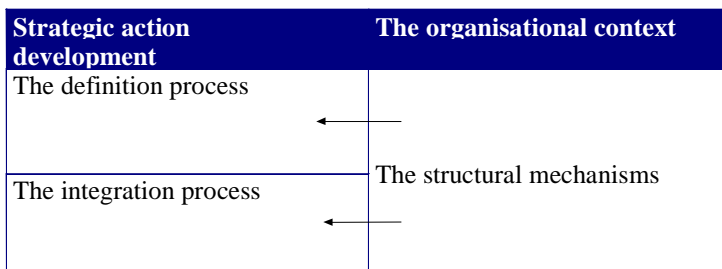
The Bower-Burgelman model suggests that there are two types of overlaying processes that are able to shape strategy making: "determining the structural context" and "determining the strategic context". The structural process involves "various organisational and administrative mechanisms such as organisational architecture, information and measurements systems, and reward and punishing systems" (Noda and Bower, 1996: 161). The importance of the structural process is highlighted through various elements in the Bartlett and Ghoshal model, such developing of performance standards. The structural context consists of various structural mechanisms. These structural mechanisms are a set of overlaying

organisational mechanisms that shape communication in the firm and, in so doing, they support the creation and development of the firm's initiatives (Henderson and Clack, 1990). Initially, Burgelman (1983: 239) defined these processes as ones which "include the diverse organisational and administrative elements whose manipulation is likely to affect the perception of the strategic actors concerning what need to be done to gain corporate support". This definition points to the ways in which the organisation channels its member's behaviour into a desired route. This definition is very broad, and it includes various mechanisms such as management style and rewards systems. Noda and Bower (1996: 161) reduce the scope of the definition, regarding these processes as "various organisational and administrative mechanisms such as organisational architecture, information and measurements systems, and reward and punishing systems". According to this definition, the structural mechanisms are of three kinds: issues of structure, motivation, and communication arrangement. Together, these mechanisms shape the communication in the firm. These routines provide the context that enables and facilitates the definition and integration processes. In this work we focus on three elements of the structural mechanisms:

- 1) The connection between issues related to organisational structure and the communication that is related to the development of strategic actions (Burgelman, 1983).
- 2) The organisational communication arrangements that shape the development of knowledge in the firm (Nonaka and Kono, 1998, Nonaka et al., 2000).
- 3) The factors that motivate the organisational members to communicate, such as career development and the reward system (Burgelman, 1983, Noda and Bower, 1996).

The structural mechanisms are the context in which the definition and the integration processes are developed. The first two processes follow the development of the strategic actions and set their characteristics and provide them with the needed support, while the structural mechanisms facilitate the first two processes. Figure 1 summarises this scheme.

Figure 1 the three-core research processes



The second overlaying process in the Bower and Burgelman model is the process that determines the strategic context. This is “a political process... to convince top managers that the current concept of corporate strategy needs to change” (Noda and Bower, 1996: 161). This process is not included in our own model. The assumption in the description of this process is that the strategy process can be characterised as a bottom-up process, an assumption that, as discussed above, we do not feel is acceptable. Changing the concept of strategy is a cognitive process (Sanchez and Heene, 1996) that is not within the scope of this research. Moreover, this research focuses on the nature of the strategizing routines and not on the changing process of these routines.

In accordance with the above explanation, the present research studies the development of the strategic initiatives through three process levels:

- The definition process, that sets the economic and technical characteristics of the strategic action.
- The integration process, that builds and maintains the support for the strategic action.
- The structural mechanisms, that shape the communication that supports the development of the first two processes.

The Research Methodology

The present study explores the nature of strategizing routines by using a one case study with multiple locales of investigation of mini cases. This methodology is similar to Pettigrew’s (1979) use of organisational “dramas” to study a firm’s

behaviour. Pettigrew draws on different events from a school's history, and analyses the behaviour and its development over time. In a similar vein, we use different events that shape the development of a firm's strategy to identify the routines involved. This design allows for the presence of replication logic (Yin, 1989) to understand the conditions that govern the strategic development of the firm. Since strategizing routines are assumed to be an organisational phenomenon, the present research studies different initiatives (locales) in one firm. We follow the development process of the initiatives. Using the analytical framework developed in the previous section, we search for the firm's strategizing routines.

The study examines the processes involved in the creation of strategic initiatives in the personal banking sector of HSBC bank in the UK. HSBC, one of the largest banking and financial service groups in the world, entered the UK retail-banking sector in 1992, when it acquired the Midland Bank, which at that stage was barely solvent. Since then, the Midland Bank² has changed dramatically and has returned to profitability. It was the first bank to launch TV banking and in 2000 it announced the creation of a joint venture with Merrill-Lynch to create a new Internet-based global banking service. These dramatic initiatives have captured the public eye. However, since 1992, the bank has developed a range of additional strategic initiatives, each of which contributes to the current position of the bank within the market.

In HSBC (UK) we study six initiatives as the locales of our investigation (see appendix 1 for their descriptions). The initiatives' selection criteria applied to locales followed a pragmatic rule as the basis of a search for similarities: the locales needed to be different from each other. Since we claim the existence of strategy-making routines, we aim to show that there are similar patterns of behaviour for different types of activity of the firm. Thus, our concern was to choose different types of initiatives to study. We used three criteria in order to

² In 1999, the Midland Bank changed its name to HSBC Bank Plc. In this paper we refer it as HSBC (UK) in order to differentiate it from its parent company HSBC Holdings PLC and to stress its location. For events that happen before 1999, we refer to the bank as Midland.

select the most heterogeneous sample in the retail banking operations of HSBC (UK). First, differentiation was based on the outcomes of the initiatives: exploration that refers to developing new strategic path to the firm versus exploitation initiatives that aim to utilised better existing capabilities (March, 1991). The second criterion was the specific area to which the initiative referred (technology, product or organisation). The third was based on the characteristics of the initiatives. These were: capital investment size, decision-making pattern (top-down or bottom-up), the initiative life span in years, and whether the initiative could be considered by the organisation members as successful or not.

The research was conducted between February to May 2000. We held 62 interviews with different members of the bank across the department and the hierarchy. The research was conducted in two main stages. The first one aimed to study the firm's context and to identify the firm's initiatives since 1992 and the second stage sought to focus on the development of six strategic initiatives. Following the first stage, 24 strategic initiatives that had occurred in the bank since 1992 were identified (see appendix 2). These initiatives met two criteria: first, the firm's members identified them as important, and secondly, they changed, or aimed to change, the firm's positioning.

We analysed the 24 strategic initiatives briefly according to the main issues involved in their context in order to ensure theoretical sampling (Eisenhardt, 1989). All the initiatives were analysed according to the main context in which they occurred. Table 2 presents the six categories of context within the bank's strategic initiatives. The table is divided into three types of context and two levels of initiatives: traditional banking, that we regard as an exploitation of the existing capabilities (March, 1991), and non-traditional banking, that we refer to as aimed at exploration of new types of capabilities.

Table 1 Typology of the initiatives according to their contexts

	Technology	Organisation	Products
Traditional	Centralisation and cost	Improving the branch	Improving the traditional

banking (exploitation)	reduction	network	banking products
Non-traditional banking (exploration)	New electronic delivery channels	New delivery channel in supermarket	Developing and improving new insurance products, and investment in digital TV company.

Each of the categories originally contained a large group of initiatives (see appendix 2). We then used the third set of criteria to ensure that our sample would include a variety of initiatives. These criteria included capital investment size, decision-making pattern, success and life-span. The evaluation of the project was built from the comments of the informants and did not reflect the researcher's own views³. Following this selection process, six initiatives were chosen. Each initiative presents different strategic types of actions. The initiatives that we chose for study were:

1. Customers Service Centres (CSCs) – a project to centralise the branch network telephones into four service centres. This project involved the development of new technology and modified the work processes in the bank.
2. Investment in British Interactive Broadcasting (BIB) – a £80m investment in a new type of digital TV company.
3. TV banking – the project involved the development of a new technological capability to manage transactions by TV remote control.
4. In-store Banking – a project to create new types of mini-branches in supermarkets. The project developed a new type of customer proposition and challenged the traditional delivery channels of the branch network.

³ The main issues that were mentioned for considering the in-store project as a moderate success were the low profitability of the project and its focus on the lower segment of the population (contrasting with HSBC's declared aim of attracting the affluent segment). The reasons that were suggested for the General Insurance project being moderately successful were two. First, at the end of the process the bank's market share in these products was very low, suggesting that the restructuring did not succeed. Secondly, the business model was not appropriate to the current stage of the market and it needed fundamental revisions.

5. Changing the business model of General insurance (GI) – in this project the bank modified its relationship with its suppliers of insurance product into a more formal partnership arrangement.
6. Clearwater – this project aimed to change the culture of the bank. Here, we discuss the way in which the bank formed a new set of norms and values.

The six initiatives are presented in appendix 1. Table 2 presents the major characteristics of the initiatives.

Table 2 The initiatives' characteristics

Initiative	Exploration vs. Exploitation	The major issue of the initiative	Capital investment	Decision making style	Success?	Life span (Yrs)
CSC	Exploitation	Technology	Big	Top-down	Yes	5
Investment in BIB	Exploration	Product	Big	Top-down	Yes	4
TV banking,	Exploration	Technology	Medium	Top-down	Yes	3
In-store banking	Exploration	Organisation	Medium	Top-down	Moderate	3
Changing the business model of GI	Exploration	Product	Small	Bottom-up	Moderate	5
Clearwater	Exploitation	Organisation	Medium	Middle and top	Yes	2

Finally, we needed to check whether the cases in our sample were strategic initiatives which changed or at least aimed to change the firm's core capabilities. We used the Leonard-Barton (1992) view of the dimensions of the core capabilities to explain the definition of strategic initiatives. Table 3 presents the relations between our sample and the four dimensions of the core capabilities. This gives us the assurance that the cases in our sample are indeed strategic initiatives.

Table 3 The relation between the initiatives and the core capabilities dimensions

Initiative	Skill and Knowledge Base	Technical System	Managerial and Administrative System	Values and Norms
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CSC	✓	✓		
Invest in BIB	✓			
TV banking	✓	✓		
In-store banking	✓		✓	✓
General Insurance	✓		✓	
Clearwater			✓	✓

After selecting the cases, we analysed the processes that yielded the initiatives. The primary data source for studying the initiatives' development process was interviews with the people involved in the development of the initiatives. The main informants were the heads of the project. In all cases, we held meetings with at least one more organisational member who was involved in the development of the case, so we were able to obtain a different perspective on the process.

The Research Finding

In this section we portray the generic process through which HSBC conducts its strategic initiatives, and characterise the specific routines that constitute this process. In order to meet our objectives, we divide the development process of the initiatives into three basic time-related stages: idea generation, concept development, and initiative implementation. By focusing on the actions of each stage, we seek to pinpoint the routines in each period. Thus the stage timeframe is defined as follows. The idea-generation stage focuses on the processes that yield the idea for the initiative. The stage ends in the initial approval of the idea by one of the top team, who gives permission to go to the next stage of concept development. In the concept development stage, the idea is developed in more

detail and the implementation process is designed. The stage is over when the top team approves the project and the process of implementation begins. The implementation process ends in one of two processes: one type is when the objective is met, e.g. the change of the business model of GI, Clearwater or the investment decision in BIB. The second process ends when the bank begins to treat the initiative as a regular project that does not need special attention as an initiative. This type is for initiatives that aim to build a new product, service or delivery channel, as with the CSCs, TV banking and in-store banking.

The First Stage – Idea Generation

We focus first on the initial stage of the initiative and examine the factors that shape the idea as it emerges. The section has two main themes. The first focuses on the origin of each of the initiatives in order to identify the routines involved in the process; and the second focuses on the way in which the initiative gains initial approval. We analyse these two issues and highlight the routines involved in each.

In HSBC (UK) we found that the major source of initiatives came from senior managers who were following a notion of their departmental mission. The other factors in Hart's (1992) categorisation were not found to be significant. These are the ways in which the initiatives initial ideas were "spark":

- The in-store project: The idea came from the Head of Strategy, who saw the concept in one of the managerial newspapers. The concept fitted well into the cost- reduction strategy of the firm.
- The CSC project: The idea came from the Head of Operations⁴, based on a discussion that took place two years previously in the firm. They did not have a grand plan of centralisation but this project was one of many which sought to take processes away from the branch network.

⁴ In this case the informants indicated that the idea had been discussed in the bank for long time. We identify the case initiator as the individual who began the process when it was actually launched.

- The investment in BIB and TV banking: The first contact came when the other party in the venture approached the bank. At first, the decision was not to invest in the firm, since the project did not fit the bank's requirements. Six months later SKY and BT approached the Head of Strategy, who took the lead. Since the other party changed their requirement for a bank partner, it was possible to the bank to accept the offer.
- Clearwater: The basic concept was initiated by a senior manager in the Public Affairs Unit in the bank. She told us that the idea had arisen when she read a book on the importance of brand in the competitive environment. She promoted the idea with the bank's CEO, who at first rejected it. Six months later, the GM of Marketing accepted the idea and the implementation began. The newly appointed CEO used the work that had been done by the Marketing Department to express the vision that he had developed.
- General insurance: The idea emerged after a long process in which the unit's management searched for possible business models. They then invited a consultant to give a presentation on the subject.

Burgelman (1983) found that the ideas for initiatives in his research cases came from the line managers and were based on technological development possibilities. Our research reveals different sources. In our case the idea for each initiative emerged from the senior level of management, based on a notion of the departmental mission. We can therefore identify the first strategizing routine: **(1) The initiators of the strategic initiatives are the senior managers, who base their ideas on the departmental mission.**

One of the most interesting findings of our research was the relatedness of the original ideas to the core activities of the department that initiated the project. In three of the six initiatives the idea was initiated and developed in the department that did not have the organisational responsibility for the issue. For example, previously to the CSC project, the responsibility of the telephone system was with the IT Department, but the project was developed in the Operations Department. The initiative to change the firm's culture and strategy came from the Marketing Department and not the HR Department or the Strategy

Department. The Strategy Department managed the in-store banking project, but the responsibility for branch operations was with the regional divisions. When we asked the various project managers why their projects were developed in their departments and not in those departments that were actually responsible for the issues, the first reaction was confusion -- they did not understand why we thought this was curious. Later, the given rationale was related to the definition of responsibilities of the departments. Thus, in the CSC case, although the Operations Department was not responsible for the telephone system, it was responsible for the branch network operation systems. It thus considered the project to be within its mandate. The Clearwater project, that aimed to change the firm's culture, was initiated in the Marketing Department since, according to that Department, identity and culture are essentially concerned with branding, and the brand is part of the customer proposition that is the responsibility of the Marketing Department. The in-store banking project was in the Strategy Department because its aim was to test a new way of thinking. This type of rationale strengthens our finding on the role of the mission in the development of the initiatives in the firm. We did not actually find a document that clearly set out the role of each department. Nevertheless, the organisation members know the mission of each department and understand how it relates to the business activities of the firm. This mission encompasses the actions of the employees in the firm. This therefore leads us to the identification of the second element of the first routine: **(1b) the organisational mission is not defined as a formal, clear area of responsibility. It is often understood in a more informal way and rather vaguely in terms of helping the firm to achieve its targets.**

The second routine states that **(2) As soon as the project initiator has a formed concept and before investing organisational efforts in developing the concept in more detail, the approval of the top team is needed.** In all the cases but one (GI), the first step was to organise an informal meeting between a senior member of the top team and the initiator⁵. Without this initial approval, the initiator cannot continue with the project. The development of the Clearwater

⁵ In the GI case, it was the manager of the initiator who called the meeting to discuss the project

project helps to clarify this situation. In April 1997, the manager of the Public Affairs Department, who then reported to the CEO, prepared a discussion paper about the importance of brands in the financial sector and made a recommendation for Midland to develop a distinctive brand. The CEO rejected the working paper's recommendations and the initiator stopped working on the matter. After structural changes, the Public Affairs Department was split: some functions moved to the HSBC Holdings Company and some staff, including the Manager of the Unit, moved to the Marketing Department in HSBC (UK). The same paper was presented to the GM of Marketing, who decided to adopt the idea, and the Department began to plan the project in detail. The beginning of the working project involved collaboration with different departments (such as the branch network and the Strategy Department). Thus, although the CEO of the bank did not want the project, the Marketing Department decided to get on with it. This was possibly encouraged by rumours that the CEO would soon be appointed to a different position within HSBC group. When we asked the GM of Marketing why this happened, he replied: "*because I saw that the branding issue was under my responsibility*". Later, when the CEO was replaced and the Marketing Department finished the concept creation part of the project and began to think about implementation, the Marketing GM had an informal meeting with the new CEO, that accepted the project concept. Following this, the Marketing Department took it to the next stage of implementation planning. The Clearwater story highlights two aspects of bank strategy making: the first is the key role of the mission as discussed before; the second is need for the approval of one member of the top team, who acts as a gatekeeper for the further development of the initiative.

In the meetings between the project initiators and the members of the top team the idea is presented in a broad and non-concrete manner. The initiator needs to show that there are problems and a range of possible solutions to the issue. In this stage, possible solutions are not discussed in details. The head of the CSC project told us that the initial instructions for the project of change of the telephone strategy of the bank: "*why don't we do something with our telephone*

system". The investment in BIB was accepted at the meeting when the concept was presented without a discussion of the terms of the contract between the partners, and without the bank having studied the profitability of the venture. The beginning of the project for TV banking began when the bank did not have a platform to conduct such a transaction, since there was no such platform in the world at that time. The Clearwater project began with a paper about the importance of the brand in the financial-services markets. In other words, none of the projects that we studied needed to be concrete in this early stage; rather, the focus was on the broad idea and the need to create a revolutionary project.

In the CSC case, the bank management changed over the planning period. This transition caused a delay in the implementation. The project had eighteen revisions of its business case. This was the only project in our study where the business case was not approved at once. The manager of the CSC project explained why this happened:

I think with any takeover one has got to. The new people have got to be comfortable that the people who are still left actually understand what they are doing. And I think that what was interesting about that period of time was about people being convinced that I, C [his manager – JM] and a number of the othersactually knew what we were doing, that we understood our business. I think that what happened during I suppose the latter end of '93 and into '94 was us spending time convincing the new owners of the business, that we knew what it was about.

The eighteenth business case of the project was signed by the management only after the IT manager of the group had signalled his approval. This was the only case where someone from the group's bank came to sign a business case⁶. This leads us to the second part of the routine 2: (2b) **the credibility of the initiators is a vital factor in the acceptance of the concept by the top team**. The GI case, in which the GM of the PFS presented the concept to the top team rather than the project team or the initiator, strengthens this proposition.

⁶ The investment decision in BIB was supported by the CEO of the HSBC group, but the decision was made in the bank

Looking more closely at the process by which there is an initial agreement by the top team to the project, it is possible to characterise the “agents of change” in the bank (an expression that we heard in the bank and that we decided to adopt), i.e. the persons in the bank who facilitated change. We found that in three out of our six cases the same person was involved in the process as project manager or sponsor. This manager is currently the GM of Personal Banking. This finding caused us to question the validity of our sample. At the beginning we developed three explanations. The first one focused on the nature of the sample. Since our study concentrated on the development of the personal banking area, it is natural that the GM of Personal Banking was involved in the process. However, he has been in his position for only two years and the processes that we studied began before that. Moreover, since other names were not mentioned with such frequency, we thought that there was a flaw in our sample of cases. This was the second explanation. However, after studying again the initial list of strategic initiatives (Appendix 2), we realised that it was not the sample that was wrong, since the same individual was involved in the process of most of the strategic initiatives on the list. This led us to the third explanation of the GM being important because he was as “agent of change” in the organisation. The Head of Strategy and Planning described the traditional process of an initiative’s development:

They [the initiators – JM] then begin to take it to the senior management, for example D [the GM of Personal Banking – JM].

Since our discussion is concerned with the organisational routines and not the personal routines, we did not aim to focus on this particular manager’s personal behaviour as an “agent of change” in the bank. We aimed to consider this only in relation to the development of the firm’s strategy. Then we began to see that other persons were involved in different initiatives. Then we saw that there was a group of people in the bank who were involved in different initiatives. The name of the Head of the SDU was mentioned as a participant in the development of various projects: the CSCs, investment in BIB, in-store and TV banking. He was also mentioned as someone who contributed to the development of the Clearwater concept, although he stated that he was not involved in the initiation

stage. Then we began to search for the other participants mentioned by our informants. We put together a list of people who were involved in different projects, some as part of their position in the hierarchy and some as persons who were identified as people who could contribute to the development process of an initiative. This list⁷ includes: the GM of Personal Banking (three projects), the former Head of Operations (two projects), the Head of the SDU (four projects), the Head of the CSC (two projects), the former Head of Public Affair (three projects), and two managers in the SDU (two projects each). When we identify in a bank of approximately 40,000 employees a group of seven people who shaped the development of the bank, it is a clear sign that there was a small group of “agents of change” in the bank who facilitated the bank’s strategic progress.

This group is not defined in terms of a common background (some are traditional bankers and some come from technology or finance). The group includes two females. (Although we did not study gender issues in the bank, it seems that this ratio is higher the proportion of females at the senior level of the bank). Moreover, the members of the group do not co-ordinate their activities, and indeed in some cases there are disagreements between them. Hence, we conclude that it is not the group members’ characteristics that shape these people as “agents of change”, but the reputation that they succeed in building over the years. Thus, we formulate a third routine: **(3) in the bank there is a small group of agents of change who are positioned all over the bank and have no special characteristics but have the credentials to facilitate change. These agents of change facilitate the creation of initiatives.**

The Second Stage - Concept Development

In the second stage, the initiative’s basic concept, that was approved by one of the top team, is developed into a concrete plan. This plan will be executed in the third stage of development -- the implementation stage. In this section we discuss

⁷ We do not to imply that this list is complete. We simply use it as an indicator of the

two main issues: (1) the development of the concept and (2) the preparation for implementation, namely the routines of the business case.

During this stage the bank forms a two-layer management style for concept development and implementation. In this management structure, each project has a steering committee and a working committee that collaborate on the concept's development of the concept and implementation. We discuss this structure in the next section (on implementation).

Looking at the concept development, we find that the process is divided into two parts. The first focuses on forming the concept, and the second focuses on extending the concept and developing the role of each department in the development of the initiative. Thus, we propose routine **(4) the development of the basic concept is conducted by initiators, who undertake a study of the key issues using internal and external sources. Later, when the idea is formed, the initiators invite other members and departments to join them in developing the concept.**

The initial work on the initiative's concept the study is done by the initiator using external and internal sources. In the CSC case, the concept was developed by the planning team, who studied the telephony situation in the bank and different possible solutions in other firms in the USA and the UK. When the concept was clear, they formed an inter-group discussion group to build the initiatives. The same situation happened in the in-store project, where the initiator visited the USA in order to understand the new types of branches, and then the SDU began to work with other Head Office departments (such as HR and Branch Design) to develop the implementation. In the TV banking case the project manager began to form organisational support for the project only after the investment decision and a six-month period of planning and studying the project's needs in the SDU offices. The same pattern emerged in the GI project: the decision was made and then other departments were involved in the search for the best business. There were, however, two exceptions to this routine: here

phenomenon.

both projects were conducted by one unit. These were the Clearwater project and the investment in BIB. In the Clearwater project, initially a consulting firm was invited to study brands in financial services and to conduct a study with members of the bank in order to form the idea. Then, the whole implementation's design was conducted in the Marketing Department. It must be stressed that Clearwater is an ongoing project, and our analysis focuses only on the first step of the road show. However, in order to carry the project forward, the firm developed a cross-departmental group to design the process. In the BIB case, negotiations with the partners proceeded without discussion with other departments.

The bank has a set of written rules for the submission of a business case. A business case is needed when there is capital expenditure. Where the project involves a change of policy and is strategic, so it does not contain capital investment, no business case is needed. In routines 5 we postulate that **(5) the bank has a set of rules for evaluating projects. This is based mostly on financial criteria that are universal for all bank projects and are not tailored to each project's particular needs.** In this section we explore the implications of this routine for the perceived success of initiatives.

In the bank there is a hierarchy of capital expenditure limits that each management level is allowed to approve in order to conduct a project. Each business case is considered as a business plan with estimated expenses, types of benefits to the bank in term of strategic objectives (e.g. learning and position in the market) and financial indices such as NPV and IRR. However, when a project is not defined in terms of capital investment, then it does not need to be approved by the top team⁸. In our sample we have two projects where the planners did not need to present a business case with financial calculations for the top team. These were the Clearwater project and the GI project. In these two cases, since the capital expenses were not considered significant and the outcomes of the project were not seen in financial terms, the project management did not need to gain additional approval for the project. In the Clearwater project,

⁸ There are three expansions of this rule: formation of a joint venture, outsourcing and major expenses such as marketing campaigns.

since the bank CEO was the project sponsor, it is possible that he did not need to ask for additional approval. In the GI project, the project manager did not get an additional approval, although he told us that he did keep the top team informed.

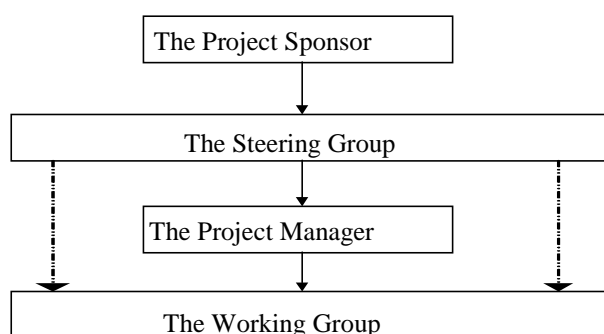
The role of the business case and the financial indices is crucial for the development of the business case. In our sample, we had three projects in which traditional financial analysis caused development difficulties: the CSCs, TV banking and in-store banking. In each project, the initial financial projection showed that the project was not profitable⁹. The solution of the project planners was to modify the business projections so the financial results showed high profitability. In the in-store project, in business case number three, they changed the returns of the programmes from eight years to 15 years. In the CSC case they took into account some financial benefits to show the profitability of the project, although in fact the project increased the staff in the bank more than the staff reduction in the branch network. In the case of TV banking, the planners included more scope for benefits than was initially thought possible. We would like to emphasise that the aim of this paper is not to criticise the decision to advance these projects in this way, but to highlight bank's needs for proof of profitability, even in cases where the financial tools for making investment decisions seemed to be inadequate. Nevertheless, bank projects without a positive NPV are considered as failures by some of the bank's members even if the projects have met the strategic objectives.

The Third Stage -- Implementation

In the third stage the initiatives are implemented. The main concern of this section is to examine the administrative system through which implementation is achieved. The bank has developed a particular system through which it conducts its projects. This involves two-layer management structure. We therefore discuss this structure and the features of the bank's management style. This leads us to formulate another routine: **(7) the bank forms a two-layered management structure for the implementation of projects.**

The first layer of the management structure is the steering committee, which is headed by the project sponsor, who is usually a senior general manager in the department responsible for the project. The other members of the steering committee are managers from project-related departments. The second management body is the working committee (sometimes referred to as working party). Figure 2 portrays this structure. The solid line represents the chain of command for the project, and the dotted line indicates that the steering committee consists of the managers or their department representatives in the working group.

Figure 2 The two-layered management structure



When the project is particularly complex, as in the case TV banking, the project itself is divided into many sub-projects, and each may have its own working committee. However, the whole project has one co-ordinating working committee. The project manager, who heads the co-ordination committee, reports to the project sponsor on the development of this committee. Thus, the whole project has one steering committee and one co-ordinating working committee. Usually the steering committee meets once a month (but this can vary according to need) and the working committee meets once a week. In our sample all the initiatives followed this structure with some variants according to the size of the initiatives and the departments involved in the project. In both committees there were representatives of every department related to the project. The steering committee includes the management level of the department, while

⁹ For the CSC and TV banking projects, the information comes from interviews, and for the in-

the working committee includes the members of staff who actually conduct the project. To take an example, the formation of the steering committee of the CSC project was described by the project manager:

I sat down with C [the Head of Operations – JM] and we agreed who would be on that steering committee, i.e. that we needed people who represented the branch network, sales, operations, technology on that committee because we were going to affect the whole organisation through what we were going to do.

The role of the steering committee is threefold. First, it undertakes the managerial supervision of the development of the project and financial control. Secondly, it sets the strategic direction of the project. Third, it has a problem-solving role of the working committee.

The steering committee needs to solve and support the working committee in all the problems it faces. These could be external to the firm, e.g. the choice of technologies, or the market, or they could be internal to the firm, e.g. internal communication and negotiation to prioritise objectives between departments. In relation to the development of TV banking, we heard from different informants that an intervention by the head of the steering group was critical to the success of the project. The case happened in the initial stage of the implementation, when the steering committee had noticed that the project is not developed according to its timetable. Then the project sponsor asked the CEO of the bank to write a letter expressing that this task is highly important to the bank. From this moment, as the GM of E-services recalled: *everything happened, because the entire organisation had a single call to do it.*

This story highlights different issues in the relations between the structure and the management style in the bank. We asked why project sponsor needed to ask the CEO to write this letter instead of writing it himself, since he was the head of the project. Two types of issues seemed to be involved. The first one focuses on the nature of the letter, which called for a change of the bank's work procedures in this project. The letter implied that the IT people should favour speed in the

store project we rely on business case number 3.

software development processes so that the bank could focus on other projects ¹⁰. Only the CEO could change the rules in this way.

The second reason focuses on the role of the structure of the chain of command in the bank, in which the two-layered management structure is productive as long as the head of the steering committee is the head of the departments that participate in the project. In the TV banking project, the head of the steering committee's responsibility in the organisational hierarchy came from the most involved departments (such as Electronic Services, telephone centres and Marketing) but not from IT development and the SDU. Since we understand from the informants that the main problems were with the performance of the IT department, the letter was the preferred method of instigating change for the simple reason that the project sponsor was not the manager of the IT Department. Hence, if the IT Department had been part of the sponsor's chain of responsibilities, he could have ordered them to work as needed, and he would not have required the CEO's intervention. All the informants in this case suggested that the letter gave the project the impetus it needed to succeed.

From the above case it seems that one of the key factors in the sustainability of the management model is that the project sponsor has a high position in the hierarchy. Thus this model is realised when the project involves departments that are under the same sponsor. As well as the TV banking project, there was another initiative in which the project sponsor did not have the control of all the relevant departments: in-store banking. In this project as well we found problems of collaboration in its implementation. In this project the sponsor was the Head of the Strategy Department. We should note that in the organisational hierarchy in 1996 this Head was a powerful person and was regarded by some informants as being the third important person the organisation. Thus, when the project was created, the sponsor had control of the system. However, over time the organisation changed its structure and the Head of the Strategy Department was moved. His successor did not have the same authoritative position in the bank. Thus, his power to influence the behaviour of other departments was limited.

¹⁰ This was the focus of the letter as described by another informant.

Summary of the routines in the three development stages

In this section, we summarise the main organisational routines involved in the development stages of initiatives in the bank, then we attribute them to the three strategizing set of routines described in the literature review: the definition process, the integration process, and the structural mechanisms. In HSBC, we find the following routines:

1. The initiators of the strategic initiatives are the senior managers, who base their ideas on the departmental mission. Where the organisational mission is not defined as a formal, clear area of responsibility. It is often understood in a more informal way and rather vaguely in terms of helping the firm to achieve its targets.
2. As soon as the project initiator has a formed concept and before investing organisational efforts in developing the concept in more detail, the approval of the top team is needed. Where the credibility of the initiators is a vital factor in the acceptance of the concept by the top team.
3. In the bank there is a small group of agents of change who are positioned all over the bank and have no special characteristics but have the credentials to facilitate change. These agents of change facilitate the creation of initiatives.
4. The development of the basic concept is conducted by initiators, who undertake a study of the key issues using internal and external sources. Later, when the idea is formed, the initiators invite other members and departments to join them in developing the concept.
5. The bank has a set of rules for evaluating projects. This is based mostly on financial criteria that are universal for all bank projects and are not tailored to each project's particular needs
6. The bank implements its initiatives using two-layer management structure. Where in the steering committee consists of advisors and the managers of the units in which their representatives are members of the working committee.

At first spot, these six routines seem to be too simple to account for the strategic development of the firm's. However, in the next paragraphs we explain how these six routines shape the development of the firm's initiatives. We attribute

them to one (or more) of the sets of the strategizing routines: the definition and the integration processes, and the structural mechanisms.

The definition process focuses on the routines that set the initiative's characteristics. In the literature review we divided this process into factors that shape the idea and the knowledge-creating processes in the firm. We identify routines 1, 2, 4, 5 & 6 (see above) as those that set the definition of the idea. Where routine 1 identifies the initiator and describes the role of the mission in the development, and routine 2 sets the initial discussion of the concept but not its detailed characteristics. Routine 4 increases the range of perspectives involved in formulating the project's characteristics, and routine 5 imposes financial discipline on projects that require capital investment. In routines 6, the structure sets the direction of the initiative by people who have the most advanced knowledge about the issues concerned: the departments' managers and other specialists of the bank. The working group consists of specialists on different issues. Hence this structure utilises the existing knowledge in the bank in order to produce the best available solution with multiple perspectives. Moreover, this is a flexible structure in which the direction of the initiative development can be changed easily.

The integration process sets the organisational support for the initiatives. We identify routines 2, 3, 4, 5 & 6 as part of this process. In routine 2, we see that the sponsorship of the top team in the initial stage is vitally important to the development of further actions. In routine 3 we can see that the initiators and sponsors in the firm are a small group of individuals with the right credentials. Routine 4 implies that joint decision making creates the commitment of different departments to the project. In routine 5 we set the criteria for the approval of the project by the top team. In terms of routines 6, the structure ensures a hands-on management style in which the top team is aware of, and can provide solutions, to conflicts between departments at different stages of the initiative's development. Moreover, the fact that the project sponsor is one of the top team reinforces the top team's commitment to the project.

The structural mechanisms are the mechanisms that shape communication in the firm. These are related to issues of structure, communication arrangements and motivation mechanisms. We relate routines 1 and 3 to these types of mechanisms. Routine 1 sets the operational boundaries of the department's action; routine 3 implies that there is a structure within the firm that relates to innovation activities; and routine 4 refers to the definition of the senior manager's work role in the bank. In the next section we discuss other types of structural mechanisms in the bank.

More structural mechanisms

In our study of the development of the initiatives in the bank, we have discussed different routines that support the definition and integration processes. These are the structural mechanisms. In the literature review, we argued that these routines build the structural context in which the definition and the integration processes. We have already discussed some of these mechanisms in the previous section. We now want to consider in more detail the other two types of structural mechanisms processes. The first section focuses on the processes that yield the motivation of the bank's employees to participate in the initiatives' development. Here we focus on the nature of career development in the bank. As we will see, this encourages people in the bank to interact with other members of the bank who are not in their department. The next section examines the communication arrangements in the bank, using the analysis of the "places" or the "ba" (Nonaka et al., 2000) in which the knowledge is created. In this section we focus on a particular example of a brainstorming event in the bank.

Career Development in the Bank

In the literature there is a discussion of two types of career development style: the vertical style, in which the person is promoted in his or her profession; and the spiral style, in which the career is developed by moving between different departments (Ouchi, 1981). In HSBC career development corresponds to the second of these types. Most of people are not promoted in their own department. For example, the current GM of marketing is a lawyer who used to work in the

Treasury Department, and one of the junior managers of in-store banking was promoted to the post of graduate recruitment in HR. We find that career development in the bank has two elements: one is formal, with certain procedures for promotion in the bank; and the second is informal, where a manager selects the best candidate for a position. The formal element was explained by one of the senior managers in the bank:

We have a system called EDF, which stands for Executive Development Forum. That is a way to look at all the managers across the organisation not only to see how their careers are developing but to evaluate them-- to see how they are and if they are ready for a move. If you need somebody, you give the HR people a set of criteria and they allocate you a candidate to interview. The criteria are the level of seniority, experience, the potential rating. Each manager has a potential rating: short-term value to the group, long-term value to the group and potential for growth. This is reviewed every year.

The informal element arose in our discussions with different managers in the bank, who argued that in order to get promoted one should be “noticed” (a phrase repeated by several informants). Hence, one should build a reputation in the bank and develop a network so that when an opportunity for promotion arises, he or she will be promoted. Promotion in the bank usually does *not* occur in the employee’s own department, but in a different department. Accordingly, the informal procedure encourages the bank’s members to co-operate across units since they could easily become part of another unit or work with another unit’s members in the future.

The career development process contributes to the initiative development in three ways. First, it ensures that the senior managers in the bank have a holistic view of the bank’s needs since they are positioned in many different departments. Secondly, it encourages co-operative behaviour among the bank’s employees, since they need to co-operate with, and be recognised by, different managers and units across the bank, and not just by their own department. Hence, their loyalty is to the bank’s systems rather than to their department or profession. The third issue is the development of social networks in the bank, through which the bank’s members become familiar with each other and not only with employees in their own department or unit.

Brainstorming Events

Of the four places in which knowledge is created (Nonaka et al., 2000), we focus on one kind: the brainstorming event, which is seen as the originating *ba*, where people meet to exchange ideas and tacit knowledge. This does not mean that we failed to find the other types of place in the firm, but we could not link these others to the development of the initiatives under study here.

HSBC has institutionalised offsite-brainstorming events. In these events, the bank members gather outside their immediate working environment and discuss certain issues without the burden of their usual work responsibilities. The bank has two locations dedicated for training and conducting these types of events on the outskirts London. When there are issues that a senior manager thinks need to be elaborated in a larger group, he or she invites a group of people to get together and share their thoughts. This could be for a day, a weekend or for a number of days. The topics discussed vary according to the case in the question, and the participants are not only from the immediate department, but also from other departments or even outside the organisation. Table 4 summarises the offsite brainstorming events that took place as part of the initiatives we studied.

Table 4 Brainstorming events in the initiatives' development

The initiative	The objective of the event	Participants
CSCs	General discussions on the possible ways to cut cost and increase efficiency in the Operations Department in 1989. The idea for CSCs, which was developed three years later, was first discussed here.	Senior managers in the Operations Department
Investment in BIB	No brainstorming event	
TV banking	Developing the service propositions	Various participants from different departments
In-store banking	Discussion of the idea's implementation	Various participants from different departments
General insurance	Explaining the new strategy and thinking about the implementation	Managers from the Department of GI

Clearwater	Discussing the bank's brand	Various participants from different departments
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These events contribute to strategy making through the definition and integration processes. Focusing on the definition process, the events have three main roles. First, they increase the perspectives of the discussions. Thus the solution is based on the most available knowledge that exists in the firm. Secondly, the discussions facilitate the thinking of the participants and thereby help to create a new type of knowledge in the firm. Thirdly, the organisational members develop a “collective mind” (Weick and Roberts, 1993), that is an important factor in successful development, since it makes it clear to the organisational members what their role is in the process (McGrath et al., 1995).

We discuss the contribution of the events to the integration process in terms of two elements: increasing departmental commitment and the creation of social networks. Since, in forming ideas, different departments participate, this increases their commitment to the initiatives. Moreover, the process facilitates the development of social networks and thus prevents uncooperative behaviour in the later stages of the initiative's development.

The Contribution of the Research

This exploratory research aims to develop the concept of strategizing routines and assess the influence of these routines on the development of the firm's strategic initiatives. By following the development of the firm's strategic initiatives, we aim to identify the routines that shape the new paths for the firm. The concept of strategizing routines was initially suggested by Nelson and Winter (1982), but the authors have little to say about the actual nature of such routines and how the initiatives actually modify the firm's strategic path. While the concept has been accepted in the literature (Teece et al., 1997; Eisenhardt and Martin, 2000), the nature of the processes and the way in which they influence firm's strategy making has not been understood. The paper seeks to contribute to

our understanding of the concept at two levels: the exploration of the nature of strategizing routines and the operationalisation of the concept into systematic research. In our case study, we did this by following the development of six strategic initiatives that contributed to the current position of the firm (HSBC) in the market, and pinpointed the organisational routines that shaped the development of those initiatives.

We see the strategizing routine concept as a fundamental brick in the development of a micro-strategy of the firm. Johnson and Bowen (1999:4-5) define this area as follows. “*Micro strategy research involves the study of strategic issues in terms of organisational processes at the level of individual and group interaction. It is likely to involve analysis, which spans levels: the individual interaction, the organisational level and the level of the organisational context*”. The authors argue that micro-strategy research should focus on the explanation of differences across firms, unlike macro strategy research, which focuses on the similarities. Hence, the idiosyncracies of organisations, which cause their unique patterns of development should be the focus of research.

The contribution of the strategizing routine concept is in two specific areas of strategy research. The first concerns the old and new conceptualisations of the relations between structure and strategy (Chandler, 1962; Whittington and Mayer, 2000; Fenton and Pettigrew, 2000). The second is in the discussion of the origin of the firm’s competence, capabilities and sustainable competitive advantage.

With regards to the old-new theme in strategy research, the term “structure” has traditionally been taken to refer to the hierarchy and span of control in the firm (Chandler, 1962). However, as Fenton and Pettigrew (2000) point out, the challenge of the new economy has reawakened academic interest in the strategy-structure-system link. If we apply this notion to micro-strategy research, strategizing routines analysis can provide a valuable new insight on the

connection between the firm's structure via the structural mechanisms and the firm's strategic process. In this context, we suggest that a broader view than the Chandlerian view. This view of structure reveals only a segment of what structure actually signifies. Looking at the firm as a social community (Kogut and Zander, 1996), we need to adopt a much broader perspective on structure. Thus, we incorporate both the notion of formal structure, as Chandler (1962) recommends, but also the communication arrangements that are not necessarily related to the firm's formal structure but which create a web-like flow of information flow.

The second area of contribution of the strategizing routines concept is in understanding the sources of the firm's long term sustainability. The resource-based view (RBV) of the firm (Penrose, 1959) discusses the importance of building strategic assets in order to achieve sustained competitive advantage. However, the elusive nature of this capability, involving as it does tacit knowledge and firms' processes (Teece et al., 1997), means that it is hard to define it, assess its origins and follow its development process. Penrose (1959: 1) refers to the development of the firm as "an unfolding process", one that is based on the endogenous changes of the firm's resources and the services these resources yield. The dynamics of the change, which provide the basis of the RBV, constitute one of the main problems of the theory (Foss, 1997, Foss and Robertson, 2000). The strategizing routine perspective explains the dynamics of the change of the firm's capabilities and resources as a series of interlocking components: the definition and integration processes and the structural mechanisms. These processes and mechanisms are the source of the firm's strategic position. Thus, the strategizing routine view can provide the researcher with the necessary analytical tool to study the way in which the firm's core competences emerge and develop.

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Appendix 1 Basic description of the Six initiatives

The Development of the Customer Service Centres (CSCs)

This project developed telephone centres to deal with customers' inquiries that had previously been dealt with in the branches. The new channel aimed to both improve the service level and reduce costs by cutting the number of staff at branch level. Midland was the first bank to transfer all telephone calls from the branch network and provide customers with the same services from a remote area¹¹. Currently, the bank has four call centres (Hemel Hempstead, Leeds, Swansea and Edinburgh). The description follows the development of the organisational thinking that developed the concept of the first three centres. The research and development phase was from the beginning of 1992 until the end of middle 1994. The first call centre was opened at the beginning of 1995 and was seen as an experimental site. The second call centre was opened in August 1995 and the third in August 1996. The fourth followed in October 1997.

Investment in British Interactive Broadcasting (BIB)

British Interactive Broadcasting (BIB) is a joint venture created to deliver digital interactive services to TV viewers in the UK. Using the traditional television set, BIB provides services such as home shopping, bank account management, e-mail services and more. BIB has four shareholders: (1) British Sky Broadcasting (Sky), a satellite TV company, which has 32.5% of the ownership; (2) British Telecom (BT), a telephone national carrier, that owns 32.5% of the company; (3) Matsushita, a Japanese electronics manufacturer, which holds 15% of the company; and (4) HSBC (UK) bank, which has 20% of the company. The bank's interest in the project is not only in investing in the new venture but also in providing a transaction management system to manage transactions on the platform's virtual shopping mall.

¹¹ In 1989, the Midland opened the First Direct bank, which had no branch network.

Developing a TV Banking Capability

The essence of this project was to develop a new delivery channel for banking services to the customer via a home television set. The main technology of interactive television was developed by BIB, but here we focus on the way in which the bank developed its technological capabilities to deliver the service. The bank in fact developed three main processes of TV banking: a transaction management system to buy any product or service on the TV platform; a TV banking service through which the customer could conduct transactions on his/her account via the TV; and a platform to present and sell the bank's financial services via TV. Before the project began, the bank did not have an Internet service, and therefore the project developed the platform through which the bank could provide Internet and WAP services to its customers.

In-Store Banking

The in-store banking project aimed to create and operate small-scale bank branches through a supermarket's chain outlets. These in-store branches would operate during the supermarket's opening hours, seven days a week, i.e. approximately 78 hour a week -- almost double the traditional opening hours of bank branches. The in-store branch staff is, up to four members, and the branches provide the most common financial services of the bank, basically current accounts management. Other financial services are provided by dedicated call centre telephone lines located in the in-store branches, and specialists from the high street branches would be available upon prior request. There are three key advantages for the HSBC from this business model: (1) cost efficiency in terms of the set-up costs compared with the cost of opening new branches, and smaller operating costs; (2) the ability to target new customers since most shoppers were loyal to the retailers; and (3) the ability to test and develop new bank products and services in a secure well-targeted environment.

Changing the Business Model for General Insurance

The scope of the project was to change the business relations between the bank and its insurance product suppliers (insurance companies) in order to improve

and increase the range of the general insurance products (such as home, motor and travel insurance) offered to customers. In the past, the bank had served as an intermediary between the insurance companies and its personal customer. Its role had been to buy different products from insurance companies and sell them to its costumers with commission. The bank's customer administration unit had managed the customers and, in the event of a claim, had approached the insurance company and then paid the customer directly. The initiative aimed to challenge this business model in two respects. First, the bank shifted its role from intermediary to initiator and began to design insurance products according to the needs of its customers, and to monitor the product propositions provided by insurance companies. Secondly, the bank moved the customer administration unit to the insurance companies and sought to ensure high service standards instead of providing those services itself. Essentially, the new business model was a model of partnership with the insurance companies.

Changing the Culture – Clearwater

The Clearwater¹² project aimed to change the organisational strategic focus so that the bank would become better than other UK banks. The cost-reduction strategy that the bank had followed since the 1980s had greatly affected the organisation's culture and processes so that further organisational growth appeared to be inhibited. As a result, in 1997, the bank developed a series of programmes (the Clearwater project) that aimed to improve the situation. The project is ongoing. We here focus on the initial steps to formulate the Clearwater project, especially the road show presented by the CEO to explain his organisational vision.

¹² The term 'Clearwater' comes from the English expression 'to put a Clearwater in the competition', meaning to become a winner at a noticeable distance from other competitors.

Appendix 2

Classification of the firm initiatives according to the six categories

Class of Initiative	Explanation
<u>Centralisation and cost reduction</u>	
DSC 2	Centralising the accounts management
Norms	Centralising the Accounts charges
Retail Processing System	Changing the branch IT system
Customer Service Centres	Centralising the branches' telephone calls
Customer data utility	Changing the database from focusing on product to customers
<u>New delivery channels</u>	
TV, PC, mobile phone & Internet banking	
PC banking of First Direct	
<u>The branch network</u>	
Refurbish the branch network 1992, 1995, 1998	
Clear water and winning team	Changing the bank culture
One-stop-banking	Project that aim to change the work structure in the branch
In-store banking as model	Creating new type of branch in supermarket chains as pilot for changing the branch network
Network Pilots	Studying the customers needs for branches positions in given area
Devolve the authority in the branch	Strengthen the branches with bankers with high authorities
<u>New organisational form</u>	
In-store banking as new channel delivery	Developing new type of branches in supermarket chain as a parallel branch system
HSBC Direct	Creation of unit to sell by phone financial product
British Asian Bank	Creation of a new subsidiary for the Indian population
<u>Traditional banking products</u>	
Simplifying the products	Simplifying the product set and creation of better product
FD business to business	Moving a Unit to First Direct that give credit to firm to finance customers' credit transaction
<u>Financial Services Provider</u>	
Private health insurance and pet insurance	New product development
Restructuring the business model of insurance products	Developing a partnership with the insurance companies rather than to suppliers