Abstract

This paper analyzes the culture conflicts between two merged IT departments from two banks and how they resolve them. The integration of divergent cultures is crucial to maintain the performance of merged organizations. This paper examines post-merger IT integration of a Taiwan’s financial holding company which merged a government owned bank with its banking business, and argues that the understanding of IT culture conflict between two merged departments can contribute to effective post-merger IT integration. This paper identifies three types of IT culture conflict occurring in IT integration, and then discusses how to resolve IT culture conflict in post-merger IT integration. We assert that IT department can resume the productivity once IT culture conflict can be identified and resolved even IT infrastructure and processes of merging organizations are incompatible.

Keywords: IT culture conflict; IT integration; Strategic Alignment Model.

1 INTRODUCTION

Merger defines the combination of two (or more) companies into a single company, which includes acquisitions or any other forms of merging (Kloosterman, 2005). The Growing competition in the business environment drives companies to conduct various mergers to expand their business, such as horizontal, vertical or conglomerate merger. Through these mergers, business expects to achieve to gain the financial, operational and managerial synergies (Shrivastava, 1986). However, this merger has also come with many challenges; for example, post-merger integration problems are common to most mergers (Trautwein, 1990). For IT-intensive firms, IT integration is a crucial factor for successful mergers (Antonis et al., 1996; Harrell and Higgins, 2002; Henningsson, 2006), and faulty integration is a significant cause of merger failure (Shrivastava, 1986). The MFG (Mizuho Financial Group) project is a frequently cited example of IT integration failure in Japan (HanGook and Junichi Iijima, 2005) due to its poorly managed integration effort and lack of cultural integration.

IT Integration usually confronts complex issues, such as the decision on how to merge IT components including infrastructure, processes, applications, people (skills) and culture (Johnston and Yetton, 1996; Robbins and Stylianou, 1999). Although a high level of integration enhances synergy of merger (Chakrab and Mitchell, 2005; Kaarst-Brown and Robey, 1999), it may increase coordination cost and potential conflict (Chatterjee et al., 1992; Weber and Camerer, 2003). The culture fit (Cartwright and Coopler, 1993) and the integration of divergent cultures are crucial to the success of merger (Teerikangas and Very, 2006; Weber and Pliskin, 1996).

This study is aimed to investigate how IT culture conflict affects post-merger IT integration, including the types of IT culture conflict occurring in post-merger IT integration, and their corresponding resolution. Prior studies on IT culture in organizations are mainly on corporate culture (Harrell and Higgins, 2002; Weber and Pliskin, 1996) or disagree on IT’s role (Kaarst-Brown and Robey, 1999).
Currently, a new survey shows that in post-merger IT integration, "cultural integration" is the important impediment to successful integration, and suggests that learning how to plan and execute IT cultural integration in post-merger is getting important (Curtis and Channugam, 2005). Leidner and Kayworth (2006) proposed a values-based approach to discuss three forms of IT culture conflict which may emerge in the context of IT development, adoption, use and management. These three forms may exist at the national, organizational, or subunit levels. Based on these perspectives, this study investigates how social groups perceive and ultimately respond to IT-based change in post-merger IT integration. Due to the limited understanding on the post-merger IT culture conflict in the banking industry, this study conducts a case study on a Taiwan’s financial holding company which acquired a government owned bank in 2004. From the case study, we expect to increase in-depth understanding of the factors behind the process of post-merger IT integration.

This paper is organized as follows. Section 2 reviews literature on theories related post-merger IT integration, such as IT integration strategies, strategic alignment model and IT culture conflict. Section 3 describes the research method and case background. Section 4 analyzes IT culture conflict in the case company, and Section 5 describes how the case company resolves conflicts in the IT integration process. Section 6 discusses the findings from this case study and Section 7 concludes this study.

2 LITERATURE REVIEW

2.1 Merger ambition and IT integration strategies

Merger strategy determines the degree of merger integration (Giacomazzi et al., 1997). McKiernan and Merali (1995) identify three merger objectives, which are (1) Absorption: the target company becomes integrated into the bidder company to form one new entity in order to achieve the benefit of scale and to increase market share. This strategy thus requires complete integration of the operations, IT, organization and culture. (2) Symbiosis: a merger strategy is to combine only the strengths of both parties in order to enhance the resulting company’s market power; and thus only partial integration takes place. (3) Preservation: no integration occurs in this strategy, and two parties remain autonomous in order to allow them to further exploit and develop their capabilities.

An IT integration strategy consists of IT integration objectives and methods. IT integration objectives are usually specified as follows (Wijnhoven et al., 2006): (1) Complete integration is the most ambitious objective in IT integration that two independent IT departments are merged; (2) Partial integration establishes priorities to integrate the most important processes and systems, and moves the remainders to a later stage. (3) Co-existence tries to keep the two IT departments of the merger partners unchanged, and only realizes bridges for data exchange and consolidation if necessary. IT integration can be realized by four methods shown as follows: (1) Renewal abolishes all IT of both merger partners and replaces it by a completely new IT; therefore, this method can only be used in an absorption situation. (2) Takeover closes down all of IT of one of the partners, and uses the IT of the other as the IT for both. In this scenario, conflicting situations between various parties easily arise. (3) Standardization combines the best parts of both ITs as the new standard for the new organization. (4) Synchronization keeps everything as it was, has the advantage of continuity, with little cost required for retraining people in the new system.

<p>| Table 1. IT integration objectives corresponding to merger objectives (adapted from Wijnhoven, Stegwee and Tjang, 2006) |
|---------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------|</p>
<table>
<thead>
<tr>
<th>Merger objectives</th>
<th>IT integration objective</th>
<th>IT integration method</th>
<th>Synergy benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absorption</td>
<td>Complete IT integration</td>
<td>Renewal</td>
<td>Cost reduction</td>
</tr>
<tr>
<td>Symbiosis</td>
<td>Partial IT integration</td>
<td>Takeover</td>
<td>Increase market share</td>
</tr>
<tr>
<td>Preservation</td>
<td>IT co-existence</td>
<td>Standardization</td>
<td>Enhance market power</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Synchronization</td>
<td>Future development</td>
</tr>
</tbody>
</table>
Renewal and takeover have higher integration ambition than partial integration, which in turn has greater ambition than synchronization. Certain IT integration objectives are more appropriate for specific post-merger organizational situation. Therefore, it is necessary to understand the features of each option in order to select the most appropriate one and perform a successful integration. Table 1 summarizes IT integration objectives corresponding to merger objectives. For enhancing the synergy of merger, we may be able to select a proper IT integration strategy as Table 1 indicates; however, we may not implement the best process in facing incompatible IT configuration (Johnston and Yetton, 1996) or culture conflict (HanGook and Junichi Iijima, 2005).

2.2 Strategic Alignment Model (SAM)

Prior research (Bergeron et al., 2004, Merali and McKiernan, 1993) has argued for aligning a firm’s IT strategy with its business strategy to improve organizational performance. However, achieving business-IT strategic alignment has been a constant challenge for many organizations (Luftman and Brier, 1999), especially when two firms are trying to merge into one. The success of IT integration depends on the degree of alignment between the merged business and the merged IT function (Mehta and Hirschheim, 2004).

The Strategic Alignment Model (SAM) provides four perspectives (Henderson and Venkatraman, 1993): (1) strategy execution perspective reflects the notion that business strategy should be the driver for both organizational design and IT infrastructure choices, (2) technology transformation perspective focuses on developing an IT strategy in response to a business strategy and defining the corresponding IT infrastructures and processes, (3) competitive potential perspective focuses on the exploitation of emerging new IT capabilities to enable new business strategies, and (4) service level perspective views that information technology can improve the business processes.

These four perspectives of strategy alignment allow both strategic fit and functional integration to be addressed simultaneously given the importance of strategic fit and functional integration (Papp, 2001). Luftman (1993) extends the strategy alignment by classifying four areas into three domains. The anchor quadrant is of the greatest strength and drives the change. The pivot quadrant is the weakest, and it is the place that changes will be addressed. The impacted domain will be directly affected by change to the pivot domain. Table 2 shows the four perspectives of the model and the specific role of management to make corresponding perspectives succeed (Burn and Azeto, 2000).

Table 2. Four perspectives of strategy alignment (adapted from Henderson and Venkatraman, 1993)

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>Anchor</th>
<th>Pivot</th>
<th>Impact</th>
<th>Role of top management</th>
<th>Role of IT management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy execution</td>
<td>Business strategy</td>
<td>Business infrastructure</td>
<td>IT infrastructure</td>
<td>Strategy formulator</td>
<td>Strategy implementor</td>
</tr>
<tr>
<td>Technology transformation</td>
<td>Business strategy</td>
<td>IT strategy</td>
<td>IT infrastructure</td>
<td>Technology visionary</td>
<td>Technology architect</td>
</tr>
<tr>
<td>Competitive potential</td>
<td>IT strategy</td>
<td>Business strategy</td>
<td>Business infrastructure</td>
<td>Business visionary</td>
<td>Catalyst</td>
</tr>
<tr>
<td>Service level</td>
<td>IT strategy</td>
<td>IT infrastructure</td>
<td>Organizational infrastructure</td>
<td>Prioritizer</td>
<td>Executive leadership</td>
</tr>
</tbody>
</table>

2.3 IT culture conflict

Leidner and Kayworth (2006) proposed a values-based approach of culture to develop the themes to connect the relations between IT and culture. IT-culture themes deal with culture which may influence the design of information systems, IT adoption, IT outcomes, IT management and strategy.
Given that culture is by definition shared value, IT culture means the value attributed to IT by a group. Leidner and Kayworth (2006) identified three types of value, which are (1) the group member values representing the values held by a group’s members that signify the espoused beliefs about what is important to the particular group, (2) the values embedded in a specific IT referring to values which are assumed in the working behaviours that IT is designed to enable, and (3) the general IT values referring to those values that a group ascribes in general to IT.

Based on the values-based approach, Figure 1 shows the three forms of conflicts which may emerge in the context of IT development, adoption, use and management, and may exist at the national, organizational, and subunit levels (Leidner et al., 2006). System conflict describes conflict that emerges when the values implicit in a specific IT contradict the values held by the group members who are using, or expect to use the system. For example, a knowledge management system designed to foster communities in an organization that cherishes individual billable hours. Contribution conflict is defined as the contradiction between group member values and the group’s IT values. For example, the relevant user group (physicians) viewed IT in general as cost control whereas they espoused to cherish first and foremost quality of care. Vision conflict is the contradiction between values embedded in a system and a group’s IT values. For example, IT designed to promote efficiency for a group that perceives IT as a time-consuming burden.

Figure 1. A Tripartite View of IT-Culture Conflict (adopted from Leidner and Kayworth, 2006)

3 METHODOLOGY

3.1 Analytical framework

Following Henderson and Venkatraman’s IT alignment model perspective (1993), Figure 2 shows the four fields of business and IT interaction in business strategy, IT strategy, organizational infrastructure and processes, and IT infrastructure and processes. Since IT integration is often given insufficient priority in merger discussions, with the top management focusing more on the business strategy and leaving IT issues to a later stage, IT integration is treated as a technology transformation process (Wijnhoven et al., 2006). The infrastructure and processes field is always the impacted domain (Luftman et al., 1993). To support business strategy, IT architectures, processes and skills should be effectively redesigned (Henderson and Venkatraman, 1993) and conflict may emerge.
We examined the aforementioned issues by incorporating Leidner’s and Kayworth’s IT conflict perspective into strategic alignment model, creating a framework to analyze the types of IT culture conflict occurring in post-merger IT integration. In general, post-merger IT integration is treated as a technology transformation process driven by business strategy. However, the pivot is IT strategy and IT infrastructure as the areas of impact, for support business strategy, IT department must develop the proper IT integration strategy and redesign the IT architectures and processes, in which at least three components, **IT architecture**, **IT processes**, and **IT skills**, are addressed (Henderson and Venkatraman, 1993). **IT architecture** selection is to redesign the technical infrastructure, such as core applications, the configuration of hardware, software, communication, and the data architecture. **IT processes** selection is to redesign the work processes central to the operations of the IT infrastructure, such as systems development, maintenance, and monitoring systems. **IT skills** selection is to redesign the acquisition, training, and development of the knowledge and capabilities of the individuals required effectively managing and operating the IT infrastructure after the merger. Avoiding the loss of key IS staffs and their expertise, efficient IS staffs and skills integration are critical in post-merger IT integration process (Alaranta, 2005). These choices will impact on the administrative structure, such as roles, responsibilities, and authority structures, and then conflicts may emerge between departments in the merged organization (Guzman et al., 2004).

### 3.2 Research method

Case studies permit rich description, through capturing multiple data sources and perspectives, which is particularly appropriate for theory building research (Eisenhardt, 1989). According to Yin (Yin, 1994), in general, case studies are well suited to “how” and “why” questions in settings where the researcher does not have control over variables. The main research question of this study is to identify IT culture conflict and observe how to resolve these conflicts in post-merger IT integration. Therefore, case study methodology is well suited to explore these questions.

This study uses a single case with embedded multiple units. The single-case research design is useful if the case is an extreme, unique, or revelatory case (Eisenhardt, 1989). A major reason for choosing Fubon Financial Holding Company as the case is that it is a successful full-scale merger of operations between a large government-owned bank and a private bank in Taiwan. They conducted IT full-integration approach while facing culture conflict inherited by different characteristics of government-owned and private banks.

The principal method of data collection is through in-depth interviews with a balanced set of two organizational key participants including directors, manager and engineers. The interviews were tailored to each particular person and focused on their perceptions of what happened and why; on how decisions and actions were influenced and conflicts resolved. The triangulation approach through various data sources and collection methods is particularly beneficial in theory generation (Orlikowski, 1993). Bank planning documents regarding the integration project were also examined, as were annual
reports of the two banks, and media coverage of the acquisition. These interviews and supporting documents formed the basis for the case description and analysis.

The research adopts the method of ground theory to analyze a conflict caused by the disagreement over the problem of redesigning IT infrastructure, processes and skills. Analysis in the grounded theory approach includes three coding procedures: open, axial, and selective coding (Strauss and Corbin, 1990). The analysis of the data collected from the various sources reflected the analytical framework as presented earlier. To begin with, we recognize different value propositions of the merged IT organization. Then, we identify the emerging conflicts after analyzing participants’ perspectives of both sides. Finally, we discuss the effective resolution for IT culture conflicts and the relationship of IT integration strategies and IT culture conflicts.

Yin (1994) presented two strategies for general use of case study. One is to rely on theoretical propositions of the study, and then to analyze the evidence based on those propositions. The other technique is to develop a case description, which would be a framework for organizing the case study. This paper use case description to explore the IT conflict occurring in post-merger IT integration of a Taiwan financial holding company.

4 CASE DESCRIPTION AND ANALYSIS

4.1 Case Background

For enhancing business performance and competitiveness, in December 23, 2002, Fubon Financial Holding Company (Fubon FHC) acquired the assets of Bank of Taipei, a government-owned bank and used Taipei-Fubon Bank as the identity. Bank of Taipei and Fubon Commercial Bank were complementary to each other. However, in order to preserve the brand position and strengths of both parties, as well as minimizing potential repercussions, Fubon FHC then decided to merge these two banks through actively integration of information systems, workflow, organization and staff. On January 1, 2005, after two years of intensive preparation, Bank of Taipei and Fubon Commercial Bank were officially merged into Taipei Fubon Commercial Bank. The merged bank made it own the most branches among local private banks, in addition to the first successful full-scale merger of operations between a large government-owned bank and a private bank in Taiwan.

As the government bank and private bank have different considerations, there were several significant differences between the two banks’ IT architecture, processes, skills and culture. First, the IT systems of two banks were built around different technology platforms. Due to cost saving and ease of use, Fubon Bank operated primarily AS/400 based systems, while the Bank of Taipei was committed to an IBM mainframe platform for system reliability and efficiency. Second, IT process and management style were very different. For supporting more external customers, the flexible team-based management in the IT organization of Fubon Bank contrasted with the more hierarchical and formal IT management processes in the Bank of Taipei. Third, different IT skills existed within these two banks. The benefit of AS/400 systems is easy to use, but the IBM mainframe used by the Bank of Taipei needs more professional skill to operate than that needed for AS/400. Fourth, contrasting culture of IT practices existed within both sides. IT department of Fubon Bank is more business-driven, oriented to satisfy the demands of the business units; however, IT department of the Bank of Taipei was traditionally quite separated from the business and more technology-focused.

4.2 Different value propositions

According to Leidner’s and Kayworth’s IT conflict perspective, there are several differences between these two banks’ IT values. First of all, different group member values existed within these two banks. The group member values represent the values held by members of a group that signify the espoused beliefs about what is important to a particular group. The differences in group member values are
shown in the selection of IT platform and IT skills. In selecting IT platform, for cost consideration, “Mainframe is expansive and difficult to use.” Fubon Bank operated AS/400 based systems, while the Bank of Taipei as a government owned bank was committed to an IBM mainframe platform for system reliability, “The stability and ability are essential to core banking systems.” In selecting IT skills, Fubon Bank’s IT employees are more creative and accomplish the customer service, “We try to take advantage of new technology such as using web service to create ‘e-channel’ as information exchange between different systems.” while the Bank of Taipei’s IT staffs “tended to follow rules, work hard and execute well.”

Additionally, contrasting culture of IT values existing within these two banks, the general IT values refer to those values that a group ascribes in general to IT. There exist some contrariety in IT process design and IT skills’ selection. Fubon Bank’s IT department was business-driven, “with service perspective of doing business, the products must be out of sale on account of bad function”; however, the Bank of Taipei’s IT department was traditionally more technology-focused, “with government finance perspective, nothing will be closed because of poor function.” For ease of use, Fubon Bank’s IT department adapts to new technology “We have more flexible in selection new technology and personnel.” ; however, the Bank of Taipei’s IT department used dedicated technologies to the system development, which make the acquisition of new technology and personnel more difficult, “For providing quick response, the core banking systems need professional skills of IBM mainframe.”

Furthermore, values embedded in a specific IT were very different. The values embedded in a specific IT refer to values that are assumed in the work behaviours that the IT is designed to enable. These two banks exist some differences in treating valued embedded in IT. For ease of use, Fubon Bank operated primarily AS/400 based systems, while the Bank of Taipei emphasized on the reliability and efficiency of information systems, and used IBM mainframe platform. Fubon Bank treated IT as service to satisfy external customers’ needs, while the Bank of Taipei used IT as a control mechanism to meet internal customers’ needs.

4.3 IT culture conflict

In the light of IT conflict perspective, there were three conflict types between the two banks’ IT integration, Table 3 summarizes IT culture conflict of two banks’ integration in terms of system, vision, and contribution. System conflict describes the conflict occurring when the values implicit in a specific IT contradict the values held by the group members use, or expect to use the system. First of all, different group member values in IT platform’s selection existed within the two banks. Fubon Bank was more cost sensitive, so that it adopted AS/400 based systems, while the Bank of Taipei concerned system reliability and efficiency which led it to adopt IBM mainframe systems. A CIO of Fubon Bank recalled that, “before merging, they rarely encountered CPU bound in AS/400, but they often had CPU bound in the mainframe after merging. It was miserable due to poor housekeeping in mainframe. In the past time, we never had such issues in AS/400.” System conflict occurs in the selection of IT platform after merger.

There existed vision conflict in IT process integration of network banking business. Vision conflict is the contradiction between values embedded in a system and a group’s IT values. Basically, different IT values existed within these two banks in IT process integration. IT department of Fubon Bank was business-driven and customer-oriented, while that of the Bank of Taipei was technology-focused and control-oriented. The CIO of Fubon Bank mentioned that, “In fact, I think that the biggest change was IT process integration of network banking. Before merging, I went to test the process and told them that our customers can’t accept this process of network banking. It took us about three months to tune the system because they (IT staffs from the Bank of Taipei) did not agree with my approach.” Similarly, values embedded in a specific IT were very different from each other in IT process integration. The flexible team-based management in the IT organization of Fubon Bank was to support more external customers; in contrast, the IT management of the Bank of Taipei was more hierarchical and formal. Supported by the comments of the CIO of Fubon Bank, who said, “With
service perspective of Fubon Bank, it will terminate a service due to poor performance; in contrast, with government finance perspective of the Bank of Taipei, it will not close any departments because of poor function.” In summary, a business-driven and flexible process design of Fubon Bank is contrary to technology-focused and formal process design of the Bank of Taipei. There existed vision conflict in IT process integration.

Contribution conflict occurs in IT skills integration. Contribution conflict is defined as the contradiction between group members’ values and the group’s IT values. Firstly, different group members’ values existed within these two banks in the selection of IT skills. Due to participative management, IT employees of Fubon Bank are more creative in contrary to those of the Bank of Taipei who tend to follow rule. With value conflict in IT skills, IT selection for Fubon Bank is more flexible. IT department of Fubon Bank adopted open technology, while that of the Bank of Taipei chose dedicated technologies to develop systems, which makes the acquisitions of technology and personnel more difficult. The CIO of Fubon Bank commented that “Now, the training is really unlike previous one. Because there is no more time for in-job training, you must have the best readiness of IT skills as soon as possible.” More creative staffs and open technology of Fubon Bank were contrary to conservative employees and dedicated technology in the Bank of Taipei. There existed contribution conflict during the integration of IT skills.

Table 3. IT culture conflict of two banks’ IT integration

<table>
<thead>
<tr>
<th>IT integration</th>
<th>Fubon Bank</th>
<th>Bank of Taipei</th>
<th>Conflict type</th>
<th>Case event</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT architecture</td>
<td>GV: Cost saving</td>
<td>GV: Reliability</td>
<td>System Conflict</td>
<td>IT platform integration</td>
</tr>
<tr>
<td></td>
<td>VEI: Ease of Use</td>
<td>VEI: Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT processes</td>
<td>IV: Business unit focused</td>
<td>IV: IT-focused</td>
<td>Vision Conflict</td>
<td>Network bank system integration</td>
</tr>
<tr>
<td></td>
<td>VEI: Flexible</td>
<td>VEI: Formal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT skills</td>
<td>GV: Creative</td>
<td>GV: Follow rule</td>
<td>Contribution Conflict</td>
<td>Project management</td>
</tr>
<tr>
<td></td>
<td>IV: General skills</td>
<td>IV: Professional skills</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note that IV denotes IT values, GV denotes group member values, and VEI denotes value embedded in a specific IT.

5 APPROACHES TO MERGER

5.1 Merger ambition and IT integration strategies

In order to expand market share, Fubon Bank and the Bank of Taipei decided to merge by absorption in 2002, with the Bank of Taipei as the surviving company and Fubon Bank as the absorbed company. At the beginning, the Bank of Taipei has maintained operations along with Fubon Commercial Bank as an independent entity. However, in order to reduce operating costs and enhance cross-selling, Fubon FHC then decided to merge two banks through fully integration of information systems, workflow, organization and staff. Fubon FHC announced that the day of IT integration is the day of merger, and expected to enhance organizational vitality through IT resources restructuring. The CIO emphasized that the goal of merging was not only in cost, but also in service level.

For supporting the ambition of merger: “one bank, one process, and one system,” IT department adopts a full-integrated strategy for IT integration planning and implementation. First of all, they set up the organization, called PMO (Project Management Office) in charge of integrating the two sides. At the same time, the two banks conducted their own integration plans. “We said what kind of my system and how much cost to put your system into the same with me,” said the Chief of Taipei-Fubon Information Center. For some stalemate of each other, the PMO requested the help of consultants and made the final decision. The IT platform replaced Fubon’s AS/400 by the Bank of Taipei’s
mainframe (i.e., takeover), and the core banking application systems also used the Bank of Taipei’s systems, which were revised to support the two banks’ processes (i.e., take-over and standardization).

5.2 Process of integration

In the beginning, the adjustment of infrastructure is quite a time-consuming process. Taipei Fubon Bank detected that there are different organizational culture in the both sides. To achieve the full integration goal, “one bank, one process, and one system”, they made cultural integration before system integration, and then turned IT department into the service-orientated organization. The integration process is shown as follows.

(1) Change IT group member mindset through training

The Bank of Taipei adopted IBM mainframe platform and core banking applications. Fubon’s IT staffs were responsible for data migration to the mainframe systems of the Bank of Taipei. A staff of the Bank of Taipei recalled, “These people are more uncomfortable because their system will be stopped after merging and they have to learn the new IT platform and skills.” Taipei Fubon Bank held a series of the team-moving trainings. These courses encouraged IT staff to recognize the changes caused by the merger, and to change their mindsets. After that, the original Fubon’s IT staffs would be responsible for process integration, and the original staffs of the Bank of Taipei took charge of the system integration. The CIO of Fubon Taipei Bank recalled, “To record the process means that you are one of them and will not be missed. Once understand this whole process, you seem to be a consultant who are ready to design new processes for merging.” She added that “You sew the clothes for a bride. Although you may not be the bride, you may become a tailor as your second career. The logs of processes may become the best materials for process rationalization in the merging.” From the case analysis, the team-moving courses not only changed the group values, but also reduced the system and contribution conflicts in IT structure and IT skill integration.

(2) Turn to customer-oriented service by management-by-objective strategy

In the past, IT staffs of the Bank of Taipei were more technology-focused, and information systems were limited to support internal customers. Taipei-Fubon Bank adopted management-by-objective strategy to deliver customer-oriented services. IT staffs of Fubon Bank were responsible for service design, while these of the Bank of Taipei took charge of system implementation. The CIO of Fubon Taipei Bank mentioned that “If there is a goal—‘We would like to double profit after three years’, IT departments will adopt service perspective to design the system. IT staff will bring out the innovative idea for looking for new customers. After that, they become close with customers and consider the needs for customers who are different from internal customer service in the past time.” According to this case study, Taipei Fubon Bank, promoting IT values by management-by-objectives, will not only help reduce the vision conflict of IT Process integration and the contribution conflict of IT skill integration, but also push IT departments to provide customer-orientated services. After the integration process, the concepts of two sides come close to each other, and the integrated system had been finished on January 1, 2005. “After the merger, we can not say which process is good, which process is bad, a lot of things had been destroyed to fit our environment. Therefore, many concepts have to be changed.”

6 IMPLICATIONS FOR IT INTEGRATION

In this case study, we have identified three types of IT culture conflict, and the resolution of conflict in achieving IT integration. Below, we briefly discuss the IT merger strategies and different types of IT conflict, and the contingencies for their successful implementation. We then explore how compatibility between IT cultures can affect IT integration. They have important normative implications for the effectiveness of IT integration after merger.
6.1 IT integration and IT culture conflict

Prior research shows that high-level integration needs the cultural integration to obtain better synergies. When IT structure, processes and corporate culture of two organizations are significantly different, they may create more conflicts, and IT departments may not be able to adopt immediately the higher level of integration methods. In this study, we adopted Leidner and Kayworth’s IT cultural conflict with the viewpoint of strategic alignment model to examine the post-merger IT integration phenomenon. The findings are described as follows.

Organizational culture would affect IT values and values embedded in a specific IT. Prior studies pointed out that the organizational culture affected the IT department group members. This study shows that the group member values affect IT values and values embedded in a specific IT. For example, as corporate profits are major consideration in commercial banks, its IT group will focus on cost saving in IT platform selection, and also focus on commercial value in system design.

The characteristics of IT platform would affect IT values and values embedded in a specific IT. This study shows IT values and group member values were impacted by the characteristics of an IT platform. For example, an IT group of using mainframe generally agree the importance of system stability and performance because the system stability and performance management are the main features of mainframe’s platform (values embedded in a specific IT). As the organization culture affects the IT group member values, IT values and group member values will be also affected by the characteristics of an IT platform.

To sum up, this study found that different organizational culture and the characteristics of IT platform render to different types of IT cultural conflict. In particular to adopt the full integration strategy, Taipei-Fubon system conflict occurring in IT platform integration, vision conflict occurring in IT process integration, and contribution conflict occurring in IT skill integration. These phenomena also show that when the IT department adopts a high level integration strategy, it is necessary to consider the entire organizational culture, the characteristics of IT platform to mitigate conflicts.

6.2 Resolution of IT culture conflict

After detecting the phenomenon of IT cultural differences, Taipei Fubon Bank adopted two main activities to resolve IT culture conflicts:

1. The wisdom of changing group member values. Taipei Fubon Bank changed the group values through team moving courses, which contribute to reducing the system conflict emerging in IT structure integration and the contribution conflict in the personnel skill integration.

2. Promoting shared IT values. Taipei Fubon Bank reduced the vision conflict occurring in network banking integration and the contribution conflict in personnel’s IT skill integration. These findings are in line with previous studies (Robbins, 2000; Weber and Camerer, 2003), although no previous studies have asked this question.

7 CONCLUSIONS AND FUTURE RESEARCH

This paper has adopted an IT culture perspective on analyzing IT functions in merged organization that are normally found in the literature, which typically focuses on organizational culture or technical analysis. We have used a framework for analyzing post-merger IT integration, incorporated by Leidner’s and Kayworth’s IT conflict perspective into strategic alignment model. We adopted a case study on a merger of Fubon Bank and the Bank of Taipei into a financial holding company with the contrasting perspective of IT groups.

The paper thus offers a novel way of looking at the IT culture perspective of IT integration after merger and implementation. In addition, although the case study relates to only one specific organization, some more general implications were derived in previous sections. These inferences on
topics, such as system conflict occurring in IT platform’s integration, vision conflict occurring in IT process integration, and contribution conflict occurring in IT skill integration, can become valuable themes for debating in any organizational contexts. We have also suggested that the enhancement of our understanding of the conflicts which influence successful integration and the promotion of shared IT values in a merger can thus improve our normative alignment model and guide the management.

Knowledge about IT cultural conflicts can be a valuable aid to managers and other participants who take charge of making effective IT integration after merger. We have discussed a case involving the chief executive’s leadership, such as the awareness of the differences of IT culture, the wisdom of changing group member values and prompting shared IT values in IT integration. For example, our analysis treated the network banking as the evidence of malfunction, which seemed to conflict with the historical reverence for Fubon’s users. Under such conditions, management should probably adjust formal IT policies by changing the mindsets of group members rather than preserving the dominant values. Senior managers may wish to consider the nature of IT management leadership in their own organizations and ask themselves whether the case analysis of IT culture conflict can offer useful insights with respect to their own situations.

This paper can be of value to other researchers; for example, the IT infrastructure, process and culture conflict analysis framework can be used as a basis for empirical work in other situations, where this study can provide details of research method. In addition to the basic framework and research approach, the implications developed in the previous section can be taken as a starting point for further investigation. Research questions to be asked include whether the implications are valid in other situations, and how they can be extended.

References


