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A Resource-Based View of the Firm: Integrating the Role of IT as a Strategic Resource

An Empirical Study of South African Personal Financial Services (Assurance) Firms 1999-2003

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A Resource-Based View of the Firm: Integrating the Role of IT as a Strategic Resource

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Kurt André April, Graduate School of Business - University of Cape Town
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Abstract

This research explores an "inside the black box" view on how IT enables sustainable competitive advantage. Most researchers have investigated IT competitive competencies that make up a firm's strategic framework to understand competitive advantage. However, Resource-Based Theory (RBT) probes into the inner workings of a firm, suggesting that a firm's IT assets and resources are the basis of a firm's "rare" core competencies to compete successfully. Using RBT and research in the economics, strategy, and IT literatures, an initial "Framework of Sustainability" was created, against which the case studies were conducted. This framework was used as foundation to develop semi-structured questionnaires in which 45, 90 minute (on average) interviews were conducted with managers in the four firms. Both internal and external documents about the firms and the industry were used as sources of corroborating evidence. In addition, a "bottoms up" view was obtained with evidence gathered from a short questionnaire and focus groups discussions held with 178 staff employees in the four firms.

One major contribution was a more robust "Framework of Sustainability" that was based upon the evidence from this research. Another contribution was the concept of Complementary Resource Combinations (CRCs) that posits IT assets and resources in themselves are not the bases of establishing "rarity", but are combined with other factors within the firm to create barriers to imitation. Among the key findings, three were noteworthy:

- Within the assurance industry, the greatest revenue generation came from unchanging demand pillars of customer pull, i.e., retirements, deaths and disabilities. The differentiation, for the firms studied, came in how the growing complexities and the evolving different vehicles were used to service these ongoing human needs. One of the vehicles for doing this was IT, even though each firm had different profiles for intelligently balancing cost against product innovation.

- This research confirmed that IT assets did not *per se* possess properties of "rarity;" it was through combinations with an array of processes, actions, strategic intentions and programmes within the firm, i.e., CRCs, that enabled a firm to build socially complex and unique barriers to imitation that supported core capabilities, thereby sustaining a firm's competitive advantage.

- The four firms in this research were highly successful competitors who created IT-based CRCs to support key capabilities as barriers to entry into this market; however, one firm (called Leopard) created unique IT-based CRCs that supported its core capabilities to compete successfully.

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GLOSSARY

AAR: *After-Action Review* is a short, focused meeting for a small team, conducted by the team, and usually only lasting 30 minutes or less. An AAR allows a team to capture useful operational knowledge that is of immediate short-term benefit and that can be ploughed back into daily work practices and processes.

ANC: *African National Congress*

ATM: *Asynchronous Transfer Mode*. An internationally standardised implementation of cell relay technology, ATM represents the first worldwide standard to be embraced by the computer, communications, and entertainment industry. The SONET standard for a high-bandwidth, low-delay, connection-oriented, packet-like switching and multiplexing technique that uses packets (cells) of fixed length (53-byte cells, 5-byte header and 48-byte payload) that are switched throughout a network over virtual circuits. Standardised by the ITU-T in 1988 to create a Broadband Integrated Services Digital Network (B-ISDN). Its ability to accommodate multiple types of media (voice, video, data) and high-speed makes it a likely player for full service networks based on ADSL and VDSL. Because of the architecture, ATM has the capability to run from 45 Mbps using a DS3 to 2.5 Gbps using an OC-48. Also referred to as BISDN and Cell Relay.

AWD: *Automatic Workflow Distribution System* that usually supports business process-based integration, enabling modelling, automation, and continuous improvement of business processes, routing information of any type according to user-defined business rules. As e-business accelerates the demand for integration of applications within the firm, as well as integration of a firm's systems with partners, alliances, vendors, suppliers and business-to-business exchanges, firms make use of workflow systems to automate and streamlines business processes both within and beyond firm boundaries, through support of traditional applications-based workflow as well as e-business integration workflow.

BANCASSURANCE: *Bancassurance* in its simplest form is the distribution of insurance products through a bank's distribution channels (e.g., Auto-Teller Machines, Tele-Banking and Internet Banking). In concrete terms bancassurance, which is also known as Allfinanz - describes a package of financial services that can fulfil both banking and insurance needs at the same time. It takes various forms in various countries depending upon the demography and economic and legislative climate of that country.

BANTUSTAN: *Bantustan* refers to any of the territories designated as tribal "homelands" for Black South Africans during the Apartheid era. These homelands were allocated to Blacks by the White Apartheid government, and were designated to become independent states under a plan called "separate development." This plan would have given independence to Blacks in these newly created tribal states, while stripping them of their SA citizenship, leaving whites as the majority in SA.

BEE: *Black Economic Empowerment* can be described as a process aimed at redressing the imbalances in the ownership and control of South Africa's economic resources by increasing Black participation at all levels of the economy. This is done through job creation, poverty alleviation, specific measures to empower Black women, education, skills transfer and management development, meaningful ownership and access to finance to conduct business. Over the years, the government has expanded the parameters of its empowerment objectives in business to include training, affirmative action, affirmative procurement and equity ownership. Black economic empowerment can also be seen as a way to deepen the economy and stimulate growth in the country, by releasing the economic potential of the previously excluded, and disenfranchised, majority Black population. The sectors most affected by empowerment are broadcasting, gaming, fishing, IT and telecommunications, construction, transport, energy, mining, asset management in the financial services sector, municipal services (including water and sewage provision), education, health care and the defence industry. Altogether these sectors contributed 38.5% to the South African GDP in 1998.

BPR: *Business Process Reengineering* – a systematic, disciplined improvement approach that critically examines, rethinks, redesigns, and implements the redesigned processes of a firm. BPR's goal is to achieve dramatic improvements in performance in areas important to customers and other stakeholders, and is also referred to by such terms as business process improvement (BPI) or business process development (BPD), and business process redesign. While the term can be applied to incremental process improvement efforts, it is more commonly and increasingly associated with dramatic or radical overhauls of existing business processes, and typically relies on information technology to achieve breakthrough results.

BRAIN DRAIN: *Brain Drain* can be defined as the one-way movement of highly skilled people from developing countries to the developed countries that only benefits the industrialised (host) countries.

BU: *Business Unit*

CAQDAS: *Computer-Aided Qualitative Data Analysis Software Tool* – also sometimes simply called Qualitative Data Analysis Software (QDAS or QDA software) – searches, organises, categorises, and annotates textual and visual data. Programs of this type usually support theory-building through the visualisation of relationships between data and/or theoretical constructs.

CEO: *Chief Executive Officer*

CFO: *Chief Financial Officer*

CIO: *Chief Information Officer*

CORE CAPABILITIES: Capabilities that are valuable and rent-producing in the marketplace ("that differentiate firms in the game"), and are those capabilities that a firm relies on for its competitive advantage (i.e., 'order-winning capabilities' or 'critical capabilities')

COSATU: *Congress of South African Trade Unions*

CPP: *Cognitive Process Profile* – a recruiting and personal development tool used for measuring thinking (cognitive) processes, and is based on leadership theory and Eliot Jacques Stratified Systems Theory. It looks at current and prospective employees' positive style and five levels of leadership (and provides an alleged realistic estimate of the rate at which a person can develop and acquire new knowledge and cognitive skills).

CRCs: *Complementary Resource Combinations*, defined in this research, are not factor inputs like tangible and intangible assets; they are complex combinations of assets, people, and processes that firms use to transform inputs to outputs. Thus, CRCs can be viewed as a configuration or network of assets or resources, which in turn implies that there will be specific relationships between the assets or resources. Many of these configurations are a blend of 'hard' tangible assets (such as buildings, equipment, people, training manuals) and 'soft' intangible assets (such as how well teams work together and the relationships between the people in those teams, or the internal culture) which simply cannot be easily recreated by another firm.

CRM: *Customer Relationship Management* - an information industry term for methodologies, software, and usually Internet capabilities that help a firm manage customer relationships in an organised way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth.

CVM: *Customer Value Management* – a specialised type of customer relationship management.

DEMUTUALISATION: Until recently in the UK, building societies (the equivalent of the US savings and loans) were almost the only source of mortgages and played a key role in personal savings. These were always mutual societies, owned by and run for the benefit of their members, with no shareholders taking profits. Fundamental changes in financial systems in the 1990s have led many of them to turn themselves into banks – so ceasing to be mutual societies – because there are fewer restrictions on the way banks do business and it is thought to be easier to raise finance (fashion probably has something to do with it, too). This shift is furthest advanced in the UK and South Africa, but is also taking place in Australia and elsewhere. The process is called *demutualisation* and has been controversial, not least because members have been given cash settlements to encourage them to agree to the change in status. This has led to people opening accounts solely in hope of a windfall profit, a technique which has been dubbed carpetbagging in the British press. The process has now extended to some British insurance firms which are also mutual in structure.

DSS: *Decision Support Systems*

DTI: *Department of Trade and Industry*

ECRM: *Electronic Customer Relationship Management.* The online version of CRM, utilising and interfacing business processes and data with offline, back-end systems that gives firms a way to conduct interactive, personalised communications with customers over both electronic and traditional channels.

EDMS: *Electronic Document Management System* – provides a firm with all the software and hardware required to insure that it maintains control over all its documents, both scanned images, and files that were created on computer-like spreadsheets, word processing documents and graphics. A complete EDMS includes document imaging, OCR, text retrieval, workflow, and Computer Output to Laser Disk capabilities.

EE: *Employment Equity* - The *Employment Equity Act* (EE) of 1998 contains a number of Employment Equity provisions providing for affirmative action and protection against, amongst other things, unfair discrimination and sexual harassment.

EDI: *Electronic Data Interchange System*

ETHERNET: The most popular type of local area network, which sends its communications through radio frequency signals carried by a coaxial cable or twisted pair wiring, at 1 or 10 Mbps. Each computer checks to see if another computer is transmitting and waits its turn to transmit. If two computers accidentally transmit at the same time and their messages collide, they wait and send again in turn. Software protocols used by *Ethernet* systems vary, but include Novell Netware and TCP/IP.

EWP: *Employee Well-Being Programme.* Firms are more aware of the fact that, on occasion, personal problems outside the workplace can interfere with an employee's ability to meet his or her work responsibilities. Moreover, they recognise that, if left unresolved, such problems could have a significant impact on the personal lives of employees and their families. As a result, they offer a range of programmes by providing access confidential, professional support on a range of issues such as marital or family distress, emotional difficulties, alcohol and drug abuse, difficulties with a child, stress overload, HIV positive diagnosis and many others.

FAIS: *Financial Advisory and Intermediary Services*

FSC: *Financial Services Charter.* The charter seeks to improve the lives of thousands of Black South Africans over the coming decade by redressing imbalances in ownership, procurement, employment equity and access to financial services. The financial sector has been noted by the central SA government as central to the economic development and transformation of the economy, and this sector needs to address the following key issues: diminished Black ownership in the sector; low levels of operational Black participation; low levels of investment in areas of national priority; dismal provision of access to financial services and products to the poor; a high number of unbanked people; and insufficient support for Black firms and small- and medium enterprises.

FSO: *Financial Services Operation*

GDP: *Gross Domestic Product* - the total of goods and services produced by a country over a given period, usually one year.

GM: *General Manager*

HIV/AIDS: *HIV* stands for Human Immunodeficiency Virus, the virus that causes *AIDS* (Acquired Immune Deficiency Syndrome).

HR: *Human Resources*

IM: *Information Management*

IS: *Information Systems*

IT: *Information Technology*

JAVA: A cross-platform programming language from Sun Microsystems that can be used to create animations and interactive features on World Wide Web pages. *Java* programs are embedded into HTML documents. Opera, Mozilla and Internet Explorer are Web browsers that run Java applications. Using small Java programs (called applets), Web pages can include functions such as animations, calculators, and other fancy tricks.

JSE: *Johannesburg Stock Exchange*

KEY CAPABILITIES: Capabilities that are merely necessary for the firm to be a player ("to be in the game") in its industry (i.e., 'commodity capabilities' or 'threshold capabilities')

LOA: The *Life Officers Association of South Africa* is an association of registered long-term insurance firms conducting business in South Africa, and is a forum where member offices can interact to promote their interests and the interests of current and future stakeholders. Established in 1935, it seeks to promote the interests of the life insurance industry, and thus also of the insured public, in three ways: (1) promote a better understanding of life insurance among the general population of the country, (2) represents the industry and its policyholders in negotiations with the authorities, and (3) it is in the name of the LOA that South African life insurers regulate their industry.

MAINFRAME: Originally it meant the cabinet containing the central processor unit of a very large computer. After minicomputers became available, the word *mainframe* came to refer to the large computer itself. The older computers used many large vacuum tubes and generated a lot of heat, thus requiring specially air-conditioned rooms. A single computer might have hundreds of users at a time. Today, because the large vacuum tubes have given way to transistors, a desktop personal computer can have as much power as a mainframe computer that once filled a whole room. Mainframes in use now often have smaller computers as front-end processors.

MBA: *Masters in Business Administration*

MD: *Managing Director*

NAIL: *New Africa Investments Limited* is one of South Africa's first dedicated empowerment firms, and was founded by the country's pre-eminent Black entrepreneurs to provide previously disadvantaged stockholders with a voice in the formal economy. The firm, mainly active in the SA market, listed on the Johannesburg Stock Exchange in 1994, shortly after the first democratic elections in SA, and to date it has functioned as an investment holding firm with publicly traded subsidiaries.

NDA: *Non-Disclosure Agreement*

NT: *Windows New Technology*. A 32-bit operating system from Microsoft for high-end workstations, servers, and networks, first released in 1993. It has built-in networking, pre-emptive multitasking, multi-threading, memory protection, and fault tolerance. It can be used on PCs and other types of computers, including DEC Alpha. Windows NT supports the Unicode character set, which allows more characters than standard ASCII. The minimum requirements for Windows NT are an 80386 processor, and at least 12 megabytes of RAM. Windows NT has become especially popular as a server because of its extra security features. In order to avoid the negative associations with first release of software, Microsoft decided to call the first release of NT as version 3.1 rather than 1.0.

NP: *National Party*

OVA: *Overhead Value Analysis*

PANDEMIC: A *pandemic* is an epidemic that is geographically widespread; occurring throughout a region or even throughout the world.

PC: *Personal Computer*

PDA: *Personal Digital Assistant*

PMP: *Project Management Professional*

PPR: *Policyholder Protection Rules*

RAID: *Redundant Array of Inexpensive Disks*, is a method whereby information is spread across several disks, using techniques such as disk striping (RAID Level 0) and disk mirroring (RAID level 1) to achieve redundancy, lower latency and/or higher bandwidth for reading and/or writing, and recoverability from hard-disk crashes.

R&D: *Research and Development*

ROIR: *Return On Investment Rate*

SA: *South Africa*

SACP: *South African Communist Party*

SANSA: *South African Network of Skill Abroad*

SLA: *Service Level Agreement*

SMS: *Short Messaging System.* A feature of PCS phones (primarily GSM) that allows users to receive and sometimes transmit short text messages using their wireless phone.

SOUTH AFRICAN EMPLOYMENT EQUITY ACT: The *SA Employment Equity Act* (EE) of 1998 contains a number of Employment Equity provisions providing for affirmative action and protection against, amongst other things, unfair discrimination and sexual harassment.

TOKEN RING: *Token-ring* is a local area network in which computers are configured in a ring, and a message called a token is passed from station to station. The token is used to avoid conflicts in transmission; a machine can only transmit messages while it holds the token. The most common type of token ring is defined in the IEEE 802.5 standard.

UCT: *University of Cape Town*

UK: *United Kingdom*

US: *United States*

WAP: *Wireless Application Protocol* – is the leading standard on wireless terminals like digital mobile phones, and was designed to show Internet contents on such wireless clients. The WAP standard is based on Internet standards (HTML, XML and TCP/IP). It consists of a WML language specification, a WMLScript specification, and a Wireless Telephony Application Interface (WTAI) specification.

Y2K: *Year 2000 Problem.* Briefly defined, the Y2K problem involved any or all of these: (a) representing the year as a two-digit number, causing failures in arithmetic, comparisons, sorting, and input/output to databases or files when manipulating date data: incorrect software would assume that the maximum value of a year field is "99" and would roll systems over to "00" which could be mistakenly interpreted as 1900 rather than 2000, resulting in negative date calculations and the creation of many overnight centenarians, (b) Incorrect leap year calculations would assume that the year 2000 had only 365 days instead of 366. What's more, although the 1st January 2000 was the primary witching hour, many date-dependent algorithms and forward-referencing systems were already beginning to fail due to not properly classifying years divisible by 400; and software values involving limited date ranges, including hardcoded values and "magic bullets," and (d) it potential set limits to system date data types in hardware registers. There were many possible systems at risk for the Year 2000 problem. In addition to mainframes, workstations, and PCs, there were other systems sensitive to dates such as nuclear power stations, air traffic control systems, phone and power systems, heat and light management systems, elevators, ATM machines, heart pacemakers, kidney dialysis machines, etc. Anything with an embedded microcontroller had the potential to fail.

CHAPTER 1: INTRODUCTION

1.1 Introduction: Research Focus and Motivation

This research dissertation explores one of the classic themes in business research, i.e., how IT enables sustainable competitive advantage. The literature review in this dissertation describes the contribution of others in the fields of economics, strategy and IT management in creating and maintaining competitive advantage. Although all three literature sources on competitive advantage were rich with insights and macro-theoretical constructs, the researcher found that the within-firm dynamics on how advantage is actually created, and sustained, somewhat "thin." Many researchers described the need for firms to differentiate themselves through developing core capabilities – however, what was missing was "how these differentiators of advantage evolve within the black box called the firm?" This research is an effort on the part of the researcher to remove some of the mystery, by making the dynamics of the firm less opaque. Resource-based theory (RBT) provided the intellectual foundation for this research, because it helped structure the initial framework of how firm assets and resources can be made to create "rarity." What RBT lacked was a means of demonstrating "complementary-ness" of complex resources and processes to create "rarity." The researcher was keen to explore the micro-forces within firms that fuelled the development of core capabilities.

1.2 Research Topic: Importance and Approach

This explorative research extends the examination of IT-dependent strategic initiatives that enable sustained competitive advantage. This topic continues to be of interest to economists, and business/IT researchers alike, because many businesses have created advantage with appropriate complementary barriers to slow erosion of market competitive parity (Piccoli & Ives, 2005; Feeny, Ives & Piccoli, 2003). This research addresses a concern of researchers such as Wiggins & Rueffli (2002), that RBT's notions of asset rarity, and barriers to replication and substitution remain difficult to operationalise. It does so by probing into the internal efforts of firms to construct complementary resource combinations (described later in this research as CRCs) that create both key- and core capabilities.

For practitioners whose firms are besieged by an ecological ferment of changing technologies, fickle markets, and competitor mergers for global scale, understanding internal dynamics to enable competitive sustainability becomes crucial. This research provides insights and a researched sustainability framework that can potentially help these practitioners to re-jig the strategic agendas in their firms to more effectively meet the challenges of their respective marketplaces.

For those researchers who are engaged in furthering the understanding of sustainable competitive advantage, this research offers "food for thought" in providing new conceptual notions such as the complementary-ness of resources, a framework that shows how firms use assets and resources to create key- and core capabilities, new insights into the concept of causal ambiguity, and how IT-dependent resources develop within firms to either erode or create advantage.

1.3 Contribution Summary of this Research

Based upon an extensive scan of the pertinent literature in economics, business strategy and IT, this research provided a contributory framework based upon the precepts of RBT, which firms can use to better understand the complex internal processes and relationships that drive the key- and core capabilities of a firm, with particular reference to those processes and relationships emanating in, and around, IT. The two major contributions of this research are: (1) the introduction of "complementary-ness" of assets in the form of complementary resource combinations (CRCs), which introduces the notion that assets such as IT stocks are essentially inert until combined with other processes, assets, and resources within the firm; and (2) a refined "Framework of Sustainability" based upon the research evidence that creates a more robust and potentially "operationalisable" model to enhance the furthering of understanding of micro-firm efforts to create sustainable competitive advantage.

The CRC construct provided this researcher with a conceptual toolset to investigate a firm's efforts to build distinctive competence. A key finding from this research is that IT assets *per se* do not possess properties of rarity. Firms in this research used their IT assets with combinations of business processes, human action, and functionally integrated project initiatives to develop barriers to "replicability" which are socially complex and unique.

Building on previous research findings, this researcher presents a robust, pragmatic framework which identified those elements, i.e., the complementary resource combinations (CRCs), that firms can employ to gain, and sustain, competitive advantage, more specifically, in the chosen industry. This "Framework of Sustainability" makes a significant contribution to the body of knowledge in the discipline of IT, as gives better insight into:

- *Sustainability*: The evidence from this research offered a new way of conceptualising how IT, in combination with other firm resources, can contribute to CRC development as a firm develops its sustainable competitive advantage. Through the literature review, a "Framework for Sustainability" was developed. The research evidence itself has extended this framework to create a more robust "Framework of Sustainability" which provided deeper insights into how firms create, sustain, and at times erode core capabilities.
- *Development of barriers to imitation*: Evidence from this research demonstrated how firms through their strategies, culture, leadership, processes, and resources created socially complex and unique attributes of sustainability which contributed to a firm's strategic architecture of key and core capabilities.
- *IT Impact:* This study provided a focused look at the role IT played, and where and how IT supported business initiatives (e.g., whether IT was involved in key- or core strategic initiatives). This research posited that IT is more than an "inert asset," but acted as an enabler of CRCS and processes, and subsequently strategies, within firms. Furthermore, new IT investment continually changed the combinatorial elements that

supported key- and core capabilities, with the firm thus creating new CRCs as well as changing or destroying old CRCs, and subsequent competitive possibilities.

- *Extending the concept of causal ambiguity.* This research recognised that deterministic cause/effect relationships between marketplace success and internal elements that established a firm's barriers to imitation does not exist; however, the argument is made that *internal* (within firm) clarity may partially lift the veil of ambiguity by understanding the degree to which "publically declared" strategies are actually internalised as a firm creates sustainable advantage through combining complementary resources to support value-generating, core capabilities. Most certainly a firm may intentionally obfuscate those loosely causative relationships of resource combinations to core capabilities from "public or competitor gaze."

In order to achieve the above contributions to the body of research knowledge, this researcher designed a study approach that was both, appropriate and robust, to gain insight into the concepts necessary for development of the contributory "Framework of Sustainability." Since the purpose of this research was exploratory in nature (i.e., to investigate how firms use IT combined with other resources to construct barriers of imitation), a qualitative design was proposed which used the case study method; the primary tools for gathering evidence were semi-structured interviews conducted within each firm and document-based evidence from both internal and publicly available sources. In order to provide additional cross validation of the evidence, a "bottom-up" view with evidence gained through focus groups, conducted in each firm, was also included in this research. The use of managerial interviews, documentary evidence, and focus group data were constructed to "triangulate" the evidence, thus strengthening the validity of the evidence.

1.4 Scope of the Research

This research explored the dynamics of competitive sustainability with firms. More specifically, this research investigated these dynamics in the top four assurance firms within South Africa, which all offered a wide range of insurance products, spanning both short-term (e.g., healthcare, home, and automobile products) and long-term (life insurance, investment, and pension products).

However, for purposes of this research, the focus was on the long-term assurance subsidiaries of these firms. After an extensive scan of the literature on economics, IT management and business strategy, especially as it pertained to resource-based theory (RBT), the following two, overarching research questions were developed:

- **How does IT impact competitive advantage in the context of the top personal financial services (assurance) firms in South Africa?**
- **Why do certain combinations of resources enable capabilities, particularly IT-dependent capabilities, to become competitively advantageous to high-performing personal financial services firms?**

Within the context of this dissertation, information technology (IT) was defined in a "strategic" sense as infrastructure and applications which are exploited to the advantage of a firm (Feeny, 1997; Morton, 1991). More specifically, this research did *not* take an "engineering, nuts and bolts" perspective of the various IT assets of a given firm.

Although this research was not "quantitatively" designed, the researcher found it useful to develop the following three propositions to help maintain the discipline of evidentiary development that remained faithful to the two overarching questions stated above, as well as to a richer understanding of the "Framework of Sustainability" introduced in Figure 2.3 in Chapter 2. These were:

(1) IT assets can establish "rarity" within a firm, thereby contributing to its sustainable competitive advantage (SCA).

(2) Firms combine a variety of complementary resources to meet marketplace challenges, which includes developing both key- and core capabilities. In other words, differences in the CRCs of firms will lead to differences in sustainable competitive advantage (SCA).

(3) A firm's strategic architecture reflects both key- and core capabilities that sustain their competitive advantage.

1.5 Business Climate in South Africa (SA)

Since this research is based on case studies of South African assurance firms, a context for the business climate is appropriate to help readers unfamiliar with SA. In SA, a new tripartite government, consisting of the African National Congress (ANC), Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) took office in 1994 from the National Party (NP) which ran the Apartheid government for many decades. The New ANC-led government established expectations through sensible policy-making to encourage private businesses, public institutions and civil society organisations to transform their agendas from their previous paradigms of benefiting the minority White population in the country, to paradigms that were more inclusive of all South Africans. The SA government expected the shift in political equality to be accompanied by shifts in economic equality, bringing the benefits of education, jobs and wealth to all South Africans. The challenge of economic equality was, and still is, significant. SA still has a large core of unskilled and semi-skilled people; many of whom remained trapped by poverty, are poorly educated and HIV/AIDs infections are among the worst in the world. For example, the percent unemployment in SA's poorest third of the population has run an average of 58% (Natrass & Seekings, 2000). Coupled with this was the pressure of global competition, supported by the advent of rapid information and communication technology advancements worldwide, which required SA businesses to become more aggressive in meeting the challenges of global competition. The government, therefore, has increased its commitment to investing in education projects and other complementary initiatives that are focused on developing a richer core of human capital – and, as a result, the government has required the same actionable intent from private businesses and civil society organisations. This has brought with it new pressures and opportunities for the private sector to initiate actionable and trackable plans to improve employment equity, create transparent, responsible corporate governance, better training requirements and general skills development in their respective industries, and creative Black economic empowerment arrangements to increase the ownership in large publicly-traded firms. In addition to promoting a transformed social agenda, the SA government, over the past ten years, has recognised its own responsibility in creating an economic environment conducive to sustaining growth and stability. It has sustained growth rates of between 2% and 4% over the past five years and, through good fiscal discipline, has been able to reduce the budget deficits (inherited from the previous NP) from 9.5% of GDP (including the deficits of the Bantustans) in 1993 to fractionally over 1% in 2002/03 and 3% in 2003/04 (PCAS, 2003). According to a recent study (PCAS, 2003), SA has achieved levels of economic stability not seen in the country for 40 years. The balance of payments is sound, the national inflation rate remains contained and, after a dip in foreign direct investment, there seems to be the promise of a slight resurgence in new foreign direct investment (PCAS, 2003). In essence, the Government has managed the country's macroeconomic policies well.

1.6 Research Venue: SA Personal Financial Services Industry

The personal financial services (assurance) industry in SA is highly sophisticated, offering a range of competitive products to the SA marketplace. This industry was selected as a venue for research for the following reasons:

- *Industry Size.* The personal financial services industry was among the top five industries in SA with an asset base in 1999 of well over R578 billion. It was also a highly concentrated industry with four firms holding 91% of the market (Symeonidis, 2001). The industry offered a full range of short-term products such as automobile, property and medical insurance, to long-term products such as single premium insurance and investment products such as unit trusts and fixed income annuity products to all segments of the SA society. In addition, the largest firms in this industry provided "wholesale" products such as re-insurance, as well as products customised for large unions and firm pension funds.
- *Role of IT.* The industry had invested heavily in IT for well over 40 years (Hartley & Worthington-Smith, 2003); much of its early investment was to automate its billing and accounting processes, using mainframe technology. The firms within the industry had been on the cutting-edge of IT development, investing heavily to not only promote efficiency gains, but also support its strategic endeavours for bringing customised products to market (to meet its various market segments needs). This industry has continued to be among the highest investors in IT within SA, spending significantly in hardware, software, and outsourcing (Symeonidis, 2001; Hartley & Worthington-Smith, 2003).

- *Ease of Access.* Two out of the four major assurance firms (the two largest in the country) included in this study were headquartered in Cape Town. Since this researcher lived and worked in Cape Town, the costs of arranging access and interviews and geography were contributory factors in the choice of this industry. In addition, UCT's Business School, as well as this researcher, had long and established relationships with both the industry and all four individual firms selected – thereby facilitating access to senior- executives and management at these firms.

As discussed in the scope of this research section below, the assurance industry was ideal to research how firms create barriers to imitation that sustain its competitive advantage over time.

1.7 Organisation of this Research

This study is organised into two parts. *Part 1* is called "*Establishing the Research Foundation*" and contains two chapters. Chapter 2 reviews the literature on competitive advantage; resource-based theory is discussed in detail, using literature primarily from economics. In Chapter 3, the study design is discussed, outlining the way in which the research was conducted. *Part 2* is described as "*Presenting the Evidence*." Chapters 4 through 7 presents the evidence from the four firms selected as participants in this research. It uses the "chain of evidence" approach introduced in Chapter 3 to create higher levels of conceptual abstraction, that ultimately lead to the portrait of the firm. Using the evidence gathered in the case studies, Chapter 8 presents patterns of insights gathered through cross-comparative analysis, as well as focus group evidence taken from a "bottoms-up" view from a non-managerial perspective; this evidence was used to cross-validate findings found in the pattern analysis. This study concludes with Chapter 9 in which the key findings, contributions, limitations and areas for future research are discussed.

An outline of the Dissertation follows:

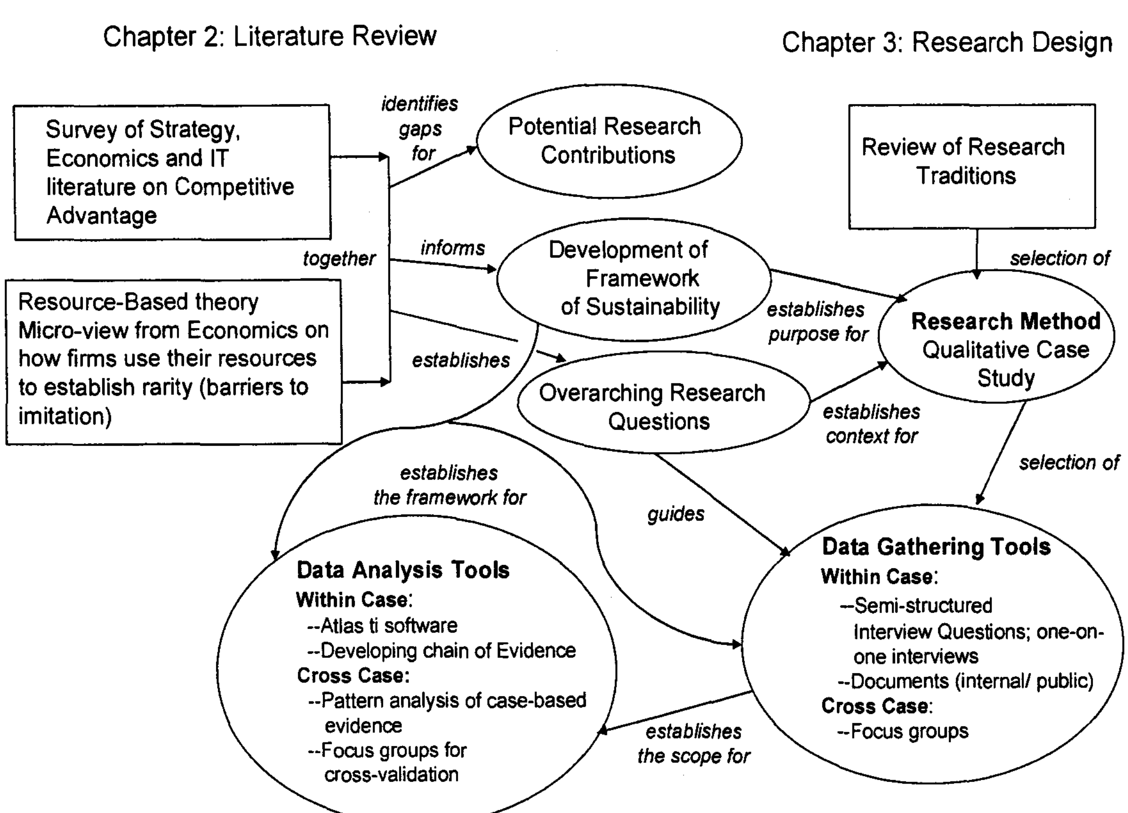
- Chapter 1 Introduction
- Part 1: Establishing the Research Foundation
    - -Chapter 2: Literature Review
    - -Chapter 3: Research Design and Method

- Part 2: Presenting the Evidence
    - -Chapter 4: Buffalo Case
    - -Chapter 5: Cheetah Case
    - -Chapter 6: Giraffe Case
    - -Chapter 7: Leopard Case
- Chapter 8: Comparative Case Analysis
- Chapter 9: Key Findings, Contribution, Limitations, and Suggestions for Future Research
- Appendices

PART 1: ESTABLISHING THE RESEARCH FOUNDATION

In the following two chapters, the foundation for this research endeavour will be developed. Chapter 2 will provide a more comprehensive review of the pertinent literature, supporting RBT with particular emphasis on its application to the use of IT resources. In Chapter 3, a blueprint for research is developed that lays out the design to implement the research endeavour into the four SA firms with the explicit intent of investigating the research questions stated above, using a resource-based theory framework, developed through an in-depth review of the literature.

Part 1 – Figure 1: Flow Chart of Foundation for Research



Source: Author

CHAPTER 2: REVIEW OF THE LITERATURE

2.1 Introduction

As stated in the overarching research questions (in Chapter 1), the primary objectives of this research were to understand how firms differentiate themselves in the marketplace in order to successfully compete and extract returns, and what the role of IT is in ensuring the sustainability of that advantage. In order to accomplish this, the literature on strategic theory and its economic underpinnings are reviewed, i.e., from the two dominant schools of thought: industrial organisational economics and resource-based theory. The reason for using an economic standpoint is because economic theories are traditionally used when defining and thinking about competitive advantage. The literature review is then also used as the argument basis for establishing the research framework particular to this research, and the particular concepts (and terminology) to be used in setting the boundaries for discussion throughout this research document. Thereafter the chapter reviews IT, again through the lenses of the two dominant economic schools (since most of IT literature lacks rigorous theoretical underpinnings and is essentially anecdotal), and focuses more specifically on the issues and research surrounding IT and its impact on competitive advantage. The chapter concludes by positioning IT in the proposed research framework, essentially through combining the insights of the previous discussion in the chapter.

2.2 Strategy and Competitive Advantage

The competitive advantages that seem to endure through both good and bad economic, political, technological and social times are highly prized by firms that possess them, and admired while presenting the most frustrating challenges for competitors that do not have them. In this section we look at the rise to prominence of strategic analysis and the two most dominant schools of strategy in modern times that give insight into the "endurance/sustainability" aspects of advantage, i.e., the industrial organisation school (IO) and resource-based view school (RBV), and we look at both their theoretical underpinnings as well as some criticisms of each of them. After the initial discussion on the strategic schools, it is the RBV school that is chosen as the theoretical basis for the research framework discussed in this section (presented descriptively and diagrammatically), around which some distinctions are made with regard to oft-used words such as "ability," "competence," "capability," "resources," "assets" and "strategic architecture."

2.2.1 Rise to Prominence of Strategic Analysis

The dialogue on strategy is not new. For example, the revival of Sun Tsu's treatise on "The Art of War" (1963) and the Taoist Lao-tsu's "Te-Tao Ching" (1989) have sparked interest among business practioners who view the wisdom on strategy and leadership of these two sages relevant to today's business climate; even though both of them lived over 2000 years ago. As the industrial revolution began to shape the commercial landscape in England, Wales and Scotland during the 18th century, Adam Smith (1776) was one of the first to observe and write about the "mercantile system." Smith's notions – the division of labour, balance of trade between nations, stocks and capital accumulation, and self-regulated markets – created what has evolved into a capatilist ideology in which competition was viewed as one of the foundations of "good management." During the early half of the 20th century, researchers began to develop concepts that later formed the rudiments of strategic response to competitive forces (Chamberlin, 1939; Selznick, 1957; Penrose, 1959; Schumpeter, 1934, 1950). In addition, both Bain's (1956) focus on strategy in the external environment, and Chandler's (1962) suggestion that not only a firm's structure, but also its marketplace response embedded in its strategies were crucial to business success, propelled strategy to centre stage in the mid-20th century.

The field of modern strategy has largely been shaped around a framework first conceived by Andrews (1971)[1], who defined strategy as the match between what a firm *can* do (organisational strengths and weaknesses) within the universe of what it *might* do (environmental opportunities and threats). According to Collis & Montgomery (1995), although the power of Andrew's framework was recognised from the start, managers were given few insights about how to assess either side of the equation systematically. The first important breakthrough came in Porter's

[1] Kenneth Andrews (1971) in his classic book : *The Concept of Corporate Strategy*.

(1980) book, in which he discussed his work built on the structure-conduct-performance paradigm of industrial-organisational (IO) economics[2].

The principles of IO economics generally dominated the strategy discipline during the 1980s[3]. During this period, both academicians and practitioners focused more on the relationship between strategy and the external environment. Porter (1980) advanced the idea that competition in any industry is rooted in its underlying economic structure, and thus it is more than a superficial game of moves and counter moves among participating firms, which was the dominant strategic thought during the 1960s and 1970s. This view of strategy which was derived from industrial economics, and reflected in Porter's '5-forces' framework which he proposed to explain the dynamics of competition in an industry, presented strategy as a more analytical concept than previous attempts, and was seen as a real departure from previous strategic thought. Porter (1980) expanded the Bain (1956) concept to include such factors as the number and relative size of firms, the existence and degree of product differentiation in the industry, and overall elasticity of demand for the industry. His 5-forces framework stressed the fact that aggregation of the changes in five competitive forces eventually alters the industry structure, viz., rivalry among existing competition, threat of new entrants, bargaining power of customers, bargaining power of suppliers, and the threat of substitute products and services. The collective strength of these five competition forces provides an indicator to analyse the industry structure.

An important implication of this framework is the idea of extended rivalry. To understand competition in an industry, one must look beyond current competitors to include customers, suppliers, firms producing substitute products and potential entrants. Firms generally try to manipulate the competitive forces in their industry in order to achieve comparative advantage over competitors. There are certain generic strategies that can be employed to that end, and Porter (1980) highlighted three such strategies: low cost leadership, product differentiation and the pursuit of niche markets, which is similar to product differentiation strategies. Other such

[2] Since Bain's (1956) concept of competition, competition from the IO economics perspective has been determined based on the industry structure in which firms compete.

[3] Barney (1986c) made the point that the concepts of IO economics were still common in the current theories of strategy.

strategies may include the exploitation of potential synergies with a firm's customers or suppliers, or the notion of gaining bargaining advantage over one's customers and suppliers. Therefore, in the IO view, competitive advantage is defined as a position of superior performance that a firm achieves through offering products or services at lower prices than other providers or by offering differentiated products or services for which customers are willing to pay for premium (Lado, Boyd & Wright, 1992).

In 1985, Porter introduced the concept of 'value chain' in conjunction with the concept of competitive advantage. He argued that competitive advantage was the objective of strategy, and competitive advantage can be understood only by examining a firm's activities separately. Porter maintained that each activity determines whether a firm is high- or low cost relative to its competitors, and differences in value chain among competitors are sources of competitive advantage. The value chain was developed as a tool to identify two types of competitive advantage, i.e., cost leadership and differentiation. In contrast to the 5-forces analysis, which focuses on the entire industry, value-chain analysis is oriented to a specific business within the industry.

Porter (1985: 34) claimed that "a firm's value chain is embedded in a larger stream of activities," and views a business as a "collection of value activities that are performed to design, produce, market, deliver, and support its product." These value activities are identified as primary and support activities[4]. In Porter's (1985) view, the support activities in the value-chain are there to help the primary activities get better over time. Disaggregating a firm into its strategically relevant activities enables the manager to understand both the behaviour of costs, and the possible bases for differentiation. Competitive advantage potential can then be assessed by examining essential differences among competitor value chains. Porter argued that the differences of the value chains among competitors are the sources of competitive advantage. According to Cho (1996), Porter revised the traditional IO view, with his value-chain framework, by stating that the sources of

[4] The primary activities are composed of five generic categories, i.e., inbound logistics, operations, outbound logistics, marketing and sales, and service, whilst the support activities involve firm infrastructure, human resource management, technology development, and procurement.

competitive advantage are not only from the external environment but also from a firm's internal and unique characteristics, which was a missing link from most of the IO research at the time.

Value-chain analysis is essentially an implementation tool, and assumes that the firm or individual have already done an 5-forces analysis and know what strategy they want to pursue. The framework of the value-chain is therefore used to deliver that strategy. If, however, it fails in its task to do so, then Porter suggests a retreat and re-look at the value-chain within the firm.

There is no doubt that competition plays an important role in determining strategic position. The argument from the IO school is that when a firm faces many competitors, its strategic position is vulnerable, resources are squeezed, profits are stressed, and even survival is threatened (Klepper & Graddy, 1990; Shan, 1990). Because of the many look-alike firms and products in highly competitive markets, it is difficult for firms to set themselves apart from others. In contrast, in markets with fewer competitors, profits are higher (Klepper & Graddy, 1990; Porter, 1980) and survival is more likely (Carroll & Hannan, 1989). Since the introduction of Porter's frameworks (1980; 1985) on competitive advantage, many practitioners and academicians have analysed the concepts of competitive advantage from the IO point of view, and it still is the dominant model taught at most Business Schools today.

2.2.2 Criticisms of the IO School and IO-Based Strategy

Researchers in the field of strategic management have long understood that competitive advantage depends upon the match between distinctive internal or organisational capabilities and changing external or environmental circumstances (Andrews, 1971; Chandler, 1962; Hofer & Schendel, 1978; Penrose, 1959). Surprisingly, strategy research in the 1980s was almost exclusively focused on the external environment, even though strategy has been defined as "the match an organisation makes between its internal resources and skills ... and the opportunities and risks created by its external environment" (Grant, 1991: 144).

As Porter (1980) contended that competition is determined by the industry structure, researchers who understand the concept of competition from an IO perspective argue that the source of competitive advantage results from a firm's external environment, rather than from its internal characteristics. IO economics emphasises industry attractiveness as the primary basis for superior profitability, the implication being that strategic management is concerned primarily with seeking favourable industry environments, locating attractive segments and strategic groups within industries, and moderating competitive pressures by influencing industry structure and competitors behaviour. Yet, empirical investigation has failed to support the link between industry structure and profitability (Grant, 1991).

While Porter's frameworks have provided many useful insights to both practitioners and researchers, by concentrating on the external-opportunities- and threats side of the analysis, it nonetheless suffers from several significant problems (Black and Boal, 1994: 131-132). First, it runs the risk of being tautological, i.e., it posits that firms in attractive industries are successful. They are successful because they are in attractive industries. Secondly, it has a limitation that stems from the implicit advice it gives managers for formulating strategy. McWilliams & Smart (1993) point out that it misdirects managers to focus on industry level characteristics, encouraging them to expend resources on influencing the industry's structure even though their firm will not uniquely benefit from the changes, thus allowing competitors to free ride on the firm's expenditures. This has long been an argument, and problem, of marketing strategists[5]. However, evidence (Roquebert, Phillips & Duran, 1993; Rumelt, 1991) suggests that, at best, industry structure accounts for 8-15% of variance in firm performance. Furthermore, it has been shown that firms basing their strategies on market power, significantly under-performed, on multiple performance measures, their competitors who followed a resource-based strategy, e.g., Carr (1993) in his analysis of the vehicle components industry.

Grant (1991) makes the point that business strategy should be viewed less as a quest for monopoly rents[6], and more as a quest for Ricardian rents[7]. A third and far more important limitation is the one concerned with the issue of sustainability of competitive advantage. According to Grant

[5] The misdirected focus could possibly be justified if it can be shown that industry structure was the dominant determinant of firm performance.
[6] The returns to market power.
[7] The returns to the resources which confer competitive advantage over and above the real costs of these resources.

(1991: 116), "in a world where customer preferences are volatile, the identity of customers is changing, and the technologies for serving customer requirements are continually evolving, an externally focused orientation does not provide a secure foundation for formulating long-term strategy." The framework of Porter is concerned with the cross-sectional problem and not the longitudinal problem (Black & Boal, 1994). In their view, Porter's- and the IO school's analyses put the spotlight on choosing the 'right industries' and, within them, the most attractive competitive positions[8] and does not address why some firms are able to get into advantageous positions in the first place, and why some firms are able to sustain these positions and others are not[9]. Although the value-chain framework did not ignore the characteristics of individual firms, the clear emphasis was on phenomena at the industry level.

While this researcher agrees with most RBV theorists when they claim that IO researchers and practitioners[10] overly emphasised the external environment, the writers quoted above who criticise the work of Porter have misunderstood his frameworks[11]. Porter advanced the notion that the secret to strategic success is to understand bargaining power. His frameworks, and hence strategic analyses, were developed as tools for identifying and recognising the negatives factors within an industry, and once a firm is able to recognise which of the factors are negative, they would then know how to attack the most negative forces and which parts of their strategy needed to be addressed. It was the Boston Consulting Group who developed the notion of being in the right industries and being in the right position, and stating that bigger is better. Porter does not say that where factors are negative, firms can not be successful and profitable. Nor did he make comment about the importance of firms' market share. Rather, he actually took the focus away from getting into the right industries, and upheld the notion that it was possible for firms to make good profits, as long as they produced a superior response to the negative factors.

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[8] The cross-sectional problem.
[9] The longitudinal problem.
[10] Including Porter's 5-forces framework.
[11] For instance, Porter never said that firms should get out of certain industries and into the 'right industries,' as asserted by Black & Boal (1994).

Another questionable claim by Black & Boal is their assertion that value-chain analysis is focused on phenomena at the industry level. No researcher or practitioner seriously uses value-chain analysis for looking at the industry level. What they are highlighting, is in fact merely the first step in doing value-chain analysis, i.e., coming up with the building blocks once a view has been taken of an industry sector – which does not constitute analysis of any sort. The actual value-chain analysis looks within the building blocks, and comes from questions such as: "which of these activities do we care about and why?"

Grant's statement regarding the changing nature of customers, and the changing world, is surprising and, in this researcher's opinion, invalid. It is precisely the ability of a firm to adapt to the competitive environment, by making use of its internal resources and capabilities, which ensures its future survival. Grant does, however, draw our attention to the futility of a solely externally-focused strategy. However, it would be equally dangerous for a firm to lose touch with its customer-base and become solely focused on identifying internal capabilities.

As far as this research is concerned, the best, and most relevant, criticism of Porter and the IO school is in regard to the notion of sustainability of competitive advantage. The question left begging is: "So where is the lasting advantage?" It can be argued that the value chain, though promising in identifying the mechanisms to sustainability, stopped short of going deeper into the internal characteristics of firms, thus being unable to address the longitudinal problem. This is the main drawback of these Porter frameworks, IO research and applied strategy during the 1980s – the inability to incorporate effective discussion and research into the issue of sustainability, and its underlying mechanisms. By consigning competitive advantage to the imperatives of industry/market structure, these theories apparently overlook the idiosyncratic firm competencies elicited from managerial volition, organisational routines, reputation and culture that are potential sources of sustained competitive advantage.

2.2.3 Emergence of Resource-Based Theory

With the appearance of the concepts of 'distinctive competence' (Hitt & Ireland, 1985, 1986; Hofer & Schendel, 1978; Snow & Hrebiniak, 1980), 'core competence' (Hamel & Prahalad, 1989, 1990) and 'competing on capabilities' (Teece, Pisano & Shuen, 1991), the focus of attention among strategy academics changed from outside to inside the firm. As described by Hamel and Prahalad, 'core competence' was a capability or skill that provided the thread running through a firm's businesses, weaving them together into a coherent whole. Ulrich & Lake (1990) re-emphasised the strategic importance of identifying, managing, and leveraging core competencies rather than focusing only on products and markets in business planning. These approaches emphasised the importance of both of the skills and collective learning embedded in a firm and of management's ability to marshal them. This view assumed that the roots of competitive advantage were inside the firm, and that the adoption of new strategies was constrained by the current level of the firm's resources. Hamel & Prahalad (1989; 1994) emphasised the importance of "competing for the future" as a neglected dimension of competitive advantage. According to this view, the firm had to not only be concerned with profitability in the present and growth in the medium-term, but also with its future position and source of competitive advantage. This view required explicit strategising about how the firm would compete when its current strategy configuration was either copied or made obsolete.

Some writers have equated the activities the firm performs better than its competitors[12] with its core competencies. However, according to Long & Vickers-Koch (1995: 15), "by drawing attention to activities, activity-based management keeps us focused on the present. We end up rearranging the portfolio of current activities, instead of examining the potential the underlying capabilities have for new activities, products and services."

The idea that a core competence uniquely defined a firm, and was the source of value creation, was intuitively appealing. Managers in multi-business firms began to conceive of their firms as

[12] And which are critical to its end products or services.

portfolios of competencies[13]. Their role, therefore, was to nurture these competencies and deploy them into the businesses. According to Collis & Montgomery (1997), this perspective suggested a new, viable, and important role for CEO's that resonated with executives[14]. In practice, however, these approaches often led to only partial solutions[15]. Also, the initial discussion left out much of the detail regarding how to develop a corporate strategy based on core competence. Thus, meaningful application of the core competence notion was difficult because of the generality of its level of analysis, and the absence of specific prescriptions. "The external environment received little, if any, attention, and what we had learned about industries and competitive analysis seemed to disappear from our collective psyche" (Collis & Montgomery, 1995: 121).

The management literature also suggests that a purely internal (competitive) approach may prove inadequate because issues of external (social) legitimacy and reputation are also extremely important (Bowman & Faulkner, 1997; Gray & Wood, 1991; Westley & Vredenburg, 1991). According to Long & Vickers-Koch (1995: 18), "each company needs to look inward to understand its own specific capabilities, and outward to identify its special opportunities in the world around it." Indeed, it has long been recognised that competitive advantage must be created within a broader scope of social legitimacy (Bozeman, 1987; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Selznick, 1957).

However, it has only been during the past decade that the resource-based view (RBV)[16] of the firm has re-emerged, articulating the dynamic relationships among firm resources, capabilities, and competitive advantage. Its main merit is that it offered new insight into the issue of sustainability of competitive advantage. Grant (1991) suggested that the resource-based perspective developed as a result of the dissatisfaction surrounding the IO economics' static, equilibrium framework. Similar sentiments were echoed by Mintzberg (1994), in which he outlined the shortcomings in the way strategies were developed in firms in years past, and elaborated on the weaknesses of the

[13] Portfolios of activities, not just as portfolios of businesses.
[14] Particularly after the pressures they had felt in the 1980s.
[15] Kodak, for example, restructured three times in five years around a competency in imaging before CEO Kay Whitmore was replaced (Collis & Montgomery, 1997).
[16] The resource-based view (RBV) of the firm has also been termed resource-based theory (RBT), and these terms are often used interchangeably in the literature, as well as in this document.

traditional strategic planning process. The re-emerging RBV of the firm, however, helps to bridge these seemingly disparate approaches and to fulfil the promise of Andrew's (1971) framework. It shares another important characteristic with industry analysis: it, too, relies on economic reasoning, and it combines the internal analysis of phenomena within firms with the external analysis of the industry and the competitive environment (McWilliams & Gray, 1995)[17]. Like the capabilities approaches, RBV acknowledges the importance of firm-specific resources and capabilities, yet it does so in the context of the competitive environment. Even Porter (1991) posited that RBV builds on, but does not replace, the two previous broad approaches to strategy by combining internal and external perspectives.

2.2.3.1 Resource-Based View and Its Roots

Early work on the resource-based of the firm[18] initially came from the works of Chamberlin (1933), Robinson (1933), Penrose (1959) and Selznick (1957). Subsequently, it has attracted attention from additional researchers including : Lippman & Rumelt (1982); Wernerfelt (1984); Barney (1986a; 1986b; 1986c; 1989a; 1989b; 1991; 1992; 1993; 1995); Dierickx & Cool (1989; 1997); Conner (1991; 1994); Mahoney & Pandian (1992); Lado, Boyd & Wright (1992); Grant (1991; 1995; 1996; 1997); Peteraf (1993); Amit & Schoemaker (1993); McGrath, MacMillan & Venkatraman (1995); Azzone, Bertele & Rangone (1995); Collis & Montgomery (1997; 1995); Chen (1996); Segal-Horn (1997) and Bowman & Faulkner (1997). So much attention has been drawn to the RBV of the firm that it is considered to be a re-emerging theory in the strategy discipline.

The idea of looking at firms as a broader "set of resources" goes back to the seminal work of Penrose (1959). Chamberlin (1933) argued that a firm's competitive advantage is achieved from the firm's unique assets and capabilities, and some the factors that were considered as a firm's

[17] "Instead of seeing the firm as a portfolio of activities only, resource-based firms look beyond activities to understand the underlying skills and know-how that give the firm the ability to perform certain activities better than others. By taking this deeper view, they free their thinking to see new and different applications of their underlying capabilities" (Long and Vickers-Koch, 1995: 15).

[18] In many ways, the resource-based view (RBV) of the firm is an "old" set of ideas – Ricardo's (1817) analysis of the economic consequences of the "original, unaugmentable, and indestructible gifts of Nature," with its emphasis on land as a critical resource in fixed supply, has many linkages with modern resource-based theory.

unique assets and capabilities are technical know-how, reputation, brand awareness, and the ability of managers to work together (Cho, 1996). According to Chamberlin, heterogeneous characteristics[19] of firms create imperfect competition that allow them to enjoy monopolistic competition. This monopolistic competition enables a firm to gain competitive advantage, which leads to superior financial performance for a certain period of time (Barney, 1986c). Thus, in order to achieve competitive advantage, firms should have a strategy to develop their idiosyncratic resources.

Barney (1986c: 794) asserted that this Chamberlinian view of competition is not that different to that espoused by IO economists. He argued that the two models are complementary and indicated the same strategic implication, which is that "firms should implement strategies, including product strategies, which cannot be duplicated by rivals." The traditional concept of strategy (Andrews, 1971) is phrased in terms of the resource position (strengths and weaknesses) of the firm, whereas most of our formal economic tools operate on the product-market side[20]. The integration of these two views[21] is presented by the SWOT approach (strengths, weaknesses, opportunities, and threats) (Learned, Christensen, Andrews & Guth, 1969; Thompson & Strickland, 1990).

The concept of a firm's unique assets and capabilities as the source of competitive advantage has been incorporated into several research articles on distinctive competencies (Ansoff, 1976; Hofer and Schendel, 1978), which has built on the work of Selznick (1957). These authors identified a firm's distinctive competencies as the source for competitive advantage and integral components for corporate strategy formulation. This Chamberlinian concept of competitive advantage can be linked to the re-emerging theory of RBV/RBT.

In contrast to the early literature on core competence, the RBV more broadly and accurately defines the assets that can function as core competencies and lays out the conditions under which

[19] "Firm heterogeneity can represent an important source of competitive advantage for firms" (Barney, 1986c: 793).
[20] Some of the strategy theorists like Lenz (1980), Kotler (1976), and Stevenson (1978) alleged that firms seek strategies which exploit their unique strengths, while avoiding their weaknesses.
[21] Even Porter (1991) recognised that a firm's unique strengths and weakness play an equally important role as the industry structure for strategy implementation in determining competitive advantage.

they can be sources of value for the firm. Though relatively new to the field of strategic management, it addresses some of the most fundamental questions of business-unit strategy: *Why is one firm different from another? Why is one firm more profitable than another? What makes a competitive advantage sustainable?*

2.2.3.2 Basic Concepts of the Resource-Based View

The RBV takes the 'core competence' thinking one step further: it posits that competitive advantage can be sustained only if the capabilities creating the advantage are supported by resources that are not easily duplicated by competitors. In other words, firms' resources, or combinations of resources, must raise 'barriers to imitation' (Rumelt, 1984)[22]. The crucial aspect (requirements) for competitive advantage involves the productive services (capabilities) of rent-generating resources and resource combinations, within the firm, which cannot be easily imitated or substituted. The notion of isolating mechanisms (at the firm level of analysis) is an analogue of mobility barriers at the strategic group level (Caves & Porter, 1977; McGee & Thomas, 1986), which are themselves an extension of Bain's (1956) entry barriers at the industry level. In this sense, according to Mahoney & Pandian (1992: 371), the RBV utilises a central concept of the structure-strategy-performance paradigm from IO literature, albeit at a different level of analysis. They further claim that "these isolating mechanisms[23] explain *ex post* a stable stream of rents and provide a rationale for intra-industry differences among firms."

The firm and its resources are the focal level of analysis in this re-emerging strategy theory (Chen, 1996), and the underlying orientation considers a firm as a unique bundle of linked, idiosyncratic, tangible and intangible assets and resources (Penrose, 1959; Wernerfelt, 1984; Hall, 1992). One of the central notions of RBT[24] is that firms in the same industry compete with substantially different bundles of resources using disparate approaches. The resource-based perspective is not about reviewing the attractiveness of entire industries and their profit and growth potential for new

[22] Rumelt (1984) called such impediments to the imitation of what a firm has, or does, 'isolating mechanisms' – the great wall around a sustainable competitive advantage, and the essential theoretical concept for explaining the sustainability of rents in the resource-based framework.
[23] Barriers to imitation.
[24] Made explicit in Wernefelt's (1984) empirical observations.

entrants, rather it is about what individual firms can do to understand themselves better. It gives attention to skills and know-how that firms may take for granted. A basic assumption of the resource-based work is that resource bundles and capabilities are heterogeneously[25] distributed across firms, and that each firm is idiosyncratic because of the different resources and assets it has acquired over time, because of differing histories of strategic choice and performance, because management of these firms appear to seek asymmetric competitive positions, and because of the various routines it has developed to manage them (Wernerfelt, 1984; Barney, 1991; Teece, Pisano and Shuen, 1991). Similarly, Bowman & Faulkner (1997: 33) assert that the resource-based approach assumes a state of disequilibrium as the norm: that "firms differ essentially from each other for reasons of history, of differing assets endowments both inanimate and human, and through the development of distinct capabilities. At given moments, industries will display characteristics that make certain factors key to superior profitability for possessing them." This has consequences not just in exploiting existing assets specific to individual firms[26], but also for the (dynamic) development of new capabilities through learning and capability accumulation. In fact, Grant (1991) argues that for most firms, the most important capabilities are likely to be those which arise from an integration of individual functional capabilities.

Such strategic capabilities are what Kay (1993) calls 'distinctive competencies.' In general, and using Kay's language, distinctive competencies refer to pools of cumulative experience, knowledge and systems that exist within a firm and that can be used to reduce the cost or time required to create a new resource or extend an existing one. They include the ability to access, internalise and apply new knowledge. Indeed, this may be regarded as the defining characteristic of a competency-building firm.

Teece, Pisano & Shuen (1990: 38) asserted that strategy is about "choosing among and committing to long-term paths or trajectories of competence development." These authors call this a 'dynamic capabilities approach,' to emphasise that the building of distinctive capabilities is a process, and

[25] Peteraf (1993) state that firms hold heterogeneous resource portfolios whether by history, accident, or design – and that this resource heterogeneity is responsible for observed variability in financial returns across firms.
[26] Organisation-specific or firm-specific assets.

one which must be carried out over long periods of time. Put another way, it means that ownership of these bundles of assets and resources[27], together with the use the firm is able to make of them, determines the difference in performance between one firm and another, in the same sector. Even if 'bought' as part of an acquisition, getting the old and new resources to work together to produce an enhanced capability[28] is itself dependent on the organisational capability to integrate two sets of resources post-acquisition (Segal-Horn, 1997).

Two important concepts are often underplayed in the literature :

(a) resource endowments are 'sticky' and likely to constrain a firm's strategic choices (Teece, Pisano & Shuen, 1991; Collis, 1991)[29]. Because many of these resources and capabilities cannot be accumulated instantaneously, a firm's choice of strategy is constrained by its current stock of resources and the speed at which it can acquire or accumulate new ones. This is because resources may diminish in value or relevance over time, yet firms may be unwilling or unable to develop new ones. Thus, according to Segal-Horn (1997: 14), "existing sets of resources may become prisons of strategic thinking[30]." Firms can get locked into thinking of their existing resources and capabilities as unique, and fail to notice that what was unique has been copied by competitors, so that everybody can do it and the whole sector standard has moved on. Fundamentally, it is the resources of the firm which limit the choice of markets it may enter, and the levels of profits it may expect (Wernerfelt, 1989). Therefore, although the RBV view allows for the systematic assessment of these internal elements of strategy, it is important to stress that an analysis of the resources themselves can only take place in the context of the firm's competitive environment (Bowman & Faulkner, 1997). Without asymmetries in resource stocks, and constraints on the rate of change, any firm could elect to follow any strategy it wished (Collis & Montgomery, 1997). As a result, successful strategies

[27] A firm's competitive position and advantage in the industry are defined by its unique asset and resource bundle (Rumelt, 1984; Conner, 1994).
[28] What is often described as 'synergy' at the time of a merger.
[29] Collis (1991 : 51) made this point explicit: "Strategy is constrained by, and dependent on, the current level of resources ... the firm's asset investments, which in aggregate are the fundamental determinants of its strategic position."
[30] They become recipe-like.

would be very quickly imitated and profits rapidly driven to zero. Resources, therefore, are the substance of strategy, the base essence of sustainable competitive advantage (SCA); and

(b) RBT is an approach to strategy which emphasises the role of management in determining how well, or poorly, they use the assets which their firms possess. Amit & Schoemaker (1993) argue that uncertainty, complexity and conflict, both inside and outside the firm, constitute the normal conditions under which managers have to manage. However, this leaves room for 'discretionary managerial decisions on strategy crafting' (Lado, Boyd & Wright, 1992; Bourgeois, 1984; Child, 1972; Smircich & Stubbart, 1985; Weick, 1979). In other words, it is precisely such uncertainties that create the opportunity for heterogeneity between firms to develop, often as a result of better or worse decision-making by managers about the external environment or the internal resource mix[31]. From a post-Coasian perspective, managers' choices as to both the mode of coordination and whether to coordinate tasks within the boundaries of the firm, or not, determines the types of strategies firms employ – the focus being task coordination, as opposed to a resource usage focus. As Coase (1937) pointed out, the advantages of the firm-mode over the market-mode diminish as marginal costs of coordination increase with more tasks being coordinated within the boundaries of a firm. However, increasing marginal costs of coordination make room for competition between firms for the coordination of specialised tasks, creating a pattern of vertical specialisation in the chain of production. This reduces the overall cost of coordination relative to both coordination within one firm and pure market coordination (Foss, 2000)[32]. From an RBV perspective, however, Penrose (1959: 75) argues that: "It is the heterogeneity ... of the productive services available or potentially available from its resources that gives each firm its unique character." Top management[33] in a diversified enterprise can be a significant and distinctive resource if it

[31] A firm may achieve rents not because it has better resources, but rather the firm's distinctive competence involves making better use of its resources (Penrose, 1959: 54).

[32] Essentially, Coase (1937) and post-Coasian economics take the costs of coordinating various tasks, as well as the extent of specialisation in the economy as *given*, and proceeds to analyse why not all transactions among specialised agents are coordinated in either firms or in open markets.

[33] Lado, Boyd & Wright (1992) made the point that the distinctive competencies or capabilities do not merely "accrue" to the firm (from a good "fit" with industry/environmental requirements), but may consciously and systematically be developed by the wilful choices and actions of the firm's strategic leaders (Bourgeois, 1984; Child, 1972; Smircich & Stubbart, 1985; Weick, 1979).

uniquely contributes to the sustained profitability of the enterprise (Castanias & Helfat, 1991). The firm may make better use of human capital by correctly assigning workers to where they have higher productivity in the organisation (Tomer, 1987), and the firm may make better allocations of financial capital toward high yield uses (Bower, 1970; Williamson, 1975). A rich connection among the firm's resources, distinctive competencies and the mental models or 'dominant logic' (Prahalad & Bettis, 1986) of the managerial team drives the diversification process (Ginsberg, 1990; Grant, 1988). Amit & Schoemaker's (1993) article suggests that the challenge facing managers is to identify a set of 'strategic assets' directly arising from the firm's resources and capabilities. These will be developed as the basis for creating and protecting their firm's sustainable sources of advantage. Penrose (1959: 77) argues that unused productive services of resources "shape the scope and direction of the search for knowledge." The services and rents that resources will yield depend upon the dominant logic of the top management team, but the development of the dominant logic of the top managerial team is partly shaped by the resources with which they deal.

Two important, and related, empirical studies (Montgomery & Wernerfelt, 1988; Wernerfelt & Montgomery, 1988) suggest that the RBV of the firm provides a theoretical underpinning for explaining and predicting significant firm effects. The RBV of the firm therefore seems particularly useful in differentiating competitors from a strategic point of view (Amit & Schoemaker, 1993; Barney, 1991; Mahoney & Pandian, 1992; Teece, Rumelt, Dosi & Winter, 1994), and is a powerful alternative to the market-positioning view, or privileged-product market positions, in explaining sources of competitive advantage over time (Rumelt, 1991; Stopford & Baden-Fuller, 1990; Barney, 1986b; Wernerfelt, 1984; Gabel, 1984; Dierickx & Cool, 1989)[34]. While IO analysis attempts to characterise the behaviour of a 'representative firm,' the resource-based approach focuses on the key success factors of individual firm behaviour to achieve firm-specific advantages by a portfolio of differential core skills and routines, coherence across skills,

[34] A number of strategy scholars, and as early as the early 1980s (Barney, 1986b; Wernerfelt, 1984; Gabel, 1984), have expressed the concern that much of the strategy literature focuses too narrowly on privileged- product market positions as a basis for competitive advantage and above-normal returns. Dierickx & Cool (1989) made the point that the resource bundles that need to be deployed to achieve, or protect, such privileged-product market positions is often overlooked.

and unique proprietary know-how (Mahoney & Pandian, 1992; Aharoni & Sticht, 1990; Dosi, Teece & Winter, 1990; Prahalad & Hamel, 1990). This view, as a framework of analysis to strategy formulation, has gained, and is still gaining in popularity among strategy theorists (Reed & DeFillipi, 1990; Summer, Bettis, Duhaime, Grant, Hambrick, Snow & Zeithami, 1990; Meyer, 1991; Porter, 1991; Peteraf, 1993; Barney, 1991, 1992).

2.2.3.3 Criticisms of RBT

According to Grant (1991: 115), the implications of RBT for strategic management are unclear for two reasons: (a) the various contributions lack a single integrating framework, and (b) little effort has been made to develop the practical implications of this theory. Bowman & Faulkner (1997: 34) believe that "although the firm's unique resources help to explain why some firms outperform their rivals, this is only one part of the explanation." They make the point that a firm may have great skills in producing a product for which there is little demand, so when assessing the value of a firm's resources some account needs to be taken of the context within which the firm is operating. They claim that "most contributors to the RBV of the firm recognise this problem, but they either tend to *assume* a resource is valuable and they then focus their attention on problems of other firms copying these resources, or they define valuable resources in rather vague and generalised ways." Bromiley (1993), similarly, notes that RBT requires some concrete definitions of resources that is more insightful than 'anything that leads to performance.' Both Fiol (1991) and Peteraf (1993) acknowledged the difficulty in determining *a priori* what firm resources might lead to sustainable competitive advantage, given the inherent uncertainty of the external environment. Nonetheless, Bromiley's (1993) call for the operationalisation of RBT is well taken, and will be one of the objectives of this research. Barney (1992) and Barney & Griffin (1992) begin to address this issue by identifying the needed characteristics of firm resources and present this in the VRIO framework[35]. However, the VRIO framework, while implicitly acknowledging the importance of a dynamic view, treats the evaluation of resources from a stand-alone viewpoint, ignoring how resources are nested in and configured with one another and the nature of

[35] The framework assesses the economic performance implications of resources by evaluating the resources for the characteristics of value, rarity, inimitability and organisational orientation (Barney, 1992; Barney & Griffin, 1992).

relationships between them. Thus, while Barney talks about bundles of resources, the VRIO framework treats resources as singular distinct items.

Porter (1991: 108) argues that the RBV of the firm runs the risk of being tautological: "Successful firms are successful because they have unique resources. They should nurture these resources." However, in 1993 Barney responded to Porter's assertion by pointing out that the independent variables of RBT are defined at one level of analysis (the level of resources or bundles of resources) while competitive advantage (the dependent variable), not economic rent per se, is at a different level of analysis (the level of strategies that the firm is pursuing) (Black & Boal, 1994). In essence, the independent variable is at the functional level and the dependent variable is either at the business or corporate level. This eliminates the charge of being tautological. The strategic significance of firms' resources and capabilities has been heightened by recent observations that firms that are better able to understand, nurture, and leverage core competencies (Prahalad & Hamel, 1990), outperform those that are preoccupied with more conventional approaches to strategic business planning. However, a firm's commitment to the existing competency-base also may make it difficult to acquire new resources or capabilities. Put another way, the RBV may lead to a firm that is like the "proverbial child with a hammer" – everything starts looking like a nail (Hart, 1995). The fear is that RBT then leads to an overly internal perspective that provides little insight into what the firm should try to do to improve its situation. Bowman & Faulkner (1997: 35) describes how some firms are using consultants to conduct competence audits, and quote one firm which "was cheerfully informed by consultants that it had 39 core competencies" – extremely unhelpful, they claim. Technological discontinuities or shifts in external circumstances may render existing competencies obsolete or, at a minimum, invite the rapid development of new resources (Tushman & Anderson, 1986). Under such circumstances, core competencies might even become "core rigidities" (Leonard-Barton, 1992).

An increasing concern with RBT is the need for innovation in fast changing environments (Teece, Pisano & Shuen, 1990). Just as RBT is really a re-emergent theory from the 1930s and 1950s, the notion of innovating as a means of sustaining competitive advantage is not a new idea either. Strategy, it would seem, comes in waves and recurring cycles. Schumpeter (1934) explained competition by focusing on revolutionary technological and product market shifts. Similar to the recent 'dynamic capabilities approach' (Teece, Pisano & Shuen, 1990), the sense of continual renewal and regeneration (of industries) in Schumpeter's theory of 'creative destruction[36]' suggested that all developed economies are in a state of continuous renewal and reorganisation, but that such flux was entirely 'creative,' and to be welcomed since it generated innovation and in turn, economic growth. In the same way, resources and capabilities must not be treated as fixed, but as evolving in response to the evolving strategic intent of the firm. Thus, only firms that either are able to make revolutionary changes or firms that have a unique ability to adapt to the revolutionary innovation are able to achieve competitive advantage over other competitors. Early strategists did not focus on contextual change. Unlike competition defined by the IO economists and Chamberlinian theorists, Schumpeterian competition does not presume a level of stability in the business environment. Schumpeter urges organisations to 'go out' and 'create contextual change.'

Additionally, with revolutionary changes, a firm can only predict imperfectly what actions its competitors will seek to implement. Barney (1986b) argues that the characteristics of instability and imperfect prediction result in a firm's good or bad luck. The concept of luck, which is considered as an attribute of the source of competitive advantage by Barney (1986b), is difficult to be incorporated into strategic planning. Barney (1986b) argued that this is one of the reasons why Schumpeterian competition has not been explored for normative theories of strategy as much as the IO- or Chamberlinian routes. However, he continues by claiming that the concept of Schumpeterian competition can be integrated with the other two models in order to be incorporated into strategic planning. The concept of Chamberlinian competition can be integrated with it by viewing revolutionary changes as one of a firm's assets and capabilities, while the integration with the IO framework can be applied by considering revolutionary changes as an attribute that changes the industry structure. Barney (1986b) maintained that only a model that integrates these three concepts of competition will enable a firm to develop a better strategy in order to gain competitive advantage.

[36] Revolutionary innovations, called "creative destruction" by Schumpeter, are the sources of competitive advantage (Barney, 1986c).

2.2.4 Research Definitions and Research Framework

A number of researchers and academics have developed their own terminology when discussing RBT and competitive advantage, and therefore, for the purposes of this research, it is important to clearly define the language, and its meaning, that will be used throughout the research for such concepts as 'assets', 'resources' and 'capabilities.' Initially, this section will look at what various authors use as their language in the ongoing conversation of RBT and competitive advantage.

Grant (1995) claims that 'resources' are inputs into the production process – they are the basic units of analysis, but, on their own, few resources are productive. The individual resources of a firm include items of capital equipment, skills of individual employees, patents, brand names, organisational culture, finance, etc. Productive activity, according to Grant, requires the co-operation and co-ordination of teams of resources. Wernerfelt (1984) defined a firm's resources, "at any given time, as those tangible and intangible assets which are tied semi-permanently to the firm, e.g., brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures, capital, etc." Several other researchers (Barney, 1986; Itami, 1987; Aaker, 1989; Porter, 1991; Mahoney & Pandian, 1992; Black & Boal, 1994) use the terms 'assets' and 'factors' when decomposing firm resources into combinations of resource 'factors' or 'assets'.

Dierickx & Cool (1989) suggested that resources should be differentiated as either 'asset flows' or 'asset stocks.' According to the authors, an 'asset flow' is a firm resource that can be obtained or adjusted immediately, whilst an 'asset stock' is a firm resource which cannot be adjusted immediately and which is built over time from asset flows[37]. For example, a reputation for quality may be built (rather than bought) by following a consistent set of production policies, quality control policies, etc., over some period of time. Similarly, a reputation for 'toughness'[38] is established through a history of aggressive behaviour, and so on. The same goes for factors such

[37] The authors illustrate the distinction between stocks and flows through their 'bathroom metaphor': "at any moment in time, the stock of water is indicated by the level of water in the tub; it is the cumulative result of flows of water into the tub (through the tap) and out of it (through a leak)" (Dierickx & Cool, 1997: 164)

[38] Readiness to retaliate.

as firm-specific human capital, dealer loyalty, R&D capability (as opposed to a specific technology), etc[39]. The common element is that the strategic asset is the cumulative result of adhering to a set of consistent policies over a period of time. Put differently, strategic asset stocks are accumulated by choosing appropriate time paths of flows over a period of time. A crucial point illustrated by the authors' insight is that while 'flows' can be adjusted instantaneously, 'stocks' cannot. It takes a consistent pattern of resource flows to accumulate a desired change in strategic asset stocks.

The term "capabilities" was introduced to economics by Richardson (1972), who admits his analysis is developed from Penrose's (1959, 1995: 24-25) conception of a firm as a collection of physical and human resources which may be deployed in a variety of ways to provide a variety of productive services. Penrose (1995) makes the point that it is never 'resources' themselves that are the inputs in the production process, but only the 'services' that the resources can render. In fact, Penrose explicitly avoids the terms "factors of production" because it fails to distinguish between resources and the services that they yield, and thus obscures the range of orientations that may be implicit in any collection of resources – which is essential to her explanation of the growth and distinctiveness of firms. According to the author, the services yielded by resources are a function of the way in which they are used – exactly the same resource when used for different purposes or in different ways and in combination with different types or amounts of other resources provides a different service or set of services[40]. Penrose, in effect, is suggesting that resources are stocks and services are flows – and it is largely in this distinction that we find the source of the uniqueness of each individual firm. Richardson (1990: 231; 1972: 888) insists on a similar distinction: "It is convenient to think of industry as carrying out an indefinitely large number of *activities*, activities related to the discovery and estimation of future wants, to research, development, and design, to the execution and coordination of processes of physical transformation, the marketing of goods,

[39] In text example of R&D, the amount of water in the tub represents the stock of know-how at a particular moment in time, whereas current R&D spending is represented by the water flowing through the tap. The fact that know-how depreciates over time is represented by the flow of water leaking through the hole in the tub.

[40] Even as early as 1959, Penrose made a crucial distinction between resources and services (services as bundles of resources): "resources consist of a bundle of potential services and can, for the most part, be defined independently of their use, while services cannot be so defined, the very word 'service' implying a function, an activity" (Penrose, 1959: 25).

and so on. And we have to recognise that these activities have to be carried out by organisations with appropriate *capabilities*, or, in other words, with appropriate knowledge, experience, and skills." Richardson's focus was on the distribution of economic activities between firms and the ways in which these activities were coordinated, and Penrose's on the sources and directions of growth for individual firms; both rely on the differences between firms in the capabilities that they possess and in the uses to which they put these capabilities, and in the differential development of these capabilities and uses over time[41].

Bowman & Faulkner (1997: 49) writes about how activities within a firm combine to deliver 'key competencies,' and that these activities themselves are combinations of three factors: resources, systems and know-how – each of which typically has different characteristics. According to the authors, 'resources' are the basic factors of production involved in the creation of a product or service. Thus, materials, machinery, technology, location, premises, labour, brands, and reputation may all be regarded as factors of production that are necessary before a product or service can be manufactured or performed. Similarly, they define 'systems' as the methods by which the resources are brought to life, i.e., co-ordinated and deployed in the value activity. "Systems are usually explicit and well understood, and they can often be codified into written procedures," according to Bowman & Faulkner. Finally, they define 'know-how' as the term used to represent the individual or group capability to work the systems. According to the authors, it is present in individuals and can be embedded throughout the organisation, but is not codified – as soon as it becomes so, it has to be reclassified as a system.

Bowman & Faulkner (1997: 35) further distinguish between 'key competencies' and 'core competencies.' They describe 'key competencies'[42] as those "required by any firm to be a serious and successful player in a particular market," and 'core competencies'[43] as "what the firm happens to be good at." So their approach enables firms to anchor or benchmark an assessment of the

[41] Together, they provide the economic basis for what has come to be called the capabilities (or competence) theory of the firm.
[42] Key competencies are derived from an understanding of the requirements to compete in a particular market arena.
[43] Core competencies are firm-specific.

firm's core competencies (internal focus) against some external criteria, the key competencies required to compete in a given market.

Wernerfelt (1984: 172) broadly defines a 'resource' as "anything which could be thought of as a strength or weakness of a given firm." Daft (1983), similarly, has suggested that 'resources' are all assets, capabilities, organisational processes, controlled information or knowledge which enable that firm to develop and implement strategies that improve its efficiency and effectiveness. This confuses the important difference between resources and capabilities. A 'capability,' according to Grant (1995), is the capacity for a team of resources to perform some task or activity. Similarly, Amit & Schoemaker (1993) claim that 'capabilities' are the outcome of using groups of resources in particular ways. Creating capabilities is not simply a matter of assembling a team of resources: capabilities involve complex patterns of co-ordination between people and between people and other resources[44], and assets[45], and perfecting such co-ordination requires learning through repetition.

Segal-Horn (1995) refers to 'capability' as the combination of firm resources into 'resource clusters' which makes different firms different. The firm's capability lies upstream from the end-product – it resides in skills, capacities, and a dynamic resource fit which may find a variety of end uses (Mahoney & Pandian, 1992; Caves, 1984; Teece, 1982; Ulrich and Lake, 1990). Nelson & Winter's (1982) concept of 'organisational routine' helps with the understanding of such capabilities. Organisational routines are regular and predictable patterns of activity which are made up of a sequence of co-ordinated actions by individuals. Therefore a capability, from this perspective, in essence is a routine, or a number of interacting routines. In fact, "it is more often the way in which organisations combine their resources in bundles that creates uniqueness, which is what is meant by distinctive capabilities" (Segal-Horn, 1997: 8).

[44] In the language of Grant.
[45] In the language of Barney.

For the purposes of this research, a clear distinction will be made between 'the pool of assets or resources,' 'the set of complementary resource combinations (CRCs),' and 'strategic architecture' (Figure 2.1):

2.2.4.1 Pool of Assets / Resources

'*Assets*' or '*resources*' come in many forms, from common factor inputs that are widely available and easily purchased in arms-length transactions, to highly differentiated assets, like brand names, that are developed over many years and are very difficult to replicate. The '*pool of organisational assets or resources* 'can be classified into two broad categories: tangible assets or resources, and intangible assets or resources.

- **Tangible Assets or Tangible Resources:** Tangible assets or resources are the easiest to value and often are the only resources that appear on a firm's balance sheet. They include real estate, production facilities, and raw materials, among others. Although tangible assets may be essential to a firm's strategy, because of their standard nature, they rarely are a source of competitive advantage. There are, of course, notable exceptions. The twisted copper telephone and coaxial cable wires that link people's houses to the outside world are now highly prized as the on-ramp to the information superhighway (Collis & Montgomery, 1997). Real estate locations adjacent to popular tourist sites are also one-of-a-kind assets that may support unusual profits.

- **Intangible Assets or Intangible Resources:** Intangible assets, or resources, include such things as technological knowledge, know-how shared among employees, patented process and design, trademarks, accumulated learning and/or knowledge, as well as experience. These resources often play important roles in competitive advantage (or disadvantage) and firm value. Intangible resources also have the important property of not being consumed in usage. Even if the firm can market its intangible assets effectively, it could not disentangle them from the skills and knowledge of the managerial team (Nelson & Winter, 1982). Indeed, if applied judiciously, some intangible assets can grow with use, rather than shrink (Collis & Montgomery, 1997; Davenport & Prusak, 1998).

2.2.4.2 Set of Complementary Resource Combinations (CRCs)

A firm's '*set of complementary resource combinations*' result from bundles or combinations of certain assets and resources. The firm's assets and resources may further exhibit complementarity in deployment or application (Barnard, 1938). Complementarity represents an enhancement of resource value, and arises when a resource produces greater returns in the presence of another resource than it does alone, e.g., an electronic data interchange (EDI) system that only marginally improves performance under ordinary conditions, but produces sustainable advantages when combined with pre-existing supplier trust (Powell & Dent-Micallef, 1997). '*Complementary resource combinations (CRCs),*' defined here, are not factor inputs like tangible and intangible assets; they are complex combinations of assets, people, and processes that firms use to transform inputs to outputs. Thus, CRCs can be viewed as a configuration or network of assets or resources, which in turn implies that there will be specific relationships between the assets or resources. Many of these configurations are a blend of 'hard' tangible assets (such as buildings, equipment, people, training manuals) and 'soft' intangible assets (such as how well teams work together and the relationships between the people in those teams, or the internal culture) which simply cannot be easily recreated by another firm. Finely-honed CRCs can be a source of competitive advantage. They enable a firm to take the same factor inputs as rivals and convert them into products and services, either with greater efficiency in the process or greater quality in the output. While assets or resources are the source of a firm's set of CRCs, CRCs themselves are the main source of its competitive advantage. Applied to the firm's physical production technology, these 'organisational routines' govern the efficiency of the firm's activities.

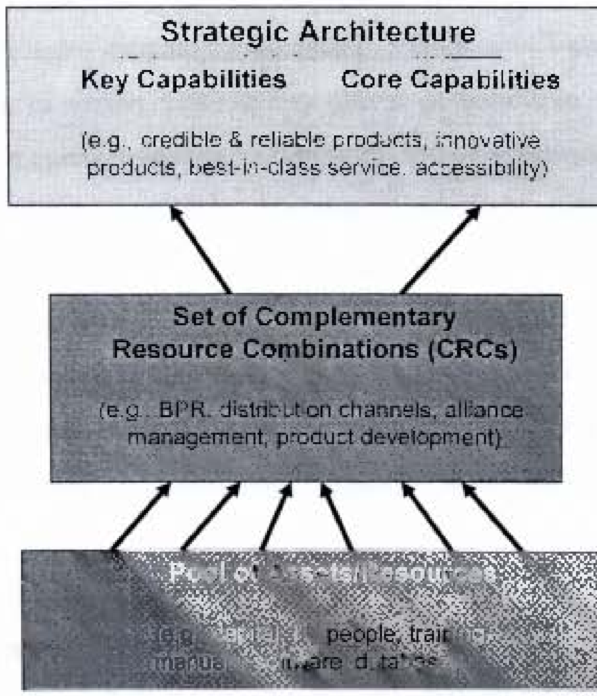
2.2.4.5 Strategic Architecture

'*Strategic Architecture*' refers to the firm's capabilities when applied in the marketplace. However, these capabilities, depending on their ability to generate returns in an industry and depending on how they are deployed in industry, will be termed 'key capabilities,' and 'core capabilities.' '*Key capabilities*' refer to capabilities that are merely necessary for the firm to be a player in its industry (i.e., 'commodity capabilities' or 'threshold capabilities'). These include services to support internal customers (human resources, legal, accounting skills and processes, for example) as well as those skills and systems that are conditions for doing business in the firm's industry (Long & Vickers-Koch, 1995). These common firm capabilities can help ensure a firm's survival when they are exploited to create competitive parity in an industry (Barney, 1989b). Under conditions of competitive parity, though no one firm obtains a competitive advantage, firms do increase their probability of economic survival (McKelvey, 1982; Porter, 1980). This is not to say that they cannot make a huge difference in a firm's success, depending on how well they are used. However, they are typically not the capabilities that account for the firm's real competitive advantage in its chosen field. '*Core capabilities*,' on the other hand, refer to capabilities that are valuable and rent-producing in the marketplace, and are those capabilities that a firm relies on for its competitive advantage (i.e., 'order-winning capabilities' or 'critical capabilities').

A firm's CRCs serve as the bases for developing capabilities, i.e., both key capabilities and core capabilities, and once bundles of these CRCs are brought to bear on particular value-added tasks (e.g., just-in-time production, design for manufacturing), they serve as the bases for a firm's competitive advantage today, as well as tomorrow's competitive advantage.

The list of core capabilities includes a set of abilities describing efficiency and effectiveness – faster, more responsive, higher quality, and so forth – that can be found in any one of the firm's activities, from product development, to marketing, to manufacturing. For example, over the last several decades, some Japanese automobile firms have developed a number of outstanding core capabilities (Baldwin & Clark, 1990). The first was in low-cost, 'lean' manufacturing, next in high-quality production, and most recently in fast product development. These strategic capabilities – which was of value to the marketplace and rent-producing for the firms – generated important efficiency advantages, particularly against foreign rivals, and played major roles in the competitiveness of these firms.

Figure 2.1 Assets combine to make CRCs, that serve as bases for competitive advantage when firms compete on capabilities



Source: Author

2.3.4.5 Defining Sustainability of Advantage

Brandenburger & Stuart (1996) claim that a firm achieves competitive advantage, a concept rooted in the logic of value creation and distribution, when the value it creates in an economic exchange is greater than the value that could be created if the firm did not participate. In other words, the firm contributes something unique and valuable to its value system – the set of suppliers, distributors, customers in which the firm does business (Feeny, Ives & Piccoli, 2003; Porter, 1991). All firms perform discrete, but interrelated, activities intended to create value; these discrete activities represent "the basic unit of competitive advantage" (Porter, 1991: 102). According to Reed &

DeFillippi (1990), firms achieve competitive advantage by performing these activities either at a lower cost than the competition, or in a unique and valuable way. In this research, a firm is said to have a *competitive advantage* when, based on its strategic architecture and CRCs, it is able to implement a strategy that generates returns and benefits in excess of those of its current competitors – who simultaneously are implementing strategies, similar or otherwise – because of the perceived value in the marketplace. The definition therefore also depends on what the firm, its management and its stakeholders, define as what the required returns and benefits should be[46]. One could reasonably expect, though, that firms within similar industries, would define similar variables as the required returns and benefits.

MacMillan (1988; 1989) claims that competitive imitation occurs in stages, and once rivals find themselves disadvantaged, they begin to search for the source of the problem. According to Nault & Dexter (1995), this may involve considerable ambiguity, making it difficult for the imitator to mount a response. MacMillan, McCaffery & Wijk (1985) stress the fact that as competitors identify the sources of the firm's competitive advantage, they must first decide whether they are able and willing to respond and, if they are, what approach to take. Typically, competitors first seek to imitate the leader by attempting to modify their existing strategies (MacMillan, 1988), and then directly attacking the source of the leader's competitive advantage (MacMillan, 1989; Sethi & King, 1994). According to MacMillan (1989: 24) and Feeny, Ives & Piccoli (2003), "response lag," representing the delay in competitive response, is "the time it takes competitors to respond aggressively enough to erode the competitive advantage." Porter (1985: 20) stressed that competitive advantage was sustainable when the "firm's competitive advantage resists erosion by competitive behaviour … [this] requires that a firm posseses some barriers that make imitation of the strategy difficult." The ability to sustain a position of competitive advantage therefore requires creating impediments, or barriers, to imitation (Reed & DeFillippi, 1990; Feeny, Ives & Piccoli, 2003), which inhibit competitors from replicating the strategy. The height of these barriers (Feeny, Ives & Piccoli, 2003) determines the time and cost required for a competitive response and, therefore, the resistance of the advantage erosion. In this research, a firm is said to have a

[46] Because even though many would list it as financial, clearly this does not apply to all firms, i.e., an advantage could be something other than financial.

sustained competitive advantage when it is implementing a value-creating strategy, which generates returns and benefits at a level not enjoyed by current competitors *and* when these other firms are unable to reach an 'equilibrium level' (Hirshleifer, 1980) with the firm enjoying the advantage. In this sense, the definition of sustained competitive advantage adopted here does not imply that it will "last forever," and does not depend upon the period of time during which a firm enjoys a competitive advantage[47].

One could look at the University situation in the UK to further understand the definitions. The fact that other Universities in the UK have managed to increase their student intake, get world recognition and publish high quality research, does not necessarily mean that Oxford University has lost its competitive advantage in the University education marketplace. As a result of the perceived value of this institution's capabilities and CRCs in the marketplace, they are still able to extract returns and benefits that are in excess to their competitors, e.g., research funding levels from industry and government, quality of student intake, quality of faculty that they are able to attract, recruitment of their graduates by sort-after employers, salary possibilities of graduating students, etc. However, the sustainability of the advantage is questioned, and ceases, in the view of this researcher, when other institutions are able to equal ("reach equilibrium") or exceed the level of returns and benefits as previously enjoyed by Oxford University, resulting from the perceived value of its capabilities and CRCs in the marketplace. It therefore is quite interesting to observe what happened to the returns and benefits, enjoyed by Oxford University, when the marketplace reacted to a newspaper article in The Times of the UK (23 April 1999). The article printed a UK University listing in which it rated both Cambridge University and Imperial College of London above Oxford University – along certain criteria. Therefore, according to the research definitions, if this meant that either institutions, as a result of this new information, reached "equilibrium" or greater levels of returns and benefits, previously enjoyed by Oxford, then Oxford had lost its competitive advantage.

[47] "Empirically, sustained competitive advantage may, on average, last a long period of calendar time. However, it is not this period of calendar time that defines the existence of a sustained competitive advantage, but the inability of current and potential competitors to duplicate that strategy that makes a competitive advantage sustained" (Barney, 1991: 103).

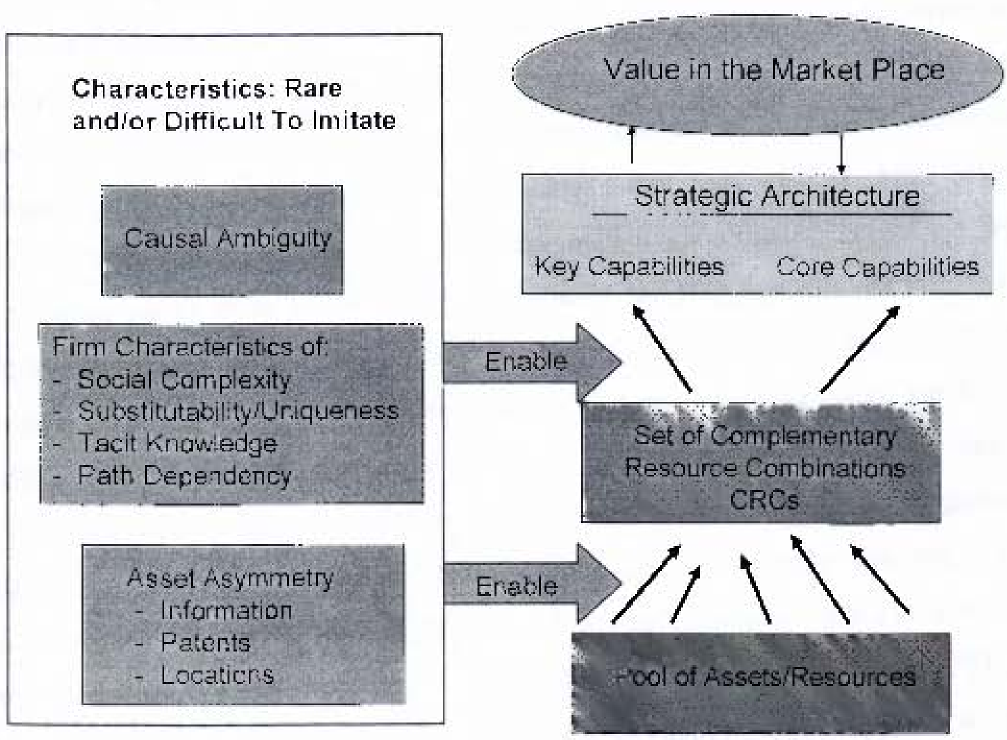
By contrast, some authors have suggested that a sustained competitive advantage is simply a competitive advantage that lasts a long period of calendar time (Porter, 1985; Jacobsen, 1988). This suggestion is not helpful, as it quickly degenerates into debates as to the actual amount of time a firm must enjoy an advantage for it to be termed a sustainable advantage. However, although an understanding of how firms can make a competitive advantage last a longer period of calendar time is an important research issue, the issue of *sustained* competitive advantage used in this research does not specifically refer to the actual period of calendar time. Instead, it rather depends on the possibility of competitive duplication in order to reach equilibrium. Lippman & Rumelt (1982), Rumelt (1984) and Barney (1991) use a similar argument. They all claim that a competitive advantage is sustained only if it continues to exist after efforts to duplicate that advantage have ceased, and this researcher would add: ... ceased {to cause those firms to reach equilibrium with the one that has the advantage}. In that sense, their definitions are very closely aligned to the 'equilibrium definition' in this research.

What is important from this research's perspective is whether there is any evidence to suggest that a firm's current capabilities and CRCs can cause it to maintain an advantage in the future. Barney (1991) maintains that unanticipated changes in the economic structure of an industry – called "Schumpeterian Shocks" by several authors (Barney, 1986c; Rumelt & Wensley, 1981; Schumpeter, 1934, 1950) – may make what was, at one time, a source of sustained competitive advantage, no longer valuable for a firm, and thus not a source of any competitive advantage. These structural revolutions redefine what capabilities are valuable in an industry, and a firm enjoying a sustained competitive advantage may see its competitive advantage nullified by such changes. What were valuable capabilities and resource combinations in a previous industry setting, may be weaknesses or simply irrelevant in a new industry setting. Therefore, the understanding the firm has of its CRCs, which in turn affects its ability to re-establish competitive advantage in the new industry setting, is important if it does not want its resource endowments to limit its choice in the new industry setting (Wernerfelt, 1989), or become "sticky" (Teece, Pisano & Shuen, 1991) and "prisons of strategic thinking" (Segal-Horn, 1997). However, some of these resources, in turn, may be sources of sustained competitive advantage in the newly defined industry structure (Barney, 1986c). The literature, as well as the example about Oxford University above, seem to suggest that firms may, in time, have to think about ways to create new CRCs when other firms are able to encroach on it's advantageous position this, clearly, puts the spotlight on the issue of resource complementarity (new combinations) and the issue of sustainability within the firm.

2.4.4.5 Framework of Sustainability

RBT suggests that, in a firm's search for sustainability of competitive advantage, a better start would be to look internally, rather than focus its major, or all its, attention on the external environment. To that end, this body of theory already contributes some promising insight into conditions leading to sustainable competitive advantages (Wernerfelt, 1984; Rumelt, 1984; Barney, 1986a, 1986b, 1986c; Dierickx & Cool, 1989; Conner, 1991; Grant, 1991; Peteraf, 1993; Collis & Montgomery, 1997). Figure 2.2 sets out the Framework of Sustainability that exists within the firm:

Figure 2.2 Framework of Sustainability



Source: Author

It is argued here that firms develop and build their idiosyncratic bases for sustaining competitive advantage through the 'characteristics' shown above – also known as imitation barriers (Williamson, 1979), or 'isolating mechanisms' (Rumelt, 1984), which have been in business for a long time, but which need to be thought through, understood and implemented in new ways.

2.2.4.5 1 Rare/Difficult to Imitate

In moving from basic assets and resources, through to CRCs, and eventually to key- and core capabilities, the firm wants it all to be *rare and difficult to imitate* (Barney, 1991; Reed & DeFillippi, 1990). Barney (1991: 105) makes the point that "it must be rare among a firm's competitors." The rarity depends on the combination of physical rarity in the factor market, and/or the rarity of the perceived value in the marketplace. That is, they must not be widely distributed within an industry and/or must be closely identified with a given firm, making them *difficult to transfer or trade* (e.g., a brand image or an exclusive supply arrangement) (Black & Boal, 1994). Such immobility, or imperfect mobility (Peteraf, 1993), is a key requirement for sustainable advantage.

2.2.4.5 2 Asset Asymmetry

Asset asymmetry is when the firm may be either "lucky" in acquiring rare assets, or has worked hard to make those assets rare. Examples of "lucky" assets could be the co-optation of a sole raw material source[48], and locations[49]. Typically, most financial services firms would not own "lucky" assets, and thus it is rarely a source of competitive advantage. Examples of assets that firms have worked hard at to make rare include: specific information[50], the firm has information that it acquired before its competitors[51], patents and licences[52]. Again, financial services firms rarely

[48] The firm, e.g., De Beers, exclusively owns a raw material, e.g., diamonds, that gives it an advantage.
[49] The firm owns prime real estate that gives it a competitive advantage, e.g., a hotel that owns land on the waters-edge of a beachfront development.
[50] The firm has private information that is difficult for its competitors to acquire, e.g., Coca-Cola and its secret formula.
[51] Firms, e.g., Amazon.com, which have acquired relevant information on customers, such as demographic data, behavioural information, customer likes and dislikes, etc., before its competitors.
[52] The firm, e.g., biotech firm or medical research facility, owns patents or licences that give it an advantage.

own patents and licences, and "first-mover information" typically does not provide long-term sustainable competitive advantage, as competitors, over time, acquire it through broker relationships and bancassurance partnerships.

2.2.4.5.3 Social Complexity, Path Dependency, Substitutability and Knowledge

Social complexity is when the source of advantage is known, but the method of replicating the advantage is unclear, e.g., corporate culture (Barney, 1986b; Teece, 1987; Winter, 1987), the interpersonal relations among managers or employees in a firm (Hambrick, 1987) or trust between management and employees (Amit & Schoemaker, 1993). These CRCs exist in a complex web of social interactions and may even depend critically on particular individuals. Socially complex resource combinations, defined here, depend upon large numbers of people or teams engaged in coordinated action such that few individuals, if any, have sufficient breadth of knowledge to grasp the overall phenomenon (Barney, 1991; Reed & DeFillippi, 1990). Although physical[53] and financial resources[54] may produce a temporary advantage for a firm, they often can be readily acquired on factor markets by competitors or new entrants. Conversely, a unique path through history (*path dependency*) may enable a firm to obtain unusual and valuable resources, and resource combinations, which cannot be easily acquired, or imitated, by competitors (Barney, 1991). *Path dependency*, or *time compression diseconomies* (Dierickx & Cool, 1989; Powell & Dent-Micallef, 1997), is when the CRCs of the firm were developed over a long period of time and cannot be duplicated, and may depend on the history of the use of assets in an extremely complex (path-dependent) process. Path dependency within a firm is contingent upon preceding levels of learning, investment, asset and resource stocks, managerial choice and decision, organisational infrastructure, and development activity (Dierickx & Cool, 1989). Barney (1991: 107) asserts that "… companies' ability to acquire and exploit some resources depends upon their place in time and space. Once this particular unique time in history passes, firms that do not have space- and time-dependent resources cannot obtain them, and these resources are imperfectly imitable."[55] Competitors cannot just go out and buy these CRCs instantaneously – instead, they must be built

[53] For example, computer hardware, software, networks, etc.
[54] For example, access to capital.
[55] As described in the sustainability arguments on Oxford University.

over time in ways that are difficult to accelerate, through learning, experience, firm-specific knowledge, or trained proficiency in certain skill sets. Would-be imitators are thwarted by the difficulty of discovering and repeating the developmental process and by the considerable lag involved. The longer lasting a CRC is (*durability*), the more "rungs" it adds to its path dependency, and hence, the more difficult it becomes for competitors to imitate it. CRCs must therefore be durable, and must be *difficult to substitute* (Segal-Horn, 1997). According to Black & Boal (1994), substitutability rests on the continuation of imperfect factor markets, the costs involved in the recreation of specific combinations, or the cost of finding a new combination of resources that will enable the firm to compete for the same product market (i.e., a new path with new requirements). Knowledge resource combinations, defined here, are skill-based and people-intensive, and many now argue that knowledge[56], particularly *tacit knowledge*, is strategically the most significant resource of the firm (Toffler, 1990; Quinn, 1992; Grant, 1996; 1991; Spender, 1996; Schendel, 1996; Spender & Grant, 1996; Davenport & Prusak, 1998; Gorelick, Milton & April, 2004). *Tacit knowledge* is when the knowledge of the firm routines cannot be fully articulated by employees in the competitive firm. Tacit knowledge is usually defined as that which cannot be written down or specified, and is embedded in the interactive routines, rituals and behaviours of individuals within their firms. Such CRCs are intangible, based upon learning-by-doing that are accumulated through experience and refined in practice, and often also are immobile and thus bound to the firm (Itami, 1987; Polanyi, 1962).

2.2.4.5 4 Causal Ambiguity

Causal ambiguity refers to uncertainty regarding the causes of efficiency differences among firms, and neither the firm, nor its competitors are sure which capabilities are earning the rents. Barney (1991: 108-109) defines it as follows: "Causal ambiguity exists when the link between the {capabilities} controlled by a firm and a firm's sustained competitive advantage is not understood or understood only very imperfectly." As Demsetz (1973) once observed, sometimes it is difficult to understand why one firm consistently outperforms other firms. Causal ambiguity is at the heart of this difficulty. Competitors are thwarted because it is impossible to disentangle either what the

[56] Knowledge, claims futurist Toffler (1990), is now the basis of power and wealth creation.

valuable resource combinations are that serve as bases for a firm's core capabilities, or how to re-create it, and imitating firms cannot know the actions they should take in order to duplicate the strategies of firms with sustained competitive advantages. Peteraf (1993) stresses that such uncertainty, coupled with non-recoverable costs, may limit imitative activity – thus preserving the condition of heterogeneity. Collis & Montgomery (1995: 120) makes the point that "if a {capability} is inimitable, then any profit stream it generates is more likely to be sustainable."

Although the terminology has varied (Peteraf, 1993), resource-based approaches to the theory of sustained competitive advantage point to the characteristics (above) which are likely to be particularly important determinants of the sustainability of competitive advantage for a firm. An important point to remember is that for a firm to sustain its advantage, usually it involves drawing on combinations of resources from any and every part of the organisation – it thus extends strategic thinking into HR management and organisational behaviour, financial management, organisational development and infrastructure, R&D and technology development and implementation, and so on.

2.3 IT Literature

Strategies derive and emerge from the firm's complex set of business, competitive, organisational, and environmental circumstances and are often not clearly articulated or universally agreed upon in a firm[57]. But, useful strategies make trade-offs and choices, and provide guidance for decision-making throughout the firm (Porter, 1996). The strategy is the firm's collective intention (Mintzberg, 1989), where strategy formulation and implementation merge in a fluid process through which creative strategies evolve. Strategies continually change, and Kay (1993) convincingly argues that the strategy of successful firms is opportunistic and adaptive. However, it is exactly this ability of a firm to be adaptive to changes, and innovative in addressing context-specific changes, in our turbulent world, the way in which certain firms seem to total collective attention toward goals, the ease in which some managements seem to make decisions and handle

[57] "The term 'strategy' has become one of the most overused and broadly defined words in the business lexicon" (Weill & Broadbent, 1998). Porter (1980) neatly sums up the concept of strategy as emerging to help managers transform the daily chaos of events and decisions into an orderly way of sizing up a firm's position in its environment.

complexity, and the ability of a firm to take advantage of existing, and emerging, opportunities in the marketplace that has focused practitioners and researchers attention to IT and its role in the overall business strategy of a firm.

This section will therefore deal with IT as a strategic resource, looking at the early debates and the reactions. The first half of this section will highlight the literature on the important issues of IT as a strategic resource, IT and both the IO school and RBV school, and IT as a means for achieving competitive advantage sustainability. During the second half of this section, IT will be combined with the theoretical inputs from RBT, and characteristics of sustainability, and positioned in this research.

2.3.1 IT as a Strategic Resource

Information systems (IS) strategy was defined, by Earl (1989: 67), as "the long-term, directional plan which decides what to do with IT. IS strategy is seen to be business-led and demand-oriented, and concerned with exploiting IT either to support business strategies or create new strategic options," the latter concerned with the ongoing strategic success of firms. As the field of strategic management has expanded, strategy researchers and practitioners have shown increasing interest in the role of IT in strategy formulation, implementation, evolution and innovation, as well as in its impacts on financial performance (e.g., Piccoli & Ives, 2005; Earl, 2003; Earl & Khan, 2001; Powell & Dent-Micallef, 1997; Cho, 1996; Kettinger, Grover, Guha & Segars, 1994; Henderson & Venkatraman, 1993; Holland, Lockett & Blackman, 1992; Sabherwal & King, 1991; Earl, 1988; 1989; Farrel & Song, 1988). Frameworks for identifying strategic value opportunities have been developed (Ives & Learmonth, 1984; Porter & Millar, 1985), as have measures for evaluating the extent to which IT can lead to competitive advantage (Sethi & King, 1994). According to Feeny, Ives & Piccoli (2003), the widely accepted conclusion at the time was that IT could create competitive advantage through efficiency improvements and other forms of cost reductions, through new channels or channel domination, or through differentiation of product or service.

Because IT engenders competitive possibilities in both the competitive imitation and competitive innovation domains, the relationship between IT and corporate strategy is thus crucial in assessing the potential impact on corporate behaviour and the probability of achieving current, and future, strategic goals. The results of an empirical study indicate that IT structure, as measured by the locus of responsibilities for IS, is strongly related to competitive strategy (Tavakolian, 1989). These findings provide support for the organisational-fit concept and underscore the importance of co-aligning IT structure and a firm's competitive strategy, decision-making structure, managerial philosophy, and organisational form to implement IT systems successfully. The tasks of IS strategic planning, at the time, included identifying IT applications which could support business strategies or create new strategic options, and allocating scarce IS resources (Earl, 1989; Henderson & Venkatraman, 1993). Johnston & Carrio (1988) also found that a firm's IT should be co-aligned with strategy of a corporate or a business unit (BU) in order to achieve competitive advantage from IT. Similarly McGee & Thomas (1986) stated that, in order to achieve this co-alignment, a firm should perform the following actions: incorporate technological issues into business strategy, identify the organisation's distinctive technical implications, identify technology that contributes or will contribute to business success, coordinate business goals and their technological implications, and align systems for implementation, ensuring that the systems necessary to implement the business strategy support the execution of that strategy.

The ongoing, dominant conversation regarding the use of IT for strategic advantage, appear to be fall into two distinct periods, as a result of the influences during that time from economic theory, strategy theory, as well as management- and IT literature. There was the 1980s, with its characteristic IO approach toward competitive advantage from IT, and led mainly by the work of Porter and Earl. Then there was, and still is, the core capabilities and resource-based approaches to competitive advantage and IT, which essentially came into its own around the late 1980s and up to the present day – with important work in the area by Feeny, Ives and Willcocks, Clemons, Row and Kimbrough, Powell and Dent-Micallef, Mata, Fuerst and Barney.

Earl, a protagonist of the IO period and IT strategic planning era, has subsequently adapted his interpretation of IT usage for strategic advantage, by focusing a lot more on the competitive innovation side of strategy (and has enriched the dominant conversation with another "lens" through which to view IT's strategic role). According to Earl (2003: 289) new innovations in IT, e.g., e-commerce, shifts the focus for firms from long-term, directional planning, to IT strategy links with those of the business strategy, because of the extra pressures on firms in the areas of speed and flexibility. He makes two important claims: (1) that in shifting from old-styled planning to new-styled, IT-related firm performance getting new web-based products, services, and channels to market quickly seemed to be critical in the quest for first-mover advantages, grabbing customer share and brand recognition, attracting further capital and winning races to learn; and (2) as learning occurred, adapdability and flexibility were key to yet another new paradigm, competitive innovation led through IT activities. So time replaced cost as the currency of IT, and entrepreneurialism and fun displaced formality and structure – in particular, conventional information systems planning processes were challenged, and rolling IT plans became one interesting response to this new context (Earl, 2003).

2.3.2 IT and the IO School

Computer applications in the 1950s and 1960s were mainly transaction processing and operational in nature (Neo, 1988). During this period, IT essentially served an administrative support role. The Decision Support Systems (DSS) movement in the 1970s showed how IT could be used to support managerial decision-making more directly through applications specifically created to be used in a decision-making milieu. Although authors speak of DSS as improving effectiveness compared with the efficiency goals of transaction processing in the past, the potential strategic impact of IT was largely ignored (Neo, 1988) – essentially, it was being ignored by practitioners.

In 1980, Kantrow began to argue that technology and strategy were inseparable. It was only in the early 1980s when academics and authors, such as McFarlan, from Harvard University started writing about this. The "received" traditional wisdom at the time was that strategy begets structure, which in turn determined the kind of information system support needed. However, by 1984, researchers and writers were claiming that the converse also held: that IS beget strategy (Mason, 1984). This sparked off a new era of IT in the 1980s: chief executives and IT directors of leading firms started initiatives to emulate firms that were supposedly using IT for strategic advantage[58].

Success stories reported in the media in the 1980s (Business Week, 1985 and 1986) started to show that the strategic role of IT, in accomplishing business goals, was beginning to be recognised. Many case studies, mainly anecdotal, of exploiting IT for strategic advantage were documented in the academic and professional literature[59], e.g., Lister-Petter: UK diesel engine manufacturer's computer integrated manufacturing; American Hospital Supply's computer-based ordering links; American Airlines and United Airlines reservation systems; Merrill Lynch's Cash Management Account; Dun and Bradstreet, as well as Reuters information networks and databases.

During the mid-1980s, researchers and writers started to advocate tight IT-strategy linkages, asserting that IT affects firm strategies, strategies have IT implications, and that firms must somehow integrate strategic thrusts with IT capabilities (Rackoff, Wiseman & Ullrich, 1985; Bakos & Treacy, 1986; Beath & Ives, 1986). According to Earl (1988), several driving forces prompted this transformation: technological change was significant – the convergence of data processing, communications, and automation opened up possibilities of integration, of inter-organisational information processing and of changing the ways of doing business; the continuous cost reduction in hardware, improvement in data storage capabilities, and advances in software rendered computing more accessible, easier to use, and more exciting to develop. As a result , the nature of business also underwent change – firms started to look towards technology to drive down costs (Nault & Dexter, 1995; Porter & Millar, 1985), improve performance, and revolutionise traditional systems of production; firms facing global competition, pressures of customisation, and restructured marketplaces hoped that IT could help them differentiate, be more flexible, and create niches; sectors undergoing deregulation saw telecommunications as a means of overcoming time

[58] The reasons being that they were feeling both threatened by a new IT age and invigorated by the opportunities (Earl, 1988).

[59] Various frameworks connecting IT and strategy were proposed (Ives & Learmonth, 1984; King, 1984; Wiseman, 1985a; McFarlan, 1984).

and space constraints, and data and knowledge bases as means of developing new services and customer sets.

Initial contributors to the studies on IT for strategic competitive advantage, using the IO model, have been conducted by researchers at Harvard such as Cash & Konsynski (1985), McFarlan (1984), Parsons (1984), and Porter & Millar (1985). Porter's (1980) work in strategy analysis, in particular, focused essentially on the link between strategy and competitive positioning. Since then, much of the research on competitive advantage from IT has adopted Porter's earlier framework on competitive advantage as its theoretical underpinning (Cash & Konsynski, 1985; McFarlan, 1984; Parsons, 1984; Porter & Millar, 1985; Rackoff, Wiseman & Ullrich, 1985; Wiseman & McMillan, 1988). The conceptual works, based primarily on the framework of 'five competitive forces,' and 'three generic competitive strategies,' argued for IT innovation and sophistication based on its potential for altering a full range of strategic and industry structure variables, including cost positions, scale economies and power relations with buyers and suppliers (Benjamin, Rockart, Morton & Wyman, 1984; Cash & Konsynski, 1985; Porter, 1985; Clemons, 1986). Many of the researchers, at the time, were claiming that IT had the capability of changing the industry structure, which is the aggregation of the changes in five competitive forces[60]. This capability of IT, according to them, enabled a firm to establish a competitive position of low cost leadership, differentiation, and focus.

These perspectives (above), viewed strategy not as the making of a few large moves based on discrete "one-time" decision, but as the configuration of interrelated and interlocking activities (Rivkin, 2000). Thus, IT-enabled strategic initiatives did not simply entail building a system that provided superior returns until it was successfully replicated. Rather, according to Feeny, Ives & Piccoli (2003), they consisted in the configuration of an activity system, enabled by IT, designed to create and appropriate value. To achieve these competitive positions, Porter (1985) explained how competitive advantage can be achieved from a firm's value activities ('value-chain model'), which are the physically and technologically distinctive activities a firm performs. Porter emphasised

[60] Existing competitors, new entrants, customers, suppliers, and substitutes.

IT's role in the value chain and the resulting ability of a firm to achieve competitive strategies through its value activities. He stated that IT could affect the competition faced by a firm and provide competitive advantage, since IT was embedded in all of a firm's value activity. Porter & Millar (1985), for instance, described how the value chain framework can be used as a basis for identifying strategic IT applications. Their argument was based on the fact that IT was permeating the value chain, transforming the way value activities were performed and the nature of the linkages among them. It also affected competitive scope and the way products meet customer needs. They made the point that every value activity has both a physical and an information processing component – that every one creates and uses information. Porter & Millar proposed the use of an 'information intensity matrix' to assess IT's role. The matrix evaluates the information intensity of the value chain against that of the product. They suggested that IT will play a strategic role in an industry that is characterised by high information intensity in both the value chain and the product. Porter & Millar suggested that IT was affecting competition in three vital ways: (1) it changes industry structure and, in doing so, alters the rules of competition, (2) it creates competitive advantage by giving firms new ways to out-perform their rivals, and (3) it sponsors whole businesses, often from within a firm's existing operations. Porter & Millar concluded that the main strategic purpose of IT was to co-ordinate activities in the chain, and therefore give the firm greater flexibility in deciding its breadth of activities.

Rackoff, Wiseman & Ullrich (1985), used a 'strategic thrusts framework' for identifying strategic information systems. Strategic thrusts are "major competitive moves made by a firm." Five were postulated: differentiation, cost leadership, innovation, growth, and external alliances – they are targeted at suppliers, customers and/or competitors. They argued that IT can be used to support or shape the firm's competitive strategy by supporting or shaping competitive thrusts. Rackoff *et al.* concluded that IT should support the five competitive thrusts. Rockart & Short (1989), on the other hand, argued that technology resources serve primarily to manage 'organisational interdependence,' i.e., to solve co-ordination problems among departments and strategic business units[61]. All in all, the literature signalled a definite shift in thinking about IT – recognising that IT

[61] More closely aligned with the work of Coase (1937).

can be seen to be crucial to the firm's future business development, and that top management was therefore likely to reorient IS in pursuit of strategic advantage.

The general notion throughout this period, and which forms part of the IO approach, was that that competitive advantage from IT resulted in a firm gaining above-normal rates of return from the strategic use of IT. It was argued that IT provided strategic opportunities, and that IT could be exploited for competitive advantage and therefore that IT could create strategic options. "The vision of applications became external as well as internal and front-office and beyond the organisation as well as back-office" (Earl, 1988: 4). It was therefore not surprising when Porter (1980) asserted that "the power of technology as a competitive variable lies in its ability to alter competition through changing industry structure." Many writers have built upon Porter's work on competitive strategy to examine the strategic potential of IT.

A number of researchers examined the conditions under which technology resources create sustainable competitive advantages. For example, Porter (1985) focussed on first-mover advantages, arguing that technological advantage arises when first-mover advantages, such as pre-empting customers through switching costs, outweigh first-mover disadvantages, such as development costs and learning curves. In one of the few empirical studies in the area, King, Hufnagel & Grover (1986) reported on the specific ways in which information resources were actually used, the planning and decision-making processes that were being used to identify and select strategic IT opportunities, and the organisational factors which facilitate or inhibit the different uses of IT. They also distinguished between strategic uses of information and of IT. They found that the most common applications of IT were for cost competitiveness, customer service, and product and market differentiation. In contrast, the most common applications of information were for customer service, market segmentation, and supplier relations. They also found that 55% of respondents reported either "irregular" or "no formal process" for identifying opportunities for the application of IT. The lack of appropriate planning, lack of top management support, difficulty in assessing tangible benefits and other priorities were major inhibitors. On the other hand, the primary facilitators were strong technical support and expertise, leadership in IT, competitive pressure, financial position, and extensive computer facilities.

Clemons (1986), in citing familiar case examples, suggested that externally focussed applications tended to produce advantages based on switching costs, whereas internal applications tended to produce advantages based on scale economies, managerial expertise and efficiencies. Clemons distinguished between externally focussed applications, i.e., those that connect the firm with customers or suppliers, such as ATM's and SABRE, and internally focussed applications, i.e., those that improve internal efficiencies, such as factory automation systems. Similarly Benjamin, Rockart, Morton & Wyman (1984) proposed a 'strategic opportunity matrix' for identifying IT opportunities. They suggested that IT can be used for strategic purposes either in the competitive marketplace or in internal operations, and that uses can either focus on traditional products and processes, or on changing the firm's current way of doing business. One contribution of the matrix is its explicit consideration of internal operations as a possible area for strategic IS applications – since most of the literature at the time assumed that the sources of competitive advantage were external rather than internal. The authors also addressed the issue of top management vision and support as a prerequisite for success in using IT for strategic applications. Neo (1988), analysing 14 well-known IT cases, concluded that the most successful IT implementers were those that had already implemented similar systems, having built an infrastructure of IT experience and learning.

Although a great number of studies were conducted based on the IO view, they either simply proposed a conceptual framework or indicated inconclusive results from their single case study on competitive advantage from an IT application (Cho, 1996). Over time, however, it became clear that competing firms could eventually copy most IT applications, and that the competitive advantage from any particular application would be short-lived (Vitale, 1986). During this period, however, very little empirical research was done on the topic of competitive advantage resulting from IT. Most of the empirical studies concerning IT attempted to examine relationships between IT investment intensity and business performance (Brynjolfsson, 1993; Harris & Katz, 1991). In sum, the pre-1990 IT literature focused on the strategic importance of IT adoption and innovation, and reflected a general optimism concerning IT's potential for creating competitive advantage.

2.3.3 *IT and the RBV School*

Although there are a number of IT success stories, it would appear that only a few sustain competitive advantage (reputedly). Clemons (1986) made the point that some systems obtained temporary competitive advantage until they were copied, while other systems have never received any attention. The recent empirical study of IT in the US retail industry suggest that "owing to IT imitation by competitors, technology resources themselves have not, in and of themselves, produced sustained performance advantages" (Powell & Dent-Micallef, 1997: 375).

After a series of studies (Clemons & Row, 1992; 1990; 1988; Clemons & Kenz, 1988; Clemons & Kimbrough, 1986; Clemons, 1986) on competitive advantage from IT, Clemons and his co-authors concluded that a firm's IT application is a 'strategic necessity' rather than the source of competitive advantage, because of its availability to competitors. For example, when only Citibank and Chemical had automated teller machines (ATMs), they briefly had a significant advantage over their competitors, offering a service that customers wanted and they alone could provide. But, ATMs soon became available throughout the industry, and what had been a competitive advantage was simply a "baseline requirement" (Davenport & Prusak, 1998) for consumer-oriented banks. This notion of baseline requirements, termed the 'strategic necessity hypothesis,' has been noted by other IT researchers (e.g., Floyd & Wooldridge, 1990; Kettinger, Grover, Guha & Segars, 1994; Powell & Dent-Micallef, 1997) and consists of two propositions:

(1) technology resources provide value to the firm by increasing internal and external co-ordinating efficiencies, and firms that do not adopt them will have higher cost structures and therefore competitive disadvantage; and

(2) notwithstanding (1), firms cannot expect technology resources alone to produce sustainable advantages because most technology resources are readily available to all firms in competitive factor markets.

In the article by Warner in 1987, entitled: "Information Technology as a Competitive Burden," the focus was on the risks and costs of IT investments, and on the difficulties of integrating IT with sustainable strategies. Clemons (1986) also acknowledged that, although IT had clearly produced advantages in a few spectacular cases, researchers still knew relatively little about IT's impacts on most firms. According to Clemons (1986: 131), "Surely much is media hype or current business fad … There is now a large, and largely anecdotal, literature, most of it referencing similar stories of technologically directed competitive triumphs. How much do we understand ? … How many of the stories are true, or accurately reported?[62]"

The 'strategic necessity hypothesis' is somewhat bleaker than earlier perspectives in its estimates of the sustainability of IT-derived performance advantages, "treating IT decisions more as threats than opportunities, i.e., as investments to avoid competitive decline, but with little likelihood of producing sustainable advantages" (Powell & Dent-Micallef, 1997: 378). According to this view, firms would appear to have only three feasible paths to IT-based competitive advantage:

(a) reinvent IT advantages perpetually through continuous, leading-edge IT innovation;
(b) move first, and erect unassailable first-mover advantage;
(c) embed technology resources in firms in such a way as to produce valuable, sustainable resource complementarity.

Cecil & Goldstein (1990: 75) addressed two issues that describe why IT alone can hardly be a source of sustainable competitive advantage : (1) information technologies (except for application systems) are almost universally supplied by vendors to user firms, and are freely available to all competitors in an industry, and (2) application systems, while custom-developed by large user firms, rarely confer advantages in themselves – IT alone does not deliver. They further explained why IT alone cannot sustain competitive advantage: peer competitors generally start with equivalent applications knowledge, differences in IT development capabilities among competitors can usually be evened out by vendors, and large scale rarely translates into a cost advantage. Davenport & Prusak (1998: 16) similar states that, "for the most part, it is virtually impossible to prevent competitors from copying and even improving on new products, production methods and services fairly quickly in an era characterised by mobility, the free flow of ideas, reverse

[62] Also, are they special cases of which there are no general case? Or do they prove the rule by being exceptions?

engineering, and widely available technology. A global marketplace for ideas has developed and there are very few concepts and formulae that are not generally available." According to Licker (1997: 88-89), "as technology costs decrease, initial advantage is lost quickly. In fact, those who stick with innovations too long find that competitors can adopt the innovation more cheaply later on, and that the initial advantage is turned into a disadvantage in terms of cost and flexibility[63]."

In a resource-based conceptual analysis of technology resources and firm performance, Clemons & Row (1991) advanced a 'commodity view' of IT, arguing that competitive imitation eventually erodes most IT-based advantages, that non-imitators are eliminated, and that above-normal returns attributed to the IT eventually vanishes. The authors also argue that, not only are technology resources unlikely to differentiate competitive performance, but they may not even improve overall industry returns, since customers and suppliers may co-opt any potential efficiency gains for themselves. The authors concluded that "examples of using IT to achieve sustainable advantage through either barriers to imitation or first-mover advantages do exist, but they are far less common than a trusting first scan of the MIS literature would imply" (Clemons & Row, 1991: 278).

According to Powell & Dent-Micallef (1997), the first two paths ((a) and (b) above) have proven precarious. They continue by claiming that perpetual innovation may hypothetically produce advantages, but these advantages vanish if innovation either ceases or stumbles, and firms are haunted by ever-shortening IT development cycles. For example, VF, the firm that sells Lee Jeans and other apparel, has experienced 20% annual growth for five years, thanks in part to technical innovations. These include an electronic market response system that informs both the firm's shipping and manufacturing departments of every sale made within hours. But Jerry Johnson, VF's CFO, says: "The half-life of innovation is getting shorter and shorter. A couple of years ago, we thought that we had established a definitive lead in service to our customers. Now it's become the industry standard" (Seymour, 1996: 26-27). Both Vitale (1986) and Licker (1997) maintain

[63] Webber (1993: 26-27), the Editor of *Fast Company*, has referred to this phenomenon as the " ... self-cancelling technological advantage. As technology transforms the logic of competition, technology disappears as a sustainable source of competitive advantage."

that competitive advantage derived from the use of technology has a definite life-cycle. Robert Stasey, the Director of quality improvement for Analog Devices, another growing firm, expresses a similar notion when he says that Analog "is basically a new product engine. Life cycles are short and we want to obsolete our own products before the competition does" (Amidon-Rogers, 1996: 3).

Also, Powell & Dent-Micallef (1997) claim that first-mover IT advantages seem more promising, particularly those involving proprietary systems customised to exploit firm-specific strengths and opportunities. However, such systems typically resolve into resource complementarities (i.e., they produce advantage by merging with skills, relationships, etc.), and even the empirical data (Kettinger *et al.*, 1994) suggest that such advantages rarely endure.

Other challenges to the earlier optimism, though scant, appear in the empirical evidence. In a retail banking industry study, Banker & Kauffman (1988) found little or no significant connection between ATM adoption and performance. Their study concluded that ATM deployment among bank branches had little or no effect on realising greater deposit collection. Apparently, ATMs are "strategic necessities" (Clemons & Kimbrough, 1986), but provide no real competitive advantage to any particular bank. In a follow-up study, Floyd & Wooldridge (1990) found no overall connection between ATM adoption and performance, with a positive correlation between performance and product IT offset by a negative correlation with process IT.

In a retrospective examination of thirty well-known IT cases from the 1970s and early 1980s, Kettinger, Grover, Guha & Segars (1994) found that, within five years of IT implementation, 21 of the 30 firms had experienced competitive declines either in market share, profits, or both. Mahmood & Soon (1991), in their study involving thirty-one IT executives, reported that, in most industries, technology resources had no discernable impact on entry barriers, but that when impacts were present they tended toward reducing, not increasing, entry barriers. In a study connecting technology policy and strategy, Zahra & Covin (1993) found no direct technology-performance connection. In Neo's (1988) study, technology resources per se had little to do with IT performance, which was driven more by IT-oriented strategic planning and management vision and support.

2.3.4 IT and the Innovation Paradigm

As new innovative uses of IT became standard within the firm, e.g., e-commerce and m-commerce, it soon became evident that IT became more and more difficult to separate from the business, i.e., if a system went down, the channel was down and thus the product was unavailable and the customer may have switched to another provider. So when the business grew, the IT systems and infrastructure had to be seamlessly scalable – and this new requirement for robustness and scalability had to co-exist with the previous requirements (under the old paradigm) of speed and responsiveness. At the same time, according to Earl (2003: 290), as systems development was becoming business development and the world demanded faster changes and quicker responses, it was absurd to allocate capital only through conventional IT budgeting processes (whether annual budgets, IT project approvals, or IT steering committees) – a new, more holistic and entrepreneurial paradigm was required for systems development and acquisition.

Earl and Khan (2001) detected a new approach emerging, one that planned, controlled, and organised system development more like new product development or, especially from the financing viewpoint, like venture capital. Earl and Khan "codified" and labelled this as the new venture development cycle of IT strategy. The fundamental shift was in how IT subsequently was viewed within firms – IT, now, was how businesses got built, developed and recreated (as opposed to the previous view of IT projects for IT projects sake). Firms thus realised that one of the skills of managing ongoing competitive stances meant a balance of the conventional processes with the entrepreneurial processes (and sometimes holding on to the conventional processes and slowly phasing them out, while slowly phasing in new, innovative processes and approaches). The continuum on which IT could make a difference was along the integration, customisation and reinvention points in the domain. An example was Amazon in the USA which made significant investments in technology in its warehouses, involving large package sorting devices fed by warehouse personnel equipped with handheld devices, loaded with customised software (Feeny, Ives & Piccoli, 2003). By fine-tuning the software and processes, Amazon was able, with one third less staff, to process thirty percent more packages in peak days in December of 2001 than they had in peak December days in 2000 (Hansell, 2002). At the time, the Head of Amazon operations anticipated that with further fine-tuning and new innovative business processes, they could eventually double their throughput of orders (Hansell, 2002). Much of the benefits at Amazon that came from developing, introducing and embedding IT uniqueness, and the subsequent racheting up of IT project barriers, required of the in-firm innovators to acquire the necessary know-how and technical knowledge (Attewell, 1992), as well as implementation expertise that further served as a barrier to replication. The reverse is when the IT underlying the innovator's strategy is not unique or evolving, then consultants, outsourcing- and service firms can be engaged by competitors to aid them in business- and competitive intelligence, in order to reduce knowledge barriers and, thereby, reduce the imitation response lag (Feeny, Ives & Piccoli, 2003; Fichman & Kemerer, 1997; Robertson & Gatignon, 1986).

A large part of what is known (particularly under the IO- and pladigm paradigms) about the factors affecting firm processes, structures and performance was developed when the nature and mix of technologies were relatively constant, both across time and across firms of the same general type. In constrast, and according to Huber (2003: 460-461), the capabilities and forms of technologies have begun to vary, and they are likely to vary a great deal in the future, for example, communication- and customer technologies are now variables whose traditionally relatively constant range (from face-to-face at one extreme to unaddressed broadcast documents at the other (April & Ahmadi-Izadi, 2004; Daft & Lengel, 1984; 1986) are being expanded by firms to include computer-assisted communication technologies (e.g., electronic mail, image transmission devices, computer conferencing and video-conferencing) that facilitate access to social- and professional networks of people, the requisite people-diversity often required for innovation (Gorelick, Milton & April, 2004) inside and outside the organisation with an ease that previously was not possible. In addition, increasingly more complex customer-facing technologies (e.g., customer relationship management systems, social network mapping systems, agent-based data mining systems, call-centre technologies and customer lookup intra-systems) make it possible for firms to be a lot more innovative in their customer-engagement practices (April & Ahmadi-Izadi, 2004). Also, more sophisticated and more user-friendly forms of computer-assisted decision-aiding technologies (e.g., complex adaptive systems, expert systems, decision-support systems, online management information systems and external information retrieval systems) are in the late stages of development or early stages of implementation, and enable firms to learn and innovate in distributed fashions (Potgieter, April & Bishop, 2005). Consequently, as the uses, capabilities and forms of communication-, customer-facing- and decision-aiding technologies increase their range, firms must reassess what is known about the effects of these technologies, because what is known may change. And so, a more emergent school of IT strategy-making, sometimes called the "middle out" or "inside out" perspective (Earl, 2003: 53), came into being – which rested "on local experimentation and innovation, the use of informal, ad hoc or formal teams to generate ideas, unplanned accidents and surprises, and evolutionary developments from existing systems."

2.3.5 Synthesis of IT and Sustainability

For a number of years now, IT has been mentioned for its possible role in creating sustained competitive advantages for firms (Stratopoulos & Dehning, 2000; Bharadwaj, 2000; Powell & Dent-Micallef, 1997; Feeny & Ives, 1997; 1990; 1988; Mata, Fuerst & Barney, 1995; Kettinger, Grover, Guha & Segars, 1994; Barney, 1991; Clemons & Row, 1991; Feeny, 1988; Clemons, 1986; 1991; Clemons and Kimbrough, 1986), since the ultimate purpose of IT with respect to competitive advantage is to create lasting benefits that cannot be duplicated by others – although, on balance, the question of sustainability of IT-enabled strategic initiatives has received less attention than issues concerning just achieving strategic advantage (Wade, 2001). In 1990, Cecil & Goldstein claimed that few CEO's invest in IT to accomplish the sustainability goal. If a firm's IT cannot sustain competitive advantage, then it is not used strategically for the firm (Cho, 1996), but rather just as a support function. In 1988, Feeny & Ives made the point that the concept of IT as a strategic resource was widely endorsed by the management of large corporations, but much less well accepted and understood was how IT could be a source of sustainable competitive advantage. Later in 1996, Ross, Beath & Goodhue argued that IT-enabled strategic initiatives are strategic moves that rely heavily on IT and are intended to lead to sustainable improvements in the firm's competitive position. They cite typical examples of such initiatives as business process reengineering, customer relationship management, organisational learning, knowledge management, electronic commerce, electronic business and infrastructure initiatives. This focus on IT-enabled strategic initiatives was consistent with the view that competition was carried out through an ongoing series of strategic moves and competitive responses (Chen & MacMillan, 1992).

Competitive asymmetry involving IT, as one of the sources of sustainable competitive advantage, was first suggested by Feeny & Ives (1990; 1988) and then again by Clemons & Row (1991) and Clemons (1991). Cragg & Finlay (1991) point out that much of today's IT is easily transferable, particularly when technological advantage comes at a low price, and if that advantage is not accompanied by special circumstances such as unique or especially reliable source of information, it will not be sustainable. Weill & Olson (1989) argue that asymmetry in a firm's ability to gain, and sustain, competitive advantage is dependent on a firm's investment in its IT resources, since investment in IT is likely to be converted to productive outputs. They further argue that the conversion process, which in effect is the source of asymmetry, is dependent on four internal components that would manifest itself in the firm's effectiveness. These components were listed as: (1) top management's commitment to IT, (2) previous firm experiences with IT, (3) user satisfaction with systems, and (3) the turbulence of the political environment within the firm. An aggregation of these components was found to moderate the relationship between IT investment and performance.

These authors all argue that IT is readily available to all firms. In fact, in some cases, the followers who copy the IT applications from proprietors[64] enjoy the advantages of new and better technology at lower costs[65]. This was highlighted again by Licker (1997: 94) when he made the point that "competitive advantages, based on IT, are difficult to maintain because applications are easy to imitate, technology tends to be oversold, expectations of information systems tend to be high, and technology is difficult to manage." Clemons & Row (1991) state that the answer lies in a firm's ability to leverage structural differences in strategic resources. Clemons & Row (1991) further asserts that that sustainable competitive advantage is related to the role of strategic

[64] Pioneers or leading-edge firms.

[65] These are certainly the benefits reportedly acknowledged by fast-follower firms, Some firms, in fact, set themselves up specifically to be fast-followers.

resources in explaining the allocation of economic benefits from an IT innovation. To develop a RBT for competitive advantage from an IT application, Clemons & Row establish a theoretical link between IT applications and specific complementary resources. They explain how competitive advantage can be sustained from IT in the presence of resource differences among firms: differences in degree of vertical integration, differences in diversification, and differences in resource quality and organisation.

It therefore follows that the issue of sustainability, through complementing IT with other in-house resource endowments, is an important research issue within the current domain of IT. Feeny & Willcocks (1997) stress the notion of Quinn (1992), that successful businesses focus on creating advantage through a small number of 'core' activities, and that this notion should be translated into the IT domain. In other words, the authors argue, if IT is able to exploit a firm's unique resources and change the value of key resources by reducing the cost of integrating and co-ordinating economic activities, it increases production economics such as scale, scope and specialisation. Therefore, it is the differences in resources (heterogeneity) among competing firms that enable them to achieve and sustain competitive advantage from IT. These notions are aligned with some of the key assumptions of RBT. From this perspective, the combination of unique firm assets and resources in conjunction with IT, are critical factors in achieving sustained competitive advantage.

Feeny & Willcocks (1998a; 1998b; 1997), in defining a set of nine IS capabilities, which are core to a firm's future capacity to exploit IT successfully, identified four enduring challenges for firms which must be successfully addressed over time, in the face of rapid change and future uncertainty[66]. According to the authors, "what each of these challenges have in common is the need to continuously re-assess and re-interpret a basic remit within a turbulent context ... a business without the ability to securely update and alter its judgements in these areas will soon be severely handicapped – strategically and economically" (1997: 457). Clemons & Row (1991) asserted that firms can achieve competitive advantage from an IT application if the application exploits their unique resources and capabilities so that competitors cannot imitate the IT

[66] (1) Understanding IT capability, (2) business and IT vision, (3) delivery of IS services, and (4) designing IT architecture.

application fully. In the same way, Feeny (1988: 116), made the point that "senior managers with insight into the dynamics of their sector will find real opportunities; IS departments alone will not." This notion of providing a workable framework of core capabilities is also in keeping with RBT, i.e., understanding what internally leads to firm strategic capability, alignment of business plans and resources with IT, and the ability to exploit IT through careful planning and design of the architecture.

In 1990, Feeny & Ives proposed a conceptual model, i.e., the 'three pillars' model, as a means to give managers insight into the actions which will lead to an increased chance of sustainable advantage. This evaluation tool for strategic IT applications was developed based on the competitor's anticipated response time (generic lead-time), differences among competitors (competitive asymmetry), and the potential of the application to pre-empt competitive responses (pre-emption potential). The authors stated that sustainability was more likely to come from competitive asymmetry and pre-emption potential, than from generic lead-time. Clemons (1986) classified IT applications into internally- and externally-focussed applications and explained how these two types of applications can sustain competitive advantage, based on their respective characteristics.

Kettinger, Grover, Guha & Segars (1994) also investigated the relationship between firms' performance in sustaining their competitive advantage and IT, and the factors that facilitate the sustainability. Their study evaluated longitudinal changes in performance-measures of 30 firms that have been cited as classic cases of strategic use in IT, and indicated that the pre-existence of a firm's unique resources is an important determinant to achieve competitive advantage from IT. The authors went about developing a framework to identify factors which determine sustainability, and classified those factors into three main categories:

(1) *environmental factors* – which indicate industry characteristics and competitor restrictions which influence a firm's capability to achieve and sustain a competitive advantage. These factors included such things as the amount of industry competition, strategic groupings, process or product differentiation, capital intensity, information

intensity, and the current financial situation of an industry. In addition, they also included some factors which play a role in determining whether a firm is able to sustain competitive advantage from IT, e.g., macro-economic, political and regulatory factors;

(2) *foundation factors* – are those which exist by virtue of the firm's infrastructure and which have evolved over time, e.g., geographic scope, product scope, vertical scope, learning curve, technological resources and information resources. This is not unlike Chamberlin's (1933) 'monopolistic competition' – in which firms posses significant unique features within their asset and resource bases, and builds on the sentiments in Feeny & Ives' (1990; 1988) 'three pillars' model, when they discuss the 'sources of asymmetry' under the categories: competitive scope (geographic, segment, vertical and industry), organisational base (structure, culture, and physical assets) and information resources (technology, applications, databases and knowledge bases). These, they claim, are the key areas where fundamental system dissimilarities can exist between firms, thus making it difficult or impossible for followers to mount an effective response and thereby allowing a firm to maintain its success. The implication is that heterogeneity in assets and resources are potential sources of sustained competitive advantage, and firms should seek to base their strategies around such distinctive resources; and,

(3) *action strategy* – which are definitive actions or strategies taken by a firm which attempts to achieve competitive advantage, and includes, for example: pre-empting, creating high switching costs, and exploiting firm flexibility. Feeny & Ives (1990; 1988) argue similarly when discussing the 'supply system analysis' arm of their three pillars model. They call the search for pre-emption potential 'finding the exploitable (finite) link', discuss switching costs under the heading 'keeping the gate closed,' and stress the importance of firms becoming the preferred business partner for their clients under the heading 'capturing the pole position.' Clemons (1986) argued that competitive advantage can be sustained only when a firm pre-empts the market using an externally-focused, innovative system and creates switching costs. He called this

innovation 'strategic pre-emptive strikes.' For internally-focussed applications, 'scale advantage,' possible through size, is one of the defensive strategies to sustain competitive advantage over competitors. In addition, as is the case with Rumelt's (1984) 'isolating mechanisms,' Clemons (1986: 135) list some of the 'sources of defensive barriers': scale on scope advantages, superior managerial adaptability or willingness to redesign the organisation, superior managerial vision or willingness to accept risk, superior skills base or experience in information technology, superior managerial experience in exploiting innovation, continuing innovation to maintain competitive position, existing infrastructure that can be exploited, and patents or other forms of statutory protection.

What we see from the work of Kettinger, *et al*, Clemons, as well as Feeny & Ives, is how important it is to develop a complete model to examine the sustainability of competitive advantage in an ever-changing world, i.e., combining some of the useful IO perspectives, by being critically aware of the external demands, with the very important resource-based, internal firm sources of advantage.

There is little doubt that, in a wide variety of circumstances, IT was able to, and can still, add value to a firm. However, as Mata, Fuerst & Barney (1995) contend, IT adding value to a firm – by reducing costs and/or increasing revenues – is not the same as IT being a source of sustained competitive advantage for the firm. It is exactly because of this debate that researchers, such as Licker (1997: 88), make the point that, "whether or not IT {alone} can create sustainable competitive advantage is debatable." Essentially, what all the researchers are hinting at is taking advantage of the 'asset features' that accompany certain assets or resources throughout the firm (the whole business), and combining those with the IT assets – a resource-based perspective. Clemons & Row (1991) asserted that firms can achieve competitive advantage from an IT application if the application exploits their unique resources and capabilities so that competitors cannot imitate the IT application fully. In the same way, Feeny (1988: 116), made the point that "senior managers with insight into the dynamics of their sector will find real opportunities; IS departments alone will not." The resource-based 'strategic necessity hypothesis' suggested by

Clemons & Row (1991), and the data from Powell & Dent-Micallef's (1997) study corroborate, that IT creates advantage by leveraging or exploiting pre-existing complementary human and business resources.

Despite its less optimistic view of IT's direct performance impacts, the 'strategic necessity hypothesis' does appear to fit the emerging empirical evidence, and its resource-based origins provide a solid theoretical foundation for investigating the context and conditions under which IT may produce competitive advantage. Particularly, it points toward a more balanced perspective, one that acknowledges the 'commodity view,' while allowing the possibility of advantages arising from merging technology resources with other firm resources: if technology per se do not provide distinctive advantages, then firms must use them to leverage or exploit firm-specific, tangible and intangible resources such as organisational leadership, culture, and business processes (Henderson & Venkatraman, 1993; Clemons & Row, 1991).

In 1990, Jarvenpaa & Ives made the point that research into the assertion that IT might be able to create sustained competitive advantage was relatively underdeveloped, both empirically and theoretically. Similarly, in 1990, Reich & Benbasat (1990: 326) asserted that research on IT and competitive advantage has emphasised "describing how, rather than systematically why" IT can lead to such an advantage. Recently, Powell & Dent-Micallef (1997: 375), in referring to the relatively few studies done on the topic, claimed that "the literature is fragmented and far-flung, and – despite some recent advances – weighs heavily toward case studies, anecdotes, and conceptual frameworks, with insufficient empirical work and minimal synthesis of findings." Therefore it is the assertion of this research, as posited by Feeny & Ives (1988), that greater attention to the analysis of sustainability can help restore the credibility of IT as a competitive weapon at a time when many are wondering whether the concept is the most recent example of IT industry hype.

Most of the IO literature, including the work of Porter, went as far as developing valuable frameworks and models for competing on core capabilities, stopping just short of looking at the deeper-rooted bases for sustainable competitive advantage – with a few exceptions, such as Feeny, Ives and Piccoli (2003). Value-chain analysis, for instance, gives a useful starting point for identifying core capabilities and their flow through the organisation, but it still does not adequately reflect the way in which clusters of assets and resources have to work *together* to create those capabilities. On the other hand, this research hypothesises, based on RBT, that differences in the CRCs of firms will lead to differences in sustainable competitive advantage (SCA). And it is exactly the idiosyncratic combination of physical, human, and intangible resources that supply the genetics of firm heterogeneity.

2.3.6 Positioning IT in the Research Framework

Within this research, the treatment of IT will be from a business advantage approach which fits more neatly with the RBV school, as opposed to the IO approach (see Table 2.1).

Table 2.1
A Comparison of Two Views:
Information Technology As a Strategic Resource to Sustain Competitive Advantage

	Industrial Organisational Approach	**Business Advantage Approach**
Emphasis	- IT Driven - Question: "How can IT transform business?"	- Business Driven - Question: "How can business exploit IT?"
Application	- IT a large investment outlay - Focus on efficiency and automation	- IT investment incremental, decentralised - Focus on enabling business strategy & firm capabilities
Key Concepts	- Innovation, IT cost/benefit	- Business performance; Exploiting IT as an enabler
Limitations	- IT as a commodity - Advantage not sustainable – moves from entry barrier to entry requirement	- No significant research to support "why" of integration, i.e., IT integrated with business & human resources
Outcome	- Industry: External focus - More theoretical	- Business: Internal focus - More actionable

Source: Author

Unlike the IO approach in which IT, through innovation, is posited as a destroyer of established resource-based positions and treated as a commodity, driven essentially by technologists within the firm (the competitive imitation perspective), this research will develop and apply a framework that specifies how IT, in conjunction with a firm's other assets and resources, can be sources of sustained competitive advantage through both competitive imitation, as well as competitive innovation, through learning, competitive intelligence and knowledge management. Similarly to the work of Clemons (1991), Clemons & Row (1987; 1991), Powell & Dent-Micallef (1997) and Feeny, Ives & Piccoli (2003), the RBV of the firm will be applied in developing this complementary resource framework (particularly gleaning insights as to IT's complementary role). From a business advantage approach, IT is clearly an enabler of new and entrepreneurial resource combinations for firms, as either current CRCs are effected in new ways or new IT marketplace innovations continuously "throw up" new combinative possibilities (enabler of new CRCs such as new product development processes and new customer services processes, etc.), new strategic choices facing business managers (each of which has uncertain strategic significance) and potential avenues for extracting rents in new and different ways – essentially IT enables the dualistic nature of a firm to simultaneously follow strategic paths of competitive imitation and competitive innovation. Often, when not thought about in relation to the business strategy, the market does not know what to do with the new IT innovations, nor is sure about whether to ignore it or do something with the innovations, e.g., WAP in the assurance industry. Partially for this reason, some researchers therefore refer to business-IT alignment[67] when adopting the business advantage lens. Henderson and Venkatraman's (1993: 5) seminal IT alignment model sought to provide a way to align IT with business objectives in order to realise value from IT investments and therefore advocated alignment between, and within, four domains: *strategic fit* (between the external and internal domain) and *functional integration* (between the business domain and the IT domain). The authors argued that the potential strategic impact of IT requires both "an understanding of the critical components of IT strategy and its role in supporting and shaping business strategy decisions" and "a process of continuous adaptation and change."

[67] Various alternative terms exist to refer to the phenomenon of alignment: *balance* (Henderson & Venkatraman, 1993), *coordination* (Lederer & Mendelow, 1986), *fit* (Venkatraman, 1989), *linkage* (Reich & Benbasat, 1993; Premkumar & King, 1992), support (McLean & Soden, 1977), harmony (Woolfe, 1993), *relationship* (Zviran, 1990) and *architecting* (Maes, Rijsenbrij, Truijens & Goedvolk, 2000).

2.3.7 Introduction of the Framework of Sustainability

The previous section viewed resources in terms of "strategic necessity" vs. the "commodity" views with respect to IT assets. The argument was also made that RBT, rather than the IO perspective, provided a more relevant foundation for this research. Researchers have recognised that the polemic of "strategic necessity" vs. "commodity" views of IT have neglected the "combinatorial" value of IT assets. The dialogue on the role of IT with respect to establishing sustainable competitive advantage has evolved to include the notion of "IT-dependent strategic initiatives" (Feeny, Ives & Piccoli, 2003; Piccoli & Ives, 2005) in which IT enablement is a critical component of competitive effectiveness, and that IT-dependence is embedded in interlocked activities rather than one-time decisions (Rivkin, 2000; Siggelkow, 2001; Smith, *et al*, 1991).

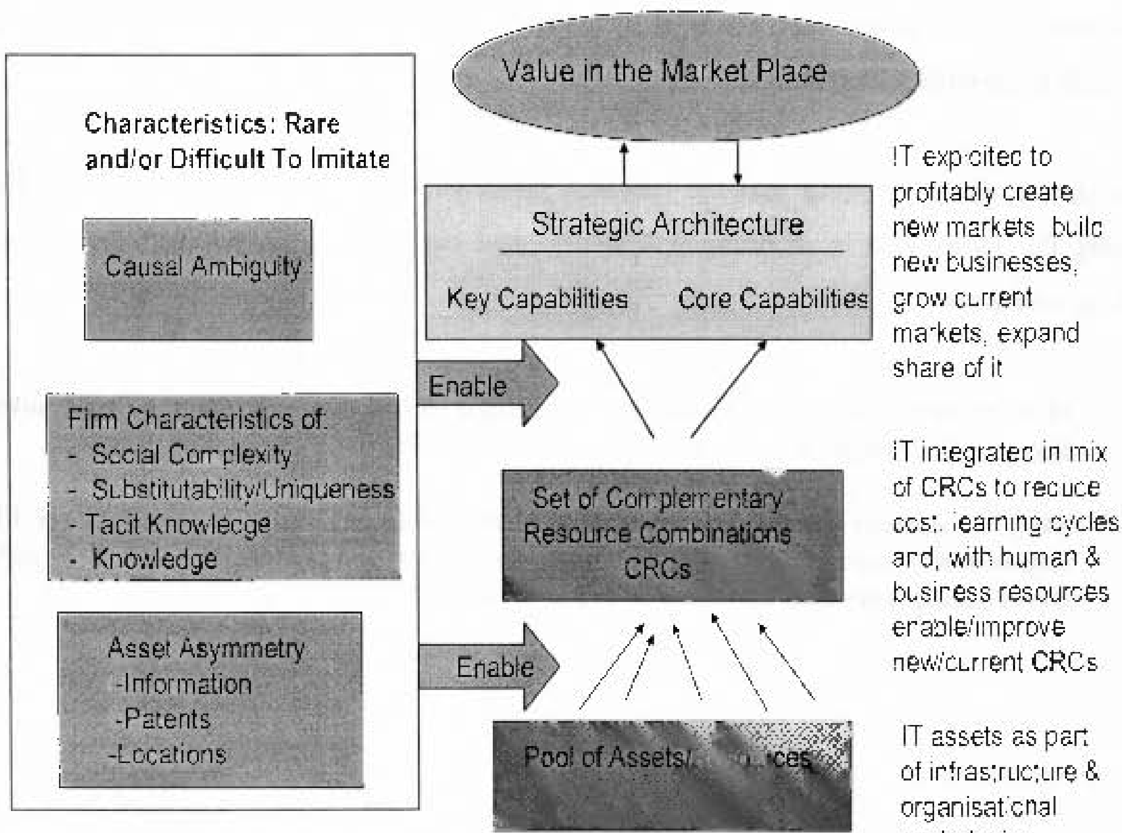
The "Framework of Sustainability" starts with some of the basic insights from the RBT school that posit that firms possess an accumulation of stocks, of which IT infrastructure is one set of assets. These stocks vary in their asymmetric or idiosyncratic characteristics in the sense that they can be protected by patents, and developed as special purpose systems; on the other hand, a firm's stocks may be highly standardised, with little or no means of differentiation. The framework identifies potential sources of sustainability, and is intended to enhance understanding of the network of factors linking the characteristics of the firm and of IT-enabled strategic initiatives to the achievement of sustainable competitive advantage.

The "Framework of Sustainability" recognises that IT-dependent resources can create what Feeny, Ives & Piccoli (2003) call "complementary resource barriers," that make substitution and imitablity difficult. In Figure 2.3, this notion is captured by the concept of "enablement" which recognises IT dependency on other assets, resources, or processes within a firm. The "Framework of Sustainability" extends the Feeny, Ives & Piccoli (2003) concept of complementary resouce barriers, which addresses a "strategic outcome" and reframes "complementary-ness" in terms of the internal dynamics of the firm, and further which emphasises the creation process itself of complementary resource combinations (CRCs). As the framework shows, the enablement processes within the firm also continues as these CRCs – similar to the notions proposed by Nelson and Winter (1982) of how genetically coded processes and humane endeavour compete for pre-eminence within firms – are assessed by a firm's leaders as either providing strategic key- or core capabilities within its strategic architecture.

It is with the above in mind that the research framework (Figure 2.3) served as the basis for analysing the cases, and in so doing potentially shed insight into the two overarching research questions which are:

- **How does IT impact competitive advantage in the context of the top personal financial services (assurance) firms in South Africa?**
- **Why do certain combinations of resources enable capabilities, particularly IT-dependent capabilities, to become competitively advantageous to high-performing personal financial services firms?**

Figure 2.3
Framework for Sustainability under Business Advantage Approach



Source: Author

Although this research was not "quantitatively" designed, the researcher found it useful to develop the following three propositions to help maintain the discipline of evidentiary development that remained faithful to the two overarching questions stated above, as well as to a richer understanding of the "Framework of Sustainability" introduced in Figure 2.3. These are:

(1) IT assets can establish "rarity" within a firm, thereby contributing to its sustainable competitive advantage.

(2) Firms combine a variety of complementary resources to meet marketplace challenges, which includes developing both key- and core capabilities. In other words, differences in the CRCs of firms will lead to differences in sustainable competitive advantage (SCA).

(3) A firm's strategic architecture reflects both key- and core capabilities that sustain their competitive advantage.

This initial view of the research framework (Figure 2.3) is subsequently validated and refined through the analysis of the four case studies. More specifically, evidence gathered through this research exploration eventually refines this framework into a "finished good" in Chapter 9 (Figure 9.2) and emerges as an "evidence-informed," new framework. The initial framework (Figure 2.3), therefore, constitutes an input to the empirical part of the dissertation. It is both: (1) a conceptual proposition-like structure to be validated, revised and/or extended; and (2) a guide for data collection (i.e., the questionnaire and structural interviews are based upon the constructs of the framework). The following chapter (Chapter 3), which establishes the research design, as well as the research methodological choices and approaches, elaborates in more detail how the "Framework of Sustainability" will be employed in this research.

CHAPTER 3: RESEARCH DESIGN AND METHOD

3.1 Purpose of this Research

At the heart of every research project, Leedy (1993: 55) writes, "is the problem." It is of paramount importance for the success of the research effort. An important aspect of research preparation is, according to Rubin & Babbie (1993: 365), "to begin with a search of the relevant literature, filling in one's knowledge of the subject and learning what others have said about it." As demonstrated in Chapter 2, there is considerable literature on 'competing strategically through IT' and 'driving firm capability with IT'. However, the current body of research is 'thin' in enabling firms to clearly identify the important internal processes and resource combinations, in relation to IT, that should be recognised to 'compete strategically through IT' or 'drive the firm's capabilities through the use of IT.' Although showing recent signs of acknowledging the internal resource dynamics with firms, the existing literature, at this time, still relies heavily on anecdotes and consultants' frameworks, with little solid empirical work or synthesis of findings. According to De Vos (1998: 54), "for a problem to be researchable, it must demand an 'interpretation of the data' leading to a 'discovery of the fact.'" To this end then, this research endeavour proposes to generate a contributory framework, by utilising a resource-based approach that will redress the "gap" by providing practitioners and researchers with a useful way of analysing firms, when thinking of ways in which to deploy IT strategically. Along with the overarching research questions discussed in the Part 1 introduction, the "researchable problem" is further defined by the following purposes of research, which are to:

- Validate the "Framework of Sustainability" through evidence gathered within the SA assurance industry;
- Identify each firm's intra-firm resource combinations and how these combinations integrate with IT to enable, or constrain, key- or core capabilities that sustain competitive advantage; and

- Analyse the evidence, when comparing each firm's competitive response effectiveness, to ascertain what factors create sustained benefit or value, and refine the framework on the basis of this comparative evidence.

3.2 *The Epistemological Landscape*

Several social science researchers have written comprehensively about the epistemological underpinnings for research (Baert, 1998; Burrell & Morgan, 2000; Creswell, 1994; De Vos, 1998; Denzin & Lincoln, 2000). At present, there are two well-known and recognised approaches to research, i.e., the qualitative paradigm and the quantitative paradigm from valid or representative data sets. Quantitative research takes universal propositions and generalisations as a point of departure, whereas qualitative research aims to understand phenomena within a particular context – in the case of this research, IT in the assurance industry. Consequently, qualitative and quantitative researchers will have different approaches to questions concerning ontology (the nature of reality and human behaviour), epistemology (the relationship of researchers to reality and the road that they will follow in the search of truth) and methodology (know-how or scientific methods and techniques employed to obtain valid knowledge) (De Vos, 1998: 241-242).

There is an enduring debate within the IT field concerned with the positivist and interpretivist research traditions (Fitzgerald & Howcroft, 1998). According to Chua (1986: 5), "positivist studies are premised on the existence of a priori fixed relationships within phenomena which are typically investigated with structured instrumentation. Such studies are primarily to test theory ...," while "interpretive studies assume that people create and associate their own subjective and intersubjective meanings as they interact with the world around them ... {T}he intent is to understand the deeper structure of a phenomenon within cultural and contextual situations ... ." Undoubtedly, positivism has been most dominant and influential, with much of the published research being centred upon positivistic assumptions (Orlikowski & Baroudi, 1991; Walsham, 1995; Galliers, 1997; Eisenhardt, 1989a; Lee; 1989; Markus, 1983; Paré & Elam, 1997). Indeed, much of the methodological literature relating to IT assumes an unproblematic, rational, objective, approach to management, organisations, and change, involving mechanistic assumptions about organisational behaviour (Introna, 1997; Jones & Hughes, 2001). However, a mounting appreciation of the essentially social nature of IT in practice has led some researchers to adopt research approaches which focus primarily on human interpretations and meaning (Walsham, 1995; Myers, 1997). Consequently, interpretive approaches and interpretive epistemologies are being employed, and called for, to an increasing extent (Klein & Myers, 1999; Trauth, 2000; Hirschheim & Smithson, 1999, Serafeimidis & Smithson, 2000), given credence to arguments relating IT deployment, implementation and evaluation to socially embedded processes are entwined with formal and informal procedures, as well as with the actors involved (Jones & Hughes, 2001). It is argued (Jones & Hughes, 2001; Serafeimidis & Smithson, 2000) that these actors are in the best positions to offer opinion and give insights. Orlikowski & Baroudi (1991: 13) suggests that "interpretivism asserts that reality, as well as our knowledge thereof, are social products and hence incapable of being understood independent of the social actors (including the researchers) that construct and make sense of that reality." The interpretive epistemology has also spawned IT research employing hermeneutic methods (Boland, 1985, 1991; Lee, 1994; Trauth & Jessup, 2000).

For those researchers who adopt an interpretive research approach, a more focused, and sometimes problematic, issue is that of selecting an appropriate, or a number of appropriate, research methods to complement the chosen strategy. Not surprisingly, many interpretivists select qualitative research methods (Jones & Hughes, 2001). Critical research, on the other hand, "aim to critique the status quo, through the exposure of what are believed to be deep-seated, structural contradictions within social systems, and thereby to transform these alienating and restrictive social conditions" (Chua, 1986: 5-6). Myers (1997) insight on critical ethnography helps to bridge the understanding gap between interpretive and critical research – the alternatives to the dominant lens of positivism (Trauth, 2001). Ngwenyama & Lee (1997) use the critical lens to guide their approach to examining information richness theory (Trauth, 2001). Doolin (1998) argues that a research approach based on critical theory is needed in order to view IT within a broader context of social and political relations. Table 3.1 illustrates the differences between qualitative and quantitative research, and the discussion following the table (for the rest of the methodological chapter) highlights the influence of the theoretical lens on both the choice of research method, and on the research analysis. The interpretive, theoretical lens and qualitative analysis (chosen approach) were both needed to get at the 'why' behind strategic choice, as well as the mechanics of the 'how' that choice is enabled within a particular context.

Table 3.1 Comparative Summary of Qualitative and Quantitative Research Approaches

Qualitative Research	Quantitative Research
• Uses an inductive form of reasoning : develops concepts, insights and understanding from patterns in the data	• Uses a deductive form of reasoning ; collects data to assess preconceived models, hypotheses and theories
• Uses an emic perspective of inquiry : derives meaning from the subject's perspective	• Uses an etic perspective : the meaning is determined by the researcher
• Is idiographic ; thus aims to understand the meaning that people attach to everyday life	• Is nomothetic : aims to objectively measure the social world, to test hypotheses, and to predict and control human behaviour
• Regards reality as subjective	• Sees reality as objective
• Captures and discovers meaning once the researcher becomes immersed in the data	• Tests hypotheses that the researcher starts off with
• Concepts are in the form of themes, motifs and categories	• Concepts are in the form of distinct variables
• Seeks to understand phenomena	• Seeks to control phenomena
• Observations are determined by information richness of settings, and types of observations used are modified to enrich understanding	• Observations are systematically undertaken in a standardised manner
• Data is presented in the form of words, quotes from documents and transcripts	• Data is presented by means of exact figures gained from precise measurement
• The research design is flexible and unique and evolves throughout the research process. There are no fixed steps that should be followed and cannot be exactly replicated	• The research design is standardised according to a fixed procedure and can be replicated
• Data is analysed by extracting themes	• Data analysis is undertaken by means of standardised statistical procedures
• The unit of analysis is holistic, concentrating on the relationships between elements, contexts, etc. The whole is always more than the sum	• The unit of analysis is variables which are anatomistic (elements that form part of the whole)

Source: Denzin & Lincoln (2000); Neuman (1994)

3.2.1 Decision for the Qualitative Choice

This step, according to De Vos (1998: 45) involves "consideration of the underlying assumptions or basic characteristics of the qualitative mode of enquiry." Creswell (1994: 4-7) summarises some of them as follows : "For the qualitative researcher, the only reality is that constructed by the individuals involved in the research situation. Thus multiple realities exist in any given situation: the researcher, those individuals being investigated and the reader or audience interpreting a study. The qualitative researcher needs to report these realities faithfully and to rely on voices and interpretations of informants." In a qualitative methodology, writes De Vos (1998: 46) "inductive logic prevails." Categories emerge from informants, rather than being identified a priori by the researcher. This emergence provides rich "context-bound" information leading to patterns or theories that help explain a phenomenon.

Within the context of IT and IS research, the prevailing model of research is quantitative in approach (Lee, 2001; Lee & Liebenau, 1997; Trauth, 2001).[68] In spite of a "techno-centric" perspective to the study of IS and IT, qualitative methods are finding credence within the research community (Lacity & Janson, 1994; Lee, 2001; Lee & Liebenau, 1997; Leonard-Barton, 1990; Markus, 1997; Orlikowski & Baroudi, 1991; Trauth, 2001). Two common themes that prevail within the qualitative research community in IT/IS, are: (1) what one wants to learn should dictate the methods; and (2) a diversity of research methods enhances overall understanding of various issues that arise in the IT/IS field (Markus, 1997; Orlikowski & Baroudi, 1991; Trauth, 2001). Given the nature of the research, it was decided, based on the underlying assumptions of the qualitative tradition, that a qualitative research process would be followed. More specifically, the overarching research questions were more conducive to a qualitative line of inquiry.

3.3 Pilot Study Experience

According to Mouton & Marais (1990: 43) the goal, or objective, in exploratory studies is the exploration of a relatively unknown research area. Aims in such studies (Mouton & Marais, 1990), are to:

- Gain new insights into the phenomenon;

[68] In fact (Lee, 2001) discusses the Management Sciences Quarterly (MSQ), a top rated journal and its reliance on research from the quantitative tradition; he apparently has appealed to the editorial board to consider research articles with a behavioural rather than techno-centric slant, using qualitative methods.

- Undertake a preliminary investigation prior to a more structured study of the phenomenon;
- Explicate the central concepts and constructs;
- Determine priorities for future research; and
- Develop new hypotheses about an existing phenomenon.

Grinnell (193: 136) further explains that exploratory designs are at the lowest level of the continuum of knowledge that can be derived from research studies. An exploratory study explores a research question about which little is yet known, and is therefore subjective and speculative in nature. The purpose is to uncover generalisations and develop hypotheses which can be investigated and tested later with more precise and, hence, more complex designs and data gathering techniques. Because they go no further, they are sometimes called pre-experimental or non-experimental designs. It was, therefore, decided that an exploratory methodology would be appropriate for this phase of the research.

A pilot study was conducted, by the author, in the UK insurance industry, and the interpretive role of the study was based on the exploratory methodology described above. See Appendix A for a summary of the pilot research. During this phase of the research, a total of six interviews were conducted – three of them with intermediaries and brokers, and three within the AMP Pearl insurance firm. The interviews with the intermediaries and brokers were designed to glean information about the industry, and the various insurance firms. The intent was to seek evidence on: (1) the changing nature of competition in the sector; (2) the impact of IT on the sector; and (3) product and marketing strategies, etc. In addition, interviews were conducted at AMP Pearl in Peterborough. Personal interviews were arranged with a Marketing Manager, the Head of IT Service Management, and a Human Resource Consultant to the IT Department. Multiple perspectives were sought in order to: (1) 'tease out' underlying themes; and (2) determine the consistency in the views among the interviewees.

As stated in the Pilot Study summary in Appendix A, there were a number of key findings that helped the researcher to understand the insurance industry, as well as gain experience in conducting research. From an experiential perspective, the following was learned:

1. *Preparation is crucial.* Not only must access be arranged, but also a clear statement of the terminology must be stated. Practitioners do not, for example, understand what a core- or key capability is. Neither do they understand 'academic concepts' such as resource-based theory or resource combinations. In addition, with the short amount of time each interviewee was willing to commit, open-ended questions were too general, and caused the dialogue to depart substantially into unrelated areas. The researcher also discovered the need to not only construct semi-structured questions, but also separate question protocols, depending on the function and hierarchy position of the interviewee. For example, senior leaders of a business had differing views of the business issues than an IT professional working on a given project.

2. *Conducting Interviews requires skill and experience.* The first interviews were 'chats', with not much pertinent evidence gained. Also, the ability to listen and ask pertinent follow-up questions to gain deeper, more reflective insights from interviewees were important.

3. *Analysing Interview Text data.* The researcher learned that the volume of data was large for only six interviews, and had to find some way to code the data for further analysis in order to develop it into a more integrated, reflective analysis, and avoid the analysis deteriorating into mere descriptions on the "answers to questions".

4. *The role of archival or documentary evidence.* The researcher learned that coming prepared with some knowledge of the business, or any newsworthy event such as a merger, were important to know, before the interviews, in a given firm. In addition, background information about a business, collected through public sources, saved interview time because interviewees did not have to provide background information

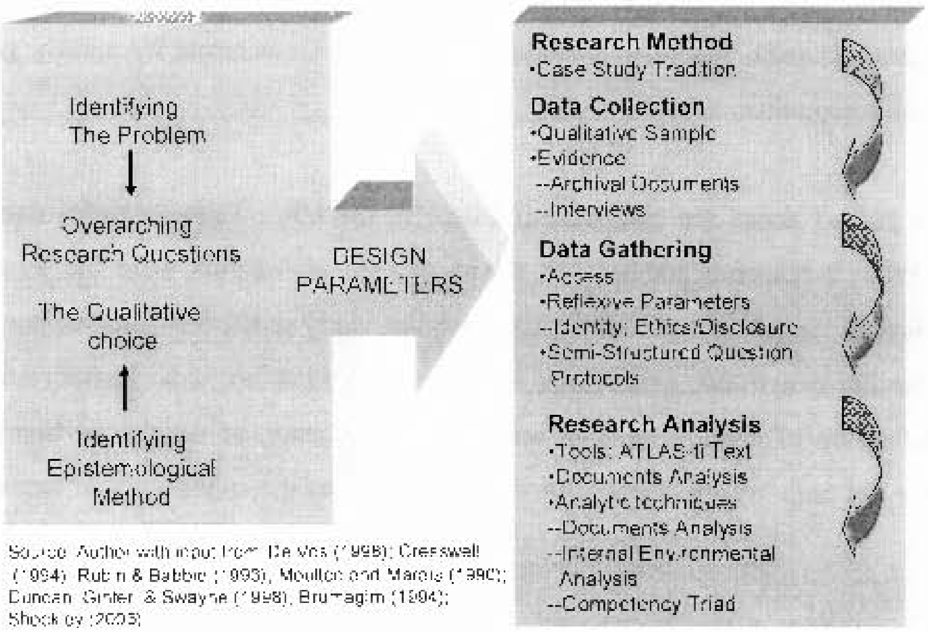
> about the firm. In addition, it was found that even in the few interviews in the UK, interviewees would refer to internal documents. The researcher found that it was necessary to obtain copies, wherever possible, since these documents frequently gave other contextual information as well.

A few insights were also gained about the insurance industry in the UK. These insights can be found in Appendix A. From a research perspective, the most critical insights were the lessons learned in conducting research. In addition, even though the pilot study in the UK allowed for the early identification of possible constructs, as stressed by Eisenhardt (1989a), it was important to remember that the identification of constructs were tentative at that stage of the theory-building research – but importantly did help lay the foundation for the design of the main body of research conducted in SA.

3.4 Structure of the Research Design

The research design was a 'blueprint' that established the framework through which the research questions would be investigated, using a method which would define the processes of evidence gathering and analysis (Huysamen, 1993; Thyer, 1993). The 'blueprint,' therefore, required a research methodology – a description of procedures, techniques and processes used in approaching a problem and extracting answers. The term 'methodology' merely means the way in which we proceed to solve problems, i.e., the "research process" (De Vos, 1998:37). The process of research Leedy (1993: 9) argues, "is largely circular in configuration: it begins with a problem; it ends with that problem resolved." Methodologies are developed in an effort to meet the norms of 'publicness,' which require that a complete description of the research is given so strengths and weaknesses can be assessed in evaluating information (Katzer, Cook & Crouch, 1978). In the spirit of 'publicness,' Figure 3.1 depicts the cascade design parameters used in this research – the choices of overarching research questions and a qualitative epistemological orientation formed the basis upon which the design parameters were established.

Figure 3.1
Structure of the Research Design



Source: Author with input from De Vos (1998); Creswell (1994); Rubin & Babbie (1993), Moulton and Marcis (1990); Duncan, Ginter, & Swayne (1998), Brumagim (1994); Shockley (2003)

The design parameters included: the research method, data collection elements, research preparation and research analysis. In the following sections, each of these design parameters will be discussed with emphasis on why each selection was made within the design parameters, and also how cascading series of choices are interlinked to form the overall research design.

3.5 Research Method: The Case Study

The case study has been portrayed in the literature as: a teaching tool (Forrester, 1980a; Stoecker, 1991); a pilot or pre-test prior to a quantitative study (Perry, 1998; Yin, 1984), a frame (Stoecker, 1991), a tradition (Creswell, 1994), a method (Stake, 1995; Stoecker, 1991), and a research strategic theme or tool (Patton, 1990; Yin, 1984). For purposes of this discussion, the case study, is not a teaching tool or a pre-test study prior to a more extensive research project. The case study is a stand-alone research method that has developed into an accepted tradition in IT and business research (Hamel, Dufour & Fortin, 1993; Leonard-Barton, 1990; Perry, 1998; Stoecker, 1991) with a comprehensive set of research strategies and tools described by Patton (1990) and Yin (1984).

Stoecker's (1991: 97-98) frame encompasses this method by describing a case study as: "those research projects which attempt to explain holistically the dynamics of a certain historical period of a particular social unit." Case study methods are often used in a triangulated way too. This usually takes place where quantitative survey data provides insights of largely a descriptive type, and often limited in deeper explanatory value. As a qualitative form of research, the case study approach often provides explanatory data, answering the question "why." The next two sections describe why the case study is used for this research, and discusses some of its limitations.

3.5.1 Selection of the Case Study Method

Many methods are nested within the qualitative research genre (Creswell, 1994; Denzin & Lincoln, 2000; Patton, 1990). Rather than discussing all major qualitative method variants, this section briefly explains why the case study was selected as method of choice for this dissertation research. A comparison of Creswell's five qualitative traditions, with respect to the key elements of the research design, provides a distilled discussion of why the case method was selected. Table 3.2 represents a summary of some of the key elements of design that characterizes the five research methods described by Creswell (1994) – these are: biography, phenomenology, grounded theory, ethnography, and case study. Within the case study methodology, multi-research methods (triangulation) may be used, including semi-structured interviews and documentation analysis – these approaches are used in this research. Among the five traditions, the case study tradition is assessed to be the best fit for this research, with grounded theory complementing as an analytical construct (not a research method), for the following reasons:

1. *Flexibility.* As shown in the Table 3.2, the case method embraces the concept of using theory to establish one of the study parameters – identified as a form of 'realism' by Perry (1998). This differs from the grounded theory method which inductively builds theory from the evidence. In this research, resource-based theory forms the conceptual foundation for the research. In addition, the case study allows for a variety of different data collection techniques. Although not specifically mentioned by Creswell (1994), Yin (1984) suggests that the case method accommodates both qualitative and quantitative data collection methods.

Table 3.2 Comparison of Research Traditions

Key Design Elements	Biography	Phenomenology	Grounded Theory	Ethnography	Case Study
Theory Used. Before & After	Both -before & after study	Before study	During & after study	Before study	Both before & after study
Focus of the Study: Themes/Goals	Stories; Epiphanies; oral/life history; individual	Phenomenological stated; description; meanings, essence	Grounded theory stated; generate theory; develop; processes; propositions	Ethnography stated; cultural, behavioural; culture theme and portraits	Bounded, entities; single or cross comparisons; investigates "how"/"why" on processes, events, and individuals
Data Collection:					
--Analysis focus	--Individual	--Multiple individuals with experience on phenomenon	--Multiple individuals who have participated or acted upon a central phenomenon	--Members of a culture; a group or individuals representing shared culture	-Bounded investigation of a process, system, program; or multiple individuals
-Sample selection	--Person dependent: availability; a critical case; politically important	--Criterion sample, i.e. people sharing same phenomenon	-- homogeneous sample; theory based sample	--A cultural group to which one is a sample: "stranger" or "representative" sample	--Finding case(s): similar; maximum variation;
--Information collected	--Documents; archival material; journalistic — informal chats	--Interviews: up to 10 people	--Mostly interviews with 20-30 people to build theory	--Participant observations; interviews; artifacts; documents	--Documents' records; interviews; observations; artifacts
--Common Issues	--Access to materials; authenticity and/or verifiability of account	--Bracketing one's personal views; logistics of interviewing	--Interviewing issues, e.g., logistics, openness	--Field issues, e.g., reflexivity, reciprocality, "going native", deception	--Interviewing and observing similar to other traditions
Data Analysis --Classifying	--Identify stories, epiphanies, context materials	--Identify lists of statements with meaning to individuals; group statements to meaning units	--Engage in axial and open coding for context, strategies, consequences	--Analyse data for themes and recurring patterns	--Use categorical aggregation; establish patterns of categories
--Interpreting	--Theorize—developing patterns and meanings	--Textural description of event; how it was experienced; its essence	--Selective coding; develop conditional matrix	--Interpret and make sense of findings	--Use direct interpretation; develop naturalistic generalizations

Sources: Creswell (1994); input from: Yin (1984), Stake (1995); Patton (1990); Denzin & Lincoln (2000)

Yin (1984) also suggests that the case method accommodates a variety of analytical techniques as well.

2. *Research focus.* The case study, unlike the other traditions, is ideally suited to answer "how" and "why" questions as well as exploring internal processes and decision-making within a firm (Leonard-Barton, 1990; Patton, 1990; Stake, 1995; Stoecker, 1991; Yin, 1984). Other traditions such as phenomenology focus on 'what happened' in an incident, or event, and has as a research aim the finding of the essence of a given event, or phenomenon, through understanding – not just the event itself, but the meanings ascribed to it by individuals. As described in Part 1, the overarching research questions governing this research focuses on understanding how IT helps create competitive advantage and how firms, through their processes and decision-making, exploit various resource combinations to support their marketplace performance.

3. *Cross-Organizational Comparisons.* Although both phenomenology and ethnography provide the ability for cross comparisons, both of these methods are oriented toward comparisons of events (phenomenon) or culture entities (Creswell, 1994; Denzin & Lincoln, 2000; Patton, 1990). Case studies allow more flexibility of defining discrete boundaries, such as organisational entities (Creswell, 1994; Parkhe, 1993; Patton, 1990; Yin, 1984). For this reason, it is particularly suited to this research which explores resource-based theory applicability in the assurance industry in SA.

4. *Holistic Realism.* Yin (1981) suggests that the distinctive need for case study research arises from the desire to understand complex social phenomena. This methodology explains causal links, in real-life interventions, which are too complex for survey or experimental strategies (Perry, 1998; Yin, 1984). The case study, therefore, allows investigation to retain the holistic and meaningful characteristics of real-life events, by creating a three-dimensional picture of: (1) the situation; (2) illustrating relationships, corporate and political issues and patterns of influence; and (3) in a particular context (Remenyi, 1990; Taylor-Cummings, 1993). This holistic view, which allows different variables to be studied in relation to each other, adds to

the robustness of the findings, unlike reductionist approaches that fragment the object of study into well-defined parts (Bennet, 1986; Gummesson, 2000). For this research, a holism, which characterises the case study method, is appealing because it facilitates the dual function of exploring practical insights while increasing the theoretical knowledge about resource-based theory.

3.5.2 Limitations of the Case Study Method

Although the case study has had a long history of producing credible research, especially in the areas of sociology, medicine, and anthropology, it is not without its critics (Hamel et al., 1993; Leonard-Barton, 1990; Perry, 1998; Stoecker, 1991; Yin, 1984). Campbell's (1975) scathing critique of the case study, especially the single case study, challenges the very credibility of this research method; he throws down the gauntlet, suggesting very little relevance can be learned when "N=1." Researchers who are supporters of the case methodology acknowledge its weaknesses. However, they view these weaknesses as criteria that define the type of research for which the case study is applicable (Parkhe, 1993; Patton, 1990; Perry, 1998; Stake, 1995; Stoecker, 1991; Yin, 1984). Some of the most frequently mentioned limitations of the case study methods are discussed below:

1. *External Validity.* Researchers, critical of the case study method, are uncomfortable with the use of small sample sizes in the case study – the "N=1" problem cited by Campbell (1975). This lack of "representativeness" of the data sample to the universe challenges the conventions of generalisability of the findings beyond the case included in a research project. Yin (1984) argues that case studies do not rely on statistical generalisation, but upon analytical generalisation where the researcher strives to inductively draw from evidence to a broader theoretical construct.

2. *Analytic Rigour:* Forrester (1980a) criticises the case study approach because it lacks guiding principles to filter great volumes of data, rejecting irrelevant information, and, in turn, taking relevant information and structuring it to model components without using significant intuitive inference. In fact, case study researchers acknowledge the challenges of managing

the large volumes of qualitative evidence. However, they feel that creating well constructed or 'tested' analytic frameworks such as analytic pattern matching techniques, using triangulation to gather evidence from multiple sources, using longitudinal data gathering techniques when applicable and providing a well documented 'chain of evidence' address issues of rigour (Leonard-Barton, 1990; Mitchell, 1983; Parkhe, 1993; Stake, 1995; Stoecker, 1991; Yin, 1984). As Minzberg (1979) has observed, all research involves a creative leap from the data to explanation, regardless of whether or not the evidence is quantitatively- or qualitatively-based.

3. *Multi-case Analysis:* The case study method allows for the application of a multi-case research design. A caution expressed by Stoecker (1991) is that a balance between the individual case-depth of richness, i.e., its idiosyncrasies, can be lost if the research design unduly limits the analysis to a few 'common denominator' comparable factors. To strengthen the robustness of a multi-case research effort, its design should address the replication logic in terms of selecting cases that are comparable social units, such as firms within the same industry or a common software application used by multiple groups (Perry, 1998; Yin, 1984).

4. *Time Consuming and Costly:* Both research budgets and time parameters can be easily exceeded if the planning for a case study project is not completed at a sufficient level of detail (Perry, 1998). For example, interviews – a primary data collection tool – not only generates a significant volume of text to analyse, but can be extremely costly to transcribe (Patton, 1990).

In summary, both the limitations and the strengths of the case study method were considered as the design of this research was developed. The following sections discuss the data collection tools, research preparation, and data analysis techniques that formed the basis of the research design.

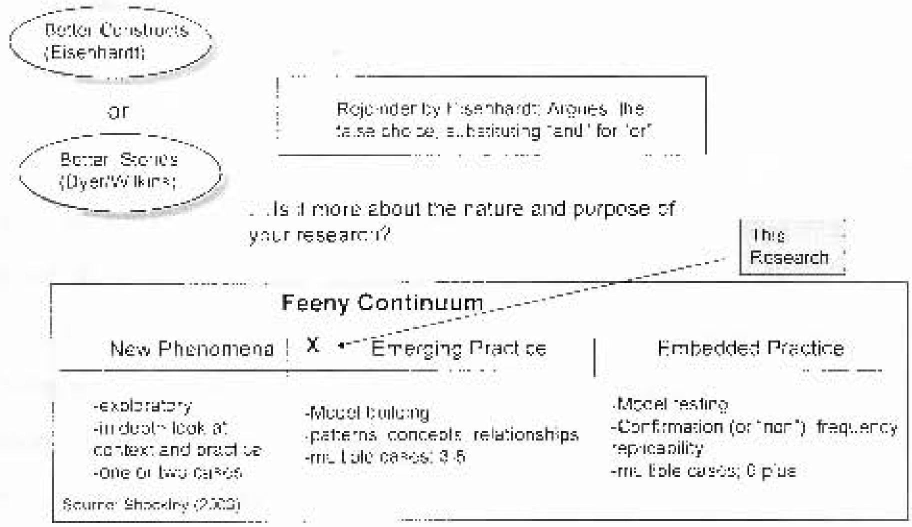
3.6 Data Collection: A Process of Selection

The data collection process was a series of selections which defined the scope for this research. This series of selections were in three areas: (1) *case selection*, sufficient to explore the overarching research questions; (2) *unit of analysis*, identified to maintain analytic continuity; and (3) *data collection tools*, that were likely to provide the depth of analysis and support the internal validity of this study. Each is discussed below.

3.6.1 Selection of Cases

Unlike quantitative traditions that have well defined statistical protocols for sample selection, case study tradition has no such protocols. The debate between Eisenhardt (1989a) and Dyer & Wilkins (1991) shows the degree to which the emphasis on number of cases vary. For theory building, Eisenhardt (1989a) stresses the cross comparative nature of case study research, and suggests that 4-10 cases are adequate. Dyer & Wilkins (1991) argue that one case, of sufficient depth, can also be used to develop theory. Other researchers, acknowledge the contributions of single study research, but generally agree with Eisenhardt's multi-case research view (Perry, 1998; Yin, 1984). However, as Shockley (2003) indicates, the single and multi-case debate diverts attention from the core issue of selection design, i.e., what is the purpose of the research? As shown in Figure 3.2, the Feeny continuum provides the basis upon which to locate one's research, depending on its purpose. Within the research literature, similar constructs have been developed. Two of them are Stoeckers's (1991) bi-polar intensive and extensive research designs, with quantitative research representing the more 'extensive' pole, and Parkhe's (1993) four phases of the case study research, from the single case through to a mixed method approach to develop theory.

Figure 3.2
The Case Study: A View in Practice



Restating a paraphrased version of the three-part purpose stated in Section 3.1, this research was designed to: (1) validate the 'Framework of Sustainability;' (2) identify each firm's resource combinations – including IT – to understand how these enable or constrain sustainability; and (3) analyse the evidence across all cases, looking for patterns of how firms maintain sustained benefit, or value, with the goal of fine-tuning the 'Framework of Sustainability.' The three-part purpose demonstrated that this research intended to investigate emerging practice (see Figure 3.2). Therefore, the research design called for a selection of four firms.

Yin (1984) argues that replication, rather than sampling logic, is appropriate for case study research. This vocabulary is shared by some researchers, e.g., Eisenhardt (1989a) and Perry (1998). However, others like Stake (1995) refer to 'a process of case selection', and Patton (1990) refers to 'purposeful sampling' – he identifies fifteen strategies to select cases for a research project. Among the sampling strategies discussed by Patton (1990), the selection of cases for this research used a homogeneous strategy[66] of selecting four firms from the same industry. This researcher wanted to reduce the context variables as much as possible, without ignoring Stoecker's

[66] One of Patton's (1990) fifteen sampling strategies.

(1991) caution of overemphasising the comparability factors and ignoring the idiosyncrasies of each case. As a result, four firms, from the top ten in the SA assurance industry, were selected. These four firms represent 91% of the market (UBS-Warburg, 2002); see Table 3, in Part 2 for more detail.

3.6.2 Unit of Analysis

Case study researchers emphasise the importance of identifying the unit of analysis in order to maintain a coherent thread through the data collection and analytic phases (Babbie & Mouton, 2001; De Vos, 1998; Yin, 1984). Babbie & Mouton (2001) identify several types of units of analysis that include: human beings (individuals or groups), social interventions (e.g., programs or systems), cultural objects (e.g., art, literature, technology), social organisations (e.g., political parties, gangs, clubs), institutions (e.g., schools, banks, firms), and collectives (e.g., cities, countries). In addition, Babbie & Mouton indicate that the unit of analysis represents the 'what of the research program.' Researchers indicate that if the unit of analysis cannot be identified, then the overarching questions, or the scope of the research, may be too vague or broad (Babbie & Mouton, 2001; Mitchell, 1983; Patton, 1990; Yin, 1984). This researcher identified the personal/individual finance structures (e.g., life insurance, unit trusts, wealth management, etc.), within each firm, as the unit of analysis from a perspective of IT. The research design included two types of participants – those who managed IT functions in their firms, and those who did not (see Appendix C-1 for list of interviewees by firm). What was not included in the unit of analysis were business units such as pensions, group schemes, reinsurance and short-term products such as auto-insurance, household-insurance, etc).

The research intent was to obtain a multi-faceted perspective on the CRCs within each unit of analysis, to ascertain how some CRCs translate into becoming core capabilities which uniquely defines a firm's competitive advantage, while others remain key capabilities. For this reason, those participants who were in a position to set firm direction and/or implement strategies through IT, business and human capital processes were included as interviewees. This study did not include, for interviewing: programmers, or other employees in non-managerial positions, for this reason.

3.6.3 Selection of Data Collection Tools

Several authors provide a survey of data gathering tools commonly used in qualitative research (Creswell, 1994; Patton, 1990; Schurink, 1998; Yin, 1984). Table 3.3 summarises some of the frequently used data collection methods and techniques.

Table 3.3: Summary of Frequently Used Data Collection Tools

Data Collection Tools	Strengths/Weaknesses	Application
• Documents & Archival Records	• **Strengths:** Consistent replication; same each time retrieved -precise details; e.g., names, flow charts, presentations • **Weaknesses:** -unknown authors may cause undetermined bias -collection may be selective or incomplete -May be proprietary; no access	• Appropriate to corroborate or augment other evidence • Publicly available information makes evidence gathering more efficient, providing background • Documents provide a means of enhancing interview discussions
• Interviews: One-on-one	• **Strengths:** -Targeted focus on research area -Can be scheduled, time managed -Within real-setting dialogue with participants • **Weaknesses:** -Structured or semi-structured questions may limit the creation of robust insights, while non-structured questions may provide eclectic and "shallow" responses -Relies on participant recall; participants may tell researcher(s) what they want to hear	• Most common data collection tool used in business research under the case study method. • Interview, as a tool, can be combined with other tools such as document and archival information • Fits with business environment where time is scheduled into finite periods or appointments
• Interviews: Focus Groups	• **Strengths:** -Facilitated interaction allows for data generated through group interaction -Speedier results if skilfully moderated • **Weaknesses:** -Requires finding the right people to participate -Constructed social setting may introduce bias	• Used extensively in marketing research • Used as a post-survey tool get gain more insight into survey data • Diagnose potential problems, or contributions, of social programs
• Observation: Direct or as a Participant	• **Strengths:** -Real settings in which observations are made as opposed to laboratories -In researcher as participant, the interpersonal dynamics can be highly insightful; deep, robust descriptions • **Weakness:** -Time consuming: may require 'hanging out' at all hours to be considered an insider -Usually a single case; not generalisable -Potential bias of the "takes one to know one" fallacy; e.g., participating in criminal activity	• Appropriate for in-depth studies on social groups or individuals within their own settings • Highly insightful direct observations, e.g., individuals demonstrating use of IT; studying work flow patterns on the shop floor

• Participant Action Research	• **Strengths:** -Empowered, democratizing research relationship; relies on local knowledge -Enhances participants' powers of observation, awareness, and self-reflection • **Weaknesses:** -Highly eclectic; must expand what is considered data. -Difficult to generalize	• Valuable in transitional 'third world' setting, where people may have been marginalized • Professional groups such as teachers or hospital staff where praxis develops new knowledge for improvement
• Physical Artifacts	• **Strengths:** -Insightful cultural or technical functionality • **Weakness:** -May be perishable out of context -Selective bias – e.g., see objects that slants view point	• Product functionality easy to see, especially when generated • Objects such as awards hold social meaning for groups or individuals
• Audio-Visual Taping	• **Strengths:** -replicable and can be replayed with no loss of evidence -more robust data – both visual and auditory within camera frame • **Weakness:** -participants may 'act' for the camera	• Used to support other efforts, e.g., focus groups • Can be highly effective in demonstration practice, e.g., classrooms, hospitals, etc. • Evaluation tool to determine how experts agree or disagree on same videoed event

Source: Babbie and Mouton (2001); Creswell (1994); Patton (1990); Schurink (1998); Stake (1995); Yin (1984)

All of the techniques, save PAR[70], support a collection effort where the researcher and interviewee are different individuals. One of the data collection principles established by Parkhe (1993) and Yin (1984) is to use multiple sources of information. Other researchers (Babbie & Mouton, 2001; Creswell, 1994; Denzin & Lincoln, 2000; Kirk & Miller, 1986; Patton, 1990; Yin, 1984) argue that multiple sources of evidence reinforce the construct validity and reliability of a case study project. This is one type of triangulation to reinforce the construct validity and reliability of a research project. Other types of triangulation include using: (1) a team of researchers; (2) a multi-method research approach; (3) multiple theories to look at the same data set; and (4) a longitudinal approach to collect data at more than one time (Babbie & Mouton, 2001; Gallivan, 1997; Janesick, 2000; Leonard-Barton, 1990; Miller & Crabtree, 2000; Patton, 1990; Stake, 1995; Yin, 1984).

[70] Like case studies that can be viewed as a data collection tool (Yin, 1984), action research can also be viewed as a research method or type of design (Babbie & Mouton, 2001). Participant Action Research (PAR) encourages data collection by practitioners or individuals themselves.

3.6.3.2 Selection of Interviews and Documents as In-case Data Gathering Tools

The design in this research included the use of one-on-one interviews[71], as well as external (analysts-, management consultants-, and industry), as well as internal (newsletters, communiqués, BU documents and Annual Reports), documents and archival evidence. In addition, this research design embodied the use of two researchers with a longitudinal dimension, as well as focus group insights with a longitudinal dimension. Evidence was gathered by the researcher and a research assistant, Gennis Makura (2001 only), an MBA student at UCT working under my supervision. The one-on-one interviews took place from 2000 to 2001. Several of the interviewees were interviewed by both the researcher and Makura with intervals of about a year between both interviews. Makura generously made her own data available, and this researcher was able to access her written notes as part of the triangulation process – enabling the researcher to get further insights into the cases. Among the 72 participants, 47 of them were interviewed by the researcher, 15 by Makura, and 10 of them by both (see Appendix C-1 for more detail).

3.6.3.2 Selection of Focus Group Data Collection with Short Questionnaire for Cross-Case Validation

As shown in Table 3.3, the focus group data gathering tool is used primarily as a group interviewing technique (Fontana & Frey, 2000). As a means of doing cross-validation of data gathered through the one-on-one, within-case data gathering and analysis, this researcher was able to conduct focus group interviews in each of the four firms included in this research. For purposes of this research, between 30 and 50 group participants per firm were included in which four to six focus group sessions were conducted in each firm.

One of the major weaknesses of the focus group is the access to the "type of participants" that meets the study criterion (Fontana & Frey, 2000; Stewart & Shamdasani, 1990). In this case, this researcher requested and received access to a target group, i.e., "non-managerial" employees, from multi-disciplinary and multiple-BU/division backgrounds, as group participants. The reason for

[71] In some cases more than one person was interviewed during one interview session. However, the researcher did not take on the role of facilitator, as in a focus group.

including the views of these employees was to gain insights from a "bottoms-up" perspective. All of the within-case data of one-on-one interviews were obtained from managers. The documents themselves, especially those designed for public distribution, were felt by this researcher to have a heavy "managerial slant" to the internal dynamics of the firm. Since these sessions lasted no more than 2.5 hours per focus group, a short questionnaire was used to focus the attention of participants. This questionnaire was adapted from the Organisational Readiness Framework developed by Kukard, April and Pinkham (April & Ahmadi Izadi, 2004). The questionnaire was designed as a diagnostic tool for an individual or group to assess their organisations' alignment of strategy and processes – especially related to a firm's learning style, trust, reward systems, and other elements which typically impact employees directly (a copy of the questionnaire appears in Appendix F, section F.1).

3.7 Data Gathering: Preparation for Research

Key lessons were learned during the pilot study about the preparation for research (see Appendix A). These lessons, together with what other researchers have described in research methodology texts, formed the basis upon which this final research, multiple case study project was developed. Although this researcher learned that there are many logistical and preparation details to conducting interviews and gathering documents, only three key areas for data gathering will be discussed – these are: access, creation of semi-structured question protocols, and self-awareness when interviewing.

3.7.1 Access to Firms and Individuals

In ethnographic research, Kirk & Miller (1986: 62) comment on "getting in and getting along." This researcher found that access and establishing rapport was much easier in SA than it was in the UK since, primarily as a native South African and having worked in SA businesses at management level, the researcher was familiar with the social and business culture. Unlike the UK experience, access to individual firms was relatively easier. For one thing, business contacts could be established by telephone. In the UK, it seemed that business contacts were established by letter first. For another, large firms in Cape Town have a partnered working relationship with UCT, and the University's brand recognition is high in the country.

Of particular importance for this research was each firm's strategic direction, especially in the area of engaging customers – the currency, and availability, of such data being quite sensitive. Researchers in the literature address issues of equitability and ethics such as withholding information, propriety protection of firm documents, and deception (Bouma & Atkinson, 1995; Seidman, 1998). These issues were resolved legally through non-disclosure agreements (NDAs) of confidentiality, which each firm asked the researcher to sign (a copy of a NDA is included in Appendix B-1). In one case, on request by a firm, the researcher had a meeting with the legal staff to review the NDA, which was ten pages long. In essence, this NDA agreement was the knowledge gateway into the firm. In fact, on average 2-3 participants in all four firms inquired about whether or not the researcher had signed a NDA. Once they were informed that the researcher had signed one, they were comfortable participating in the research. Participants were also comfortable with the information they shared. Only one participant asked to see the transcripts of his interview – he was concerned about the marketing and new product strategies which were discussed during the meeting, and asked that these items be removed from his interview transcripts. Although some participants would ask for information about their competitors, the researcher was careful to disclose only what he knew to be publicly available information.

Participants were selected for this research based upon functional area or title, and availability. In some cases, participants were located in Johannesburg – the researcher was, however, able to arrange his schedule to meet with all participants at their work locations – both in Cape Town and Johannesburg. To ensure confidentiality within this research, the researcher have assigned African Animals as a substitute for each firm's name, as well as renamed products or services that could uniquely identify the firm being discussed. To protect the anonymity of each participant, the researcher has assigned a code to their interviews (see Appendix C-1 for more detail on code structure, titles/functions of interview participants). Also, one of the reasons for purposefully delaying the final write-up of this dissertation was in the interests of confidentiality of high-level strategic plans and implementations, and the sensitivity about their currency at the time. After discussion with firm executives, it was decided that 18-24 months would be sufficient time to allow for the easing of nervousness by participants (executives and managers) regarding strategic information currency, and that the 18-24 month period would be enough time for the researcher to complete the analysis and dissertation write-up post data collection.

3.7.2 Creation of Semi-Structured Question Protocols

The literature on research methodology stresses the importance of carefully constructing the interview protocols that are to be used in the interview process (McCracken, 1988; Patton, 1990; Seidman, 1998; Yin, 1984). The Pilot Study (see Appendix A) also helped to clarify the importance of carefully constructing each of the semi-structured question protocols that were used, with particular attention to defining terms so that participants could engage the questions. Using both the research methods literature and the Pilot Study as guides, five protocols were developed, principally using many of Patton's (1990) guidelines:

1. *Use open-ended questions.* Specifically tailored questions open, rather than close, conversation or reflection. Questions answered by a simple 'yes' or 'no', for example, can be problematic and do not give the necessary insight for research.

2. *Questions should be clear, and singular.* The Pilot Study provided insights into the need to define terms for the interviewees. The researcher spent time in each interview discussing the key terms, such as the differences between core and key capabilities. Patton (1990) suggests using singular questions. In the protocols, multiple questions were grouped together. However, the researcher, had to be disciplined to ask these questions one at a time.

3. *Using probes and follow-up questions.* Questions can be constructed to obtain more detail – probing questions, for example, beginning with 'who,' 'where,' 'what,' 'when' and 'how' yield more reflected responses (Patton, 1990). In addition, Patton suggests avoiding 'why' questions for two primary reasons: (1) such questions imply causation, which may or may not exist; and (2) such questions can intimidate interviewees.

As the research methodology demonstrates, the wording of the interview questions is one aspect of the protocol construction. The other aspect is each protocol's fit into the overall integrity of the case study research design (McCracken, 1988; Patton, 1990; Perry, 1998; Yin, 1984). One of the key insights from the Pilot Study was that multiple protocols were needed to properly investigate the multidimensionality of the overarching research questions. For this reason, five protocols were developed:

- M : Executive in Strategy Development and/or Marketing Executive;
- C : IT Executive, e.g., CIO or IT Director;
- B : Business Unit or Department Heads;
- IT : Heads of IT Units, e.g., IT Projects Head, IT Architecture Head, etc.;
- HR : Head of Human Resource Departments.

Each protocol was assigned an alpha code as part of the identity code structure for each participant to keep their names anonymous (see Appendices B-2 for a complete list of the protocol questions, and C-1 for the list of participants with their assigned codes). These protocols were constructed in order to create a multifaceted set of perspectives on the unit of analysis. As stated earlier, this researcher had identified the individual/personal financial services BU/division as the unit of analysis, with particular interest in the within-BU CRCs and those enabled by IT. For this reason, participant's views on what these resource combinations were, how they related to, and underpinned, the key- and core capabilities of the firm were a few of the multifaceted perspectives sought by this research.

3.7.3 *Self-Awareness When Interviewing*

The Pilot Study underlined the importance of preparation before, and during, the interviews for collecting the appropriate evidence (see Appendix A). The literature also addresses preparation, emphasising the logistics such as making appointments for the interviews, agreeing on the location, and respecting the time of the participants (Creswell, 1994; Mitchell, 1998; Patton, 1990; Seidman, 1998). In addition, it also discusses the interview process itself, offering important reminders such as establishing rapport, being aware of one's own behaviour, listening critically and carefully – other follow-on questions may be necessary to more fully probe an issue, taking notes or requesting that the interview be recorded and staying reasonably within the limits of the question protocols (Creswell, 1994; Patton, 1990; Seidman, 1998). After completing the Pilot Study, the researcher once again revisited the research literature – many of the pitfalls noted were ones that the researcher stumbled into during the Pilot Study. The researcher found that the interviews went much more smoothly, as he maintained self-awareness and self-objectivity. The researcher found, with practice, that he could quickly establish rapport with the participants and 'maintain control' of the interview so that the session's time was used efficiently.

3.7.4 Preparation for Focus Groups

Many of the observations on research and interviewing techniques, discussed in the previous sections, also applied to the focus group sessions. However, the role of the researcher is two-fold in nature – one of moderator and one of recorder. As discussed by other researchers, the role of the moderator is slightly different than one of an interviewer in a one-on-one situation, in that the skills of facilitation come more to the forefront as the research moderator coordinates the group dynamics to stay focused to the topic, and encourages as many participants to speak as possible (Patton, 1990; Stewart & Shamdasani, 1990). This researcher was cognisant of maintaining the role of a "disinterested third party" moderator, using open-ended questions to explore the areas of organisational processes, practices, strategy and systems which were of interest to employees (Fontana & Frey, 2000; Patton, 1990; Stewart & Shamdasani, 1990). Although a difficult process, this researcher acted as both moderator and recorder of information. Flip charts were used to record, and make explicit, information so all participants could see and comment (Patton, 1990; Stewart & Shamdasani, 1990). This technique of recording acted as a "check" to assure that what was being said was being accurately reflected on the flip charts.[72]

3.8 Data Analysis: With-In Case

Data analysis of each case represents the foundation of the analysis effort. A poor foundation of rich, evidence-supported patterns, enhances the substance of the cross-case analysis, especially when variation in each case is likely to yield rich patterns of cross-comparative patterns (Miles &

[72] This technique of using flip charts worked well. Participants would frequently correct or clarify the recorded data written by this researcher.

Huberman, 1994; Patton, 1990; Yin, 1984). When establishing a data analysis approach, Yin (1984) suggests an analytic strategy. For this research, the analytic strategy fits Yin's (1984) description of 'reliance on theoretical propositions' or, in this research, overarching research questions. To support this analytic strategy, this research used two conceptual frameworks: (1) historical analysis concepts and, (2) grounded theory as an analytical construct on its own, not as a research method. In previous studies relating to IT, grounded theory has been used as a method alongside others (Orlikowski, 1993; Torsaskar, 1991) and also used entirely on its own (Calloway & Ariav, 1991). The studies are summarised in Table 3.4 below.

Table 3.4 Use of Grounded Theory in Research relating to Information Technology

Researcher	Research Project	Underlying Assumptions and Perspectives	Adaptations to Grounded Theory Method Made Explicit
Toraskar (1991)	To evaluate the product of IS design	Grounded Theory is in the tradition of hermeneutic methods of analysis and prediction.	Ignores evaluative criteria.
Calloway and Ariav (1991)	To explore how IS designers perceive the use of design tools during systems development	Grounded Theory can be used as a method of data reduction alongside Content Analysis	Ignores evaluative criteria. Uses seed categories rather than inductive generation of all categories
Pidgeon, Turner and Blockley (1991)	For conceptual analysis in knowledge elicitation	Grounded Theory provides rich conceptual models that accurately describe data. The evaluative criteria provide necessary rigour.	Follows the method.
Oliphant and Blockley (1991)	Design of a knowledge based adviser on the selection of earth retaining structures.	Grounded Theory provides a hierarchical model from which knowledge based rules can be derived	Follows the method
Pries-Heje (1992)	An investigation into barriers for the use of computer-based tools in ISD.	Grounded Theory provides systematic techniques to develop substantive theory that meet the criteria of 'good' science.	Follows the method.
Orlikowski (1993)	Development of a conceptual framework for understanding organisational issues surrounding the adoption and use of CASE tools	Grounded Theory adopted because of its inductive, contextual and procedural characteristics useful in considering change	Follows the method alongside other methods to triangulate findings
Baskerville and Pries-Heje (1999)	To study methods and tools in order to improve problems that exist in software product development.	Grounded Theory increases the rigour in the theory development portion of action research.	Limited theoretical sampling. Predetermined core categories. Reorientation of early coding to evaluate and learn about predetermined core category
Fitzgerald (1997)	A field study of the use of systems development methodologies in practice	Grounded Theory increases rigour and traceability during theory development	Use of seed categories.
Galal and McDonnell (1997)	A case study of an automated	Grounded Theory supports	Follows the method

	document management system for the legal domain	rigorous analysis of qualitative data. Adopted for the evolution of first requirements' model	integrated into KBS engineering techniques
Urquhart (2001)	A case study of analyst-client communication during early requirements gathering.	Grounded Theory offers well-signposted procedures which aim to produce a theory that is precise, rigorous and capable of replication.	Follows the method alongside other qualitative techniques and questionnaires in order triangulate the findings.
Hughes (1998)	A data analysis method used for requirements determination.	Grounded Theory provides useful procedures to elicit situated requirements within an ethnomethodological perspective.	Use of seed categories Use of software package to aid analysis Ignores evaluation criteria
Howcroft (1998)	An interpretive study of the nature and characteristics of internet usage.	Grounded Theory offers a systematic and traceable method for inducing patterns from the raw data.	Use of seed categories

Source: Jones and Hughes (2001)

Forrester (1980b) observes that the ever advancing present moment, in which action and decisions take place, creates a challenge for researchers to find means of coming as close as possible to 'mental database' upon which practitioners take action.[73] From Forrester's (1980b: 557) perspective, "first-hand knowledge can only be obtained by living and working where decisions are made." As an economist, Forrester (1980b) notes that most of the business literature (e.g., the *Wall Street Journal*, *Business Week*, and *Fortune*) relies on written record which cannot be queried and 'historical' recollections and records which have been filtered through the perspective and intentions of the editor/writer. However, historians have advocated benefits of historical research in the areas such as accounting, industrial design, marketing, and MIS (Hollander & Dickinson, 1998; Luft, 1997; Mason, 1997; Riccini, 2001). However, it is the historiographic rigour that historians employ in their own research discipline that fits the analytic purpose of this research. Several research methodologists make passing reference to the use of documents and written materials as sources of corroborating evidence for triangulation (Patton, 1990; Perry, 1998; Yin, 1984). Historians (Hodder, 2000; Mason, 1997; McCullagh, 1998; Reynolds, 1996; Stevens & Burg, 1997)[74] argue that the fundamentals of historic research require attention to:

[73] Forrester (1980b: 555-566) continues his argument for establishing a macro-economic model based upon simulation; arguing that most statistically-based, econometric modelling yields very little meaningful information on the first order data of decisions made by business and policy practitioners.

[74] Among historians, objectivist and post-modern constructivist views of historical narratives and ascribed meanings to historical events are hotly debated; this debate, though interesting, goes beyond the scope of this research. However, this debate does highlight the need for a researcher to critically assess any document used as research evidence. For further insights into the historical debate, see (McCullagh, 1998; Munslow, 1997; Wagenaar & Rutgers, 2000)

1. *Context.* In historical research, time and events are of significant importance. With respect to this research, the documents acquired were both publicly available and proprietary -- for use within the firm only. Mason (1997) argues that primary sources of detail in IT, such as schematics, pieces of kit, and flow charts provide context and corroborating evidence.

2. *Intention of Author(s).* Intention becomes particularly important when using publicly produced documents, such as press releases and Annual Reports of the firms included in this research. Historical researchers indicate that such document must be assessed in terms of author intent, in order to ascribe meaning to it (Hodder, 2000; McCullagh, 1998; Tierney, 2000).

3. *Authentication of Documents (e.g., dates, versions, author attribution).* Obtaining pertinent information about documents, such as its author(s), where it has been used and version numbers are important to establish relevance and meaning to these written materials (Hodder, 2000; Reynolds, 1996; Stevens & Burg, 1997). For this reason, this researcher kept all copies of documents collected from public sources and those that were provided – a log of these documents were also developed (see Appendix C-2 for list of documents and other written artifacts collected for this research).

Grounded theory also provided guidance for data analysis in this research. Glaser & Strauss (1967) argued that theory, especially regarding processes, social interaction and change could be developed through qualitative analysis. More importantly, they demonstrated how standardised analytic techniques, using qualitative evidence, could be rigorously applied, to consistently yield patterns associated with theory-building. These techniques of coding, memo-ing, diagramming, first described by Glaser & Strauss (1967) and later elaborated upon by Strauss & Corbin (1997) and other researchers such as Charmaz (2000), Parker & Roffey (1996), Urquhart (1997) and Urquhart (2001), were incorporated into this research, especially in the within-case analysis process.

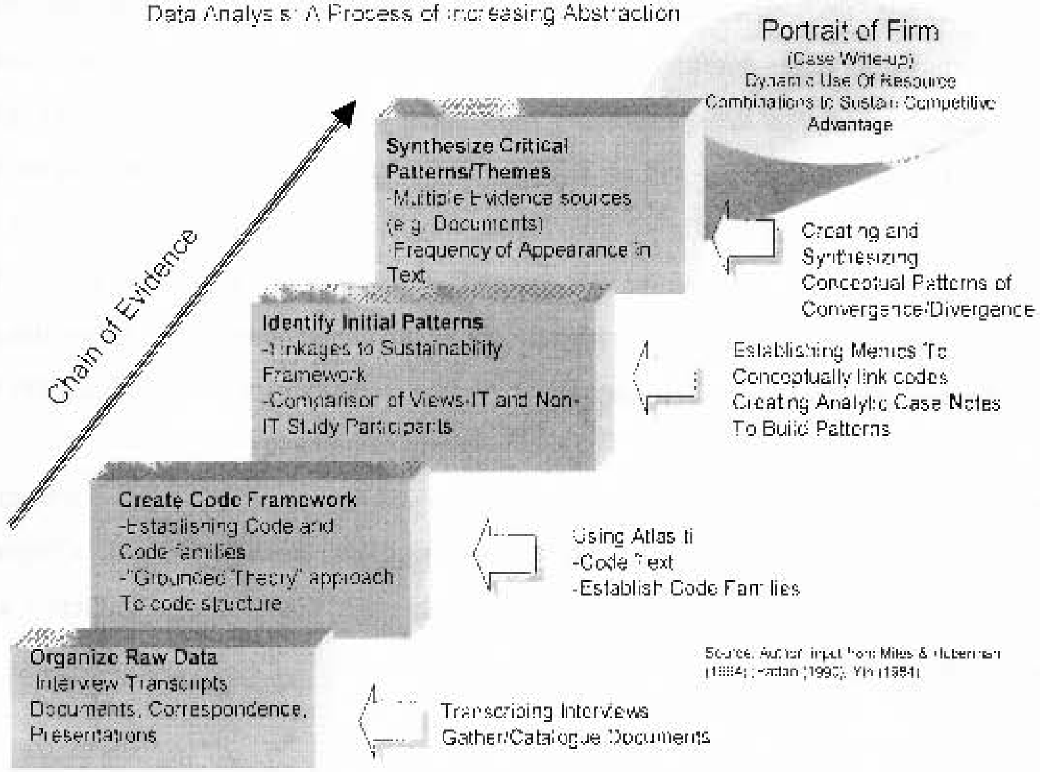
Both the historiographic and grounded theory approaches were included in the analytic process for this research. Figure 3.3 pictorially shows the analytic process used in this research. The research process builds on the chain of evidence concept (Pare & Elam, 1997; Yin, 1984) to keep the process as transparent as possible for readers to see how the evidence was analysed at each level of abstraction, to ultimately create the portrait of the firm. Each of the levels is discussed below:

1. *Transcribing Tapes and Organising Documents.* All of the interviews conducted by this researcher were recorded on magnetic audiotape, while all of the interviews conducted by Makura (2001) were done via notes. The majority of the tapes were then transcribed by a third party – the researcher also transcribed a few of the tapes himself (some of the early interviews). As a quality review step, a few sample sections of the tapes were listened to against the actual, third party, transcribed text to check for accuracy. During the early transcription phase (after the fourth tape), transcribers were changed because the quality was not satisfactory. The researcher also organised the documents he had gathered by firm, making every attempt to collect as much detail about the document's origin as possible (see Appendix C-2).

2. *Coding the Transcripts.* To assist in the coding effort, a computer-aided, qualitative, data analysis software tool (CAQDAS) called Atlas ti, was used. This software was specifically designed to support grounded theory analysis. Among the text analysers listed by Miles & Huberman (1994), Atlas ti had the richest functionality for use on MS Windows. The use of these programs are not without its controversy (Miles & Huberman, 1994; Weitzman, 2000). Some researchers feel that computer-mediated analysis destroys the sense of the 'whole story,' and may promote mechanistic superficiality in coding (Charmaz, 2000). Another view is that, while these programs cannot substitute for the reflective thinking by a researcher, it does save time, provides a means of looking across interview transcripts quickly for cross-comparisons, and assists in collaborative coding efforts (Weitzman, 2000). What this researcher found was that Atlas ti also provides additional benefits – all output is automatically time stamped, the files can be easily accessed by others, and the data handling of over two thousand pages of transcription, generated by this research, became manageable.

The coding of transcripts was laborious, as all codes were generated using a 'constant comparator' method (Glaser & Strauss, 1967). By the time the transcripts from the third firm were coded, code saturation had taken place with very few new codes being created. Within the transcript coding, 180 codes were created with all cases sharing about 85% of the total codes generated. Using the 'Framework of Sustainability,' 13 code families were established. Copies of the code list and code families can be found in Appendix C-3.

Figure 3.3
Data Analysis: A Process of Increasing Abstraction



3. *Identifying Initial Patterns.* To identify the initial patterns, the researcher looked over the memos that were produced while coding. As explained by researchers who use grounded theory, the memos generally occur while coding, as well as during subsequent levels of abstraction through axial coding which draws together relationships among code clusters or families (Charmaz, 2000; Corbin, 1986; Urquhart, 1997). The initial phase of clustering

involved assigning each code to the 13 designated families or code clusters. Printouts of these codes by families were produced, and analytic notes were made from which relationships and themes began to emerge (see Appendix C-4 for some sample pages of coded transcripts with notes).

4. *Key Patterns and Themes.* During the last level of abstraction, cross-validation of the key themes and patterns were made. Taking inspiration from Miles & Huberman (1994), the researcher developed frameworks to show the evidence of how firms developed their resource combinations and how, through action and decisions made, these resource combinations surfaced as core- and/or key capabilities. One of the frameworks developed through this research effort was the competency triad, adapted from the work of Brumagim (1994). This, and other, frameworks will be discussed in greater detail during the case write-ups. One of the other steps taken, during this phase, was the unfolding of other sources of evidence from the documents collected for this research, for each firm included in this study. Again, this process of corroborating evidence provided some basis for triangulation suggested in the research literature (Gallivan, 1997; Parkhe, 1993; Patton, 1990; Yin, 1984).

The final portrait of each firm's effort to develop their core- and key capabilities, and integrate these competencies into both their strategies and implementation plans, were developed. Chapters 4 through 9, found in Part 2, present each firm's portrait through the evidence gathered and analytic frameworks developed.

3.8.1 Chain of Evidence as it Relates to the Framework of Sustainability

The coding structure, constructed with the help of the Atlas ti software, provided the first steps of the anlysis process, using interviewee transcripts. The first steps of the analysis process of the interview data followed each of the "Framework of Sustainability" components. Code structures can be found in Appendix C-3. Through an iterative analysis process, patterns in the interview transcripts were revealed such that major CRCs began to emerge from the data. Appendix D shows how the evidence from the interview transcripts was developed for each of the four firms, following the chain evidence approach. As a result, a "Portrait of the Firm" began to emerge which allowed this researcher to provide the following flow of the evidence for each case study following the "Framework of Sustainability" as a guide:

- **Declared Strategies:** An analysis of annual reports and other published and unpublished documents were used to determine what the key strategies were for each firm. This documents analysis was used in three ways: (1) to provide an operating context for the firm; (2) to assess what were likely to form the basis of the firm's strategic architecture of key- and core capabilities; and (3) to establish a foundation to analyse the degree of coherence between the firm's "declared" vs. "practiced" strategies.
- **IT Infrastructure and Initiatives:** Through the interviews, both IT-independent assets and IT-dependent initiatives were identified. This essentially formed an inventory of the "pool of assets" in the firm. These assets, along with other key resources, formed the basis upon which significant CRCs could be identified.
- **Significant CRCs:** Through the analysis, anywhere from 7–8 primary CRCs were identified. Quotations from the transcript data provided corrobative evidence to substantiate the analysis of CRCs identified.
- **Atributes of Sustainability:** Both socially complex- and unique attributes were also identified through the analysis of the transcript evidence. Assessments could be made as to whether these attributes "enabled," "challenged," or "constrained," sustainability. In addition, higher levels of abstracted observations also enhanced the mapping of these attributes of sustainability to significant CRCs.
- **Causal Ambiguity:** The firm's architecture constructed through the interview data was done to identify elements of both its key- and core capabilities. Core capabilities were then compared to the firm's "declared" strategies. An assessment of competitive coherence was made using the following gradation scale:

--*Competitively Coherent:* Evidence gathered showed that all elements of a firm's strategic intent were aligned with its core capabilities and CRCs (of which IT-based infrastructure was a contributor). No dissonant gaps were found.

--*Mostly Competitively Coherent:* Evidence showed the firm's declared strategic intent was aligned with its core capabilities and CRCs (of which IT-based infrastructure was a contributor); however, some dissonant gaps or areas of concern were found. These dissonant gaps were often expressed as questions to the longer-term resonance of a given strategy to marketplace changes.

--*Partly Competitively Coherent:* Evidence indicated alignment; however, dissonant gaps were more apparent in the sustainability of the strategy, or in its overall internal alignment

--*Not Competitively Coherent:* Major strategies were not aligned internally within the firm, or significant dissonant gaps were apparent between the firm's strategic intent and its marketplace, such that competitive advantage was eroded.

3.8.2 Causal Ambiguity and Degree of Strategic Coherence

The above discussion on causal ambiguity speaks to *how* the data analysis on causal ambiguity will be done. This section addresses the "why" question; i.e., why is coherence part of an expanded view of causal ambiguity? Barney (1991: 108-109) defined causal ambiguity, by observing that it "…exists when the link between the {capabilities} controlled by a firm and a firm's sustained competitive advantage is not understood or understood only very imperfectly." One of the underlying purposes of this research was to gain insight into causal ambiguity as described in the literature. Within this research, causal ambiguity was acknowledged in the sense that firms do not always know causal linkages between its resources and its strategies; however, this research had as its goal to more fully understand these obscure linkages. Therfore, the notion of "strategic intent" was introduced and earmarked as an area for data collection. Published documents, most notably annual reports, formed the basis upon which "declared strategies," which in essence comprised the "strategic intent" of a given firm, were collected and analysed. This evidence was then compared to the interview evidence to determine: (1) what were the core capabilities embodied in a firm's strategic architecture, as articulated by its employees; and (2) assess the degree of coherence between those core capabilities and its "declared"strategies. Through this analysis, some understanding of "loosely coupled causality" between declared strategies and practiced capabilties would partially unveil the dynamics of causal ambiguity, observed by Barney (1991). This researcher recognised that the multi-variant development nature, and interdependencies, of CRCs to capabilities, forming a firm's strategic architecture, could never be causatively linked in a deterministic way, yet as Peteraf (1993) stresses, such uncertainty, coupled with non-recoverable costs, may limit imitative activity – thus preserving the condition of heterogeneity. Illuminating this "black box" effect was one of the puzzles this researcher hoped to understand. However, the researcher also acknowledged that causal ambiguity played a very important role of obscuring the inner dynamics of a firm from competitors as well. It was important to understand how the "outward-facing" causal ambiguity enabled a firm to foster sustainable competitive advantage.

3.9 Data Analysis: Cross Case

Although Figure 3.3 shows how the "Chain of Evidence" forms the basis of the case write-ups for each of the firms, the continued building of the chain of evidence occured through the cross-case analysis as well. Higher levels of abstraction were achieved through the cross-comparison of evidence among the four cases. An additional data source was also included – which was a "bottom-up" view from non-managerial employees within each of the firms. This data, collected through focus groups, completed a triad of major data sources which allowed for triangulation of key findings.

The last phase of with-in case analysis, in which the key themes and patterns emerged for each firm, formed the basis of the cross-case analytic process. By looking across the cases, recurrent themes were searched for – to enhance the "Framework of Sustainability" developed through the literature review and the Pilot Study phases of this research project. Relying on Miles & Huberman (1994), matrices were established to determine patterns such as: convergence and divergence among the firms on strategic intent, constraints and enablers to create competitive advantage, and the role of IT within each firm as perceived by IT professionals and other relevant functions. Many of these matrices formed the analytic structure of the cross-case comparisons found in Chapter 8 and Appendix F.

3.9.1 Focus Group Data and the Role of the Questionnaire

Much of the data analysis relied on the evidence gathered through the semi-structured interviews and documents. Through the chain of evidence shown in Figure 3.3, higher levels of abstraction were developed upon which cross comparison could be made between the firms. However, the opportunity for a "bottoms-up view" to cross-validate the evidence gathered to support the observations gleaned through case analysis was created in which focus group sessions were conducted with "non-management" employees. The flip chart details collected from these focus group sessions were studied and analysed to determine patterns and "gaps" in perspective of "non-management" employees, with the purpose of providing cross-validation of the case evidence. The data collected was anticipated to be voluminous and required the researcher to establish some criteria upon which to analyse the evidence. The data analysis concepts used to establish the analysis criterion were: (1) "pragmatic content analysis" in which attribution is established based upon both cause (a programme or process) and its effect (how it impacts an individual) (Stewart & Shamdasani, 1990); (2) the notion of conversational analysis in which the "institutional talk" governs how interviewees describe their views (Silverman, 1993); and (3) cross-case patterning using some of the tactics for generating meaning such as looking for themes, contrasts, similarities, and clustered associations (e.g., the implementation of reward systems and the type of individual and group behaviour generated) (Miles & Huberman, 1994). Using these research techniques, this researcher established the following framework:

- Patterns of employee reactions to firm-wide programmes, avoiding likes or dislikes of "personalities" in the firm;
- Establishing cross-comparison maps of "organisational talk" across the firms;
- Noting areas of agreement and disagreement in the dialogue among participants to give "weight" to evidence supporting various patterns.

As established earlier, the choice of this researcher was to look at the inner workings of a firm to understand how competitive advantage was established. For this reason, qualitative techniques were the predominant tools used for data gathering and data analysis. However, a questionnaire called the "Organisational Readiness Framework" (April & Ahmadi Izadi, 2004) was used. This questionnaire was designed for employees to assess the "readiness" of its organisation to engage in change programmes, in support of learning capacity for developing or enhancing existing CRCs within firms. The questionnaire was used to support the focus, and frame the discussion, with the participants. However, some quantitative data could also be obtained. As a result, this researcher proposed to use single variant, descriptive statistical methods to analyse the numerical data for another cross-case analysis matrix (Agresti & Finlay, 1997; Cramer, 1998; Neuman, 1994; Robson, 1993).

3.10 Summary: Research Approach Fit Research Design Parameters

This chapter has produced a comprehensive discussion of the alternatives available to conduct this research. This section revisits Figure 3.1 to summarise the various choices made to frame the research design.

- **Research Method:** The ***case study*** was selected as the most approapriate method to engage in an "exploratory" effort. As shown in Figure 3.2, this research endeavour was exploratory in nature and, therefore, suited to a case study design. The purpose was to probe the "*how*" question of IT's combinative impact, with other firm resources, on competitive advantage, and the "*why*" question relating to firms' capacity for sustainably extracting rents while competitors are thwarted in imitating them. This "how/why" framework was most suited for exploring the overarching research questions.
- **Data Collection:** The choices made were to use ***semi-structured interviews, archival documentary evidence***, and bottom-up ***focus group data (questionnaires and discussions)***. The purpose of selecting these three data-collection devices was to strengthen the validity of the insights gained from the evidence, by providing a means of "triangulating" fairly

discrete (independent) sources of evidence. This data collection approach, although yielding a significant amount of data, was crucial to providing rich insights into the actual dynamics of the "Framework of Sustainability."

- **Data Gathering:** The ***pilot study*** showed the importance of arranging for appropriate access to those individuals who could provide pertinent personal observations, such as how IT dependent assets were used within the firm, and how they combined with other processes to create unique and socially complex CRCs. The ***interviews*** were important to establish whether there were gaps between the "declared strategies" and "developed capabilities." The interviews also gave deep insight into the usage of IT for business advantage. The ***focus groups*** were particularly valuable in determining elements of strategic coherence that framed insights into causal ambiguity.
- **Data Analysis:** The analytic techniques for both data gathering and analysis were mostly qualitative in nature (except for the bottom-up questionnaires); more specifically, a ***computer-aided tool, Atlas ti,*** formed the basis upon which a grounded theory approach to analysis was used, with the intent of building a chain of evidence to support findings gleaned from each case. As shown in the research literature, IT researchers have used the case method with grounded theory data analysis techniques to explore research areas of interest. Data analysis tools, especially those developed by Miles & Huberman (1994), were included in the study design to develop ***cross-matrix summaries*** to search for patterns of similarities and differences among the firm cases. Some of these summaries can be found in Appendix F. ***Documents analysis*** was also included in the study design to expand the understanding of specific in-case findings, as well as to cross-validate the evidence. Documents analysis was particularly important in determining what each firm's "declared" strategies were. It was also important to provide a context for understanding the overall industry in South Africa. In addition, ***focus group data*** were included as another means of providing another, longitudinal perspective to cross-validate findings. These focus groups were designed to provide a "bottom-up" view to enrich the understanding of differences and similarities among the four firms included in this study.

PART 2: PRESENTING THE EVIDENCE.-.CASE ANALYSIS AND FINDINGS

Profile of South Africa

A profile of SA is designed to provide a country-context for the research discussion of the assurance industry. Table 1 shows a summary of demographic and economic data that are relevant to the assurance industry. In order to establish a 'world context,' UK data was used as a comparator country profile.

Part 2-Table 1: Country Comparison-South Africa and the United Kingdom

	SA	UK	Comments
• Population	43.6 million	58.9 million	*Source:* 2002 statistics from The World Bank Group (2003a; WBG. 2003b)
• Population Annual Growth Rate	1.5%	0.1%	*Source:* Same as above
• Illiteracy Rate	14%	0.0	*Source:* Same as above. Percentage is defined as the % of population 15 years & older
• Life Expectancy	46 yrs.	77 yrs.	*Source:* Same as above
• HIV/AIDS Adult Prevalence Rate	20.1%	0.1%	*Source:* CIA-World Fact Book (2003a): 2001 estimates. Out of 168 countries reporting. SA ranked 7th and UK ranked 132nd
• GDP per Capita	$10,000	$25,300	*Source:* same as above. 2002 estimates. SA ranked 72nd & the UK ranked 23rd out of 231 countries reported
• Economic Structure -Agriculture -Industry/Mfg. -Service	 3.5% 31.5 65.0	 1.0% 27.4 71.6	*Source:* 2001 Statistics from The World Bank Group (WBG, 2003a, 2003b) Figures are expressed as a percentage of GDP

SA's population is approximately 75% of the UK population and is experiencing a population growth rate of 1.5% versus a 0.1% growth rate in the UK (WBG, 2003a, 2003b). The life expectancy levels in the UK average 77 years, while those in SA averages 46 years. These levels are impacted by the number of adults with HIV/AIDS. SA ranks as 7th among the countries reporting HIV/AIDS, with a prevalence rate of 20.1% (CIA, 2003b).[75] Haacker (2002) estimates that the medium-term impact of HIV/AIDS on per capita income is a minus 5.8%.

When looking at the economic profile of SA, it ranked 72nd among the world's economies in terms of GDP per capita in 2002, while the UK ranked 23rd (CIA, 2003b). Although lower than the UK's rate, SA's GDP per capita in 2001 was 75% higher than the OECD's average for Africa (OECD, 2003). The structure of SA's economy showed about a 3.5% GDP contribution from agriculture, but politically it continues to be an important segment in terms of job creation – it represented 11.2% of the country's employment in 2001 (Natrass & Seekings, 2000; OECD, 2003). Following a similar trend in developed countries such as the UK, the size of industry/manufacturing and service sectors are changing in SA. According to the World Bank (2003a), the industry/manufacturing sector in 1982 represented 44.2% of the country's GDP with services representing 50.1%; by 2001, the contribution was 31.5% from the industry/manufacturing sector and 65.0% from the services sector.

In addition to the HIV/AID pandemic, SA also faces the challenge of addressing significant inequalities in income and employment distribution. Table 2 shows a summary of the percentage of total income attributable to wages, percentage employment participation, and percentage unemployment. For deciles 1-4, other sources of income such as pensions, agricultural products (consumed or sold) and self-employment, contribute to household income. For deciles 9 and 10, a significant source of other income is from capital expressed as property rents or interest income. Nattrass & Seeking (2000) suggest that the dependency on wage income among the lower deciles is a legacy of Apartheid where share-croppers and labour-tenants were 'squeezed off' the White-owned land, creating a Black African (majority) society wholly dependent on wage work. Although the average wages for Whites were five times greater than for Black African wages earners in 1993, between 1976 and 1996, the share of total income received by Black African people rose from 20% to 36%, while that of White people dropped from 71% to 52% (Natrass &

[75] This entry gives an estimate of the percentage of adults (aged 15-49) living with HIV/AIDS. The adult prevalence rate is calculated by dividing the estimated number of adults living with HIV/AIDS at year-end by the total adult population at year-end (2003a). Similar results are reported in the IMF report by Haacker (2002).

Seekings, 2000; Whiteford & Van Seventer, 1999). By the end of the 1990's, the more startling comparison was the intra-racial income inequalities with the 10% richest Black African households earning 250 times more than the 10% poorest Black African households (Natrass & Seekings, 2000). With household income supported predominantly by a wage structure, SA has a closer link between a lack of employment and poverty than in developed economies (OECD, 1998). Table 2 shows the rates of participation and the levels of unemployment by deciles.

Part 2-Table 2: Income and Employment Summary by Deciles

Deciles (1 poorest; 10 wealthiest)	1	2	3	4	5	6	7	8	9	10
Household Income Source -% from Total Wages	23.5	30.6	37.8	50.0	55.8	69.6	75.0	78.5	79.9	64.6
Employment -Participation Rate (%)	48	47	45	50	51	57	58	61	64	75
-Unemployment Rate (%)	71	56	48	40	37	33	28	24	14	5

Source: Natrass & Seekings (2000). Data source Southern Africa Labour and Development Research Unit (SALDU) University of Cape Town. 1993 Data used.

From deciles 1 through 5, the labour participation rate ranges between 48 to 51% with unemployment rates from 71 to 37%. For deciles 6 through 10, the participation rates climb from 57 to 75% with unemployment rates dropping from 33 to 5%. In addition, SA is experiencing a so-called 'brain drain' caused by outward migration (of mainly skilled individuals). The level of outward migration has remained fairly stable since 1995; however, in the period 1994-2001, the most economically productive, age group (20-40 year olds) tended to represent the largest majority of out migration (Symeonidis, 2001). Subsequently, and as a result of the global IT-bubble crash after Y2K, there has been mass movement back to SA by many, mainly IT-skilled individuals and concurrently there have been attempts by the DTI in SA to proactively engage the diaspora – one such network is SANSA[76].

[76] SANSA (South African Network of Skill Abroad), which is a global network of highly skilled South Africans living overseas, who plans to link with local projects and researchers in order to contribute towards the development of a

South African Financial Services Industry Trends

Four important trends have shaped the structure of the SA Financial Services Industry:

- *Re-structuring: Demutualisation and Bancassurance.* Both demutualisation and bancassurance are international trends in the assurance industry, with journalists and industry watchers reporting on assurance firms as they find banking partners and battle with shareholders to demutualise (Anonymous, 1999, 2003; Cohen, 2002; Friedman, 2001, 2003; Hartley & Worthington-Smith, 2003; Kumar, 2000; Patel, 2002; Symeonidis, 2001; Viswanathan & Cummins, 2003). In SA, the demutualisation trend started among the large assurance firms, and this restructuring created the benefits of: (1) unlocking the market value of the firm's equity, thus enabling these firms to participate in bancassurance through investments in the banking sector; and (2) supporting the national strategic policy of Black economic empowerment (BEE), by creating opportunities for Black Africans to own shares in these demutualised assurance firms.

- *Legislation impacting the industry:* The SA government initiated legislation designed to protect policyholders. Two pieces of legislation – the Policyholder Protection Rules (PPR), effected in July 2001 and the Financial Advisory and Intermediary Services (FAIS), effected in January 2002 – were designed to maximise disclosure and minimise the impact of poor selling practices by assurance brokers and agents (LOA, 2003; Pile, 2002; Symeonidis, 2001). Symeonidis (2001) argued that this legislation would have the greatest impact on the middle-income market, where clients have less sophistication in dealing with potentially unscrupulous agents, yet have the disposable income to purchase assurance products. However, they also suggested that the long-term impact on assurance firms would be minimal, as the industry adjusted to the requirements to fulfil the spirit of the disclosure guidelines required by PPR and FAIS. Others in the industry felt that this legislation would

competitive, knowledge-based economy. The plan is to draw on the expertise of skilled South Africans who live abroad, but who are keen to make a contribution to the country that nurtured them.

have very little benefit, and would increase administrative costs which, in turn, would be passed along by industry participants to clients in the form of higher premiums (Pile, 2002).

• *Role of IT in the Assurance Industry.* IT has played, and still plays, a major role in contributing to assurance firm's administrative and distribution structures, as well as its product development processes worldwide (Hartley & Worthington-Smith, 2003; Symeonidis, 2001; Watkins, 1994). A scan of industry magazines, and other consulting reports, revealed that the issues frequently discussed included: (1) alignment of IT resources with business strategies and processes (Harris, 2002; Trembly, 2003); (2) IT budgets and the financial value of IT to the business (MacSweeney, 2002; O' Donnell, 2002; Symeonidis, 2001); (3) the determination of what to outsource, and how to select outsource partners (Harris, 2003; Trembly, 2003); and (4) the opportunities presented by e-commerce to both restructure, and extend the reach of, distribution channels (Burger, 2001; Hartley & Worthington-Smith, 2003; Kentouris, 2001; Sapien, 2002). These issues and others will be discussed in more detail during the analysis of the cases included in this research.

• *Employment Equity (EE) and Black Economic Empowerment (BEE).* In 2000, the Promotion of Equality and Prevention of Unfair Discrimination Act became law. This legislation became the foundation for establishing EE. For assurers, this law had implications for the valuation of actuarial risk for individual policies. The question on what type of differentiators in risk calculations were appropriate under the 2000 legislation required interpretation (Symeonidis, 2001). Assurance firms, as part of the wider financial services industry, were also employers and had obligations to meet the provisions of "employment equity." Within their annual reports, few of the assurance firms were reporting their EE profiles (Empowerdex, 2003). In addition, the SA government was concerned about the pace in which Black South Africans have been entering the economic marketplace; this had prompted the DTI to issue the Broad-Based Economic Empowerment Strategy under which businesses were expected to provide faster and more aggressive initiatives to support BEE (Martindale, 2003). In response to this endeavour, the financial services industry issued its

Financial Services Charter (FSC), which all firms in this sector were expected to support (Jack, Wu & Lu, 2003). BEE went beyond EE, more particularly, including Black ownership of large businesses. With an industry sector worth R22.4 billion to R65.7 billion, the transfer of ownership was expected to infuse Black-owned community businesses with significant ownership stakes in the largest firms in this sector (Jack, *et al.*, 2003). In addition, the FSC committed the sector to creating jobs for Black South Africans, social investment into various communities to help support education and poverty alleviation, and affirmative procurement initiatives. Distributing the benefits of procurement was expected to infuse R3.8 billion to R7.5 billion into BEE firms (Jack, *et al.*, 2003).

South African Financial Services Firms Included in this Research

Among the emerging markets, SA has a high insurance density as expressed as premiums as a percentage of GDP. In 1999, SA's premium density was 16.5%, as compared to emerging markets average of 2.9% and the industrialised countries average of 8.8% (Swiss-Re, 2000). Table 3 presents the summary of both the *market share* and *assets* for the top 6 South African Financial Services firms, of which four are included in this research.

Part 2-Table 3 – Summary Of Market Share & On-Balance Sheet Assets For South African Firms Included In This Research

Firms Included in Research	Market Share-Retail New Business %				On-Balance Assets	Sheet
Note: Each Firm Given an African Animal Name	Low Income	Middle Income	High Income	Total	Total Assets Dec, 1999 R(000)	% of Total Industry
• Buffalo	30-35	35-40	20-25	30	225,633,494	38
• Cheetah	10-15	30-35	15-20	20	170,947,818	29
• Leopard	0-5	5-10	30-35	15	68,656,758	12
• Giraffe	1-2	5-10	15-20	12	68,751,008	12
• Rhino	25-30	10-15	0-5	7	16,379,768	3
• Elephant*	--	--	--	--	28,575,505	5

* Merger. No statistics available on market share. Asset base estimate after merger.
Source: Symeonidis (2001)

Each firm in the study has been given a code name of an African animal (for confidentiality reasons). What the data show is that the industry was, and still is, highly concentrated, with these

4 firms holding 91%[77] of the retail market share among them. The data in Table 3 also show each firm's market share strength, in each South African income market segment.

In the following chapters of Part 2 (chapters 4 through 8), the four financial services firm cases will be discussed (see Part 2: Figure 1). The reason for choosing the top four financial services firms in this research was because they represented 91% of the market share in SA, they represented a range of competitive approaches, and given that they were the top four meant that trying to understand how each competed and marginally differentiated itself, would give deep insight into the dynamics of competitive advantage. Each case explores the components of the "Framework of Sustainability," using evidence gathered from semi-structured interviews and both internal and external documents about each firm. Each of the cases are structurally organised as follows, in a similar fashion to aid the reader in quickly grasping those elements pertinent to understanding competitive dynamics, and the role of IT, in the Framework of Sustainability:

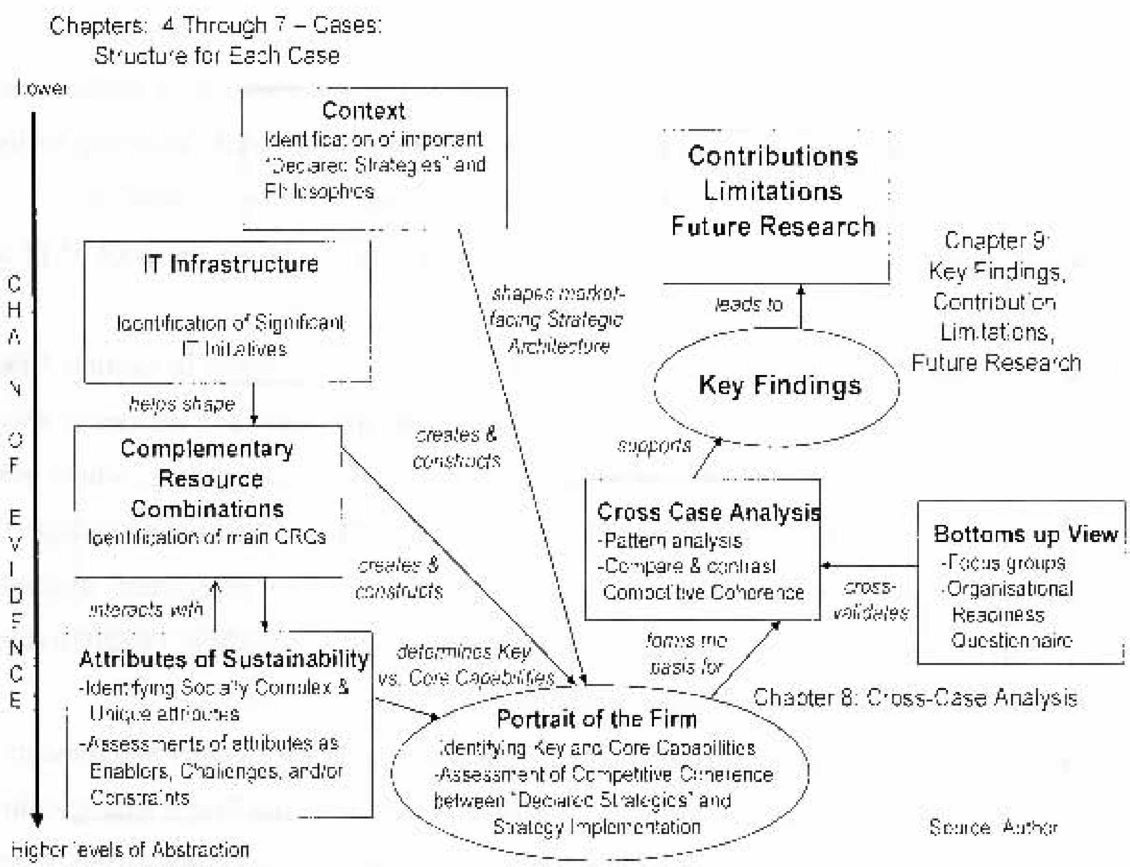
- *Context.* Section 1 in each case (chapter) discusses some firm background, the declared strategic direction and philosophy of each firm; while referring to its high level financial performance and organisational structure in the Appendices.
- *IT Infrastructure.* Section 2 in each chapter begins to address the pool of IT assets, the chosen foundation of the Framework of Sustainability.
- *Complementary Resource Combinations (CRCs).* This analysis in Section 3 for each case explores those combinations identified in the interview and document evidence. Only those CRCs (usually 5 to 8) are discussed fully in each chapter where evidence shows its pertinence and/or how IT enables sustainable competitive advantage.
- *Attributes of Sustainability.* Section 4 addresses the integrated dynamics of sustainability – social complexity and uniqueness, including (when evidenced) knowledge and path dependent elements garnered by the firm.
- *Portrait of the Firm.* Section 5 acts as a summary, pulling together all elements of the "Framework of Sustainability" to construct a portrait for the firm's strategic direction as it faces marketplace competition. Its strategic architecture is discussed in terms of

[77] Elephant's market share not shown; recently involved in a merger.

its key and core capabilities. In addition, the concept of causal ambiguity is redefined to compare the "declared" strategies and philosophy of each firm to their core capabilities identified through the evidence to determine the degree of competitive coherence between both perspectives.

The case analysis forms the basis of the comparative findings discussed in Chapter 8. This comparative analysis explores the relevant impact of the various framework components among the firms to ascertain which strategies, when combined with IT, are either successful or detrimental to maintaining sustainable competitive advantage. Chapter 9 concludes with the key findings, implications and limitations of this research, as well as suggestions for future research.

Part 2 – Figure 1: Flow Chart of Presenting the Evidence



CHAPTER 4: BUFFALO CASE

4.1 Context: Background on Buffalo

Buffalo SA has provided a full range of assurance products in SA for over 150 years. In 1999, policy holders of Buffalo SA agreed to demutualise the firm and swop their policies for stock ownership. The Buffalo Plc was then formed and was listed on the London Stock Exchange. Within the new Buffalo Plc structure, Buffalo SA was designated as a wholly owned subsidiary of Buffalo Plc and listed on the Johannesburg Stock Exchange.[78] Staying abreast with international bancassurance trends, the Buffalo Plc is comprised of a variety of assurance entities as well as major banks (Figure E.1 in Appendix E). Unlike Giraffe, another leading bancassurance player in SA, whose origins were in banking which then acquired insurance entities, Buffalo Group whose origins were in insurance has acquired banking entities.

Although not yet a major trend in SA, the Buffalo Group has begun to globalise its financial services base into other geographies. The Buffalo Group has developed significant footholds in the UK and US, offering a full range of assurance services in these markets. As of 2002, the Group has indicated in its Annual Report that 60% of its business was in SA, 30% in the US and 10% in the UK. Other SA assurance competitors have followed suit, but on a more limited basis. Competitors have acquired "one or two" financial firms in various geographies, but have not established major footholds that provide a full range of assurance services.

In the following section, the declared strategic direction and corporate philosophy will be discussed. Much of the following discussion is supported by documents – both externally published and in-house proprietary information. An inventory of the documents is provided in Appendix C-2. In addition, a discussion of Buffalo's financial summaries and Buffalo's organisational structure can be found in Appendix E.1.

[78] Critics of the demutualisation of Buffalo were concerned about the potential flight of capital and ownership outside South Africa. Foreign Exchange and other regulations were in place in SA to keep this from happening. In addition, demutualisation with policy holders becoming stockholders allowed Buffalo SA to meet the political realities in SA of creating a broader base of ownership of large corporations.

4.1.1 Declared Strategic Direction and Philosophy

The declared strategy and philosophy of Buffalo SA reflects the overall strategic direction and philosophy of its parent Buffalo Plc. Table 4.1 compares the key elements of strategic direction and philosophy of Buffalo Plc and Buffalo SA. The creation of Buffalo Plc was intended to address the evolution of the financial services industry toward globalisation, the benefits of which were to spread actuarial, foreign exchange, and corporate financial risks across several geographies. In addition, with foreign insurance and financial entities entering the SA market, the senior management team of Buffalo Plc felt that restructuring for a global presence was an effective competitive response, both for sustaining competitive advantage as well as growing it.

Table 4.1 Comparison: Buffalo Group and Buffalo SA-Strategic Direction and Philosophy

Primary Strategy and Philosophy Elements	Buffalo Plc	Buffalo SA
• Internationalisation of Business Base to spread risk	Yes. Major Long Term Strategy	Yes. Encouraged to be a major hub of financial services businesses in Africa.
• Social Responsibility with commitment to financial transparency summed up as "The Strength in Diversity, the Power of Focus"	Yes.	Yes. Development of a Social Responsibility Annual Report; diversity extended to encompass Cultural and Ethic Diversity
• Market Dominance in Africa defined by coverage of all market segments in geographic areas.	Yes. Major African Presence with 100% owned holding companies in SA, Namibia, Zimbabwe, and Malawi	Yes. Orientation toward bancassurance, driving customer base growth through acquisition. Organic growth in insurance based upon extensive distribution systems, and innovative products across all market segments in SA
• Technological Innovation a primary driver of group synergy	Yes. Technologies developed in SA used to create synergies in US and other geographic groups	Yes. Different orientation to Buffalo Plc. Innovation used to drive improved customer service through common platforms and customized products.
• Culture of integrated values, and training investment used as primary means of driving change	Not a stated strategy or philosophy	Yes. The "Buffalo Way" in SA defined in terms of balanced growth, integrity, commitment, and passion for excellent customer service
• Employees viewed as important "stakeholders."	Not a stated strategy or philosophy	Yes. Employees considered important stakeholders, as well as a critical "partner" group to meet service commitments

Source: Author with data from website, annual reports and other documents

Within SA, Buffalo SA embarked on an acquisition strategy to create a bancassurance financial hub. As a result, Buffalo SA had acquired majority for full interest in several large banks, as well as other asset management entities. Some investment analysts (Symeonidis, 2001) have suggested that Buffalo SA has taken on increased short-term risk because of the difficulties associated with capturing the synergistic benefits through integration of these acquired entities.

Buffalo Plc has embraced the concepts of "triple bottom line" sustainability, recognising that social responsibility is crucial to both itself the financial services industry for two reasons: (1) firms, like banks, rely on public trust; and (2) as assurers and investors in businesses, Buffalo Plc and its counterparts in the industry are increasingly demanding more accountability from these client firms (KPMG, 2004). Buffalo Plc used the phrase, "*The Strength of Diversity, the Power of Focus*" to express its commitment to social responsibility, while maintaining its financial bottom-line focus of growing shareowner value. Buffalo SA has taken this philosophy further by taking a leadership role in SA to create a parallel reporting structure to its Annual Report that expanded its commitment to "*people, planet, and profit*" through a set of measurable targets. The Social Responsibility Report, started in 2001 and continued ever since, also emphasised Buffalo's commitment to ethnic and cultural diversity (a focus in the country). Within the SA financial services market, Buffalo SA has maintained its market dominance. In the retail sector, it provides products and services to all economic segments of the market, and maintains a formidable distribution channel system composed of both brokers and agents. It has also led the SA assurance industry in creating online distribution access to insurance products as well. Through its scale and market reach, Buffalo SA is recognised (KPMG, 2004) as the market leader in developing products for all retail segments. For the most part, all other assurers tend to be market followers. As shown in Part 2, Table 3, Buffalo SA maintained a 30% market share in the retail sector with its closest competitor maintaining a 20% share.

At both the Plc and SA levels, IT was viewed as an "investment;" however, the perspective differed between parent firm and its subsidiary. For Buffalo Plc, IT investment was seen as providing synergies among the various holding firms. The comments made by its CEO to the investor analyst community in 2001, stressed the transference of technology capabilities between firms. For Buffalo SA, technology provided the basis for maintaining product dominance, and to some extent, common platforms for service provisioning to agents and brokers.

At the heart of its Social Responsibility Report were Buffalo SA's four values that define the "Buffalo Way" which are:

- "*Integrity*: in all our actions
- *Commitment*: to our customers, our communities, and to each other
- *Growth*: for employees, for our customers, for SA and for shareholders
- *Passion*: for results, for excellent customer service."

Since 2000, the firm had invested in training to instil the culture embodied by these values. Buffalo SA saw the commitment to these values as consistent with its vision of not only creating a vibrant internal culture, but also promoting the firm's leadership role in transforming SA – it considered itself "*proudly South African*." Unlike other assurance firms such as Giraffe, employees were not rewarded for their self-initiative and risk-taking, but for their collective support of the corporate vision. and effectiveness in implementing the strategic direction.

4.2 IT Infrastructure

While the previous section set the context for the Buffalo case, this section begins the analysis of the firm, using the "Framework of Sustainability" (Figure 2.2). Although the sustainability of competitive advantage in the assurance industry offers potentially many avenues of investigation, this research focuses on the impact of IT in sustaining advantage. The "Framework of Sustainability" has at its foundation the pool of IT assets and resources. For this reason, the analysis of the text-based interview evidence on IT infrastructure, with its pool of assets, specifically addressed the following "what" questions:

- What were the key IT initiatives?;
- What business functions and processes did these initiatives support?; and
- What were the design goals of these IT initiatives?

Through the analysis of interviews, using the chain of evidence (Figure 3.3), the first level of abstraction identified the code structure and relevant comments made by interviewees on both the IT infrastructure and application resources for all assurance firms included in this study (see Appendix C-3). For Buffalo, this coded data provided insights into the "what" questions described above (a summary of the key insights are shown in Table 4.2). Buffalo Plc touted the importance of IT in achieving their business objectives. Their 2000 Annual Report stated: "*We invest heavily in new technology to deliver lower cost, new generation of products. The result is a range of world class products that meet customers' needs in a demanding market place.*"

Within Buffalo SA, the IT organisation saw its strategy as aligned to the business direction of "improving service to customers and value to shareholders." Within-firm presentation documents (PowerPoint slides) indicated that the IT Group's primary role was to "create Group capabilities." Based on documents and interviews with Buffalo SA employees, IT infrastructure was deployed throughout the firm to support many internal and market-facing business functions. As shown in Table 4.2, Buffalo SA's Intranet infrastructure was designed to improve the internal efficiency of its staff, and communications, processes. As the Head of IT serving the Individual Life client group indicated[79]:

> **B-IT-3:** ... the Intranet capability, is having organisational information. Let's talk about the employer's handbook. It is now available to everybody at a touch of a button ... Buffalo's rules, policies, procedures, all those kinds of things. As a new person, I can sit there and do paced learning ... without having to wade through pieces of paper. I can also have access to things like actuarial rulings about the business, business communication, [and] embedded training.

While its internal IT applications were designed for efficient knowledge transfer, Buffalo's business applications were designed to "make a difference" in the firm's marketing efforts -- specifically the areas of customer service, intermediary support, and product development.

[79] All interviewees who participated in this research were assigned a "name code identifier," in this case "B-IT-3." The first letter stands for the firm "B" for Buffalo, second set of letters indicate the employee's general job function and questionnaire used, and the third is a numerical code to indicate that this is the third interviewee in this group (see Appendix C-1 for list of interviewees).

Table 4.2 IT Initiatives by Business Function-Buffalo		
Business Function	**IT Initiatives**	**Designed for:**
• **Internal IT Group Support Service Applications**	--Internal communications facilitated by Intranet infrastructure. --HR employee information available included employee handbook, employee orientation information, benefits information, claims processing. --Financial information collected through online developed processes. --Infrastructure based on MS Office supported email and other project design and work flow management systems. --Performance management system provided employee "360" feedback and potential areas for training.	--Efficiency in reducing staff costs in areas such as HR and Finance; employees expected to be self-sufficient with little "hand-holding" --Knowledge management; Just-in-time learning facilitation --Collaborative learning; email helped facilitate meeting scheduling; information sharing
• **Customer Service Interface Capability supporting a full range of distribution channels**	--Legacy systems housing 4 million customer policies worldwide, and 600 000 business accounts; required a complete revamping of architecture in which surround middleware systems were effectively deployed. --Deployment of "centric" CRM in which a "common interface" with consolidated Call Centres were created. --Provided full flexibility of distribution channel access to Buffalo customer information and products via web-based portals. --Provided certain, market segment customers with direct access via the web and mobile access to their own customer data.	--Common "look and feel" with seamless transaction; i.e., minimal handoffs of customers --Sustained full channel access with capabilities matching customer need by market segment. --Business value, more than efficiency, the primary driver
• **Product Life Cycle & Market Management: Brand and Product Development supporting all targeted retail market segments**	--Supported the Buffalo brand, which was built on trust and flexible, responsive customer access. IT supported reliable accessibility. --Maintained market leadership through creating leading-edge products in each customer segment; these products required IT support that matched product launch and life cycle characteristics.	--Reliable and flexible customer/broker/agent access to Products --Supported Buffalo's brand image as a leading-edge, trustworthy business.
• **Supplier Chain Management**	--Business direction of outsourcing "non-strategically" critical applications and infrastructure development/maintenance --Vendor selection based on: understanding of Buffalo's business mission; possessing scale and long-term sustainable capabilities.	--Business value and efficiency
• **Alliance/Partnerships**	--Inter-group partnerships an expectation of Buffalo Plc, e.g., expected SA Insurance Group to share IT capabilities, especially in world class web-design, with other Buffalo groups in other geographies. --IT partnerships with small applications development firms to secure programming and software development talent; included purchasing an equity stake in these firms.	--Created and sustained business value
• **New Systems (market support using e-commerce and wireless mobile**	--In addition to web-portals, smaller initiatives supported WAP mobile access.	--Provided both brokers, agents and clients with portfolio/ sales support tools anywhere, anytime
Source: Annual Reports (2000-2005); Presentation Documents; Interviews		

Because many of its systems had grown out of small initiatives sponsored by Buffalo's client groups, its client relationship management was somewhat fragmented. As discussed in IT presentation documents, the key theme of Buffalo's IT organisation was one of integration to improve customer responsiveness, and creation of a seamless interface to clients whereby these clients could receive help from the first person of contact. Buffalo's IT initiatives had also included profiling customers, by creating a fully integrated data warehouse with effective data mining capabilities; these application assets had been utilised to provide robust customer need-data to product management teams, and provided sales lead for cross-selling to the firm's distribution network. Buffalo SA was viewed by industry watchers (e.g., Barnard-Jacobs-Mellet, UBS Warbug, KPMG, Deutshe Bank) and competitors (e.g., Giraffe, Cheetah) as being the market leaders on product design for all retail market segments. The IT organisation played a significant role in collaborating with product managers to create both products, and consulting advice, that met client needs. To support its products, internal IT documents indicated that Buffalo SA developed alliance relationships with third parties to support portfolio analysis and other value-added functionality, to create more robust products which were not easily replicated by its competitors. Buffalo SA was also noted for its on-line capabilities; the firm's strategy was to extend its distribution channels to provide customers with more extensive choice of either using broker/agent networks or direct sales options based on self-service capabilities.

Another aspect of IT business alignment within Buffalo SA was the trend toward "not *controlling everything we do*" to finding selective vendors who could cost effectively manage non-core activities. With large mainframe legacy systems, Buffalo SA had created an architecture in which these systems were established as modules surrounded by middleware infrastructure. This enabled some of the maintenance of these legacy systems to be outsourced. However, legacy systems, especially those associated with customer data, had caused a "significant drag" to the business in terms of cost and speed of product to market. In addition, Buffalo SA's IT organisation was working collaboratively with its internal clients to establish alliances with outside firms who could either provide value-added product functionality, or have skills to cut the development cycle of new products. With IT capabilities for programming being limited, specifically in the financial services sector in SA, Buffalo SA had also been a leader in investing in small IT technology firms in SA. Interviewee comments about Buffalo SA's IT infrastructure were as follows:

B-M-2: … we have a huge disadvantage in a way, that over the years we have built a number of computer systems and because we have always been … leading-edge in various computer systems, we … now have three or four different administrative systems which somehow we have to hook together … We have had to create the ability to bridge between different working systems, different operating systems, different generations, different ways of doing things.

B-M-3: Our main thing is our database system … I mean, over and above the operations and I do not count having PC's, it is {merely} a hygiene factor - but in terms of marketing tools, is definitely the database system and what it allows us to do, and what it does not allow us to do … and that {are} important issues for me.

B-IT-2: CRM {is} the ability to take technology to your clients … to your distribution agents, the people that are actually advising your clients, and to your business partners. It is about being able to interact more seamlessly with all the people that you have business relationships with … The whole Internet and e-commerce channel perspective is also changing the paradigm of the way that business makes use of IT services. Whereas in the past IT was limited to the back-office exclusively, now IT is exposed to your clients and business partners. The reliance of the business on the IT becomes much greater, because without the IT component the business relationship would fail … We are moving it {e-commerce} to where it is becoming a core component of doing business.

B-B-1: We have an electronic IVR {Interactive Voice Response system}, so again, unit holders {clients} can phone in to a Call Centre, which is electronic in nature, and {they} can type into it {their} telephone number, {their} unit holder account number and {their} ID number … and {they} can get a whole host of information, on it.

4.3 Complementary Resource Combinations (CRCs) – Buffalo

While section 4.2 addressed the "what type" of IT infrastructure and applications deployed at Buffalo, this section addresses the heart of the research, i.e., how does IT, combined with other resources, enable competitive advantage and why do these combined resources sustain advantage. This section will discuss the CRCs that were identified through the analysis of the interview evidence. During the analysis process, fourteen CRCs were shown to have strategic relevance (see Appendix D-1 for list of CRCs), and eight were selected as potentially unique in creating strategic advantage, using the following criteria:

- *IT-based:* Many of the CRCs were identified as being enabled by IT.
- *Frequently discussed themes among interviewees:* These seven CRCs were discussed not only by senior leaders, but also other management and line employees within the profit centres.
- *Defined as performance-based resource combinations:* CRCs that were perceived by those interviewed as crucial in creating both market and shareowner value.

The analytic discipline to pursue the chain of evidence-based abstraction as a method of interpreting interview data collected from firms like Buffalo has led to the creation of the tables shown in Appendix D-1. In Table D-1.1, evidence supporting each key CRC is presented. Analysis for each of the eight CRCs is discussed in the following sections.

4.3.1 Market Leadership in Product Development

Buffalo, with its extensive product range, was known for its market leadership in SA (Symeonidis, 2001). This was reinforced by comments made by the Giraffe MD, who strategically had established his firm as a "fast market follower" by cloning Buffalo products. He said:

> **G-M-1:** ...we say products will not differentiate {firms} anymore. We have got the new Buffalo programme, we are going to build exactly the same. It is easy, I can build that in five weeks ... we have got the specifications, we have got {it} all, they have done it.

Buffalo had structurally established a strong, centralised marketing group at the SA corporate level (see Figure E-1.1 in Appendix E) which had the responsibility for establishing overall market direction, managing the corporate brand, and collaborating with the BUs to sponsor market research to support the development of new products to meet customer needs. The firm was willing to invest heavily in marketing research to maintain its product superiority; as its MD of the Unit Trust Business Unit **(B-B-1)** suggested: "*We pride ourselves on being product initiators ... we view our products as building blocks*" so that other products in the Buffalo SA family could use "*our*" products to cross-sell other products. To this end, Buffalo took advantage of its large customer base as not only a means of potentially selling other products, but also as a means of undertaking customer surveys to determine what new products may have fit the needs profile of their various market segments.

To support its leadership in product development, interviewees at Buffalo strongly felt that IT competence was vital to maintaining is product marketing dominance in SA. It's IT product platforms allowed the firm to provide highly flexible linked products, such as investment products wrapped with life insurance. These product platforms were viewed as product environments, and to optimise access and feature functionality, most of Buffalo's product platforms were built on state-of-the-art client-server infrastructure. Interviewees observed:

> **B-B-2:** The focus is getting our {IT} systems up and running to accommodate the launch of new products.

> **B-C-1:** ... {Buffalo} can't go into market with a new product without the IT capability--examples include {Buffalo} virtual bank and policy administration, which are not possible without IT.

> **B-M-2:** ... we have four major different product systems, operating on four major different environments and what have you, and we are building a fifth one. But it does not worry us because we are still able to have an interface, we are able to bring the things together ...

4.3.2 Ubiquitous Distribution Network Serving All Retail Segments

When compared to its competitors, Buffalo's distribution network was unrivalled in terms of breadth and depth of access to the market. For example, Buffalo had 48% more agents and 40% more broker relationships than its next largest competitor, Cheetah. This distribution network had bolstered a highly effective market strategy to be the foremost bancassurance provider in SA. Through 2003, Buffalo continued to maintain its market share dominance in all retail segments. As two Buffalo employees indicated:

> **B-M-2:** ... Individual Life is 2.7 million current policy owners, {and} we are in contact with or we have information on about 6 million people who are associated with those policy owners ... the children, the beneficiaries and what have you, and, in fact, we have got 9 million people on our Individual Life client base, and then we have got the Unit Trust and Group Schemes. So we are in contact with a very substantial proportion of the economically viable population of South Africa, and providing we do the job properly, we have the inside edge, which must be at an advantage ...

> **B-M-5:** ... there are 162 branches, by the way, it is just our agency distribution branches. We have approximately 83 broker branches countrywide.

With a complex distribution channel arrangement, Buffalo had managed to successfully address and keep channel conflicts from becoming a major obstacle. The BUs and marketing department had achieved this through carefully balancing the incentives to, and roles of, the largest channels direct sales and agent/brokers. As two marketing managers observed:

> **B-M-1:** We started talking about distribution ... we have actually been very, very successful on the management distribution, which is a crucial issue going forwards. In terms of the multiple channels, traditionally we have gone via a direct sales force, when that decision was made in the 70's to go with the brokers there was tremendous conflict or anger ... the sales force said {that} they were going to lose business ... there are a large level of customers that will use one {brokers}, but there are also a large

> level of customers who want to interact with Buffalo direct. So there is a complexity of the distribution framework.
>
> **B-M-6:** If you talk distribution {and} you look historically, you say then why has Buffalo been successful – that's one of the most important reasons, it has been our ability to distribute our product. We have managed … successfully … two large, seemingly contradictory sales forces at the same time. We have a tied sales force, those that are employed by Buffalo and sell effectively only Buffalo products. We also work through a broker or independent financial advisor channel. A pretty contradictory {arrangement}… but in terms of the dynamics in the market place itself, it is competitive … there are companies {competitors} which actually either went one way or the other.

IT also played a role in distribution, by providing brokers and direct sales with the ability to access customer information. Through IT, Buffalo was able to maintain agent loyalty and keep the sales force efficient by making access convenient and reliable. As one interviewee pointed out:

> **B-B-1:** We make use of human distribution to sell our product. People sell products in order to earn commission, so that they can feed their families. So one has to pay their commission quickly. But firstly you have to be able to provide them with products that they can sell. So again you get back to performance. To make their job easy, you need to provide them with funds {products} that are performing, you need to pay their commission, you need to make their client servicing … with their clients, painless … we will be rolling out password-protected Internet access – the ability for a broker to look at all his clients accounts, over the Internet.

4.3.3 Cross Selling Using Alliances

Buffalo had a significant competitive advantage in that it had more than 2.7 million policy holders, which represented about a 25-30% SA market share. This dominant market share position across all retail segments had created a critical secondary advantage of a large customer base from which to cross-sell other insurance, banking, investment and related products. Some of these "related" products had created alliances with outside firms. For example, marketing and other firm-based literature had highlighted "wellness" awareness by packaging healthcare insurance products with gym membership discounts, and investment products linked with popular boutique unit trust firms. Interviewees confirmed this market strategy by indicating:

> **B-B-1:** {Buffalo} has a company within it called {Buffalo Investments}. And within {Buffalo Investments} you have an endowment product, through that endowment product, you can select one or two of the Fedsure {Investec} Funds … the management of our funds is outsourced to Fedsure {Investec} Asset Management. So it's incumbent upon Fedsure Asset Management to employ good fund managers within their whole organisation. We do outsource to another company called {Newcut} Investments but their speciality is the management of funded funds.

> **B-M-1:** … again {we have} a very strong position in Buffalo Life. Where we have gone into the linked products in the market {is} through {Planetarium}, which is a Buffalo Bank product.

A key to exploiting product bundling as a market strategy had required Buffalo to develop more sophisticated data warehousing applications that enabled cross-selling of insurance and investment products across BUs. Buffalo and its competitors recognised the marketing advantage of linking, or bundling, insurance products with investment and banking products. Each firm was competing to be "the one-stop shop" for clients, especially in the upper- and middle-income segments. Interviewees reinforced the market dynamics of cross-selling, and the importance of data warehousing to support its market reach:

> **B-M-3:** … those are complementary products … people will have life insurance for a very good reason, and people will have unit trusts for a different reason and … usually have both in their portfolio in balancing everything out. There are so many more players coming in to the market and lots of linked-product companies coming in, and a lot of the money coming in through the linked-product company so you know it is quite competitive.
>
> **B-IT-3:** … you buy a policy, you buy property and you now put {in a} change to the address … there is opportunity, what other things are you missing, do you have life cover … we can get in there. But then it is a first-mover kind of advantage. So 'maximise the revenues' thing is about consolidating the customer information … Now the challenge for us, in our business, is because you can buy life insurance products and you have got a million Rand cover, why do you need to speak to us again, there is no reason. Now how do we create a need for you to interact with us, or how do we create a vehicle {so} that we can stay close to you … {One way is that} we will be able to sell other people's products through our distribution capability.
>
> **B-IT-4:** Key capability is taking the {Buffalo} brand and offering unit trusts, life products, pensions and filling the gap that's not there, i.e., offering people some banking deposits, mortgage loans so that {Buffalo} has a better offering to its client base.

4.3.4 Business-Aligned IT to Drive Organic Growth and Efficiency

The assurance industry in SA, like the banking industry, was highly dependent on IT (KPMG, 2004; Symeonidis, 2001; UBS-Warburg, 2002). Buffalo was no exception. Within both the Annual Reports at the Plc level, and the Social Responsibility Reports at the SA level, the role of IT was highlighted as being an integral part of meeting Buffalo's long-term strategic objectives for growth. For example, from a market perspective, the 2000 Buffalo Annual Report stated that: "*We invest heavily in new technology to deliver lower cost, new generation products. The result is a range of world class products that meet customers' needs…*"

IT professionals, as well as other BU employees, interviewed at Buffalo SA acknowledged the significant role played by IT in meeting business needs. All of them consistently stated that IT investment was driven by business requirements. One BU-placed HR manager felt that IT, throughout Buffalo SA, was highly influential in not only supporting the firm's direction, but also shaping the structure, process, and employee behaviour. In other words, IT had much more influence at the senior level of the business than did the HR function. Observations about the business alignment of IT are indicated as follows:

> **B-C-2:** It's mainly skill I would say, in understanding the business ... Innovation and the ability to move quickly and come up with new ideas and put them into the marketplace ... stay ahead of the bunch, stay ahead of your competition. Spend enough money on development and growth, not maintenance. It does affect your profits, but in the long-term the benefits are there ... because the time for delivery is getting shorter and shorter, and it's only with IT that you can actually deliver on time.
>
> **B-IT-2:** ... it is about combining IT to create, with innovative legal framework thinking, an environment which provides a level of service that clients would take. Finally the online brokerage... it is very definitely a strong IT initiative, or where IT is strongly involved, because it is really through the creation, or it is really through the delivery, of IT capability that the business initiative is at all feasible.
>
> **B-IT-3:** I think people recognise the fact that IT is a key player in that role. I think that what they are grappling with more is how do you manage it ... because, at the end of the day, you can deliver the system ... {it} is a fairly relative or easy task. Extracting the value out of that, is the trick ... what is IT going to do.
>
> **B-IT-4:** The nature of the business {unit} is electronic, so it's enabled by technology – so it's very IT-centric. In the old phase of the Bank, the IT department has been the biggest department. It's only now that ... the user areas are getting bigger, but IT has been the bigger area – investment-wise ... In terms of enabling, it enables the business to run through what it builds, and what it puts on the table .... I have responsibility for Buffalo banking services, and we have an IT strategy which is closely linked to the business plan – it's the business proposition/case/strategy which links into the IT strategy.
>
> **B-M-3:** I think ... distribution does not exist on its own .... They kind of interrelate in so many different ways and require trust — with marketing and IT input, operational input to the resources and skills. IT is as important in distribution, as it is in marketing, as it is in operations ...

4.3.5 *Expectation that Employees Co-Create Bottom-Line Success*

As stakeholders in the business, Buffalo regarded its employees as "co-creators," not just "implementers." For example, Buffalo's senior management team made a concerted effort to engage Buffalo employees in creating "Siyakhula – the Buffalo Way" in which the values of integrity, commitment, passion, and growth were established. Siyakhula is a Xhosa expression "we are growing." As stated in the 2000 Annual Report, and reinforced by other documents, Siyakhula "*...aims to harness our employees' energy within our overall business strategy and to* *ensure that the virtuous circle of satisfied customer needs, shareholder value, return to the community and employee development is completed.*"

As one of the largest employers in SA, Buffalo's senior management team recognised that maintaining a committed, passionate workforce was extremely challenging since the firm still supported the "career" concept, in which employees were encouraged to establish a career path within the firm (even it was between different BUs). However, by 1999, it had begun recruiting leaders externally to bring in "fresh ideas." As an "equal opportunity employer," Buffalo supported the SA EE plan; it prided itself in having 40% of its operating profits under the senior leadership of Black and female executives. Interviewees observed:

> **B-M-2:** ... until relatively recently Buffalo's HR policy was to develop its' staff and so ... the number of senior external people that were brought in was very small and that certainly helped, the moving of people around ... the great advantage of recruiting somebody from within the organisation and not necessarily within your particular line, is that they always bring in some other knowledge, some other skills, some other experience ... it started off many years ago—{the} CEO's philosophy was that he would recruit people who had educational disadvantages ... which made them so much more loyal to him, much more difficult to poach, and therefore much more developable.

> **B-M-4:** ... {what} we are constantly refining is internal management process{es}, which tries to identify people who are high-flyers and try to give them opportunities, as early as possible ... either through strategic projects, or through new small business units and give them that sort of responsibility and freedom. I wouldn't call it entrepreneurial, that would be overselling, but to give that type of opportunity to somebody whom you see as a future leader, I think ... {it} helps you to ensure that they stay put. And we're a large enough business and we're creating new businesses fast enough that we can do that, so that's quite good.

> **B-M-5:** I'll give you an example ... I am currently looking for two people, there is a countrywide message going out within Buffalo. Coincidentally, it just happens to be part of the new employment equity bill which says you now look inside first, and then you {look outside}, but it is so entrenched within the culture that it was not a transition.

In its Social Responsibility Reports for 2001-2, Buffalo SA also portrayed itself as a highly progressive employer with a variety of workplace programmes (e.g., HIV/AIDs awareness, and employee well-being programmes – EWP). Its benefit plans for medical coverage, profit incentive plans and life assurance benefit retirement funds were touted as an effective "total package" designed to motivate and retain employees. Since 40% of its employees were union represented, many of these benefits had come through negotiated settlements with its unions. In addition, Buffalo had supported a variety of "leading-edge" HR practices such as balanced scorecard arrangements, and 360^0 feedback programmes as part of employee evaluations, on a BU rather than firm-wide basis. Buffalo also had invested heavily in training. It maintained a Buffalo Business School through which a "blended learning" approach used e-learning, short courses, and interactive workshops as a means of training. The interview evidence also confirmed many of these HR policies outlined in documents.

> **B-B-1:** ... training is essential and we're very big on that. We're not scared to spend money on training people.
>
> **B-B-2:** We used to do a transformation project, very intensive process which we started. We actually had a lot of achievements with the whole project – restructuring, implementing things like balance scorecards to track performance to reach financial goals ... We started to implement all of that {in the} total business and IT ... they are actually doing a whole performance measurement on a balance scorecard basis ... then we changed to more of a change management approach, which is completely different actually.
>
> **B-IT-2:** I would really not enjoy dealing with people that are not prepared to up-skill and train themselves, and use the business as a facilitator. To me the business does not go and say ooh, wow, it looks like you are due for your training this month. People must be constantly up-skilling and re-equipping themselves ... the business needs to provide a setting in which learning is a culture, as it were ... specific types of people display a far greater attitude and receptiveness to learn ... those are clearly the people that you want.
>
> **B-IT-3:** ... we have rolled out is a system now called Aviator which is a 360 degree web- enabled performance review system, {where peers} make comments against a set list of criteria ... they {colleagues} go along and they fill in all these questions against your job ... alright, the system collates all that stuff, prints out a graph about how they see you in each of the different categories, how you see yourself, how they see them. So it is a non-confrontational way of dealing with conflict.
>
> **B-IT-4:** We use training in a very wide format. We probably subscribe to learning organisation principles, and part of our value system is that learners are being self-driven to be masters at our craft. So there is a lot of emphasis on people teaching themselves ... then mentoring and teaching and sharing knowledge, rather than a big investment in formal training. We do use training if we need quick access to skills, or some standard {approach to things}.

4.3.6 Program Office established to support Large Business Projects

Although BUs had some discretion on IT spending, the sheer size of many projects required that a business case be presented to the Buffalo SA IT committee, composed of the firm's senior managers, for approval. The primary criteria for accepting or rejecting large projects was whether or not it met the internal hurdle "ROIR[80]", which varied over time as the risk and capital costs changed for the firm. Another criteria was implementation risk. Buffalo had adopted the concept

[80] Return On Investment Rate.

established by extensive research in IT that multi-year projects had exponentially more risk, and that prototyping and modularised project implementation mitigated implementation risk[81].

Once the decision was made by senior management and the business sponsors to approve projects, Buffalo had established a Program Office to further improve implementation efficiency. At the time of the interviews, this was a newly formed entity. This centralised IT Project Office managed and coordinated large – over R25 million, multi-BU projects. Buffalo's also used a joint management approach to large project implementation, where both the Business Sponsor and IT project manager had joint responsibility. This project implementation process partnership reinforced the concepts shared under the "Business-Aligned IT" CRC. Buffalo's Program Office's role was mainly coordinative and facilitative. The Program Office maintained a database of all projects. This not only gave anyone interested in a particular project a status report, but also facilitated cross-BU sharing so all business managers had the ability to see projects as they developed and determined if they wanted to adopt the same IT infrastructure. With respect to project implementation, interviewees made the following observations:

> **B-C-1:** There is a stringent procedure for projects that cost more than R25 million; the case for the return on investment needs to be proven … Project management is important, although the problem is understood, it's still a problem to bring in projects on time.

> **B-C-2:** What we typically have in running our projects is that we have both an IT project manager and a business project manager. Together they run the project. Now typically the business guy depends on the IT guy to tell him when things will be ready. The business project manager is responsible for marketing, training, communication so there is a critical relationship. There is no sense in developing a new application and then no- one is using it because they are not trained.

> **B-IT-3:** We have just recently established a project office, programme office for the Group but understanding what is happening at the Group level, so you can log in and find out what the ongoing projects are, why do I need to repeat them, why don't I just log into, so start sharing information across the organisation … {that's what we do}.

> **B-IT-4:** I think in the future we'll just continue using the model in terms of how we formalise our project management as well. What we have there {are} all of our projects are business-driven/led … IT projects. So we attach a business driver/reason for doing all strategic projects, even if it's a big IT project like choosing a new ERP system or whatever – it's normally linked to a business sponsor, who has a problem to be solved or a reason why it's meant to be done. They then provide the governance on what's to be delivered … so it works quite well.

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[81] Research by Feeny (1997) that to successfully exploit the business benefits of IT; he uses the metaphor "dolphin, not whales" to illustrate the need to prototype and modularise large projects. Sauer (1993) has studied why large multi-year projects fail, and has come to similar conclusions.

4.3.7 Corporate Governance Vertically Integrates Firm

As a global firm with BUs throughout the world, and due to the scandals in the US (e.g., Enron and WorldCom-MCI), Buffalo Plc had taken steps to make more explicit its governance structure and codes of conduct. At both the Plc and SA Group levels, Buffalo's governance structure was vertically integrated to maintain policy control. In the Social Responsibility Report-2002, the Buffalo SA Group MD claimed that "*globalisation, governance, and corporate citizenship have merged as mainstream policy issues for corporates {sic} in these first turbulent years of the 21st century.*" The gravity of its governance was linked with its drive toward fiscal transparency, integrity, and triple bottom-line reporting – the foundation of the Social Responsibility reporting. One of Buffalo SA's four core values was "*integrity in all our actions.*" Integrity was at the heart of Buffalo's brand image as a reputable, reliable assurance and investment firm. Below are comments made by interviewees on Buffalo SA's governance structure:

> **B-C-1:** At business unit level, there are references to IT throughout the document on Buffalo's vision … IT doesn't exist by itself, therefore it needs to follow the governance structure of the business ….

> **B-IT-2:** … the governance and business ideas need to be aligned. So, in other words, a business as a whole needs to have a risk profile or a risk setting, that must determine the level of governance that you have … So, at the very basic level, governance is not a simplistic issue, because it has to be related to what happens in the business – that implies certain fundamental criteria about governance. One of those criteria is that governance must be flexible. So that is a big challenge, it is how do you achieve flexibility in your governance … I don't believe that Buffalo is alone in its plight of not having solved that problem. I believe it is a general issue {for the industry}.

> **B-IT-4:** IT sits on the executive, and it's part of the business governance. There is full awareness of what's going on. The other thing is that the team operates in terms of key decisions, strategies, that kind of stuff. If you do decentralise, because of size, you need some kind of governance in place that ensures there is alignment to standards and reuse of things that have been done before. I think in a group like Buffalo, where we have a combination of centralised and decentralised {entities}, it's difficult to get all the ducks to fly in a row … It's control, there's top down control, there's full buy-in to the values, the vision, standards, the strategy … there is full accountability to every facet of IT in one place.

4.3.8 Outsourcing Partnerships in IT Designed for Efficiency

In 1999, Buffalo SA's budget was estimated to be in excess of R500 million per year (Symeonidis, 2001). Although a benchmarking study concluded that Buffalo's IT costs were "reasonable" given its size, when compared to other assurance firms, the firm was assessed to have a significantly higher overall expense to revenue ratio than its other SA competitors. As a result, all costs, including those expended on IT, had been scrutinised to improve shareowner value. One of the strategies used by Buffalo had been to find partners that were willing to share the risk of developing large infrastructure projects. Buffalo SA had learned through failed projects that "off the shelf" applications, rather than "in house" developed applications for administrative backroom functions, were much more cost-effective to implement. An interviewee gave one such example:

> **B-B-1:** I believe we make better use of our technology resources. I'll give you an example: We do {help service} 60% of the unit trust industry through use of a common admin. platform, called Limon. Now we've done development work on that system which Limon then sell on to others, and then we earn a commission or a fee for that.

Because it had assessed its IT maintenance costs to be high, Buffalo had pursued strategic alliances as a means of driving efficiency. For example, Buffalo accrued a large maintenance cost for supporting its large legacy systems. Much of this IT costs were employee salaries. Because of its commitment to its employees' careers, Buffalo SA had been reluctant to implement transformation plans that called for large-scale employee redundancies. To solve this problem, the firm had outsourced its entire mainframe asset and IT staff infrastructure to an outside alliance partner, Global IT Outsourcer. The firm had also learned that infrastructure for even new applications, such as those supporting online access, should also be considered candidates for outsourcing if the right partners were available. Below are some of the comments made by interviewees on Buffalo's outsourcing efforts:

> **B-C-1:** The future is to link all the {Buffalo} firms worldwide, and to outsource Internet infrastructure.

> **B-C-2:** Specifically, in our scenario, where we have outsourced our infrastructure to an external provider ... that relationship is critical. It is governed by a contract, but the contract is not enough – you need a relationship.

> **B-IT-1:** ... so we had resources transferred across, and equally a degree of Buffalo's IT infrastructure became {Global IT Outsourcer} assets as well. So, for example, Buffalo's mainframe machines are now {Global IT Outsourcer's} ... One has to remember in outsourcing that you can't just be buying resources and not buying equipment, and service. Buffalo is looking for the best service and the best service level, for the best price and equally {Global IT Outsourcer} is looking to provide that and obviously all the way along the line to reduce Buffalo's cost ... 400 staff ... have moved across to the {Global IT Outsourcer} organisation ... so they have moved from a backroom in Buffalo to a front-line job in {Global IT Outsourcer}.

> **B-IT-2:** ... the IT infrastructure management is outsourced to {Global IT Outsourcer}, but still {I have} a responsibility for making sure that relationship, and budgets are clearly {defined} .. We outsource lots of things ... the bulk of what I do is outsourced, so it is about managing our components, and managing things that are done rather than doing it all ourselves ... We are not specifically working with {one} partner ... the strategic thinking and the business and the marketing and the distribution aspects of IT are

all internal to Buffalo. Clearly what we are looking at is creating an administration hub, what we are saying is that some of the transaction capabilities and the operation capabilities are commodities in business today, and that those things {functions} we can in fact benefit by "commoditising" them.

B-IT-3: Having the capability to share with your partnerships, having capability here because I scaled up to sell them to new markets, why can't we sell, administer products for other companies. One of the ways of bringing down my cost is by creating a variable cost out of it. Part of our challenge is our 1500 mips capacity, for example, let's use that argument .... but I only need 1000. Now I sell it off ... I can pump other people's business through my capacity because part of the {IT} market is cost scale, and economies of scale. I can also sell into other markets internationally, and administer here and get a cost efficiency.

B-M-6: I have been very involved in outsourcing our infrastructure and development. Our IT structure development and we have just gone through that.

4.4 Attributes of Sustainability

The "Framework of Sustainability" (See Figure 2.2) was designed to be a model that explored how firms create their strategic architectures to continuously meet the demands of the marketplace. The CRCs themselves are fundamental building blocks of this architecture. However, CRCs have asset-like qualities which make them somewhat inert unless acted upon in combination with catalytic forces within the firm. The attributes of sustainability are these catalytic forces which enable, potentially constrain or challenge sustainable competitive advantage.

Within the "Framework of Sustainability," two types of attribute categories had been identified for Buffalo: they are social complexity and uniqueness. Social complexity attributes are those "rareness" qualities that are accomplished through the actions of people. Uniqueness attributes, on the other hand, are those "rareness" qualities accomplished through the DNA-like routines of the firm, i.e., the dynamics within the firm of its functions, processes, control mechanisms, and structure[82]. The evidence gathered through documents and interviews identified three social complexity attributes and five uniqueness attributes for Buffalo that characterised core capabilities, and differentiated them from key capabilities within the firm's strategic architecture. The evidence gathered through interview data are shown in more detail in Appendix D-1 in Tables D-1.1 and D-1.2. Again, as stated in the Research Design (see Chapter 3), the prism through which the evidence was analysed is the interplay of attributes with the firm's IT infrastructure and

[82] These DNA-like routines are described by Nelson and Winter (1982) as being the basis upon which evolutionary transformation takes place within firms.

capabilities. This interview evidence, in combination with the document evidence for these eight attributes, is discussed in the sections that follow.

4.4.1 Social Complexity Attributes

The three social complexity attributes identified during the analysis of interview and documents evidence are shown in Table 4.3. In keeping with the conceptual "Framework of Sustainability," the linkages to the CRCs are indicated in the table. It is important to note that interdependence among the CRCs make it unfeasible to establish a "causative" conceptual framework, in which social complexity attributes deterministically act upon CRCs to drive sustainable advantage. The same holds true for uniqueness attributes. However, an analytic assessment framework has been established to indicate the degree to which social complexity or uniqueness attributes "enable," "challenge," and/or "constrain" those resource combinations that drive a firm's capabilities to meet the demands of its marketplace (see Table 4.3). Each of the three social complexity attributes identified through evidence is discussed below.

Table 4.3 Attributes of Sustainability: Social Complexity for Buffalo

Sustainability Attributes	Assessment: Enable, Constraint, Challenge	Which CRC(s) Impacted
The "Buffalo Way" Culture—a commitment to integrating multiple stakeholders through the integration of 4 core values (integrity, commitment, growth and passion)	**Enablers:** • Employees' bottom-line focus seen as investments (such as those) • Shared culture acted as catalyst to create complementary market approach across BUs **Challenges:** • Changes in environment required vigilance among employees to continuously adjust • Requirement for careful balancing of both complementary and, often, disparate needs of stakeholders	• Expectation of employees to "co-create" bottom-line performance • Governance process integration to reinforce codes of conduct and values • Business-aligned IT as a lever to organic growth and efficiency
Senior Leadership engaged in "direction setting" with heavy reliance on integrated processes, formal committees, and teamwork to govern daily action and	**Enablers:** • A "federated" approach to organisational structure with Plc strategy, processes, governance principles and formal committee structures provided the needed vertical integration for implementation success • Some degree of autonomy was given to Groups with BUs primarily based in the UK, SA, and USA **Challenges.**	• Expectation of employees to "co-create" bottom-line performance • Governance process integration to reinforce codes of conduct and values

project implementation	• Maintaining the proper balance of centralisation to obtain Buffalo Plc synergies and decentralisation to encourage innovation with rapid response to local markets • Facilitating knowledge sharing (e.g., IT applications) among widely dispersed global BUs • Establishing enriched discussions on business issues through the representation and input of relevant stakeholders	
Employees valued for longer career contributions to teamwork and collaboration	**Enablers:** • Low turnover, with employees heavily invested into the Buffalo Way and culture • High likelihood of maintaining governance principles since turnover was low • Employees encouraged to focus on the success of the business, rather than looking for their next job • High likelihood of retaining accumulated levels of knowledge and experience within the business **Constraints:** • Low turnover may have caused complacency and negative path dependent behaviour • Commitments to employees may have created difficulties with re-structuring to improve the bottom-line.	• Expectation of employees to "co-create" bottom-line performance • Governance process integration to reinforce codes of conduct and values • Outsourcing partnership for efficient management of "backroom" IT functions

Source: Author's analysis of interview and document evidence

4.4.1.1 The Buffalo Way

The Buffalo Way Culture was designed to integrate multiple stakeholder interests. As mentioned earlier, the Buffalo Way was also referred to as "Siyakhula[83]." In its Corporate Citizen (also called the Social Responsibility Report), Buffalo had established four cultural values:

- **Integrity** in all our actions
- **Commitment** to our customers, to our communities, and to each other
- **Growth** for employees, for our customers, for South Africa, for Shareowners
- **Passion** for results and for excellent customer service

Buffalo's website indicated that these cultural principals were "*now fundamental to the performance management process that is applied to measure the performance of all Buffalo*

[83] "Siyakhula" which in Xhosa means "we are growing."

employees." Employees at Buffalo SA supported the overall cultural transformation that had taken place in the firm, and had participated in designing the four commitments - they were particularly cognisant of the firm's need to have a unifying culture that engaged all employees to share a common market approach toward customers. However, the complexity of implementing cultural transformation to a "less bureaucratic," flattened organisation, with autonomous BUs and self-managed teams was complex, and often less than perfect. Comments made by employees interviewed were:

> **B-HR-1**: I think you've got to do some of the stuff we were trying to do ... flatten the structure, move more to self-managed teams, move to multi-skilling and sort of revitalize the culture ... It doesn't just happen once off, you've got to build it into the culture – that's a culture {that} continuously renews itself ... I mean, in any transformation process the first thing one needs to do is allow the catharsis of the feelings, one allows the openness, the honesty and we really got that.

> **B-IT-3**: I wanted to say it is probably that simple, {but} at the same time they are complex because we know organisational culture of the organisation of this size is not something which you just switch on and switch off.

> **B-M-6**: So when I arrived here and try and tell you I've got a large policy {that includes} unit trusts and asset management ... you cannot do that if you are working for one business unit, or they are not talking across each other in terms of sharing information ... so you obviously think {integrating} organisational cultures. That's critical ... I would say that Buffalo is going through incredible changes at the moment.

Employees interviewed also spoke of maintaining integrity as the most important, yet most challenging cultural value to maintain, because it required employees to make judgements between the interests of customers and those of shareholders. Corporate governance, for example, reinforced the concept of integrity as the foundation upon which Buffalo conducted business. Employees stated that:

> **B-C-2**: The other thing is our values. Our key value is integrity.

> **B-M-1**: It {integrity} is part of the value system, and it also has contributed tremendously to our success. But, on the other hand, our success also enables it because we are not under such pressure to cut corners to achieve the bottom-line to keep the shareholders happy .. That is, of course, the other challenge which is a to achieve the bottom-line to keep the shareholders happy ... That ... is a change. Previously, we only had to keep the policy holders happy, and now we {have} got to keep the policy holders and the shareholders happy ... we are looking much more closely at profitability, and having share price {as an incentive} does help. You are encouraged to think: "What can I do to help Buffalo's share price?"

> **B-M-5**: A big one is integrity ... probably the biggest. You find {that} when you speak to competitors they will say, "We don't know how Buffalo actually happens to be able to that because they are such a

> conservative company?" You know, we will never cross the line between ethics and what is wrong, you know. There is a way of doing business and it is all about integrity, and clients know that.

4.4.1.2 Senior Leadership Direction Setting

Senior Leadership's direction-setting relied on integrated processes, formal committees, and teamwork to govern daily action. Because of its size and global reach, the senior leadership style was characterised by its heavy reliance on not only cultural values, but a "federated" organisational structure with fairly autonomous BUs[84]. As a result, senior leaders had specialised in strategy-setting, with the delegation of implementation to BUs to manage specific market segments and product clusters. One of the senior HR managers felt that the challenge, or potentially a constraint for the senior management team at the Plc and Group level was maintaining the appropriate balance of control and structure to stay connected to the business.

> **B-HR-1:** ... {there is} high intellect on that management team. They're a bunch of very, very clever people. A bunch of individualists, but they're very clever. And they have a very high strategic ability ... which is very unusual – they don't know how to structure internally to achieve what they want to achieve.

Business unit leaders had operational autonomy to manage their respective organisations to achieve negotiated financial targets. Outside of the BU, governance overview was achieved through committees, such as the Strategic Project Management committee that approved large infrastructure investments. The business planning process also maintained alignment of BUs with the overall direction of the firm. In addition, key functional alignment was achieved through a formal structure of standing committees that met weekly. For example, the marketing committees met to minimise channel conflict, and the IT program office met regularly to share project successes and review major inter-business infrastructure milestones. Interviewees made the following observations:

> **B-C-1:** Now through a process, that we call BITS, which is business-IT strategy, we went and established what the business needs were, and {subsequent} priorities for the next 3 years. So we have therefore got 10 strategic programs that we're running that relate to these business priorities.

[84] In the debate on centralised versus decentralised organisational structures, Hodgkinson (1996) developed a third alternative called a "federal structure" which takes advantage of the employee participation found in decentralised structural options and the efficiencies established through common practices and processes found in centralised options.

> **B-IT-2:** So today there is some championing required … These things you can't do at the bottom, you can't drive marketing campaigns and other initiatives of business, they have to come right out of the top of the business, it has to be what the business wants to do – it is about creation of goals, it is about creation of desire, it is about motivation. If people know where they are going, they know what they must do, they really want to get there and you can leave them and they will get there.

> **B-IT-3:** We have done a lot of work in the last year, putting in what we would term business governance controls … alright, where the business projects have become business justified from either a return on investment, net value, whatever way you want to determine the financial criteria, or the hurdle rate for that investment in the business and … anything over R50 000-00 has to go to what we call the Business Alignment Board. So all these processes get justified and approved by this Board, who manages the investment made into IT.

> **B-IT-4:** The other thing is that the team operates in terms of key decisions, strategies, that kind of stuff ... centralised {and} decentralised have pros and cons. The one thing is size – I think it's hard to control something from a central point of view if it's very big. If you do decentralise, because of size, you need some kind of governance in place that ensures there is alignment to standards, and reuse of things that have been done before. I think in a Group like Buffalo, where we have a combination of centralised and decentralised, it's difficult to get all the ducks to fly in a row … It's control, there's top down control, there's full buy-in to the values, the vision, standards, the strategy – there is full accountability to every facet of IT in one place.

> **B-M-3:** A lot of that cooperation, that you want to call it, happens at executive team level – I think there is 7 or 8 on a team, e.g., IT, operations, marketing, distribution, product developments. We meet every single week and there is a lot of formalised forums for those kind of interactions … we have on a Thursday the marketing distribution meeting every week – and we get together and talk about all the initiatives, and what needs to be done, and all of that – so there is an enormous amount of cooperation, and I find people are very good about calling in people and talk about other resources that they need – if there is a big project on the go and then there is normally somebody from every discipline involving a project team … and so that does not seem to be a problem in this company at all.

In addition, there was some indication that Buffalo's internal career success emphasised functional, rather than bottom-line, experience needed by BU heads. For this reason, and also to bring in a fresh leadership perspective, Buffalo SA had hired senior management from the outside. As a result, one interviewee said:

> **B-M-4:** If one looks at the management team, the top management team, I don't know how many of them are new to the company … some 40-50% have arrived in the last 5 years, which is a good balance … I don't think you want more than that because you must have continuity, and you must have opportunity for people in the firm to grow.

4.4.1.3 Employees Valued for Career Contributions

Employees were valued for their long-term career contributions to teamwork and collaboration. This attribute complemented the Buffalo Way and the leadership style attributes of the firm, in that employees were valued for their accumulated experiential knowledge that they brought to any team. As the Corporate Citizenship for 2003 indicated: "*We believe that the efforts of employees* *that co-create the success of the company should be appropriately acknowledged. Our pay systems are structured to recognise both the contribution of individuals, and the performance of the business in which they work.*" As stated earlier, one of the Buffalo SA's CRCs was the expectation established by senior leadership of employee's roles as co-creators of the bottom-line. This social complexity attribute demonstrated not only the commitment to "co-creation", but how it had been institutionalised in the firm. For example, Buffalo had launched several initiatives during 2001-3 to reinforce the participatory nature of its workplace culture, which valued diversity and respect for all employees irrespective of ethnicity, gender, or age. In addition to its commitment to diversity, Buffalo's investment in people, through development and training, were acknowledged by several interviewees:

> **B-IT-2:** ... there was pretty much a representation {there}, on each area of the business ... and it makes for some interesting {dynamics} ... some views and how different people look at them. But the thing is it does also, if one can draw it all together ... it actually makes for very powerful solutions.

> **B-M-6:** ... quality of training in management of those people {and} development of those human resources. It is often said that {Buffalo} is called a University. One of the things that pull you to the organisation is the quality of people. That of course works across the business, so it does have a tremendous depth of people ...

This commitment to long-term careers, and employability, for employees had the advantage of retaining the focus and loyalty to the business – employees therefore focused on their current work responsibilities and teamwork, rather than searching for their next job. However, there were constraints as well. Long-term employees could have become complacent, and rely on old patterns of behaviour to solve problems which may have required a fresh approach. As indicated earlier, Buffalo had begun to bring in new leadership and had encouraged its employees to transfer knowledge and insights within the firm to keep their minds and perspectives "unfrozen" to new ideas and solutions[85]. As a result, interviewees were comfortable with the new direction, were encouraged by the possibility of more movement within the firm, and felt that the new recruits added a healthy dimension to the long-term success of the firm. As three interviewees claimed:

> **B-M-2:** I think that Buffalo is quite good at developing people and giving them the challenges which keep them. The other thing is ... movement of people across business units, and it also helps create

[85] Unfreezing is a concept identified by Kurt Lewin (Gold, 1999) as the basis upon which individuals and groups change.

> synergy, it helps create understanding. Certainly, in order to be a qualified actuary, you had to have worked in different areas. People say, "Well, we are looking for someone to head or to run this particular business function or this particular thing," and then look across the whole organisation to see whether {they} can't move people around.
>
> **B-M-3:** ... it is really nice to have young leaders in this company, because I am sure you know the rest of Buffalo is very old, and it is full of a lot of older people who have been here since {they} started. It was their first job, and 25 years later they have risen through the ranks.
>
> **B-M-4:** I've seen incredibly talented people join the organisation from outside, now that's quite new for Buffalo ... it had a little bit more of a civil service feel ... I think the people mix, that we have now, is pretty impressive.

As shown in the Table 4-4, Buffalo's HR strategies may have come into conflict with its commitments to shareowners. For example, Buffalo had outsourced its mainframe assets and employees to resolve the need to improve bottom-line efficiency, without making IT staff with mainframe experience redundant. In the future, when faced with similar choices, Buffalo may need to re-define its commitment to its employees.

4.4.2 Uniqueness Attributes

Through the analysis of interviews and document evidence, five "uniqueness" attributes were identified as the means by which Buffalo levered its CRCs to sustain its competitive effectiveness. The following Table 4.4 presents a summary of these attributes, and each of these attributes are discussed below.

Table 4.4 Attributes of Sustainability: Uniqueness for Buffalo

Sustainability Attributes	Assessment: Enable, Constrain, Challenge	Which CRC Impacted
Integrated Marketing (product, distribution, and brand) continued to build upon large share of SA market	**Enablers:** • Scale and momentum established in SA market to continue to maintain market leadership • Brand loyalty supported by ubiquitous distribution network • Large customer-base provided significant opportunities for cross-selling of products **Challenges:** • Structural changes in the SA market may have created industry-wide shifts in the demand for assurance products	• Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities through market-based alliances • Business-aligned IT as a lever to organic growth and efficiency

	• Long-term market leadership may have led to market arrogance, rather than market vigilance • Focus on productivity may have caused leadership to take a "short-term" profit view, especially with loyal customers who have income potential for the long-term, but generated little immediate returns	
E-commerce established as another channel for channel partners, and high-end market segment clients	**Enablers:** • Extended marketing distribution to provide virtual convenience for brokers and clients • Potentially created a more efficient channel • Reinforced the image of Buffalo as a technically savvy organisation **Challenges:** • Creating the optimum organisational design to enable maximum benefit to accrue to all BUs • Overcoming the technical challenges of providing the appropriate use and safeguarding of client data	• Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Business-aligned IT as a lever to organic growth and efficiency
Demutualisation redefined organisational structure as well as employee and customer roles	**Enablers:** • Re-structuring produced opportunities for access to global capital markets • A stock rather than mutual structure created organisational flexibility, with respect to both domestic and overseas acquisitions • Reduced insurance risk through diversified subsidiaries in the UK and USA, as well as SA **Challenges:** • Re-structured business could have made leadership "more distant" and governance more complex • Customer loyalty in SA may have been eroded as customers no longer felt they were part of a "Mutual" in which they were a closed community of owners • As roles changed, employees may have felt alienated from "parent" company located in London • Buffalo SA may have been marginalized in Plc portfolio, due to currency fluctuations and its impacts on profits.	• Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities through market based alliances • Expectation of employees to "co-create" bottom-line performance • Governance process integration to reinforce codes of conduct and values
IT managed as a business investment to enhance shareowner	**Enablers:** • Assured large IT investments were viewed as creating a return to the business • Governance structure held funding for large	• Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities

value	IT projects centrally, which reinforced the discipline of creating a business case with hurdle rate performance to secure funding • IT Program Office established coordinative functions to "share" benefits of IT across BUs and helped keep projects on schedule **Challenges:** • Managing IT resources such that projects were completed on time and on budget • Sharing applications across BUs such that IT investments were optimised, rather than duplicated • Assuring that outsourced functions met contract terms	through market-based alliances • Business-aligned IT as a lever to organic growth and efficiency • Institutionalising a Program Office to support large business-sponsored projects • Outsourcing partnership for efficient management of "backroom" IT functions
Internal Learning driven by external "leading-edge" concepts	**Enablers:** • Buffalo maintained its competitive edge as a market leader in SA • Buffalo's brand image, of being customer-focused an aware, was reinforced • IT was used as a means of enhancing the "leading-edge" image, especially in the area of e-commerce **Challenges:** • Discipline maintained of focus on external competitive dynamics • Continued investment required in market research in SA; other competitors with market-follower strategies did not require this investment **Constraints:** • Pursuit of the "new leading-edge" may have caused Buffalo to chase the latest "fads" which did not contribute to the bottom-line (e.g., WAP) • IT expenditures potentially higher as firm became the "beta" site for new technology • Tension between IT and bottom-line may have been eroded if having the latest IT platforms outweighed bottom-line discipline	• Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities through market-based alliances • Business-aligned IT as a lever to organic growth and efficiency

Source: Author's analysis of interview and document evidence

4.4.2.1 Integrated Marketing

Integrated Marketing (product, distribution, and brand) continued to build upon the large share of the SA market. Buffalo enjoyed the distinction of market leader in the SA assurance industry, and recognised that its brand played a major role in reinforcing market presence. As a result, the Group MD and his direct reports had created a Brand Council that met monthly to review its brand image, making adjustments where needed and assuring that all BUs and their market plans dovetailed with that of the Group. This attention to its brand equity had rewarded Buffalo, as it had taken first place honours in the 2003 Sunday Times Makinor Top Brands Survey[86] - in which its brand position beat its closest rival by 10 percentage points. In addition, Buffalo had hired an external organisation to continuously track its brand image. According to its 2002 Corporate Citizen Report, the firm continued to improve its brand image as a firm that was "*involved in the community*" and "*believes in the future of South Africa.*" With respect to its brand, one of the BU MD's confirmed that:

> **B-B-1:** … the Unit Trust Company is quite independent in the manner, and the way, we run our business. If you look at the marketing function, it's corporate marketing who oversee the corporate brand. I buy into that, however, I produce adverts myself. As long as they have the same look and feel and payoff … then they're happy, and I'm happy. My below the line material looks very different from other companies within the Group, but the brand we use is a common brand and we all look to enhance that brand.

Buffalo not only sought to manage its brand across BUs, but also insured that there was functional integration such that product development, channel management and all supporting functions such as IT were "client-centric." This underpinned Buffalo's integrated marketing strategies in SA. Interviewees said:

> **B-M-3:** … distribution does not exist on its own. Distribution exist within the framework of everything we do, and marketing interrelate in so many different ways and every trust that we have will require marketing and IT input … IT is as important in distribution, as it is in marketing, as it is in operations.

> **B-M-4:** When you have an organisation with many business units, it's very easy for them to focus internally … What the marketing initiative is trying to do, is to take a client-centric {view} of the market and say, "This is how various offerings should be offered into the market in order to ensure maximum share of what is the maximum value." The range of products that we're able to offer is important because … we offer something of a one-stop shop. And your relationship with your Buffalo broker-

[86] The Makinor survey assesses factors such as spontaneous awareness, trust and confidence, and attitudinal commitment. Buffalo uses the Makinor survey as a measure of its band credibility in its Corporate Citizen Report.

> consultant {is important} .. {who} can hopefully service most of your financial service needs. I think the other thing that is a strength in that distribution … {is that} we have the largest critical mass. Because the brand is ubiquitous, our areas of expertise are reasonably well known, and clients will actually ask for Buffalo products.

The firm recognised that it could sit on a large customer-base without being proactively engaged with all employees regarding being vigilant and resourceful, not arrogant. One employee described the process of market vigilance as:

> **B-M-6:** You have to look at a very top level strategic perspective and say, "Right, what is the direction that you are going in. What markets are you addressing, what kind of product are you offering, and when." Then look at it across the business and say, "Right, now what are we doing in each market, what capabilities as a Group {should we} be developing in order to address that market," then provide guidance.

Another indicated that:

> **B-M-1:** We are continually working and striding to ensure that the vibe {passion} is revitalised and strengthened. Even as an individual, one has just got to be careful of being arrogant within Buffalo. We get a lot of business … I would add to which is quality in people.

However, a major constraint was the focus on short-term profitability by potentially sacrificing long-term opportunity of customers who may not have provided significant profit at the time, but could have done so as their own personal income grew.

4.4.2.2 E-commerce Established as a Channel

E-commerce had been established as another channel for the high-end market segment. Buffalo IT managers felt that they had been leaders in forging the necessary technology applications to provide effective access to their intermediary channel partners and end- user clients. Again, they were supporting their business colleagues in maintaining Buffalo's reputation as a market leader that provided easy, though secure, access to data to the highly competitive broker community. Buffalo faced the challenges of not only providing reliable service, but faced equally demanding problems of how to provide e-commerce services, i.e., the most optimum organisational structure in which the e-commerce channel could be developed. The following are selected comments made by interviewees:

B-C-2: At the moment, it's small ... of our 2.5 million customers, only 100 000 of them regularly visit our Internet site.

B-IT-2: ... the whole Internet & e-commerce channel perspective is also changing the paradigm of the way that business makes use of IT services. IT is exposed to your clients and business partners .... because without the IT component the business relationship would fail. On the e-commerce aspect, we are looking at increasing the level of provision of the service. We are moving it from where it used to be – an add-on to the business, on the side – to where it is becoming a core component of doing business.

B-IT-3: ... the other key challenge {is} maximising, call it, profitable customers. How do you get more people in? How do we get into the emerging middle market? So it is creating those different vehicles like the Internet, but it is not the Internet per say that you have got to have ... in your house ... it is about creating that virtual connection.

B-M-1: We have done that with what we call our e-commerce group, and they set up their own business unit. That's fine maybe for now, but it then takes the group focus off the need to change in order to become an e-business, and ... you have got to make the change some day. So I am not convinced that's a good idea. The question may become how do you link, to give a total package to the customer ... as I was told in marketing, they want to be able to draw up a fleet of packages.

4.4.2.3 Demutualisation redefines Structure and Roles

In 1999, Buffalo announced that it planned to demutualise the firm and move its headquarters to London. Like many large SA firms, Buffalo felt that this new structure would help spread the risk of running the business, afford the firm an opportunity to seek foreign capital, and facilitate future acquisition strategies. In addition, the newly elected SA government was encouraging the break-up of the large conglomerates that controlled 80% of the market capitalisation on the JSE. In addition, the government developed the BEE initiative to bring Black South Africans into the mainstream economy; part of this public sector policy was to encourage Black ownership of businesses, including share ownership[87].

At one level, demutualisation was a "grand" and new event in the industry. However, the firm not only changed its structure, but also its key relationships with its stakeholders – primarily its members and its employees. For this reason, demutualisation was viewed by this researcher as an attribution of uniqueness. Although the senior leadership sold the demutualisation plan to its members, as a means of assuring the long-term future of the firm, the structural change precipitated a significant change in roles for both employees and customers. For customers, their dual commitment as both clients and profit sharers of the firm was "comfortable" – the proposed demutualisation initiative was, therefore, opposed by blocks of members represented mostly by the

[87] The information on the demutualisation project was obtained from Buffalo in-firm documents.

large trade unions, who felt that their pension funds would suffer as a result of "capital flight" out of the country. For employees, a more complex, profit-driven structure, managed from London, also triggered change. As a Plc, Buffalo established a federated structure – which subsequently impacted the way in which senior leaders managed, relying on financial control, processes, and governance to drive strategy implementation. From an employee perspective, demutualisation was viewed as follows:

> **B-C-2:** Our presence in the UK and the USA gives us the competitive advantage that our customer investing in South Africa understands that the assets of this company are not just in South Africa. Especially people that are looking for stability.

> **B-M-6:** I don't think that we really understood the degree that de-mutualisation would force us to change. It has been a very positive thing … Buffalo may be very bureaucratic, and it's very political and it's very autocratic, but people have not harmed the quality to customers.

> **B-IT-2:** … we have a much bigger ship that we have to move, I mean we have an oil tanker and they {competitor} have a frigate … And the point is {that} they have been doing some moving on their frigate and I believe we are moving our oil tanker at the same speed as they are moving their frigate – and that to me implies a greater ability in our area than what they do have. It requires far more lateral thinking and clear thinking, and some real intelligent footwork to achieve that.

> **B-M-1:** We put together an IT strategy and just after de-mutualisation … we have about 5 or 6 platforms which were looking at various aspects of the business like value, efficiencies, {and} growth share.

4.4.2.4 IT Managed as a Business Investment

The emphasis on profit and business success, especially since demutualisation, had created processes managed by Group Program Offices and control structures which required senior leadership approval of all major projects. Viewing IT as an investment had established the discipline of developing a business case with realistic hurdle rate performance to secure funding – once approved, these project hurdles and deliverables became targets that both the IT and BU leaders had to achieve. As stated in their 2001 and 2002 Annual Reports, this approach to large infrastructure development had also resulted in cross-group, and BU, sharing of IT platform applications. From the interviewees' perspective, this "investment" approach had lead to tighter alignment between IT and the rest of the business.

> **B-C-1:** IT doesn't exist by itself, therefore it needs to follow the governance structure of the business.

B-C-2: If it wasn't for IT they wouldn't be able to achieve that {Group strategy}, especially the worldwide operation. Through IT we link the world together. In South Africa, IT is a key component of the delivery vehicle for selling and administering a policy, paying claims and all the support functions.

B-IT-4: IT is a separate division to the rest of the business divisions. The IT-business alignment is very good, and I think it's because of a few factors: the one is a very tight management team. IT sits on the executive and it is part of the business governance. There is full awareness of what's going on.

B-M-2: ... the whole {IT} budgeting and resource allocation thing has been turned round so that is being driven by business. So if, when we want some new systems work done, it is based on a business case -- presented by the business manager which goes to a business Board, which agrees to resources ... and the IT people have to sell their service to the business Board which also helps to get the alignment.

4.4.2.5 Internal Learning through External Concepts

As part of its market leader image, Buffalo took pride in its ability to import "leading-edge" concepts into the business. These "leading-edge" concepts were adopted from external consultants, academics and other sources such as Buffalo SA Business School training and development efforts. To retain its market leadership, and its leading-edge image, Buffalo invested significantly in benchmarking and market research. This knowledge was then infused into the business to create new products or introduce new ways of doing business. Interviewees said:

B-IT:2: ... so hence if you read the Plc annual results for last year, you will see that there are comments about technology – because it is being viewed now as an important ingredient to attracting business to the group. So yes, first-mover advantage, in some cases, is worth while ... and again it is like marketing. When you spend it, when do you first move and when don't you, it is a critical decision factor and one not always easily made.

B-IT-4: The ability to tap into intelligence in terms of what competitors are doing. Market intelligence in terms of how clients perceive us and our products, and actually looking back into the company so that we change and then have the ability to deliver solutions, infrastructure and capability to meet them ... Ensuring the business runs as designed, and changing the business as we go through our realigned strategy and responding.

B-M-3: I think that probably the key thing is the ability to adapt to change and ... coupled with that is the expertise that will be required to look into trends, and say, "This is probably going to happen in the future, lets do something about it now. We can see the way the world is going now, {so} lets put that initiative in to place now so that we can be ahead of the pack" ... and I think that is going to be an important thing – that constant innovation in response to changing markets and changing times – that is probably the most crucial.

However, there were constraints. First, Buffalo could have potentially be caught up in the cycle of moving from one "management fad" to another. Second, Buffalo's IT group could have potentially be prone to recommend to the business "what's new" rather than "what worked[88]" and "added real value." For example, one major platform project, developed using an external partner, had to be scrapped. The IT managers learned that it was much better to use off-the-shelf software to mitigate development risk. The danger of IT experts potentially being entrapped by the "new" was evidenced in a comment by one research participant:

> **B-M-2:** ... they {IT} are frequently building really cutting-edge systems and technology and things, and that always seems to be liked by IT people. Sometimes it is leading-edge.

4.5 Portrait of the Firm – Buffalo

For each case, like Buffalo, a portrait is created from the analysis of the evidence that describes the firm's market facing prowess. As defined in Chapter 2, firms have both core- and key capabilities, which characterise its strategic architecture. Both types of capabilities are created through the interactive dynamics of a firm's CRCs; however, core capabilities, which define a firm's effectiveness in meeting the challenges of the marketplace, reflect the catalytic influence of social complexity and uniqueness attributes. In essence, these core capabilities are the *differentiators* of competitive advantage, while key capabilities *maintain* a firm's functioning presence within an industry.

In addition, the portrait of the firm framework acknowledges causal ambiguity in which a "deterministic" causality among the CRCs, when acted upon by social complexity and uniqueness attributes, does not exist (Barney, 1991). In other words, causal relationships among the CRCs can only be "partially" understood, at best. The nature of the overarching research questions[89] posed in the design of this study recognise these limits, but challenge the boundaries of understanding competitive sustainability. This study does this by:

- limiting the research investigation to exploring IT's role in supporting a firm's marketplace strategies; and

[88] In his research, Feeny (1997) has found that IT-led development frequently leads to "gold plating" the development effort instead of developing or buying IT applications that are inherently cheaper and "adequate" for the business.
[89] The two overarching research questions were: (1) How does IT impact competitive advantage in the context of the top personal financial services (assurance) firms in South Africa? (2) Why do certain combinations of resources enable particular capabilities to become competitively advantageous to a high-performing personal financial services firm?

- exploring "how" firms make choices to support its strategic intent.

The following two sections provide analyses of the strategic architecture of Buffalo, and re-orients causal ambiguity to assess the relative competitive coherence of Buffalo's "declared" strategies when compared to its core capabilities.

4.5.1 Strategic Architecture

Buffalo SA had leveraged its 150 year history to portray an image of being "*Proudly South African*" – a central theme that defined its strategic architecture. Employees frequently referred to Buffalo's commitment to SA, in terms of providing services and products for all income levels of the economy. Table 4.5 below summarises Buffalo's strategic architecture from a marketing perspective.

Table 4.5 Summary of Key and Core Capabilities-Buffalo

Strategic Area	Key Capabilities	Core Capabilities
• **Product/Service**	• Efficient servicing underpinned by backroom capabilities to service accounts (billing; changes in address; etc.)	• Created leading-edge products to sustain firm's "first-mover" momentum • Established, through its culture, an attitude among its employees that customer service defines quality
• **Distribution Channels**	• Offered competitive salaries to sales agents, and competitive commissions to brokers • Provided internal consultants to service the channels in understanding products, promotions; and potential leads for new customers	• Used IT resources to enhance both the broker and sales force access to client data, product offerings, and promotions • Provided cross-selling opportunities for distribution channels to offer newly created bundles of products to up-sell to clients
• **Cost Structure**	• Maintained a "balanced" focus on costs, but not at the expense of markets and clients • Used outsourcing partnerships to offload both IT assets and employees of "backroom," mainframe functions	
• **Product Pricing**	• Created pricing framework conducive to value-added potential of products, while remaining competitive to retain clients	
• **Brand/Promotion**		• Established a brand known for credible, reliable products from a company committed to all of SA

		• Developed alliances to offer a wider range of product bundles that emphasised client investment, in addition to insurance protection
• **Market Segmentation**		• Provided products to all income segments, recognising that economic mobility of clients could help Buffalo retain customers as their incomes grew • Serviced high-end market's needs for "high yield" investment products, and convenient access to accounts through the Internet
• **Market Research; Benchmarking**		• Sustained reputation for market research and benchmarking that allowed Buffalo to support its "marketing leadership" image
• **Market Philosophy**		• Maintained a balance among all stakeholders which recognised that clients were also members of SA communities with special needs, i.e. AIDs/HIV, need for wellness awareness, and education support

Source: Author; strategic areas (Kotler, 1980); analysis of interviews; internal and external document evidence

Kotler's (1980) adapted, strategic marketing framework will be used in all four cases included in this study in order to facilitate the cross-comparison analysis in Chapter 8. This means that all aspects of a firm's strategic architecture, as depicted in the "Framework of Sustainability," are explored from a market effectiveness perspective. For example, IT competencies, which have been viewed throughout this research as business enablers or constraints, are described in the firm's portrait as strategic differentiators of its marketplace advantage.

At the heart of Buffalo SA's core capabilities was scale it was the largest employer in the industry, the largest market player, and the largest distributor of bancassurance products. Its market power fuelled an engine to sustain Buffalo SA's market leadership. Buffalo SA's CRCs combined with its value system, organisational structure, and processes to rivet Buffalo employee's attention to improving service to its existing clients and access to potential clients. The firm had developed a reputation for being market leaders in product development, market research, and distribution channel viability. Because of its channel viability, Buffalo SA had been successful in forging alliances with smaller, boutique investment firms which had a demonstrated track record for generating significantly high financial returns for its clients. The Group Strategy Executive summarised Buffalo's core capabilities as follows:

> **B-M-4:** I would say there are a number of core things which Buffalo has ... In South Africa we are large scale. The power of Buffalo's distribution network is absolutely phenomenal ... probably greater than almost any other insurance company I've seen in the world .... And so our ability to get products out into the market is second to none. The third thing is the brand. The Buffalo brand is just astonishing, and especially in the emerging Black markets ... we haven't tried to be Black and trendy, but we have always delivered a solid service for a very long time ... back to the 1970's. So, not only is the Buffalo brand seen by the Black communities as solid and aspirational and dependable, it's also seen as friendly. And that, to me, has to add to our great benefit for the future .... {on} product development. I mean I would look at things like {Buffalo Investments}, which is in the heart of the re-invention of Individual Life that is happening at the moment from a systems-, and from a product-, and from a consumer perspective. And that product has been phenomenally successful, much more successful than perhaps even we anticipated at the beginning.

IT systems were integral to Buffalo's success (as mentioned by the Group Strategy Executive). New product lines such as Buffalo Investments were built upon more flexible client-server platforms, for easier access to brokers and agents. In Buffalo, cost structure and product pricing were key capabilities. Although Buffalo was not a low-cost producer, even with its scale advantage, IT had enabled the firm to become more cost efficient with flow-through pricing benefits to the market in terms of competitively-priced products. Other IT initiatives such as data warehousing, CRM systems, and data mining applications were designed to enable Buffalo to retain its market dominance.

In addition, both employees and documents supported the notion that Buffalo's commitment extended beyond its role as a viable SA employer. Its market philosophy was one of managing to a "triple bottom-line" in which not just profit, but client and community interests were balanced to define success. With the Plc headquarters located in London, Buffalo SA was motivated to demonstrate, through its action, that it remained committed to SA. For this reason, Buffalo's brand image embraced its commitment to the success of SA, recognising that corporate citizenship was multi-faceted.

4.5.2 Causal Ambiguity

As mentioned in the introduction to the Portrait of the Firm, the "Framework of Sustainability" and this research does recognise the limits of establishing deterministic causality among a firm's CRC's and core capabilities to its strategic competitive advantage. At the same time, this research argues for *internal* (within-firm) clarity to partially lift the veil of ambiguity by understanding the degree to which "publically declared" strategies are actually internalised as a firm creates sustainable competitive advantage through combining complementary resources to support core capabilities. Most certainly, firms may continue to intentionally obfuscate those loosely causative relationships of resource combinations to core capabilities from "public or competitor gaze."

The firm's portrait is, therefore, completed by taking the core capabilities and comparing these to the "declared" strategies of the firm. In the case of Buffalo, those declared strategies were discussed in section 4.1.1. The analysis that completes the picture explores the degree to which these strategies were competitively coherent, within the internal dynamics of the firm that defined its core capabilities. In this assessment, the degrees of competitive coherence used in this analysis are:

- **Competitively Coherent**: Evidence gathered showed that all elements of a firm's strategic intent were aligned with its core capabilities and CRCs (of which IT-based infrastructure was a contributor). No dissonant gaps were found.
- **Mostly Competitively Coherent**: Evidence showed the firm's declared strategic intent was aligned with its core capabilities and CRCs (of which IT-based infrastructure was a contributor), however, some dissonant gaps or areas of concern were found. These dissonant gaps were often expressed as questions to the longer-term resonance of a given strategy to marketplace changes.
- **Partly Competitively Coherent:** Evidence indicated alignment; however, dissonant gaps were more apparent in the sustainability of the strategy, or in its overall internal alignment
- **Not Competitively coherent**: Major strategies were not aligned internally within the firm, or significant dissonant gaps were apparent between the firm's strategic intent and its marketplace such that competitive advantage was eroded.

For Buffalo, the comparative analysis of declared strategies and its core capabilities are summarised in Table 4.6. Buffalo's declared strategies, when compared with the evidence gathered on its infrastructure, CRCs, and core capabilities showed a significant level of competitive coherence. The internal momentum that supported innovative assurance products, client services, and its ubiquitous distribution channel network was predicated on market share leadership in all segments of the SA assurance industry. IT had played a major role in maintaining Buffalo's dominance within SA. As the IT Head of Individual Life remarked:

> **B-IT-3:** We talk about agility, quickest time to market and then talk about these new generation systems and the knowledge-base systems ... we focus on the product, but not on the IT "enablement" of the business management itself ... you focus on the customer, selling the product ... So there is two components, running the business and selling the product, so IT enables both of those.

Table 4.6 Portrait of the Firm: Comparison of "Declared" Strategies with Strategic Architecture-Buffalo

Declared Strategies	Strategic Architecture; Core Capabilities	Assessment of Causal Ambiguity: level of Competitive Coherence; Comments
• Internationalisation of business base to spread risk. In SA, encouraged to be a major hub of financial services businesses in Africa	• Focused on organic growth by cross-selling to income market segments as their needs evolved	**Mostly Competitively Coherent:** Buffalo SA had done some acquisitions; however, emphasis was on market alliances and marketing activities supporting organic growth. At the time, core capabilities complemented those of Plc
• Social Responsibility with commitment to financial transparency summed up as "*The Strength in Diversity, the Power of Focus*" in SA, development of a Corporate Citizenship (also called Social Responsibility Annual Report); diversity extended to encompass cultural and ethnic diversity	• Buffalo SA's marketing philosophy embodied the principles of diversity as well as overall social responsibility. The firm believed in balance among all stakeholder interests	**Competitively Coherent.** Evidence suggested that Buffalo had infused its internal processes and corporate initiatives with optimising the interests of its stakeholders
• Market dominance in Africa defined by coverage of all market segments in geographic areas	• Market-facing strategic architecture designed to serve all segments of the SA market	**Competitively Coherent.** Distribution channels were ubiquitous, with more agents and brokers than nearest competitor
• Technological innovation a primary driver of group synergy	• IT viewed as investment to support the business, with emphasis on enabling marketing	**Competitively Mostly coherent.** Plc view was to technology sharing, with emphasis on standardisation and efficiency. SA group perspective was

	strategy	to drive leading-edge product and development channel development
• Culture of integrated values, and training investment used as primary means of driving change. The "Buffalo Way" in SA defined in terms of balanced growth, integrity, commitment, and passion for excellent customer service	• Cultural values, especially, was viewed by employees as an internal expression of external brand image	**Competitively Coherent.** Both document and interview evidence confirmed Buffalo's institutionalisation of values, especially "integrity" and "passion" for excellent customer service. Value system also supported by a vertical governance structure, with emphasis on reporting and control
• Employees viewed as important "stakeholders." SA Employees considered important stakeholders, as well as a critical "partner" group to meet service commitments	• Employees were viewed as part of the Buffalo family and were expected to establish a career with Buffalo if performance helped achieve firm targets, especially market-facing targets	**Partly Competitively Coherent.** Employees felt "part" of the decision-making process. However, the size of the firm made implementation of vision difficult; Senior leaders managed rather than led; employees did not "always get it right" with respect to client service commitments.
Source: Author's analysis of interviews and documents		

Although there was good competitive coherence between strategic intent and internal action, Buffalo had areas of caution that had been observed through analysis of the both the documents and interview evidence. Since demutualisation in 1999, most of the senior managers at Buffalo Plc were formerly part of the South African group. As the Plc takes on a more global perspective, and potentially shifts the balance of focus toward more financial measures, core capabilities of the firm may start to diverge from those of Buffalo SA. This divergence may put pressure on the Buffalo SA Group to adopt a more traditional approach of focusing on the profits, rather than on a triple bottom-line framework in which stock holders are one of three major stakeholder interests, that might be kept in balance. In the 2003 Annual Report, Buffalo SA results were viewed as "disappointing;" the pressure on the Buffalo SA Group senior team will likely trigger a focus on short-term fixes, such as cost reductions to improve profitability. Hence, the globalisation strategic vision is seen as "mostly competitively coherent" over the long run.

Again, a similar potential gap exists as IT took on a broader role in the firm. From a Plc perspective, IT investment should have been standardised and shared to increase efficiency and, to some degree, to promote the same "look and feel" of its brand throughout the world. However, what drove Buffalo's IT investments was the marketplace – efficiency and cost reduction – are secondary, but important. Through the interviews, there was a sense that a subtle shift was taking place, as more employees spoke about shareowner value. The challenge of the Buffalo SA management team, in the long-term, will be to maintain the focus of IT innovation to sustain market momentum. For this reason, technological innovation is assessed as "mostly competitively coherent."

Perhaps the strategic area in which a more significant dissonant gap exists, is in the view of employees as stakeholder partners in the business who help "co-create" the bottom-line. Because of its size, Buffalo SA had the largest workforce when compared to other assurance firms. Buffalo SA Group senior team used managerial control, relying heavily on processes, internal governance structures, and incentive plans to generate the implementation direction to achieve its strategies. Realising that passion and personal accountability came through leader-led action and not solely managerial control, the firm had established BUs to provide leadership influence and promoted the notion of team achievement as the basis of effective implementation of strategic initiatives. The challenge, as one interviewee observed, was that it was easier to turn a frigate rather than an oil tanker; however, an oil tanker could achieve significant momentum once on the move in a desired direction. So far, Buffalo SA has been extremely successful in meeting the demands of its clients. However, should the assurance market change dramatically, moving away from insurance and insurance-linked investment products, to other more global investment products with higher yields, Buffalo's size may be a disadvantage. In addition, priority setting was complicated by the "leading-edge" mentality that had been inculcated into its culture. Employees, at times, were besieged by new fad-like managerial initiatives, and, therefore, experienced some difficulty in understanding how they fitted in the strategic direction of the business. For any major change, such as establishing the "Buffalo-Way" initiative, significant training was invested to help employees understand the cultural values of the business. What helped employees make sense of, what looked like, competing priorities, was the cultural values of commitment to customers and a passion to serve them well. The Buffalo SA senior management team has both a current- and long- term challenge of defining corporate priorities in terms that employees find actionable. With current and potential implementation hiccups, causing dissonance gaps that impact the core capability components of the strategic architecture, Buffalo's expectations of employees as co-creators of its vision and direction is assessed as "partly competitively coherent."

In summary, Buffalo SA has several major challenges to sustain its competitive architecture to meet the demands of its market, and the changing market within SA. However, its employees' dedication to good client service and its corporate commitment to communities of SA make Buffalo SA a formidable player in the assurance industry.

CHAPTER 5: CHEETAH CASE

5.1 Context: Background on Cheetah

The Cheetah Group was the second largest assurance business in SA. Founded in 1918, it was proud of its early beginnings as a struggling Afrikaner business that survived the financial turbulence caused by the economic depression triggered by the Boer War and Spanish flu pandemic to post a small profit in its founding year. Cheetah, from its humble beginnings as an insurance firm catering to rural areas of SA, then eventually ventured into urban areas -- both Afrikaner and Black African (through its Rhino subsidiary); the firm became one of the most respected businesses in SA. In 1998, it was the first big mutual assurance firm to demutualise and list on the JSE. Although the demutualisation process created an initial drop in stock prices as policy holders began actively trading their shares, the stock eventually stabilised. Unlike Buffalo, Cheetah remained structured as a South African, rather than as a global bancassurance firm.

As in the Buffalo case, the context for case analysis was established through evidence gathered from internal and externally available documents. The summary of documents used is listed in Appendix C-4. Cheetah's declared strategies and philosophy are discussed in the following section, while its financial summary and organisational structure discussions can be found in Appendix E.2.

5.1.1 Declared Strategic Direction and Philosophy

Unlike its main competitor Buffalo, Cheetah was organised as a Group with five business clusters with its major focus in Africa, and had not diversified to create a significant global footprint – its international business represented only 7% of its assets under management in 2003[90].

Using internal sources such as press releases, annual reports, and web-based documents, the declared strategies of Cheetah Group were identified and summarised in Table 5.1. Each of

[90] Cheetah Group 2003 Annual Report.

Cheetah's business clusters were not full subsidiaries, as they were in Buffalo and Giraffe. Therefore, Table 5.1 shows only the Cheetah Group strategies and philosophy.

Table 5.1 Comparison: Cheetah Group Declared Strategies and Philosophy

- Client-centric business focused on wealth creation for middle-market clients
- "Back to basics" to re-establish investor and distribution channel confidence
- Decentralisation into business clusters to promote autonomy that drives an efficiency and a profit mindset
- Internationalisation of the role of business clusters, not corporation
- Continued commitment to develop a personally empowered, multi-ethnic workforce
- Proactive engagement in SA communities with a commitment to wealth sharing

A consistent theme ingrained as both a value and a philosophy in Cheetah was the unwavering commitment to building financial wealth for its clients. This philosophy was translated to developing products that were within the "more conservative risk- profile range" of their middle-market clients. Cheetah Group's personal financial services businesses developed a reputation for creating products that represented good value with moderate wealth growth, and with minimal market risk, since many of their clients and their families relied heavily on insurance protection of the primary wage earner, as well as trust funds for retirement. After demutualisation, the Cheetah Group subscribed to an organisational strategy of creating autonomous BUs. The firm felt that, through this autonomous BU structure, it could build upon a transformed mindset of its employees as empowered individuals, capable of delivering performance targets through both individual and group effort.

Unfortunately, from 2001 through 2003, Cheetah had not performed to investor market expectations. One of the "sore spots" cited by investment analysts was its "ineffective" relationship with Associate Bank in which it owned 21% in 2003. As is discussed later in the Giraffe case, the Associate Bank brokers sold more Giraffe products than Cheetah products because of better marketing, compensation schemes, and more confidence in Giraffe's product line. This problem with the Associate Bank relationship, coupled with what Cheetah called "adverse economic environmental challenges," caused the Cheetah Group to launch a "back to basics" strategy to streamline its businesses and make them more profitable.

Cheetah Group recognised that it had built a very successful business on its Afrikaner heritage and, subsequently, was going through a process to transform the firm internally to not only stress the values of empowerment, but also diversity. The firm had made concerted efforts to identify Black employees who could be fast-tracked through its HR development process. In addition, it had acknowledged its responsibilities to the SA communities which it served, through a bold move to sell a 10% ownership of the Cheetah Group to a Cheetah Alliance Community Company which was owned by members of the Black communities. This formal partnership gave Board representation to members of the Cheetah Alliance Community Company. In the 2003 Annual Report and the 2003 Transformation Report, Cheetah Life's commitments to both internal and external diversity were cited as support for the firm's strategy for diversity transformation.

5.2 *IT Infrastructure*

Cheetah's organisational strategy to evolve to a decentralised structure has had impacts on its IT development. Like most large firms whose systems were main-frame based, Cheetah had its IT functions centralised at the Group Level. It meant that its strategic direction, to create more autonomous BUs, created a tension in the business with BU leaders looking for more control over investments, such as IT, for which they had been made responsible for the bottom-line performance. As a result, the large IT corporate staffs were downsized and devolved to each BU. Cheetah, like Buffalo, took the opportunity to outsource its legacy system management and those employees who maintained these systems, to a vendor. Unlike Buffalo and Leopard who also had large legacy systems, there seemed to be no overall architecture to provide a middleware platform to create surround systems at the time interviews were conducted in 2000 and 2001; internal documents on Cheetah's architecture showed no legacy systems or infrastructure integration to a middleware platform. In fact, one of the BU heads stated:

> **C-B-2:** … we have 3.5 million policies and we got probably the industry's biggest problem around legacy systems … while we all battle because we got long-term products most other industry's have to worry a little bit about maintaining it and we sell 30 and 40 years service products I got policies that was sold in 1918 or 1920 and they are still on my books, and I must still be able to service that policy and pay out a claim should there be a claim…

A summary of Cheetah's IT initiatives are shown in Table 5.2. Although its customer- based mainframe systems were outsourced with no apparent middleware infrastructure integration, it seemed that the firm had addressed its legacy systems to support its internal administrative functions.

Table 5.2 IT Initiatives by Business Function-Cheetah

Business Function	IT Initiatives	Designed for:
• **Internal Control: Governance; Communication; and enterprise administrative support**	--Internal communications facilitated by Intranet infrastructure provided firm-wide, secure systems --Administrative systems were rebuilt to have a web-based front end; replaced old mainframe systems that were not flexible.	--Focus on efficiency and benefits of internal systems to reduce staff costs. --Supporting collaborative teaming across BUs that supported enterprise workflow, document management, enterprise calendaring
• **Customer Service Interface capability supporting a full range of distribution channels.**	--Call Centre consolidation created 2 large centres in which Cheetah Life had the largest centre --Created a new CRM infrastructure with Cheetah Life as custodian to take the lead for Group since it had the largest retail client interface access implementation in 2002-2003.	--Call Centre development and consolidation allowed closure of small Cheetah offices --CRM system designed for efficiency
• **Product Life Cycle and Market Management: Brand and Product Development supporting all targeted retail market segments**	--Developed an E-commerce Web Portal to support market integration that could direct brokers and clients to various product centres supported by Cheetah BUs.	--Provided easier access to Cheetah by channel agents and brokers --Electronic Web portal also designed to support Cheetah image of trustworthy, "client wealth-creating" firm.
• **Supplier Chain Management**	--Outsourced significant elements of both strategic and non-strategic IT with BUs directing decisions on vendor contracts.	--Outsourcing used to enhance business value and efficiency
• **Alliance/Partnerships**	--IT outsourcing firms looked upon as contract providers with emphasis on delivery of service performance for value.	--Outsourcing firms viewed as service providers, not partners
• **New Technology Systems (market support e-commerce and wireless mobile systems)**	--E-commerce extensions included customer based connection via desktop as well as mobile telephony.	--Developed capability to connect clients to their portfolios using anywhere, anytime access

Source: Annual Reports (2000-2003); Presentation Documents; Interviews

The firm revamped its internal systems to an Intranet-based infrastructure, providing enterprise-wide support for basic functions needed for collaborative work within, and between, BUs.

Cheetah also invested heavily in its call centre technology, and established two large call centres in SA, of which one of them serves the Life Insurance BU, and as a result closed down many of its smaller offices in South Africa. From a marketing perspective, Cheetah has also invested heavily in e-commerce to provide a "common face" to customers; at the time of the interviews, much of this effort was just being launched with initiatives in a number of BUs. As of 2003, Cheetah had a common Web-based portal that allowed common access to all product service areas. As is the case for Buffalo, Leopard, and Giraffe, this portal served as an external face to channel distributors, clients, investors, and other community stakeholders. At the time the interviews were conducted in 2000 and 2001, each BU was developing its approach to CRM, recognising that this was a "loophole" in the firm's ability to cross-sell products. In its 2001 Annual Report, Cheetah indicated:

> We believe the key to success in a CRM programme is to understand your customers and their values, and we have thus designated the custodianship for CRM to Cheetah Life as the business has the largest client interface. Our CRM strategy rests on four pillars: client knowledge, client experience, enterprise integration, and performance organisation.

As mentioned earlier, Cheetah took the opportunity to engage other firms as outsource vendors for a variety of different IT applications. Cheetah had learned, through experience, that packaged software, rather than in-house proprietary software, was likely to deliver solutions faster and more cheaply. As a result, it relied heavily on outside resource firms to provide IT solutions – frequently making no differentiation between outsourcing "strategic" as well as "non-strategic" applications. For Cheetah, the primary decision was "cost" and "value" to make, or buy, an IT solution. As a result, although some of Cheetah's IT managers saw the relationship with vendors as "partnerships," BU managers were more likely to focus on the contractual deliverables, recognising that failure to meet contracted service targets would significantly erode any financial benefits that an outsourced solution was likely to accrue. Even with its new e-commerce initiatives, Cheetah used outsourced firms to develop interfaces, for example, in mobile technology. To maintain strategic relevance, the BUs, working in conjunction with the Corporate IT organisation, developed common standards, which gave direction toward a common overall architecture (even though documented) under which IT development within BUs was undertaken.

5.3 Complementary Resource Combinations (CRCs)-Cheetah

From the evidence gathered on the Cheetah Group, eleven CRCs were identified. Using the criteria discussed in Buffalo that applied to all cases, seven CRCs were assessed to contribute to Cheetah's competitive sustainability. Appendix D-2 contains all eleven CRCs, with substantiating evidence obtained from interviewees to support the seven critical CRCs (see Table D-2.1 in Appendix D). The evidence gathered from interviews, interwoven with document evidence gathered through internal and external sources, form the analytic foundation to justify the seven critical CRCs discussed in the following sections.

5.3.1 Distribution Channels to Reach Middle-Market

The Cheetah Group as the second largest assurance firm in SA had a highly developed distribution channel system. Through its marketing experience, Cheetah had understood the dynamics of the SA market in which close client relationships could result in more wealth-creating products being sold to these clients as their income grew. As a result, the firm had about the same share of the high-income market as Giraffe did, who has identified this as their niche market; however, its "bread and butter" market was the middle-income retail market in which its share was exceeded only by Buffalo. This middle-market, particularly the Black segment of that market, was identified as the fastest growing market segment in SA (Symeonidis, 2001). In its 2002 Annual Report, Cheetah Group cited research that indicated:

> … in 2001, for the first time, the disposable income of Black South Africans overtook that of White South Africans. {Cheetah} has identified that 43% of its target market is Black and that 57% of that market segment currently has no insurance. Much energy has therefore been, and will continue to be, devoted to developing our interface with this important sector of the market.

Driven by efficiency and changes in the make-up of the middle-market, Cheetah thus re-structured its channels. Cheetah had the greatest number of store fronts among SA assurers; however, extended through the use of call centres and establishing the expectation that their sales advisors, serving the rural and small towns, could work from home. The following comments were made by interviewees:

C-B-2: ... we are changing the process about how our advisors operate dramatically and we are enabling them with technologically a lot – giving them tools to give proper advice and we're really starting to convert them from policies pushers to satisfying the clients needs.

C-C-2: ... in fact we've shut down nearly all of our branches in the country, except in major centres ... and now we support them with IT.

C-M-1: ... we have {Cheetah} advisors, those are advisors that are contracted to {Cheetah} and only sell {Cheetah} products ... We don't really have branches anymore, they basically work from home ...

In addition to its branch offices and own sales agents, Cheetah had a well-developed broker network. The firm provided IT and administrative support for its brokers, as well as competitive commissions. One of the concerns of the investment community had been with regard to its relationship with Associate Bank – expecting Cheetah to acquire Associate Bank. In 2003, Cheetah declared that it had no intention of purchasing Associate Bank and indicated that it had established a cooperation agreement to unlock "*... value from {Cheetah's} 21% shareholding, through increased distribution capability and cross-selling initiatives.*" The concern was that Cheetah's rival, Giraffe, was more aggressively working with Associate Bank brokers to sell their products. As a Giraffe executive remarked:

G-M-2: I think brokers like the way we operate, and that is why when somebody else ... you know, peeves them off a little bit, and then we get the business. So we have had big growth, we get a big share of {Associate Bank's} business, which obviously is difficult for {Cheetah} to kind of swallow.

The market also drove Cheetah to continue to change its sales agents to reflect both the needs of the business, and its ability to capture more of the emerging middle-market. It trimmed out those sales agents who had not met expectations; as one interviewee indicated:

C-M-2: ...five years ago... we took our eyes off the ball for a while. We appointed more and more sales people who were not that productive, who brought in volumes but not necessarily profitable business. Since then we've had a good rethink of our sales force ... so we're growing, we're in the twenties now with our market share.

In addition, Cheetah had continued to change the ethnic mix of its advisors to match the ethnicity of its target market. As a result, it announced in its 2002 Annual Report that the number of Black advisors increased by 65% with Black sales agents representing a third of its entire sales. The firm indicated that, "*Black advisors were responsible for 35% of sales in recurring premiums and Black clients representing 44% of new recurring policies....*"

5.3.2 BU Structure focused on Bottom-Line

The Cheetah Group had followed through with its strategy of being a firm of independent BUs. As shown in its evolving organisational structure (see section E.2.2 in Appendix E), it started off with an intention of establishing a more federal structure that captured the focus of a centralised organisation and the agility of a decentralised structure. However, the "back to basics" strategy, created to improve financial performance, had moved the firm to a more decentralised organisation, with financial performance as the integrating principle, yet it continued to regard itself as a "federally- structured" firm. At the time of the interviews (2000-2001), Cheetah was undergoing a creation of more BUs, some of them established around products and others around technology, e.g., a separate BU was created to work on bringing e-commerce applications online, while BUs were encouraged to experiment with e-commerce on their own. These BUs were not organised around markets or clients, and the necessary synergy was therefore lacking, as one interviewee indicated:

> **C-M-1:** I will be honest to you, this company at the moment is not structured around the client … we are not a client-centric… right down to the fact that we have different databases … we don't have a synergistic handling of the client.

The proliferation of BUs and Divisions had also triggered the need for more communications and collaborative arrangements. During 2000-2002, there appeared to be very few processes to resolve conflicts among BUs. As one interviewee observed:

> **C-B-2:** We try and communicate as much as possible between different business units, what the strategies are, why we are doing things … but that doesn't eliminate the conflict anyway, but I think it helps to manage it.

From an overall firm perspective, Cheetah continued to meet its commitments to its shareholders until 2001, when new business revenue began to erode with the Life Cluster taking a dramatic hit in new business in 2003. Cheetah, as a result, while keeping true to its strategy of maintaining autonomous BUs, began to provide more governance and control at the Group Level, fostering an expectation – stated in its 2001 Annual Report – of a "*One Vision Company.*" Autonomous BUs, as a strategy, could not by itself deliver the gains in financial performance that Cheetah had committed to its shareholders. By 2003, it presented a more streamlined organisation with Business Clusters structured around markets and clients, not technology and products. In its 2003 Annual Report, Cheetah Group still referred to its realignment to business clusters in the following manner: "*The realignment process was based on our firm belief that sustainability is best served by reinforcing the federal structure of the Group. This allows entrepreneurship and the application of relevant strategies in the different operating clusters, with each business backed by the assurance of the powerful {Cheetah} brand.*"

5.3.3 Downsized Corporate Support Functions

The changes in roles of the corporate staff had also evolved over the past five years. Before 1998, Cheetah functioned as a fully centralised organisation with large specialist staffs in the areas of strategy development, IT management, financial management, and HR support. As the firm changed its strategy to support a more "federal" system of autonomous BUs, the role of staff changed. As discussed in the organisation section (E.2.2 in Appendix E), these staffs were downsized, with their expertise moved either out of the business or to the BUs themselves. Two executives described the downsizing effort by stating:

> **C-B-1:** … when I got the IT responsibility, the central IT function was eight hundred and fifty people. When I left in July it was fifteen people … so we went through a major restructuring and one of the things that we did was, which we concluded recently, was to take two hundred and fifty people and outsource them. The rest of the people … we moved into the businesses, especially people that could think about businesses … that was the logic. So {IT} architects, analysts and key builders, key developers were moved into the business.

> **C-HR-1:** when I started here we had a 190 odd people in a very corporate, centrally-driven HR, which is equated to the old payroll administration … and now everyone thought that is what his/her job is – look after pension fund the payroll administration and the like. Within three years, we are now sitting with 6 people from 190 – one is a secretary and one is an admin support.

During meetings with interviewees, they indicated that the move to a more decentralised structure was generally much better for getting decision-making closer to those who faced customers and designed products. One IT professional described the old staff system, saying:

> **C-IT-2:** … typically in an organisation like {Cheetah} where the corporate barons have got into power, the corporate barons are the financial manager, the HR manager, the IS manager, all these corporate overhead functions … we have built up a power base over the years because they are still in head-office, and they are much more important than the salesmen. Suddenly the {end-} users are looking at the support functions through this challenge process between provider and user … There is the tension on the train …

This tension was partially resolved as the staffs themselves were moved to the BUs. However, the roles of the corporate staffs required redefinition. In the case of IT, the role was more one of facilitation across BUs. Internal documents indicated the Corporate IT began to evolve its role to establishing an overall architecture, establishing standards in areas like data security, resolving conflicts between BUs and coordinating BU-sharing through IT forums. The Group CIO indicated:

> **C-C-1:** … But what we {Group-IT} are responsible for, is to agree with them and to facilitate what is necessary for them to co-ordinate and collaborate. So it is more about our role …

From a Cheetah Group perspective, the downsizing of corporate staff functions continued through 2003. However, as was demonstrated in the organisation structure (Figure E.2.2 in Appendix E), more role clarity was established at the corporate level in which external services such as investor support and community relations were firmly established, as well as financial and HR oversight. In the 2003 Annual Report, Cheetah Group claimed that: "*Head office was downsized to focus on functions where centralisation made sense. These included strategic decision-making, financial and risk management, and other group services.*"

5.3.4 IT Exploited to Drive Efficiency

The theme of operational efficiency is addressed in all of Cheetah's Annual Reports, and internal newsletters, with some mention of IT as an enabler of this efficiency. In addition, Cheetah Group is the only large assurance firm to consistently publish its administrative cost ratio. Also, in a benchmark report commissioned by Buffalo in 1999, Cheetah was considered the second best, to Giraffe, in terms of its management expense to premium income ratio. This operational efficiency theme caused Cheetah's BUs to focus on their bottom-line results. Therefore, IT-enabled BU initiatives were focused on improving their respective cost structures. It seemed that the BU executives, and IT managers especially, spoke to the importance of efficiency improvements as the key driver for business-enabled IT. The BU executive of Life particularly stressed the importance of integrating IT, people capabilities, and streamlined process to achieve efficiency. She claimed:

> **C-B-2:** … hopefully we will get to a stage where we have much more generic software and hardware for that matter. But how you actually use {IT} – how you streamline the processes around that, and how you link your people with the software and get the economy to scale around that … that will become very important.

IT employees supported the view of IT-driven efficiency by stating that:

> **C-IT-4:** … previously we used a lot of paper where the advisor had to go to the client, fill out the application form and send it to a sales office, where it would be imaged and then passed on. Now he can upload the policy application right there and then, into the back-end systems.

> **C-IT-5:** … definitely there would be {savings} through IT, because you can achieve efficiencies in the process … then you can reduce your costs, you can free up people to do more of the knowledge-type work that they should be doing as opposed to doing mechanical, repetitive tasks.

Several of the core BUs, like Cheetah Life which was also responsible for organic revenue growth, included improvement of client relationship and data warehouse capabilities for cross-selling as a major strategic focus as well. However, in the 2000 and 2001 interviews, interviewees, outside of marketing, still retained a strong efficiency mindset. In the 2001 Annual Report, Cheetah Group began to also highlight the importance of customer relationship in its core businesses, using its CRM initiative fully launched in 2002 as a means of driving both efficiency and organic growth.

5.3.5 E-commerce Exploited for Channel Efficiency and Client Service

In 2000, a separate E-Commerce Group was set up to look at infrastructure solutions, primarily the areas of channel effectiveness and client access. This E-Commerce Group was set up as a "start-up" venture with seed money. Its business proposition was that the middle-market, with its emerging Black African participants, needed efficient access to bancassurance products, not via computers but via mobile telephony[91]. Most of these potential clients have had very little experience with banks and insurance; therefore, finding access to them was very important. In addition, the E-Commerce Group extended its business proposition, suggesting that brokers would also want to use mobile telephony to access their clients' data since many of them were not located in offices, but at home or at potential clients' premises. The executive head of the E-Commerce Group said:

> **C-B-1:** This thing where we deliver a confirmation about a policy that is issued to a broker at the moment that it is delivered on his cell-phone with SMS … it has been running for two years already … ok so it is a big thing, the guy sits in the meeting and {it} says beep-beep and he checks and it says {that} he just got commission for ten thousand Rands or whatever the case may be. It is a big thing … You see all kinds of stuff that they can do on the web {linked to cell phones} …

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[91] Mobile telephony, in SA, was growing at faster rates than home computer usage, particularly in the Black African population segment (Goldstuck, 2004).

The core BUs did not see e-commerce has having the potential to generate "real" business. As interviewees observed:

> **C-B-2:** ... the more money they {clients} have, the closer they want to be to that money and {the} Internet is not the sweetest thing, that is, very close – people don't trust it. Fifty years from now it might be ... most people like personal contact and they like to socialise, and that the Internet does not stock. It is very impersonal in that way ...

> **C-C-2:** ... e-commerce, we don't see much that we can do {with it}. We will never sell a life insurance policy online ... because its too complex in South Africa, and there's too many options ... On the investment side we have online share trading. Our unit trusts are online, but we don't see it as major issue ... it's not gonna take over from normal unit trusts channels ... it will be another channel.

> **C-IT-5:** I don't think e-commerce/m-commerce is applicable to our business model currently. Certainly in limited ways in disseminating certain types of information to clients, as a delivery mechanism or a communication media, the Internet is important. We're not going to achieve any great savings or efficiencies out of using e-commerce per se. We're still essentially a face-to-face business.

However, BUs did see e-commerce as creating a means of providing access to clients for account maintenance such as looking up balances on accounts, or checking on their fund performance and easy access for sales advisors and brokers to support information such as product features, needs-analysis formats, and client profile data. In other words, Cheetah interviewees saw e-commerce potential as one of improving channel efficiency through providing better sales support and account maintenance services. Interviewees stated:

> **C-B-2:** ... certainly in terms of providing cheaper and better services more efficiently – it is something which we work on very much ... I think the Internet is a very good information tool.

> **C-C-2:** The way that we're competing now is to provide the best service for the customers on the Internet, enabling intermediaries ... Internet is just a part of life, we have no choice, we use it. Where we see the big value of the Internet, for more traditional businesses like life assurance, is in customer self-service, reducing call centre costs, reducing mail that comes in ... even reducing e-mails and other electronic communication. Let a customer do it themselves also the liability goes to the customer.

> **C-IT-4:** It {Internet} won't play a big role in terms of sales, but it will enable better service. There it has a strong role to play. It's a case of how you integrate the electronic, telephone and face-to-face channels to provide service to your clients.

> **C-M-1:** ... we have an advisor and broker web which is basically an Extranet ... which is purely for the broker and advisor, and there is a number of tools and stuff on there and then we are busy with a project called, a {Cheetah Net} project, which you have probably heard about ... which will ultimately provide a business administration platform for the advisor and brokers to work from.

5.3.6 BPR Implemented to Streamline BU Operations

In addition to exploiting technology-based efficiency benefits, Cheetah BUs also maintained is cost discipline by seeking other methods to improve efficiency without sacrificing service. In 2000, some Cheetah BUs were beginning to investigate the potential of Business Process Reengineering (BPR) to streamline enterprise processes.[92] As an executive of the Life BU indicated:

> **C-B-2:** … initiatives that are for BPR … will come to exec next year [2001]

One of the IT integration managers in the Life BU was responsible for the initial enterprise framework developed in 2000.

> **C-IT-2:** … the whole issue around BPR is much more challenged … by the people issues. These are the people that know what to do, they know where the inefficiencies are, they understand the business quite well … the study of what we are using …we have used it probably eight or nine times now. It is about a six month process and the name that we use for it is value improvement process. We study these guys at this layer, it must be at least three layers … we studied these guys, named their outputs for us. So this is a little bit like OVA, overhead value analysis … We say name your outputs, so this is a provider of service … typically say five outputs, then for each output he should name the user and the cost. And each of these guys go through the same … You can see that this guy's output becomes this guy's input like that and you can make bigger links in the chain, you know, eliminate those two and make the thing go straight, because maybe technology enables it.

In its Annual Reports from 2001-2003, Cheetah Group highlighted the importance of BPR efforts as one of the key drivers to streamline its business. It was one of the foundations of the "back-to-basics" strategy to optimise profit performance by keeping costs in line with revenue growth. In its 2003 Annual Report, the Life Cluster's achievements through BPR were highlighted: "*The comprehensive re-engineering strategy implemented in [Cheetah's] largest business has already shown a significant reduction in its cost base, delivering around R250 million in annualised cost savings ... An imperative of the re-engineering strategy has been to focus the Life business strongly on its clients.*"

[92] The concept was introduced into the business lexicon through the work of Hammer (1990), Davenport and Short (1990), Scott Morton (1991), Heygate and Brebach (1991), Kaplan and Murdock (1991), Hammer and Champy (1993) in which they found that firms which established the discipline of investigating the "input (service provider)/output (client)" enterprise activities and processes were able to improve efficiency. The assumption being that firms frequently have embedded activities for which there were no longer clients.

5.3.7 Using Outsourcing to Achieve Efficiency

Another initiative used by Cheetah BUs had been outsourcing. Unlike Buffalo, Cheetah looked at outsourcing as a means of improving operational IT efficiency, and was far more interested in a vendor's performance rather than in a strategic relationship. Although the term "partnership" was used by some interviewees, it seemed that the relationship was defined as a relationship between client and vendor. As one executive remarked:

> **C-B-1:** ... one of the things that we did, which we concluded recently, was to take 250 and outsource them .... I think I would say that the biggest is the ability to manage contracts. You know this is the contract, this is what you are supposed to deliver, let us check if you have, are there any penalties that are coming up to kick in ... I would not even say it is alliances, it is just contracting, sub-contracting. I don't see this as strategic alliances. {BU CIO} may see it as alliances, I see it more as sub-contracting ... alliances is too strong a word for me.

An IT manager made similar comments by claiming that:

> **C-IT-5:** Relationships are critical but it's more than about having a good relationship, it's about having the correct relationship. We have to have the right relationship that benefits us primarily. The external service provider can't dictate the terms of the relationship, we have to dictate to them.

Like Buffalo, Cheetah had significant investments in mainframe IT technology, which it transferred along with the employees who maintained these IT assets to an outsource vendor to manage on their behalf. As one manager indicated:

> **C-C-2:** It's not just decentralised, we outsource a lot. We took a Gartner Group model called IS life, IT life. We took out pieces that we weren't good at, and we outsourced them to strategic outsource partners. It has been hugely successful.

For many BUs, there seemed to be little distinction between those IT functions that were regarded as strategic, and those that were considered non-core to the success of the business. Cheetah, therefore, had a tendency to outsource as many IT functions as it could. It seemed that rather than build IT staffs, Cheetah opted to buy nearly all IT services and applications from vendors[93]. The BUs felt that their competency resided in integrating IT solutions into efficient processes, to improve customer service. Interviewees claimed:

> **C-B-2:** If you'd asked me that question five years ago, I would have said not at all because {Cheetah} had this position of doing everything itself. It's become increasingly more important as

[93] Strategic and non-strategic.

> we've decided to outsource our core activities to the degree now where, in terms of all our systems infrastructure, all the hardware and networking is being outsourced to {Outsource Systems}.
>
> **C-IT-1:** ... {the position} we have adopted is that we won't be buying, or we won't be developing, in-house applications anymore. We still rather are buying packages off the shelf, because in the past we've tended to develop everything ... I mean even if you could buy it, we would almost write our financial system, kind of thing. That we have changed totally. We are now saying let's buy what's available, the process surrounding that is what gives you the competitive advantage, and the way you treat your clients.
>
> **C-IT-2:** IT is an enabler, but IT doesn't have to be internal. I don't think that IT has to be internal because it's strategic. There are many instances of companies outsourcing the strategic aspects of their business and continuing to be successful. The competence that they retained was management.

5.4 *Attributes of Sustainability – Cheetah*

The attributes of sustainability are catalysts that act upon the CRCs to potentially create the core capabilities which define a firm's sustainable competitive advantage. An assessment of the impact on the firm's capabilities of the sustainability attributes is also made. These attributes enable the rarities to develop. In some cases, they, when interacting with CRCs, also cause challenges to occur; these challenges present uncertainties about the long term sustainability of the attributes to act upon CRCs. Occasionally, the analytic assessment also identified potential constraints presented by sustainability attributes that are likely to erode competitive sustainability. The attributes of social complexity and uniqueness were identified through evidence gathered from the interviews and supported by documents. The interview evidence is presented in Appendix D-2 in Tables D-2.2 and D-2.3. The sustainability attributes identified through analysis are discussed in the following two sections.

5.4.1 Social Complexity Attributes

The social complexity attributes that characterise a firm's core capabilities within its strategic architecture are associated with the human dimension. In the case of the Cheetah Group, four social complexity attributes were identified through the analysis process. Table 5.3 summarises these social complexity attributes and also includes the assessments of how these attributes "enable," or present "challenges" and/or "constraints" to a firm's long-term viability as an effective competitor in the marketplace.

Table 5.3 Attributes of Sustainability: Social Complexity-Cheetah		
Sustainability Attributes	**Assessment: Enablers, Challenges, Constraints**	**Which CRC (s) Impacted**
Culture in transformation from "White Afrikaner" to "multi-ethnic" value system	**Enablers:** • Recognised that present culture had to be changed to remain relevant in the new South Africa • Understood that ethnic diversity was a "make or break" issue for the firm **Challenges:** • Changed a successful culture, that had been in existence for 80 years, took time, and could potentially be painful for employees • Required a significant investment in training • Cultural transformation required wisdom in selecting which values to retain, and which ones to discard	• Created and maintained effective channels to reach middle-market • Designed a BU structure which was highly autonomous, with BUs geared to markets and measured on bottom-line efficiency
Leadership focus on management and administration with backgrounds in finance or actuarial functions	**Enablers:** • Financial and actuarial functions important areas of expertise in bancassurance firms • Leaders, through experience, had good discipline in operational efficiency and bottom-line focus **Challenges:** • Developed and recruited new leaders who may not have come from assurance or banking **Constraints:** • Transformation required leadership – not management – to set vision and inspire employees to change	• Designed a BU structure which was highly autonomous, with BUs geared to markets and measured on bottom-line efficiency • Established smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs • Used outsource initiatives to achieve efficiency
Financial control with emphasis on cost a consistent cultural value	**Enablers:** • Established credibility with customers, of keeping overheads low • Scale and cost control identified by investment analysts as important competitive consideration **Challenges:** • Knew which costs to eliminate **Constraints:** • Over-reliance on efficiencies may have created "false economies", i.e., not investing for future growth • BU structure itself may have been the cause of significant duplication and built-in cost	• Established smaller corporate functions, like IT and HR, to reduce staff costs and embed these functions in the BUs • Exploited IT to drive efficiency within the businesses • Exploited e-commerce to drive channel efficiency and created a stronger customer relationship • Implemented a BPR process to drive cost out of the business • Used outsource initiatives to achieve efficiency
Employee Empowerment with both responsibility and accountability	**Enablers:** • Empowered employees could see how they contributed to BU operational success • Employees worked with minimum direction: had the freedom to act individually or collectively to implement BU performance goals **Challenges:** • Trained and motivated employees to take on the	• Exploited e-commerce to drive channel efficiency and created a stronger client relationship • Established smaller corporate functions, like IT and HR, to reduce staff costs and embed these functions in the BUs

	empowerment mantel • Recruited and developed leaders from other ethnic groups, without loosing the loyalty of current workforce	

Source: Author's analysis of interview and document evidence

5.4.1.1 Culture in Transformation to a Multi-ethnic value system

Cheetah Group was proud of its contributions to, and remained committed to the future, SA in a post-Apartheid world. For these reasons, the firm had taken on the challenges of completely re-vamping its cultural values to participate and lead effectively in the continued growth of SA and its people; it recognised that it was a "make or break" issue. As one executive claimed:

> **C-B-1:** {Cheetah} was the first company that empowered Blacks, you know through the NAIL[94] deal and {Rhino Insurance Company} that we sold off … what analysts think of us now that we are listed {is important}. We can kill this notion of being a White, Afrikaans, male-dominated {firm} … it is a tough thing for us to do, we have got to really look at ourselves because we are a White Afrikaner-dominant company and we have got to take tough measures to change that …. I mean our top people are Black people and good Black people … top management, on the executive. But we still sit with the image, and I don't think we have done enough to really get that to work properly.

The courage to change was admirable; however, the patience and resolve to continue the "painful" transformation of an 80 year old firm was a challenge for Cheetah, as it hoped to remain an effective contributor to SA society, and a financial services provider of choice to its multi-ethnic client base. The Corporate HR MD felt that there was a shared heritage, between Afrikaners and the Black ethnic groups, as "underdogs" who had endured many hardships to create a life in SA. He felt that:

> **C-HR-1:** … the Black person has been oppressed and I think what {Cheetah} can do is to turn this thing around and to say, "What we did for ourselves, we can use that same success formula" … and by just integrating it with a few people, we could be on a combination of something that could be a competitive advantage. I think that {Black Senior Executive} could very well be a catalyst that will enable us to use that very successfully. It will take very good leaders in order to make that work, because you are sitting on a time bomb of having this thing implode … and now if we doing it correctly, and I believe we can, then you are going to find a culture of diversity for the first time in a company, and {if} successfully driven could be a competitive edge. But it is strange that the Black person has got a very specific culture as well and their value system are not any different {from the White Afrikaner's}, and putting those two together, if managed carefully, could be a success formula … and rather than to take {Cheetah's} culture and trying to make it an English culture, it is not going to work … what I am saying is, "Keep the {Cheetah} culture and just bring the Black culture, and merge the two."

[94] New Africa Investments Ltd, which is an "empowerment" firm.

Cheetah also faced the challenge of knowing what values to keep from its existing Afrikaner culture, and which ones to discard. It seemed that feedback from its Black clients had given the Cheetah BUs insights as to what values were meaningful in a multi-ethnic society. As one interviewee observed:

> **C-IT-2:** {It is} quite interesting that 50% of our client base is Black, and there is a perception amongst the Black market {of Cheetah}, that the Afrikaner is a trustworthy guy to do business with, he will keep his word.

The leadership at Cheetah knew that transformation was not going to be easy, and its 2003 Transformation Report acknowledged the gaps, with clear strategies to address them. In this report, Cheetah committed to: "*Being a truly South African company and therefore the two over-arching goals: the transformation of {Cheetah} into a diverse representative and winning South African company, and the creation of wealth across South African society ... There is no doubt that {Cheetah} is on the way to achieving these goals. Indeed, where the Transformation Report does not already reflect success, it lays out clear strategies to achieve that success in the future.*" The commitment also required training at the grassroots level. As the Corporate HR MD indicated:

> **C-HR-1:** That is where the transformation element comes in, and I don't think at a strategic point is that we can manage diversity in the whole of {Cheetah}. I think it is a misnomer.... {it is} the job of an HR practitioner ... to educate people on the realms of diversity

5.4.1.2 Leadership Focus on Management and Administration

Based upon evidence gathered at Cheetah, the managerial values of administration, financial integrity, and process integrity were the primary drivers of implementation. Senior leaders, for the most part, were promoted through the ranks from either the actuarial or the financial functional areas of the business. Many of the more successful managers had a steep learning curve to become conversant in other functional areas such as IT, marketing, and human relations. Two of the BU executives said:

> **C-B-1:** .. because the company is driven by IT, what is possible in IT .... or whatever other economies and you have got to understand that ... even if you are actuary {because if} don't understand it you are out of your depth ... and shit I don't have marketing background, I have financial background ...

> **C-B-2:** I am actuary but I know currently more about IT than actuarial stuff and that is more important for me … you know, rather than to know that actuarial stuff to run my business …

However, from an interviewee observing the leadership:

> **C-IT-2:** In an organisation like this you are going to struggle just because of the size, and the remoteness of the leadership to what is really going on … The culture within {Cheetah} is to manage not lead. … it's difficult in a life insurance company which is driven by actuaries …

As a firm whose success track record had consistently meet policy and investor stakeholders, the motivation to change from managers to leaders was not seen as a priority until the post-Apartheid and demutualisation of the business. With the commitment to transformation, the requirement for executives with vision and the skills to motivate changes in cultural values and workforce behaviour became pivotal to success. Research confirms that leaders, not managers are need to orchestrate transformational change (April, Macdonald and Vriesendorp, 2000). At the time of demutualisation, the Group CEO saw the need to transform its management team to leaders who could provide the values and vision for an autonomous business structure, to enable an empowered workforce to meet its performance goals within an ethnically diverse environment. According to the Corporate HR MD, this Group CEO had began to promote candidates who had the skills to lead rather than manage; he was also bringing in Black leaders from the outside to engage the organisation in a transforming of Cheetah's values. This Group CEO was well respected in the industry and the firm; the HR MD stated:

> **C-HR-1:** … but the diversity, and the way it is managed, is from the top and that is in terms of the selection of your leadership … once {again} it all comes back to your leaders. They will drive the culture … {on leadership} once again it is traditional … a good actuary was a good manager sort of syndrome {in Cheetah} … but the trouble is the depth of that leadership in a company like a {Cheetah} that understands the way that the {CEO} does –he has got this vision and he is on a mission on what he wants to achieve. But if something happens to {CEO} then we are back to square one …

Unfortunately, something did happen to this dynamic leader; he was terminally ill in 2001 and had to resign; this triggered a crisis in leadership. Since this time, the Cheetah Group has gone through one interim CEO and is now on its second CEO – a total of three leadership changes by 2003. This leadership crisis has potentially constrained Cheetah's transformation efforts toward its over-arching goals of a "*diverse representative and winning SA company*" that creates "*wealth across SA society.*" The Group CEO appointed in 2002, supported by a re-structured Board of Directors who were in line with Cheetah's over-arching goals, appeared to be providing the visionary leadership. Cheetah's performance for 2003, although still needing improvement, was delivering growth in profits; in addition, its 2003 Transformation Report indicated very specific plans on how the firm was going to evolve into a multi-ethically diverse firm.

5.4.1.3 Financial Control a Consistent Cultural Value

Financial control and discipline as a cultural value had served Cheetah well. It was Cheetah's view that they were caretakers of their client's assets, and this prompted its employees to be highly responsible stewards, accounting for the administrative costs of the business. As mentioned in the financial section, Cheetah was the only firm among the four cases studied that reported its administrative cost ratio. Cheetah's focus on cost structure was also critical because of the lower margins available on middle-income market products. Its focus on how to reach this market cost effectively had served the firm, especially the Life BU, well. With respect to cost, interviewees said:

> **C-B-2:** I think we are not there yet, but we are working very hard on that to have a value for money advantage almost because we really manage to reduce our cost base substantially … we really are cost effective

> **C-C-2:** However, we've used IT greatly, greatly to reduce costs … we have such a low cost structure …

> **C-IT-1:** … we have got a process which we started currently called OVA[95] which would really mean that you understand the {costs and benefits} and you actually define your outputs, and you relate that all back to your budget figures so that business people understand exactly what they are paying for and what value {they're getting} … It is measurable …

> **C-IT-2:** And it is quite interesting that they {business people} have learnt through the process as well … I think that does summarise it quite well. It is based on the budget in terms of the costs of those outputs.

Although Cheetah employees were highly cost conscious, at least one interviewee felt that Cheetah was not "lean and mean," he said:

> **C-M-1:** Because the ship is built so big ,and is so big, it is not flexible … simple as that. And I believe these days you have got to be lean and mean … and we are not.

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[95] Overhead Value Analysis.

There was some concern that Cheetah's decentralised BU unit structure, in fact, had built into the firm a lot of redundancy with each BU having, for example, its own HR and IT capability. Although the 2002 and 2003 Annual Reports highlight the significant cost reductions that had occurred in the business, the number of employees (excluding sales staff) had not varied more than 2.5% from year to year over the past five years. Cheetah's continuing support of autonomous BUs supported the view that the additional overhead engendered by BUs was compensated for by the marketplace agility such a decentralised structure created.

5.4.1.4 Employee Empowerment with Responsibility and Accountability

With autonomous BUs, Cheetah had established an expectation of empowered employees to implement BU strategies. Within Cheetah, empowerment meant having both the responsibility and the accountability to meet expected performance targets. Interviewees' views of empowerment were as follows:

> **C-B-1:** … empowerment is in the nature of {Cheetah}. Empowerment stands all over this company. I mean if you started to empower the Afrikaans people, the nature of the product is empowerment, financial empowerment … The way that we run the company is an empowerment approach, so we say to someone: "Right you are in charge … guess who is going to get fired if it does not make a profit, ok." So I mean now if at the same time I say to you, "I am going to fire you if you don't make a profit, I am empowering you as well" …so empowerment is … all over everything {you manage}. So now if you don't succeed then the only thing that you can blame is yourself, not because you were forced to integrate your systems.

> **C-B-2:** … the feeling of achieving something and … if I am not achieving anything I would not want to work here – and really we have been giving them a feeling of really having participated a sense of real responsibility … By seeing they can actually make a difference, that is important … and give them personal freedom

> **C-IT-2:** … you give these people the tasks of implementing the improvements that they have suggested and you change the entire organisation to accommodate the improvements that they have suggested. They have participated in it … and everybody is kind of happy, you know.

> **C-IT-5:** People without a doubt {that are} skilled, dedicated people and {that} are passionate about IT … {we are creating} an environment that is conducive to people learning, growing, providing a work environment where people are motivated to explore the options and to think laterally and creatively.

One interviewee, however, felt that Cheetah still had some way to go to improve their empowerment capabilities in their workforce:

> **C-IT-1:** I figured that the natural advantage that {Cheetah} has is a highly disciplined work force. And again it is related to the Afrikaans discipline culture, that kind of thing. It is negative in a sense that if you ask a subordinate to do something, it can be crazy as hell, they won't tell you it is crazy.

Promoted Customer Service and Client Relationships through extensive channel network to reach target middle-market	**Enablers:** • Consistent commitment of employees to service and the need to build long-term client relationships • A ubiquitously deployed distribution channel based on easy access to Cheetah • Large scale market footprint with "second" largest market share provided a base to grow • Middle-market considered fastest growing market in SA **Challenges:** • Orchestrating BU structure to establish common standards of good service	• Created and maintained effective channels to reach middle-market • Designed a BU structure which was highly autonomous, with BUs geared to markets and measured on bottom-line efficiency • Established smaller corporate functions like IT and HR to reduce staff costs and embeded these functions in the BUs
IT initiatives, including e-commerce, required "balanced" alignment to both Corporate and to BU strategic direction	**Enablers:** • Consistent recognition among employees of the importance of IT in the business • Recognised problems in IT deployments of the past, and created a decentralised IT structure located in BUs **Challenges:** • Learning from past failures to improve IT implementation – not only organisational structural changes, but other process changes • Developed criteria to determine when to develop IT systems internally, or outsource them **Constraint:** • Implementation key capabilities, especially in project management were insufficient: BUs relied heavily on outsourcing • No clear indication of integration between Corporate and BU IT strategies that supported a common architecture at an infrastructure level.	• Established smaller corporate functions like IT and HR to reduce staff costs and embeded these functions in the BUs • Exploited IT to drive efficiency within the business • Exploited e-commerce to drive channel efficiency and created a stronger customer relationship • Used outsource initiatives to achieve efficiency

Source: Author's analysis of interview and document evidence

5.4.2.1 Reinforce Cheetah's Brand Characteristics that Appeal to Middle-Market

Cheetah Group had consistently highlighted the importance of its brand as an integrating principal for its BUs. In its 2003 Transformation report, Cheetah declared its commitment to autonomous business clusters, and also declared that "*behind each of our businesses stands the formidable assurance of the {Cheetah} brand.*" Interviewees also felt that Cheetah's brand was a unifying force in the marketplace. Clients 'saw and experienced' Cheetah, not its BUs, when considering life insurance or other personal financial products. The characteristics that made its brand powerful such as stability, staying power and best value were especially appealing to middle-market clients who were not necessarily well versed in the various product features of different financial products. Interviewees said:

> **C-IT-2:** I don't know that we are very good at capitalising on our natural advantages. I think our natural advantage currently is a brand that is fairly well trusted.

C-IT-4: Products will just be a qualifier: they will not give you a competitive advantage and our brand needs to maintain its strong position.

C-M-1: in terms of how you want to position of brand of {Cheetah}, you know people think of {Cheetah} and they think about trust, good expert financial planning advice … but {Cheetah} carries Afrikaner White male brand, it comes from people, executives around you and trying to change that brand is a hell of a hard task … the brand of {Cheetah} is a very powerful brand, you know for eighty years, it is a very powerful brand. I think it is one of the reasons why people come to {Cheetah}, is because {Cheetah} is seen to equal security, stability, size, success … Brand is important in any business but so much more in services businesses … we have only got the brand because there is nothing else tangible to get onto.

C-M-2: Its {a} strong brand, good products and more and more good advice … We win because we have a good brand, which we can build on.

Although highly supportive of the importance of Cheetah's brand in the market, one of the interviewees, a marketing manager, was concerned about brand management. He felt that the integration between Corporate, who managed the brand, and the BUs, whose products and channels represented the marketplace, was lacking. He felt that this was a challenge to Cheetah because, from his perspective, he had no input into brand management. This interviewee said:

C-M-1: The problem we have with {Cheetah} at the moment is we have got the brand of {Cheetah}, ok, we have got this company {Cheetah}, which consists at the moment of {Cheetah Bank}, which is pretty much independent with its own brand, {Cheetah} Health … you know employee benefits and {Cheetah Personal Finances} which is the collective of four different companies. Unit Trusts. I mean Unit Trusts are portfolios and {Cheetah} Trust … So unfortunately, me here, I look after {Cheetah Personal Finances}, I don't look after the brand, you understand what I am saying? So in a way I have got to do a marketing job, but I have got no power over the brand. I have got to sell unit trusts, I have got to sell life {insurance} … and someone else is looking after the so-called positioning of {Cheetah}, you can call it the mother brand. Ok … The problem is these products, they are products, but products of {Cheetah} that have become companies, ok. So theoretically if they are companies, what is the strategy of these companies … how … what are we going to do to sell more unit trusts, what are we going to do to position {Cheetah} unit trusts, why must the person buy {Cheetah} unit trusts as a company, right. But we can't do that because it is the product within {Cheetah}, even though it is structured as a company. So it is bit of a problem. So for you to ask me what am I doing as a brand to outmanoeuvre {Buffalo}, or to make customers buy from me, I can say to you I am doing nothing because I don't run the brand.

5.4.2.2 Promote Customer Service and Client Relationships

As mentioned earlier, Cheetah had an extensive channel presence in SA, second only to Buffalo. Service and client relationships were felt by interviewees to be more important than being market innovators. Two interviewees commented:

C-IT-2: We are not market innovators, but we are fast followers. We are very quick to respond to other people's innovation with something better even.

C-IT-4: Service and relationships will be most important. Products will just be a qualifier.

Other interviewees spoke about the importance of client relationships, suggesting that client service was the most important commitment that unified all employees. They said, referring to client relationships service:

C-B-1: I think it is good that it should be like that, and I think we want to get better at advising people as well. And what I would like to believe and I think it is true, why people like us is because they trust us.

C-IT-3: {We need to be} a leader in client service. I believe this carries the company when the market is not doing well ... Technology and support enables the high client service levels in the call centre and on the Internet.

C-IT-4: The ability to administer what needs to be done in terms of honouring a contract accurately and cost efficiently without undue risks. The ability to provide a service that the client can trust, that is accurate and with a service level that he would like ... providing the right service levels, but also to really be in the wealth creation business means being in a long-term relationship with our clients ... It all depends our ability to develop sound, long-term relationships with our clients and to do that better than anyone else.

C-M-1: Pricing wise I think we are competitive, we are never going to be the cheapest, I don't think we want to be the cheapest, but pricing wise we are competitive. We have a very extensive sales force in terms of our own sales force ... So what I am trying to say is you need to make it as easy as possible to deal with this business. So whether the client wants to deal with you through the Internet, whether the client wants to deal with you through the telephone, whether the client wants to deal with you face to face, whether he wants to deal with you at Head Office, he must be able to do that. We are looking to move our business to a more relationship-driven business in order to retain and develop our existing clients ... I am saying if a company is really relationship-driven, you are going to make damn sure your service is up to scratch ... we need to have the very expert professional service capacity ...

Fortunately, Cheetah's employees seemed to be consistent in their commitment to client service. What was not clear were Cheetah's capacities in building common standards of service across BUs. There was an absence of evidence in both the interviews and documents to support this need for a 'common service face' to its clients. However, Cheetah's Annual Reports and other documents did confirm the firm's commitment to service with its clients.

5.4.2.3 IT Initiatives Require "Balanced" Alignment at Corporate and BU Levels

Interviewees included in this research affirmed the successful integration of IT applications into their respective BUs as important key enablers. With the movement of IT functionality to the BUs, there was also agreement that IT had become more aligned to the needs of the business. However, the implementation of IT projects seemed to cause disappointment. Evidence from the discussion of IT failures, indicated that project management was not a strong key capability in the Cheetah Group. As a result, most BUs relied on vendors to implement technology solutions. In many instances, promised technological benefits were never consistently forthcoming and, therefore, did not meet expectations. The Life BU executive was particularly disappointed:

> **C-B-2:** … it is so expensive nowadays to implement technology to get a good business return … you come up with all these wonderful promises and a lot of those promises just vanishes into thin air as the project gets more expensive, as it doesn't deliver on time as – people think that technology gets cheaper all the time, and it is not really true – because the high cost of technology skills. At the moment, I find that it is getting more and more expensive to implement technology …

Other interviewees recalled the failures of large systems by saying:

> **C-IT-1:** … the track record from {Cheetah} in managing IT is an absolutely disaster and we come back to … the placement of project management that has been a downfall, and so we are able to identify the right things but we are not able to deliver them …we used to go through a hell of a steep learning curve, in terms of problems in those areas, before we come up with a right answer. I would love to quantify, in the last five years, how much {Cheetah} has spent on IT interventions that has been successful ... but then if you go and look at some of the projects before the {Exco CEO} time, {it} is an absolutely disaster – must have costed us millions of Rands.

> **C-IT-2:** We have made a lot of very costly mistakes in the last three years. I would say the bottom line of all of that is changes in business strategy, uncertainty around the business strategy, um, we have probably thrown about two hundred and fifty million into the Pin-Pro project when we realised it was not going to deliver a set of systems appropriate to the new strategy. Now what we have done is we have gone this package route, which is appropriate to the current strategy … but what if the strategy changes … that is a real danger. So those are missed opportunities. We have wasted a lot of money on abandoned projects.

There was evidence of duplication of IT applications and platforms. In addition, not only was there regularly misalignment of IT implementations with the business strategy, but the developed systems frequently constrained the ability to cross-sell products. Interviewees said:

> **C-C-1:** … well {the CEO of the E-commerce BU} is actually working on some toolkit which is ok for the kinds of solutions he is working with, but it is not very usable for businesses {BUs}, so we need to … see how we can actually utilise a lot of what {the CEO of the E-commerce BU} has put in place to actually have a stronger total business solution. Obviously, at this point, it is still immature … the other interesting area, which we have just started to work on, is what you can call ECRM or online data mining or what we also call it is client behaviour intelligence … it's critical to get a single view of your client in a company … we actually have about four product providers, and you have got four different help desks, you know, serving the client providers. Now consolidating that surely is critical, but not just consolidating, but consolidating the data that they work from. So that what we are doing, although within {Cheetah} overall as a company you have got four different customer business units ... Leads can quickly disappear in cracks if you don't know what follows on from there.

> **C-M-1:** … we were looking to build a central client database, a central client warehouse which houses all the information we need about all our clients and which from there will service all the client contact areas. Unfortunately the concern we have, at the moment, is having a data warehouse there which can carry information of all the companies, it does not make you a relationship-driven company …

When analysing the internal documents provided by the Corporate IT organisation, there was recognition on the part of Corporate IT of the interdependencies among projects and the need for governance oversight to establish common standards. Architecture forums were established to discuss shared projects, standards, and IT architectural processes. However, unlike Buffalo or Leopard, no integrated Cheetah-wide architectural plan, which linked in all major platforms, existed. What did exist was a high-level schematic of the functional components to an architectural plan. When asked, the Corporate CIO indicated that a detailed architectural plan for the business was being developed. In summary, the balanced vertical alignment between Corporate and BU strategic direction, that is at heart of IT governance integration, was not in place during the time of the interviews in 2000 and 2001.

5.5 *Portrait of the Firm – Cheetah*

The analysis of Cheetah presents a final portrait that brings together the key and core capabilities of its strategic architecture. From the perspective of the "Framework of Sustainability" the portrait presents how effectively the firm interacts with its marketplace, bringing in its arsenal of capabilities to effectively compete. As in the Buffalo case, the portrait of Cheetah assesses the resilience of its key and core capabilities to sustain the ongoing challenges of SA's personal financial services marketplace. Cheetah's resilience in tackling the dynamics of SA's marketplace dynamics is discussed below under "Strategic Architecture." The final touches to the portrait are made through an assessment of the competitive coherence of Cheetah's declared strategies to its core strategies; this assessment is discussed in the section entitled "Causal Ambiguity."

5.5.1 *Strategic Architecture*

Cheetah, as SA's number two assurance firm, had been a highly successful competitor, but the dynamics of the SA marketplace had shifted dramatically in the post-Apartheid era, compelling Cheetah to re-examine its core capabilities. Table 5.5 presents both the key- and core capabilities arranged against Kotler's (1980) framework of strategic market components.

Table 5.5 Summary of Key and Core Capabilities-Cheetah

Strategic Area	Key Capabilities	Core Capabilities
• **Product/Service**	• Provided products that were competitive, but not leading edge	• Continued to reinforce the Cheetah heritage of reliable customer service and professional customer relationships geared toward the middle-market • Created autonomous business clusters which could more effectively create "best fit" products and services to meet middle-market needs
• **Distribution Channels**	• Provided efficient service to sales advisors and brokers • Used e-commerce applications to provide easy access to client data, products, needs assessment frameworks to brokers and sales advisors.	• Continually assessed sales channels for efficiency; using call centres to replace small offices, and outbound telemarketing to sell simpler non-life products • Re-structured sales advisor force to increase the percentage of Black sales agents to reach middle-market Black clients
• **Cost Structure**		• Maintained a discipline of stewardship of client funds so the administrative load on products was competitive. • Continually improved cost structure through initiatives such as IT backroom applications, IT outsourcing and BPR to support the middle-market which had lower margins
• **Product Pricing**	• Maintained a competitive price structure to retain clients on a "value for price" based proposition	
• **Brand/Promotion**		• Reinforced brand image as a trustworthy, reliable firm that had a track record of creating wealth through "steady returns" for its customers
• **Market Segmentation**		• Focused on middle-market, recognising that the margins in this market were lower, but the rate of growth faster. • Re-structured distribution access to meet the demands of an ethnically diverse middle-market.
• **Market Research; Benchmarking**	• Engaged in informal benchmarking; did not see value in formal benchmarking	
• **Market Philosophy**		• Commitment to build an economically viable South African society based on principles of inclusion.

Source: Author; Strategic areas (Kotler, 1980), analysis of interviews; internal and external document evidence

The primary challenge that Cheetah faced was how to transform the foundation of its CRCs based upon old Afrikaner business values to the more inclusive, multi-ethnic business values of the "new" SA, such that its core competencies would sustain its growth potential in the future. Cheetah felt that many of it core capabilities were still relevant to the market realities of the new SA. One such core capability was the role of steward of its client's funds that kept the firm highly disciplined in seeking efficiency measures, and that subsequently kept its administrative costs in check. For example, seeking more efficient channel sales options, Cheetah was the first South African assurance firm to successfully launch an outbound telemarketing channel to sell simple financial products. Cheetah also felt that the same winning core capability that embodied its commitment to client service and long-term client relationships, would remain highly relevant in the new SA marketplace. For this reason, the Cheetah Group continued to fine tune its CRCs, which included its autonomous BU structure, its cost-driven discipline, its IT application support of internal processes and its empowered employee expectations, to sharpen its customer service core capability.

In spite of its successful market track record, Cheetah viewed genuine transformation as the only option to provide long-term sustainable growth for its businesses. Although transformation required the firm to re-evaluate, re-structure and, in many instances, create a more market-attuned CRC structure, the Cheetah Group nevertheless courageously undertook this difficult strategic journey. The firm realised that its core competency of a distribution network, with widely dispersed client access, was no longer effective in a middle-market whose ethnic profile was changing. It therefore initiated efforts to restructure its sales advisory channel to include significantly more Black sales personnel to sell its products to the emerging Black middle-market. Transformation had also motivated Cheetah to seek creative ways to embedding a new core competency of a market philosophy based on "inclusion"; this required the firm to rethink its hiring policies, people development practices, and its ownership structure. In a bold move, Cheetah sold 10% of the Black-owned Cheetah Community Company. Cheetah stands an excellent chance of sustaining its competitive advantage if it can successfully and fully implement its transformation agenda.

5.5.2 Causal Ambiguity

As discussed in the literature review, and again in the Buffalo case, causal ambiguity is difficult to accurately determine because "causality" in a deterministic sense with fully linked CRCs to core capabilities to sustainable competitive advantage is difficult to establish. However, this research attempts to push the boundaries of understanding these linkages. For this reason, causal ambiguity is looked upon as a means of understanding the competitive coherence of a firm's declared strategies to their core capabilities.

Cheetah's declared strategies were highly aligned with respect to its targeted middle-market (See Table 5.6). It's middle-market strategic focus was on achieving "competitive coherence" in its cost-effective channel access, and revamping of the channels to provide improved sales capabilities in the emerging Black middle-market – thereby supporting its core capability of excellent client service and long-term relationships with clients. Its focus on efficiency and keeping administrative costs under control, especially in the lower-margin middle-market, continued to serve Cheetah well.

Table 5.6 Portrait of the Firm: Comparison of "Declared" Strategies with Strategic Architecture-Cheetah

Declared Strategies	Strategic Architecture: Core Capabilities	Assessment of Causal Ambiguity: level of Competitive ; Comments
• Client-centric business focused on wealth creation for middle-market Clients	• Continued to reinforce the Cheetah heritage of reliable customer service and professional customer relationships geared toward the middle-market	• **Competitively Coherent:** A main value driver of the business was that employees were focused on client service and establishing long-term relationships with customers
• "Back to basics" to re-establish investor and distribution channel confidence	• Maintained a discipline of stewardship of client funds so the administrative load on products was competitive • Continually improved cost structure through initiatives such as IT backroom applications, IT outsourcing and BPR to support the middle-market which had lower margins	• **Mostly Competitively Coherent :** As stewards of client funds, Cheetah Group maintained a discipline. However, focus on cost may have created a short-term mindset
• Decentralisation into business clusters to promote autonomy that drove an efficiency and a	• Created autonomous business clusters which could more effectively	• **Partly Competitively Coherent:** The intent of decentralisation was to move decision-making closer to

profit mindset	create "best fit" products and services to meet middle-market needs	the market. However, lack of integration, especially in IT, may have created unnecessary duplication.
• Internationalisation of the role of business clusters, not corporation	• Created autonomous business clusters which could more effectively create "best fit" products and services to meet middle-market needs, using acquisition to build capability	• **Not Competitively Coherent :** Strategy may have created a proliferation of acquisitions that brought value to BUs with very little synergy to the Group Level
• Continued commitment to develop a personally empowered, multi-ethnic workforce	• Commitment to build an economically viable SA society based on principles of inclusion, applying this philosophy internally to firm's hiring and development practices.	• **Competitively Coherent:** Good strategy alignment between employee empowerment and autonomous BUs. Also, Black empowerment compelled Cheetah to address its hiring and development policies to include more Black people
• Proactive engagement in SA communities with a commitment to wealth sharing	• Commitment to build an economically viable South African society based on principles of inclusion.	• **Competitively Coherent:** Cheetah Group and its BUs were committed to a its philosophy of full inclusion, sharing the benefits of wealth creation with all South Africans

Source: Author's analysis of interviews and documents

However, this financial vigilance of its "back to basics" strategies may have caused its BUs to focus on short-term performance through extensive near-term cost-cutting, thereby creating potential gaps in its alignment to its core capabilities of service provision and market share growth. In addition, the firm's decentralised structure required a new set of critical complementary resources in integrating the efforts of the BUs in the area of IT implementation.

The evidence gathered showed a lot of duplication of effort and systems among the BUs which, in itself, may not have been cost effective. In addition, there appeared to be no corporate architectural plan to provide guidance to the IT managers in each of the BUs. One effort that indicated some recognition of this gap was Cheetah's declaration in its 2001 Annual Report to designate its Life BU in charge of developing its CRM platform. For these reasons, its strategy on autonomous BUs was assessed as "partially competitively coherent."

Perhaps the most significant gap existed in its internationalisation strategy. After demutualisation, the investor community had expected Cheetah to develop an acquisition strategy, similar to Buffalo's to spread the financial risk of the firm by establishing footholds in multiple geographies (Symeonidis, 2001). It had signalled its intent to do so by establishing a BU solely dedicated to developing strategies for new businesses in 2000. By 2003, Cheetah had dedicated its internationalisation strategies to its independent BUs. Unfortunately, the Cheetah Group has failed to develop a set of critical complementary resources to support a core capability in acquiring strategic businesses. By delegating its internationalisation efforts to its BUs, there was every chance that synergies would be missed, as BUs proliferated the purchase of businesses that did not provide market advantage to the Group.

Cheetah's transformational strategies, which represented a strong commitment SA, may be the reason for "sidelining" internationalisation at the time. This strategy was "competitively coherent," with its focus on the middle-market and its motivation to include Black South Africans in participating in the prosperity of the country. This was, and remains, a bold strategic move on the part of Cheetah, and one upon which its senior leaders see as a "survival" issue. Its Transformation Report outlined how the Cheetah Group would implement its strategy of inclusion, and many initial steps have been taken to successfully promote this strategy. Board representation of a Black Board member from the Cheetah Community Company is a positive step in signalling the Group's intention to transform itself into a multi-ethic, inclusive firm.

CHAPTER 6: GIRAFFE CASE

6.1 Context: Background on Giraffe

Giraffe was a wholly-owned subsidiary of Bank One, which was SA's only fully integrated financial services businesses that ranged from full service banking operations, insurance, and investment operations[96]. It was the first entity in SA that had created a bancassurance model viewed by industry leaders as a long-term global trend (Symeonidis, 2001). As a result, Giraffe was the only major assurance entity among the top five assurers in SA that was not a stand-alone business. At the time Bank One was created in 1998, it had acquired Life Company, another large SA insurance firm, to merge with its existing insurance business – this combined insurance entity became Giraffe. In the section, Giraffe's overall strategic direction and philosophy will be discussed, while the financial summary and organisation structure are discussed in section E-3 of Appendix E.

6.1.1 Declared Strategic Direction and Philosophy

The declared strategic direction and philosophy for Giraffe were stated in the Bank One Annual Reports, as well as Giraffe's websites and other supporting documents. Table 6.1 summarises the stated strategic direction, and philosophy, of both Bank One and Giraffe. A comparative analysis shows that Giraffe's strategic direction and philosophy was compatible with that of its parent firm, Bank One. Both adhered to bottom-line profit performance, and recognised the importance of employees' intellectual and emotional capital as the driving forces of corporate performance. Bank One and Giraffe declared their intent to support innovation, including IT innovation, within the context of its business objective of improving bottom-line profit performance.

[96] Because Bank One was a unique conglomerate of businesses, investment analysts have had a difficult time assessing the potential of Bank One. In its 2003 Annual Report, Bank One admitted that key stakeholders such as shareowners and the investment community found the conglomerate "somewhat complex and confusing," and acknowledged that its continuum of businesses put them at a disadvantage from a market capitalisation standpoint. However, Bank One felt that its "uniqueness" gave them a market advantage.

Table 6.1 Comparison: Bank One and Giraffe-Strategic Direction and Philosophy		
Primary Strategy and Philosophic Elements	**Bank One**	**Giraffe**
• Profit as principal driver; however, business existed to serve customers and not *visa versa*	Yes	Yes
• People mattered – their intellectual and emotional capital provided the group's point of difference	Yes	Yes. Egalitarian approach; minimised perks of office such as titles, executive floor
• Cost effectiveness was important to building revenue streams	Yes	Yes. Small headquarter staff
• Innovation as a hallmark to make a difference in bottom-line profits	Yes	IT drove efficiency and customised products to meet market needs in a timely fashion
• Entrepreneurial spirit institutionalised through a flat organisational structure, designed around profit centres and an empowered work force	Not a stated philosophy/strategy	Empowered workforce was given both responsibility and capability to make decisions
• Market targeted toward high-income and commercial business, and markets with a streamlined distribution channel approach	Not a stated philosophy/strategy	Giraffe's market approach integrated; simplified distribution channel geared at target markets

Source: Author, using annual reports, websites and other supporting documents

Giraffe's interpretation of these overall strategic directions was actualised through an egalitarian approach to management, in which the "perks of power" such as titles, executive office space, and reserved parking were eliminated. Unlike the declared strategies and philosophy of its parent, Giraffe had endorsed an entrepreneurial philosophy supported by a strategy of fully autonomous profit centres in which employees were both empowered and held accountable for decision-making and performance results. This enabled Giraffe to maintain a small headquarters (Exco) staff with many traditional functions, such as corporate IT and HR, eliminated, as profit centres assumed responsibility for these functions. From a market perspective, Giraffe targeted the high-income, and commercial business, markets, which allowed them to streamline their distribution channels to the specific needs of these markets. In the 2003 Bank One Annual Report, Giraffe's senior management described itself as a firm that differentiated itself from its competitors through product innovation, service excellence, and partnerships with brokers.

6.2 IT Infrastructure

IT initiatives permeated all key business functions within Giraffe. Key IT initiatives, by business function as shown in Table 6.2, supported internal processes, market-facing processes, product development, supplier and alliance-based relationships. The IT architecture was based on a client-server infrastructure, and unlike its competitors, Giraffe had few legacy systems. It had transformed its infrastructure to support a profit centre organisation, with full flexibility for intra- and inter-profit centre communication and collaboration.

Giraffe's market-facing and product development IT applications had been to designed to create maximum loyalty from brokers who had the option of selecting products from a number of different competitive options. As shown in documents from a competitor, brokers' allegiance to Giraffe had been built upon not just competitive commissions, but also on the ability to provide easy access to information (data warehouse/retrieval), prompt service response (call centre/CRM and AWD system support), and convenient policy holder payment schemes (IT-enabled inter-branch payment systems). In addition, Annual Reports indicated that Giraffe had designed a number of products created for the high-income markets and provided competitive risk products, rather than fixed-income annuity products, that the broker community found "innovative," well suited to the needs of their client base, and had the potential for high margins.

Table 6.2 IT Initiatives By Business Function-Giraffe

Business Function	IT Initiatives	Designed for:
• **Internal Control; Governance; Communication; Enterprise Administrative Support**	--Intranets structured by profit centres to provide aligned financial measurements, human resource services and practices; and email both within and across centres. --Telecom systems structured to provide voice mail capability, call efficiency. --IT infrastructure built on a client/server architect model, maximised compatibility and flexibility to serve the needs of each profit centre. Very few legacy systems.	Collaboration; Communication; Efficiency; Governance
• **Customer Service Provision (included direct customer interface and broker channel support)**	--Call centres by profit centre businesses, established for both service to clients and for outbound sales calling. --Automatic work flow distribution system which allowed the support of work flows of both internal customer consultants and the broker network to access customer information; system had image scanning and retrieval capabilities. --Data warehouse system. Supported both call centres and automatic work distribution systems; it allowed for the tracking of customer contacts as well as policy and other	Efficient data storage and transaction processing; Integration for broker channel support; Effective client interface and cross-selling

	customer information, that could be drawn upon for cross-selling and future customer contact. System created to support direct access by brokers as well. All customer data shared across profit centres to facilitate cross-selling.	
• **Product Life Cycle & Market Management: Brand and Product Development supported all targeted retail market segments**	--Products designed by each business profit centre working in teams on an "ad hoc" basis; Profit centres could go outside to find products that suited their respective markets.	Efficiency
• **Supplier Chain Management**	--Outsourcing, using vendors such as Sapien, IBM, and others to help maintain IT systems, as well as created applications for support of non-critical functions.	Efficiency
• **Alliances**	--Alliance established with major bank (other than parent subsidiaries) to allow bank to cross-sell products. --Payments systems established for member banks to accept policy premium payments from clients	Extending client interface and accessibility
• **New Systems (market support using e-commerce and wireless mobile systems)**	--In planning (as of 12/01). Although there were two or three e-based products under the Giraffe Wealth profit centre, what Giraffe planned to do was create a transactions-based common platform that all BU profit centres could use to develop their own e-products and services.	Extend client interface; Potential efficiency
Source: Author with interview and documents related evidence.		

Following the trends in the SA assurance industry, many non-critical and maintenance functions for stable infrastructure systems had been outsourced. However, much of the leading-edge market interface and product development systems were developed in-house. In addition, Giraffe had developed its IT applications to extend its market reach into developing alliances with other major banks outside the Bank One Group. Using its systems experience, Giraffe had extended its systems to support bank-based brokers; they had also developed convenient premium payment systems as well. At the time the interviews were conducted, Giraffe was engaged in planning for creating market interfaces that were more extensively electronic-based. With trends in the high-income market of "anywhere, anytime access" to accounts, Giraffe felt that these customers would want to have greater "hands-on" access to their accounts/policies through the Internet. In addition, it was planning to make more of its data warehouse accessible to brokers on a business-to-business basis.

6.3 Complementary Resource Combinations (CRCs) – Giraffe

IT infrastructure is somewhat inert until acted upon by the dynamics of leadership and processes within the firm against a template for strategic direction. These dynamics in a firm enable the combinations of resources with IT to initiate the creation of sustainable advantage. As in any business, there are many permutations of CRCs. In Appendix D-3, eleven CRCs were identified in the initial analysis as having the potential to create significant competitive advantage. As in the previous case analysis discussions, the criteria discussed in the Buffalo case provide the basis upon which a set of seven of the mostly relevant CRCs were selected for more in-depth analysis. Table D-3.1 shows a synthesis of the supporting interview evidence to substantiate each of these seven critical CRCs (see Appendix D-3). Each of the seven highly relevant CRCs will be discussed below.

6.3.1 Decentralised Managerial Structure

Giraffe took pride in its decentralised, egalitarian structure, "free" from the accoutrements of executive power symbols. As the Exco HR Head remarked:

> **G-HR-1:** I don't believe in job humiliation systems, we don't have {them}. I don't believe in anything that smells like a bureaucracy. We believe that people … make up any contribution.

Following the strategic direction of its parent Bank One, Giraffe had also reinforced a "profit ethic" by creating profit centres, to provide a variety of services and products for their target markets. From a governance perspective, each profit centre was held to its bottom-line commitments. As a result, these profit centres did find themselves competing with each other in the marketplace with product offerings that overlapped. However, within the firm, profit centres were expected to share "best practices" with other profit centre groups. The CIO, who coordinated the activities of the Strategic Project Review Board, indicated that his governance role was not one of "standard compliance," but that of a facilitator in ensuring that best IT practices were shared among profit centre groups. An outcome to this approach to governance was a small headquarters staff, and line organisations that were responsible for their IT applications development. The CIO summarises the governance roles:

> **G-C-1:** We have a Strategic Project Review Board, on which I sit … I don't have line responsibility, so it is a consultative role. What I'm not doing anymore is comparing IT versus management expense ratios because it is not necessarily relevant … What we do say, though, is that every company must value profitability and what I in a way am encouraging is **IT** best practices. But it's not standards-based, it's involvement- based … it's more an approach of best practices. Another reason why I work like that is because … understand, many of the companies are going to go compete, so I cannot share the strategy of one company with another, except on stuff that is of a non-competitive nature.

With much of the implementation responsibilities residing with the profit centres, the corporate IT staff was by design small. From an implementation perspective, Giraffe did not work on a "one person-one task" basis, with clearly defined roles and formal structure, but rather the firm encouraged ad-hoc team arrangements organised around an issue or project. This approach encouraged employees to work in a cross-functional, self-directed mode. When an issue or project was resolved, the team was dissolved. There were no standing committees, taskforces or other "institutionalised" group structures at the implementation level. There was evidence, from various employees, to support how they worked to implement projects and resolve issues:

> **G-B-1:** I think it is more around this whole sort of communication thing … at four o' clock you are talking, and next morning at like eight o' clock you have got the decision because everyone is sort of on the cell phone talking. I think, that is where they are involved … everyone is in this together, there is no big hierarchy, no bureaucracy.

> **G-B-2:** I am pretty happy that this past governance issues … before we followed a pretty frigid process … we don't rely on the, let's say the internal audit committee to really make sure for our things. We actually know it is our responsibility. We actually know that all of the Directors … can sort of advise at a very high level, give direction or whatever. But they can't really assist the more detailed level decisions …

> **G-IT3:** We don't believe in committees. If you want something not to happen then you start a committee. They {another BU} bought a call centre, we thought it very nice, we liked the functionality and then we went out and bought the same thing. So, in a sense, there is some affinity but it is not focused like a committee looking for affinity between the business units.

6.3.2 Loosely Coupled HR Direction

Giraffe also took pride in the fact that it did not have a corporate HR department – all HR functions resided within BUs, with a single individual being the Corporate HR Head. This meant that the hiring, recognition, salary structures, and compliance to government HR directives (e.g., safety and EE practices) were the purview of the profit centre BU Heads and their management teams. However, there were some internal IT-based systems, such as the payroll system. In addition, the Giraffe Corporate HR Head used the Intranet to canvass employees throughout the firm through scheduled climate surveys, and also to nominate their peers for a firm-wide, peer recognition programme called WOW. When asked how the roles differed from traditional HR functions, the Corporate HR Head commented:

> **G-HR-1:** I would say I facilitate the HR process and I act as a mentor to the HR professionals in the profit centres. And I would say I ... what is the word ... coordinate the HR process. I don't believe in HR policies and procedures that are centralised ... Each profit centre must work out what is best for them and that culture must drive the process, and not from speculations. So what I say is that the company must be ... our company is managed by values, instead of policies and procedures.

What appeared to be important to the BU managers was the need for training and development. Because customer systems were constantly being revised and new products added to meet market needs, BU managers felt that training was frequent and necessary. In addition, an important value was multi-skilled employees who were able to step into a variety of differing roles within the profit centres. In fact, as a BU-based HR professional {G-HR-2} observed, "*We don't talk about training any more, we talk about learning and development.*"

6.3.3 Embedded & Continuous Innovation

A key value embedded into the culture and structure of the firm was innovation. Creativity and risk-taking, associated with innovation, were considered ingrained in the "Giraffe Way" of doing things. Based upon examples of failed systems, Giraffe employees were not castigated for trying out new vendors or applications. It was expected that when an application or vendor product did not work or meet requirements, it was immediately discontinued – there was no sense of "blame," but a sense of "learning" from failed systems. One example given by a BU Head:

> **G-M-2:** Sometimes it has been good and sometimes it has not been as good, we also had our technology failures. You can ask {the CIO} about Sapiens. Before the merger I think that is when we ... had a strong technology focus to be at the leading-edge. Now Sapiens is leading-edge. It did not work for us, but luckily, and I think that is where the {risk-taking} culture again comes out on top, we realised quickly enough that is not going to work and we canned the process. But anyway, the way we use workflow technology was definitely a first for South Africa ... we also had our technology failures.

The expectation established among Giraffe management was that innovative thinking, personal initiative, debate and team sharing of new ideas were all part of their value system. An IT BU manager observed:

> **G-IT-1:** I would say that people here, are recognised by the fact that they get things done and they don't follow the well-worn path. So people who can get things achieved very quickly and very dynamically ... {these} are the people who are acknowledged in the business as being successful ...

6.3.4 IT Aligned to Business Profit Centre Needs

The Giraffe organisational structure itself reinforced the alignment of IT with profit centre strategy, since much of the IT implementation workforce resided in each BU. Although the profit centres shared, in common, some of the client server infrastructure, each BU was expected to develop and "own" the applications used to support both products and services. As in the case of Corporate HR, the Corporate CIO provided consultative, rather than oversight and development, services to the profit centres. Large projects, that could potentially impact multiple BUs, were brokered by the CIO through the Strategic Project Review Board as mentioned earlier. Giraffe's approach had caused the BUs to create environments where:

- IT employees shared the same incentives, of their profit centre business peers, for the success of the BU.
- The value of IT investment was addressed in terms of the impact to the bottom-line business results.
- Teamwork and collaboration between IT and business employees were the means by which development occurred.
- Project management processes were governed more by collaborative ongoing dialogue, and less by specification documents.

All interviewees, at both the senior and IT management levels, attested to the concept that the business strategies drove IT development in Giraffe's BUs. The following three quotations are indicative of views expressed by interviewees:

> **G-M-2:** ... so the IT guy will understand as well what the requirements of the business is ... so you get to a point where you don't need to physically write out a detailed spec if you give it to IT, for example, because now {IT can} read between the lines also, understanding the objectives. But it is a much more efficient process and you find often these days that an IT guy will say, "Where is the profit in this?" And that is what we want actually, so that it is your business focus, as opposed to just building IT systems ...

> **G-IT-1:** ...the whole approach here is, 'we're not prepared to spend a thing, unless the bottom-line value is visible.' So the IT investment is more an issue of, building an IT platform that is going to enable the business. And we definitely concentrate on that ... they need to produce the right tools to enable the business to succeed and if the business is not succeeding, IT bears part of the pain – not physically, but emotionally.

> **G-IT-2:** The IT-side is quite healthy because without the IT-side there is no way the business can function. In the new world, you need the technology in order to assist the individual as well ... it's very much integrated ... you need IT to assist you to be able to achieve the goals that you seek.

6.3.5 Business Efficiency Through Automation

Based upon proprietary information on benchmarking from a competitor, Giraffe had developed a reputation of being the "best-in-class" during the 1990's as a highly efficiently run assurance firm. Post-merger with Bank One, this reputation had continued. Giraffe attributed much of these gains in efficiency to re-structuring its IT infrastructure platform, ridding itself of most of its old legacy systems and moving to a client-server architectural structure, common to all business profit centres. Three Giraffe interviewees mentioned efficiency as part of IT capabilities – however, nearly all of them spoke in terms of profitability of which they considered efficiency a contributing factor. It seemed that efficiency had become part of the way Giraffe employees operated and, therefore, was an embedded value.

It was the merger with Life Company that brought to the forefront of how Giraffe "used to be." Life Company had a hierarchical structure, engrained processes, and powerful centralised corporate functions, such as IT. The CEO of the Retail Operations for Giraffe felt that the biggest accomplishment in 1998 and 1999 was the integration of Life Company into the "Giraffe Way" of doing business. The CEO said:

> **G-M-1:** ... we converted all 1.3 million of {Life Company} policyholders from a mainframe system to a common client-server platform. There is just a cost saving on that ... about 16 million per year from an IT point of view. {Initially} it was a big shock, as it was three times "Giraffe," the number of policies, etc. So we put them together, we are now 118 million policy holders {integrated}....

The CEO, as well as other interviewees, made several observations about the differences between Life Company and Giraffe, but also how the "can do" spirit and skills of Giraffe's IT team in the Life BU made this conversion and the actualisation of the cost savings possible.

6.3.6 Channel Flexibility: Targeted High- and Middle-Income Markets

Giraffe maintained a separate Distribution Services organisation through which retail profit centres were expected to sell their products. This structure afforded Giraffe many benefits, as outlined in the organisation structure section (see section F.3.2 in Appendix F). One of these benefits was efficiency by maintaining a cost-effective means of reaching customers. This particular benefit was crucial to Giraffe in maintaining its competitive edge, since profit margins in the high-end market were being squeezed as more foreign entrants entered the SA assurance sector. In addition, middle-market margins were much slimmer than those found in the high-end market segment. The following comments were made by interviewees:

> **G-B-1:** ... there is not too much you can do to differentiate ... product is pretty standard okay. So the real question is, "How you can get to customers as cost efficiently as possible?" So we have to address that because the top-end of the market, those rich people, are going offshore ... we have got to start looking at the middle-market again. You can not then afford to do it with your expensive distribution channels.

> **G-B-2:** The other companies are now copying that ... {We have got} a loyalty programme going for brokers. We have now got fantastic data on each and every broker. The brokers are the client and they have now got a client management system.

> **G-M-1:** Our field force, we are big in brokers, but it is the bank brokers. But we don't have agents itself, you know the big agency forces. {Cheetah} and {Buffalo} eventually are going to understand that is too costly to have those.

> **G-IT-1:** So I think that because IT is the enabler, I mean ... in an insurance company, IT is your production line. A new product is based on new rules for a computer {application}. A guy buys life insurance, but what he effectively buys is entry on your system.

Observations by these participants supported evidence collected from other sources about the approach to the marketplace that Giraffe maintained. What the evidence from these Giraffe employees confirmed was how the firm combined its resources to effectively reach its target markets. Three findings were particularly relevant in addition to efficiency:

- Feedback from the broker intermediaries – a community of about 4000 – showed that convenient access to end-customer detail, potential leads for other products, and competitive commissions maintained their loyalty.
- IT played a significant role in providing not only access to customer data, but also helped BUs quickly tailor standard products to the market needs. For example, Giraffe was able to

quickly fill a niche in its high-end income market, for tailor-made "Wealth" or investment products to complement their fixed income annuity insurance products.

- IT also played a role of extending the channel reach of Giraffe. Giraffe, for example, was deploying its broker database to establish alliances with banks, other than Bank One.

6.3.7 *Exploiting IT: Balancing In-House Development and Outsourcing*

Exploiting IT for business purposes was a major focus in Giraffe. This focus also formed the critical decision-making criterion on whether or not to outsource specific aspects of its IT competences. Giraffe partnered with many vendors, to either help develop applications or maintain its infrastructure. It had "offloaded" its IT maintenance staff to outside vendors to run its IT infrastructure. This had enabled Giraffe to shrink its IT staff significantly. The firm had kept only those IT staff that could help with the development of "market critical" applications to enhance product, workflow, and customer data-collecting capabilities. Comments below show "how" and, to an extent, "why" Giraffe works with vendors:

> **G-M-1:** … a service level agreement … I hate {it} because that is the lowest level of service you can ever get. They are not going to do more than this because the whole thing is it is more like a partnership thing. So we believe we are very tough on service providers that don't provide … I think we are so output-driven … It actually creates the issue that our timeframes and the business partners' timeframes are not always the same. So that is the only way {partnership} … actually, you can {resolve this} by asking our {vendor} guys, that live close to us to understand more about us, and I think the IBM's, they understand.

> **G-M-2:** … you want to move fast … because you are always as dependent on the outside party to make functionality available and that always tends to be down {not available}. But if it is an inside, home-grown system you understand the inter-links between all the systems. I think we understand what we can buy off the shelf or it does not change as quickly, like telephony systems for example, as long as the interfaces are cleaner … whenever we have a business partner we should be able to do it on a hand shake and they should be able to deliver. And if we can be better, we will expect our business partner to follow us in that …

> **G-C-1:** {Industry benchmarking} All you have to do is, you have to walk with your ears open, talk to people in your industry and have a good strategic relationship with significant vendors, like IBM and Oracle and other market leaders.

> **G-IT-3:** But with third parties obviously, like IBM … but they are just suppliers for the infrastructure and systems. It is not a big thing in our company. All our software are developed in-house except for stuff like Lotus where we believe that you don't outsource your competitive edge, that is our philosophy.

6.4 Attributes of Sustainability – Giraffe

The CRCs must be acted upon dynamically to create competitive advantage. Certain elements of social complexity and uniqueness interact with CRCs to enable the strategic architecture of the firm to remain effective in the marketplace. Using mostly interview data, four "social complexity" attributes and two "uniqueness" attributes were identified for Giraffe. In Appendix D-4, Tables D-4.2 and D-4.3, the evidence to support the attributes of sustainability are presented. These attributes were assessed to be enablers, constraints, or challenges to the firm's sustainable advantage. These attributes are discussed in the following two sections.

6.4.1 Social Complexity Attributes

Nearly all of the interviewees referred to culture or corporate values as the basis for differentiation between Giraffe and its competitors. Within the context of the "Framework of Sustainability," these values were identified as social complexity attributes described by interviewees. Table 6.3 summarises these four attributes and also indicates those CRCs to which each of them are closely related. An assessment is also made of how each attribute enabled differentiation. As with other case profiles, assessments were also made of any constraints or challenges to long-term sustainability of these attributes. Each of the four attributes is discussed below.

Table 6.3 Attributes of Sustainability-Social Complexity

Sustainability Attributes	Assessment: Enable, Constraint, Challenge	Which CRC Impacted
Empowerment/ Egalitarianism: stories of employees making a difference	**Enable:** • Employees' confidence reinforced to become more self-directed; took risks because no reprisals • Worked in ad-hoc teams to address issues; and implemented projects rather than reliance on processes **Challenge:** • Maintaining consistent leadership approach where "talk" matched "walk" • Reinforcing a cultural value that people make a difference to HR practices, i.e., reward systems	• Embedded innovation • Decentralised governance structure with emphasis on profitability • Loosely-coupled HR direction
Recruited, Retained, and Recognised the "right" people	**Enable:** • Clearly delineated criteria for success factors among employees • Closely linked recognition to success • Highly visible acknowledgement of successful employees with "rich" reward schemes	• Decentralised governance with emphasis on profitability • Embedded innovation • Loosely-coupled HR direction • IT aligned to profit centre needs

	Potential Constraint: • Alignment in HR approach on social complexity attributes – i.e., egalitarianism and teamwork vs. elite recognition programs **Challenge:** • Long-term sustainability of CRCs, i.e., scalability as firm grows	• Exploiting IT – balancing in-house development and outsourcing
Leadership: flat structure with few senior leaders who were charismatic and directive (note: refer to organisation chart for additional evidence)	**Enable:** • Rapid direction setting at senior level • Healthy debate to determine options before making decisions **Potential Constraint:** • Charismatic leadership depended on "personality", not structure or process **Challenge:** • Scalability as Giraffe expands	• Decentralised governance with emphasis on profitability • Embedded innovation • IT aligned to profit centre needs • Exploiting IT – balancing in-house development and outsourcing
Informal working relationships required multi-skilled employees	**Enable:** • Interactive cross-functional teams to work on a multi-task basis, firm not reliant on "one person, one task" principle • All team members had a common purpose; i.e., business needs **Challenge:** • Assuring common values were maintained throughout all profit centres • Teamwork and sharing across BUs continues as a senior management expectation	• Embedded innovation • IT aligned to profit centre needs

Source: Author's analysis of interview and document evidence

6.4.1.1 Empowerment and Egalitarianism.

At both the senior levels and IT managerial levels, stories of egalitarianism and empowerment of employees were frequently mentioned. Here are some of the comments made by interviewees:

> **G-M-1:** S.R. was head of Operations and {he was inundated with} e-mail, so he sent out the new rule on writing of interest {relevant to business}. This is the way that you do things, etc … and a small girl came to his office and his secretary tried to stop her, and {she} said, "Who wrote this?" She came into his office … and she said, "Did you write this?" He said, "Yes," and she said, "How can write this, did you know that this is happening, you can't write this." You know what he did, he said he send it out again and said I am sorry … this woman actually came over to say that I am stupid and this is how it should be done. That culture, it is tough.

> **G-M-2:** I think maybe XXX once said, "Giraffe is a place where normal people can do extraordinary things" … We all expect him {employee} to deliver extraordinary things.

> **G-B-2:** I would say our culture is, you know, we don't take ourselves seriously … but in a certain sense we also have healthy … disrespect …

> **G-IT-1:** … they're {senior leadership} all accessible …

This particular attribute infused the CRCs listed in Table 6.3 with the unique cultural character of Giraffe. It continued to reinforce the employee self-initiative and work in teams to resolve local issues and problems, rather than them waiting for senior level directives. However, the stories were only credible to the extent that senior management was vigilant to "walk the talk." Because Giraffe relied heavily on its philosophy and its values, rather than processes and rules, the challenge for the firm was to assure that profit centre HR practices continued to make possible, and reward, openness and self-initiative among its employees.

6.4.1.2 Recruited, Retained, Recognised the "Right" People.

For Giraffe, the "right" people varied from those of its competitors. Giraffe's BUs were not only seeking talented, hard working employees, but also those who were willing to challenge the status quo, were undaunted by working in loosely constructed organisational structures with fluid job descriptions, and who were willing to take risks. As was mentioned by some interviewees, many people who were considered successful in the Giraffe environment would be looked upon as troublemakers in other competitor environments. Some of the descriptions of characteristics valued by Giraffe were:

> **G-C-1:** ... it's not rocket science – you need smart people, you need them to understand the business, you need them to understand new technologies, you need them to be able to react to these things really quickly, you need ... you know.... And it's all around attitude and the way we've worked. It is all about culture and ethics, how our word is, what we do and I suppose that's sort of what we must try and get more right.

> **G-M-1:** ...it is people who identify markets, people who analyse data, not a system. People do that, people create products that you need, people create the perception out {there} that the client service is excellent, nothing else. So the biggest asset that we have got is people.

> **G-HR-1:** . . if you ask me what type of employee, then I would say ... someone who is not interested ... that their company does something for him or her, so they must be prepared to take ownership for his or her future in the company.

> **G-IT-1:** ... I mean if you can find your way out {a solution}, there's only admiration from the people around you, especially above you.

> **G-M-2:** ...when new people come in, it is sometimes difficult for them to grasp more or less what are the boundaries of their own decision-making power. Some people overstep it because they just thought that it is freedom, total freedom, but it is not that. It is understanding more or less where you are in this kind of glass bowl. But it requires maturity in an organisation to operate like that I think ... and they either fit in, or not. People either like it or they don't, there is not a lot of 'in-betweeners' in this culture.

Giraffe also reinforced success with very highly visible and rich reward schemes. Some of these rewards, given to IT operational people, were similar to those only usually reserved for the highly successful sales executives in other firms, e.g., Caribbean cruises for recognised employees and spouses. The challenge for Giraffe was maintaining the fine line between recognising individual achievement and supporting and recognising an egalitarian, team culture. The rich reward schemes, at the time, were not necessarily for "everyone" even on the same team, but for outstanding individual achievement on the team.

6.4.1.3 Flat Structure: Senior Leaders were Highly Charismatic and Directive.

Although they valued self-initiative, the senior leadership team in the retail insurance sector set very clear direction. The CEO was viewed as having his own, unique charismatic style. Outside Giraffe, among competitors, the CEO was known as a "maverick" or "cowboy." For example, during the merger conversion he said he gave the IT people a deadline, and described his role as follows:

> … you are the guys that built this bloody system. I am not going to convert it, you are going to convert it. So I am telling you I want this by the 13th December, and this is the way I want it … and if you need more people you come and tell me and I will give you the money…

Comments made by employees about the senior leadership team were ones of admiration. There were no criticisms expressed by any of the interviewees, although many of them were outspoken on other issues. Some of these comments were:

> **G-IT-1:** I don't think 'Buffalo' {competitor} has got the management smartness, to do what we've done, nor the guts, to do what these guys are doing. I tell you the guys running this place, those three at the top, predominantly {E, F and D}, those three are sharp cookies. They're prepared to follow through with the right thing, and they have a blend of compassion as well

> **G-HR-2:** … they have been brilliant business leaders. They have been prepared to challenge the paradigms, they have been prepared to break out the conventional ways of doing things …

Although the senior team was viewed with admiration in providing clear, timely direction and encouraging healthy debate, the constraint imposed by a charismatic leadership style is that it depends on "personality." When that leader departs, Giraffe may have a difficult time finding a similar CEO. It remains uncertain as to whether such a leadership style is scalable, at senior management levels, or permeable/diffusable, to lower levels, as Giraffe continues to grow.

6.4.1.4 Informal Working Relationships Requiring Multi-Skilled Employees.

This particular attribute was closely tied with the one on the "right people." The focus, however, was more on teaming, rather than individual achievement. From a firm perspective, Giraffe invested heavily on team-building skills, and encouraged employees to develop more than one skill. These are some comments made by interviewees.

> **G-C-1:**..I don't know of another company doing so many team-building sessions ... we do the profiling, we give one another feedback and we have fun. So we believe in South Africa, part of the culture now, is team-building ... we believe in the debate ... we believe in diversity ... {without a diverse} group you don't have creativity.

> **G-IT-1:** ... the communication is more through the team than through levels of strategic to operational management. I'd say {IT is viewed} with respect. I'm not blowing my own trumpet here, I think that the business guys actually value the input of IT and the respect they give IT. There's obviously the odd tiff here and there, but I think, that's healthy, that's not an unhealthy situation.

> **G-IT-3:** But nowadays, you have cross-functional responsibilities, when a project came in and it actually affects the teams, whereas in the older days you had people focus on a certain area and they could just go work. So you find a higher level of integration nowadays, and I am sure {that} business processes are changing because of that.

It was not uncommon for individuals to work on a multi-task basis, on more than one team. What united Giraffe teams was the focus on a common purpose, namely business needs and profit. One of the challenges faced by Giraffe's managers was to insure that knowledge sharing took place, both codification and diffusion thereof, so that the amount of duplication was kept to a minimum, and so that the organisation did not become dependent on certain individuals.

6.4.2 Uniqueness Attributes

Where social complexity encompasses cultural values or people-related attributes, uniqueness embraces all other attributes of differentiation. As shown in Table 6.4, Giraffe had created unique capabilities in the areas of IT project management and merger integration.

Table 6..5 Attributes of Sustainability-Uniqueness		
Sustainability Attributes	**Assessment: Enable, Constraint, Challenge**	**Which CRC Impacted**
IT Project Management: time boxing; pilots and prototyping for new initiatives	**Enable:** • Efficient deployment of IT resources • Rapid response to market needs; afforded effective "product follower" strategy • Containment of risk through using pilot deployment and prototyping **Challenge:** • Sharing both success and failed IT effort across BUs for learning, as well as benefits	• IT aligned to profit centre needs • Business efficiency through automation • Channel flexibility • Embedded innovation • Exploited IT – balancing in-house development and outsourcing
Merger Integration: speed and learning	**Enable:** • Merger efficiency savings gained quickly • Creation of scalable infrastructure to incorporate "like" merged customer base **Challenge:** • Future merger candidates for successful integration; can these candidates be in similar, not same, business; outside of SA	• Decentralised governance with emphasis on profitability • Business efficiency through automation • Channel flexibility • IT aligned to profit centre needs

Source: Author's analysis of interview and document evidence

6.4.2.2 IT Project Management Skills.

Giraffe had institutionalised three important project management principles: (1) time boxing, which meant that no project took longer than 6 months, or was developed in 6 month phases; (2) prototyping and pilots for all new initiatives, rather than reliance on long specification processes; and, (3) IT investment had to meet the bottom-line test for value. Some comments made by interviewees:

> **G-M-1:** Now at "Giraffe" you have a got a little bit of a cultural thing that if a project takes longer than 6 months we don't want to do it because if you look at a theory, a project consists of three things and these are the main reasons why all projects that I worked on, met {targets}. You have got the three axis--you have time, you have got cost – the money, and you have got functionality or scope.

> **G-IT-1:** I think if you got a very bureaucratic IT department who are going to insist on following a development methodology with fifty thousand steps and two hundred reports and fourteen sign off committees, and all the rest … I think a lot of people have jumped into the Internet without knowing what they're doing, and why they're doing it. That's not Giraffe culture. Giraffe culture is to {pilot} systems before it has a right to exist. So what we're doing is running a pilot process at the moment, which will run for 6 months, at the end of which we'll have a look and see if the direction of that piece of business needs to be tailored to suit the results. And if it looks good, then there'll be huge opportunity for investment, which is going to obviously help from a cost point of view and a service point of view.

> **G-IT-3:** We believe that you must help the IT people understand what is a business philosophy. Otherwise you find them doing technology just for the sake of doing that, but they don't really know why they are doing that. So they must understand the business drivers, and I believe possibly share in the profits of the company.

These project management skills had enabled Giraffe to deliver projects on time and on budget. Giraffe felt that its products were not a differentiator, so they developed a strategy of being a "fast market follower" ("leading-edge, not bleeding-edge"). They let other larger assurance firms, like Buffalo take the market risks and incur "bleeding-edge" failure costs with new products. If these products did become market winners, then Giraffe felt confident that they could rapidly (in a timely market window) and cost effectively produce similar, or enhanced, products, because of their project management skills. For example, they were able to develop their successful "Wealth" products on this basis. A challenge for Giraffe was to ensure that learnings and insights from both failed and successful products were shared with other BUs to ensure experience was capitalised upon, common repeatable "knowledge chunks" were not duplicated, and mistakes were not repeated.

6.4.2.2 Merger Integration: Speed and Learning.

Giraffe's CRCs and profit-driven focus created an advantage of being able to rapidly integrate customer databases into its existing infrastructure. As one IT manager stated:

> **G-IT-1:** And the reason why "Giraffe" has been year, after year, after year top choice of the brokers ... it's because, in fact, the people make sure it happens. No matter what it takes ... our main priority up until now has been to complete the merger ... like the Head of Daimler said, "After examining 50 mergers, the most important thing is speed, speed, speed." So, I think we've done the same thing. We've merged two systems and processes in 18 months, which is quite phenomenal for the size of the organisation.

Although Giraffe had the project management skills, the infrastructure, and the values of highly focused teams to bottom-line business performance, it remained to be seen whether Giraffe could take on another such merger candidate whose clients were not exactly the same, i.e., having both insurance and banking accounts or one who is not in the same SA geography. The 2003 Annual Report indicated that at the Bank One level, not all mergers had gone smoothly, especially those outside of SA.

6.5 Portrait of the Firm – Giraffe

Giraffe's portrait is presented as its strategic architecture and its effectiveness in establishing marketplace value. It represents the highest level of integration in the "Framework of Sustainability." In this section, the questions addressed are: (1) What is the strategic architecture of the firm, and (2) on causal ambiguity – how does Giraffe's declared strategic intentions match with its strategic practice.

6.5.1 Strategic Architecture: Key and Core Capabilities

The strategic architecture adopted in the Sustainability Model is market-focused. For this reason, Kotler's (1980) market systems structure was adapted to form the elements of the strategic area shown in Table 6.5. When asked to describe the core capabilities of his firm, the CEO claimed:

> **C-M-1:** The drivers are the following, client service should be state of the art … it is a culture, we believe in it. All the systems that we build are client centric – the strategic driver is a client service. The other thing is cost effectiveness, and actually profit … that is why we focus on certain distribution channels, we are not everything for everybody. So we are here to make money. So it is for a specific distribution channel that we add value. We also had a big field {sales} force, {but} we discontinued that because it was too expensive, it was never possible to make profits out of it … it is people who identify markets, people who analyse data, not a system. People do that, people creates products that you need, people create the perception that the client service is excellent, nothing else.

Table 6.5: Summary of Key and Core Capabilities

Strategic Area	Key Capabilities	Core Capabilities
• **Products/Service**	• Products standard; fast market follower.	• Rapid product development • "Best-in-class" service through convenient access to customer accounts by end-users and brokers
• **Distribution Channels**	• Some end-user direct selling; some commission paid on these sales to brokers for account maintenance • Competitive commissions	• Sold primarily through broker channel; used a common interface organisation of mostly in-house broker consultants • IT used to enhance access and information capabilities
• **Cost Structure**		• Cost efficient; profit a driving corporate value; IT used to enhance productivity • Considered "Best-in-class", along with one other SA competitor
• **Product Pricing**	• Competitive in target markets; however, not a strategic focus	
• **Branding/Promotion**	• Brand conflict (through 2001); brand integration established in 2003	

• **Market Segmentation**		• Highly focused – high-end and middle-markets
• **Market Research** • **Benchmarking**	• No strategic focus, informal benchmarking through industry conferences and vendor feedback	
• **Market Philosophy**		• People, both employees and brokers, key to market effectiveness
Source: Author; Strategic areas-(Kotler, 1980); analysis of interviews; internal and external document evidence		

Many of the core capabilities of Giraffe can be found in the comments of the CEO. It is also consistent with the analysis of the CRCs and the means by which the firm defined its uniqueness and social complexity factors. External documents had identified Giraffe as being "best-in-class" both in their efficiency and service to the broker community. One area not touched upon in the CRC analysis was branding and promotion. Although Giraffe had integrated Life Company's customer base into their service infrastructure, it had not, at the time of the research interviews, been able to integrated the brands. One reason given was the legal terms of the merger agreement. Another reason was the inability to reconcile the brand equity developed by Life Company as a trustworthy firm. It took Giraffe until the 2002-2003 period to come up with an integrated branding strategy.

6.5.2 Causal Ambiguity

The portrait of Giraffe is depicted through the concept of causal ambiguity. In essence, it looks at the competitive coherence of the "declared" strategies when compared to the core capabilities executed through the firm's strategic architecture. The comparison is based upon the summaries in Tables 6.1 (declared corporate strategies) and Table 6.6 (core capabilities). The firm's portrait is completed through an assessment of causal ambiguity which identifies the degree of competitive coherence among: (1) the declared and executed strategies; (2) alignment among the strategies; (3) consistency to important core capabilities; and (4) assessment of areas identified in social complexity and uniqueness factors for long-term sustainability.

A Portrait of Giraffe is depicted in Table 6.6. The overall assessment of causal ambiguity is that Giraffe's strategic architecture is moderately competitively coherent, and provided sustainable advantage in the SA assurance market place. Through the analysis of both documentary and interview evidence. Giraffe had created an architecture that was highly consistent and enhanced its ability to grow organically, and through mergers.

Table 6.6 Portrait of the Firm: Comparison of "Declared" Strategies with Strategic Architecture

Declared Strategies	Strategic Architecture: Core Capabilities	Assessment of Causal Ambiguity: Level of Competitive Coherence; comments
• Profit as principal driver: business existed to service customers, not *visa versa*	• Profit not specifically viewed as an outcome, and not listed as a core capability per se • Customer service a major strategic driver	**Competitively Coherent**: Being number four in the SA assurance industry, profit as a key value that drove all aspects of Giraffe's business was consistent, including the provision of excellent service. Profit discipline had caused Giraffe to not be product- or marketplace leaders, but "fast followers"; it underpinned Giraffe's philosophy of not being everything to everybody.
• People Mattered – their intellectual and emotional capital provided group's difference; egalitarian approach	• Market philosophy acknowledged that both employees and brokers were key to market effectiveness	**Partly Competitively Coherent**. Employees were acknowledged as the basis upon which service excellence was delivered, and were recognised for their self-initiative, risk-taking, and team working. However, concern about "individual" performance recognition, demotivates knowledge sharing and egalitarianism in teams
• Cost Effectiveness was important to building revenue streams; small headquarters staffs	• Cost structure considered important to Giraffe's bottom-line. • Significant investment in IT applications to drive efficiency	**Competitively Coherent.** IT highly instrumental in achieving cost effectiveness, and complemented IT investment driven by business value.
• Innovation as a hallmark to make a difference in bottom-line profits by driving efficiency and meeting market needs in a timely fashion	• Viewed as a means to achieve market effectiveness: therefore, not a core capability *per se* • Associated with service delivery, rapid product development, channel effectiveness	**Mostly Competitively Coherent.** Because "people mattered," employees were encouraged to take risks; IT project management practices were designed to contain risk, yet maximise efficiency, creativity, and market effectiveness; however, the firm did not have a robust set of processes (CRCs) to sustain innovation as the firm grew.
• Entrepreneurial Spirit institutionalised through profit centre organisational structure; empowered workforce	• Viewed as a CRC differentiated by social complexity – a means to achieve market value • Indirectly associated with channel effectiveness, efficiency, and customer service	**Partly Competitively Coherent**. Organisational structure built on a foundation of profit centres supported Giraffe's entrepreneurial spirit. Its charismatic leadership and people mattered values were consistent with an entrepreneurial spirit. However, there were questions as to the long-term viability of an entrepreneurial context that was personality dependent. It was also unclear if this type of "entrepreneurialism" was scalable as Giraffe grew.
• Market targeted toward high-income and business market with a streamlined distribution channel	• Focus on retail, as opposed to wholesale, business cluster. • Retail business targeted toward high- and middle markets with a close integration of distribution broker channel	**Competitively Coherent.** Giraffe's retail business was focused on the high- and middle-income markets which was consistent with its other strategic initiatives

Source: Author's analysis of interviews and documents

With the high-end assurance market segment saturated, margins were shrinking and customers were demanding products which were accessible by their brokers, financial consultants and themselves. Giraffe's speed of developing products and its ability to extend access to customer information, made them highly successful in this market. In addition, its focus on margins also made them effective in the high-end, middle-income market as well.

Although Giraffe was a very successful player, with short-term sustainable advantage, many of its CRCs coupled with highly differentiated social complexity factors potentially made them vulnerable as well. The challenge to Giraffe will be its ability to fine tune its values, capabilities, and strategic architecture as it grows organically and through mergers. Its sustainable advantage is ideal for the number three or four player, but not necessarily the number one or two player in either the SA or global industrial assurance markets.

Giraffe's CIO most aptly described Giraffe and its current and future competitive advantage by saying:

> **G-C-1:** I suppose it's that 3 things that we always talk about: people, the culture and leadership. That's the trick. If you don't have that, you're stuffed!

CHAPTER 7: LEOPARD CASE

7.1 Context: Background on Leopard

The firm was started by an entrepreneur, and over its four decade history, the Leopard entrepreneurial culture thrived and many of its management practices, products and services set key performance benchmarks for the SA business environment. However, the Group reached a point where quantum leap repositioning was required of the firm to meet envisaged 21st century demands, and in 1999, the Leopard Group transformed its previously centralised structure into a decentralised, and flatter BU structure (See section E-4.2, Appendix E for discussion on Leopard's organisation structure). This had led to an increase in proactive decision-making, flexibility, responsiveness and initiative in support of aggressive business development and growth, which was well received by internal and external stakeholders (Symeonidis, 2001; UBS-Warburg, 2002).

7.1.1 Declared Strategic Direction and Philosophy

The overarching theme for Leopard's declared strategy, over the period of this research, can be summed up in the phrase: "*Positioning Leopard to Face the Future.*" Table 7.1 summarises Leopard's declared strategies and philosophy. Nationally and globally, many of the large size financial services firms were moving to 'one-stop shops', i.e., offering an entire range of financial products to support clients' needs from the cradle to the grave, so as to capture as much of the client's lifetime share of wallet as possible.

Table 7.1: Declared Strategies and Philosophy-Leopard	
•	Creation of knowledge culture in which people were recognised and valued for their leadership abilities
•	Embedded, and leveraged, customer value management programme for new business and retention
•	Product innovation as a hallmark of what the firm continually put on offer
•	Leveraged the strong position in the individual, upper-income market
•	Achieved further synergies, and continued growth, with bancassurance partners, in order to broaden market exposure and capture greater proportions of emerging market segments
•	Through technology enablement, streamlined distribution channels, with a clear focus on the productivity of its Consultancy structure of agents, brokers and franchises
•	Played a role in the transformation of SA, particularly through education & skills development

Leopard's CEO initiated a paradigm shift in the Group from an old-styled, reoccurring premiums insurance firm, to a new wealth-creation financial services firm. Leopard boasted high levels of security and good governance supporting its various obligations to its investors, and provided superior investment performance in relation to its clients' risk tolerance. Although its distribution capacity was substantial, the firm re-structured its distribution channels to support its emphasis in selling products to the high-end retail market. Leopard closed all of their branch offices, and strengthened its sales agency force, creating a more "variable" rather than "fixed" cost channel system. It established a franchisee model for those insurance agents who were used to selling Leopard's old product line. Leopard Group also created a new cadre of highly professionalised, highly trained sales agency force. This three-channel structure of agency, franchise and broker marketing forces became known as Leopard Consultancy. The firm knew that this Consultancy structure was the first level of defence from the very stiff competition of "non traditional" financial services firms both within and outside SA, and from such non-traditional players such as: General Electric, Shell International, Pick and Pay, and Time Warner. Leopard's Consultancy distribution structure was poised to develop powerful client relationships built on ongoing one-on-one contact with clients. As a second strategy to meet both traditional and non- traditional competition, the firm began creating bancassurance and other arrangements with firms to provide complementary linked products (joint products); this allowed Leopard's Consultancy structure to extend their relationships with their clients on a one-stop shop basis. Leopard also used these relationships to extend its reach to the low- and middle-income markets, recognising that it historically had little exposure to these retail market segments. For example, Leopard's bancassurance partnerships, developed in the 1990s, were well developed and thus had growing exposure to the emerging middle-income market, the fastest growing segments of the life insurance market in 2001-3.

Leopard firmly believed that, in a globally competitive industry where competition was being driven by the value of intellectual capital, technological advantage and the ability to draw on the creative power of human diversity, its people were its most valuable resource. It therefore backed up this belief through its "B^3 human capital management" strategy, focused on "*the best people, doing the best things, best*." This strategy promoted an empowered learning environment premised on a knowledge sharing and shared leadership culture. The Leopard Group felt that its empowered employees could also support its strategy to develop the innovative products needed to compete in the high-end market. Leopard also developed an IT-enabled business strategy to establish a highly integrated, efficient administrative structure that supported its Consultancy structure.

7.2 IT Infrastructure-Leopard

The IT initiatives employed by the Leopard Group are shown in Table 7.2. The CIO's Office saw, as their three main priorities, the following: (1) stabilisation of the environment, including the network, (2) reduction of the cost of maintenance of the IT infrastructure, and (3) continued commitment, at the time, to a mainframe environment. The Group CIO said:

> **L-C-2:** ... those three make up our strategies. Now what we want to do is to consolidate through centralising and reducing costs of ownership. We've got 20 odd Unix machines and we are looking to move towards one large machine which will reduce our cost of ownership and improve the level of service better upstream. Obviously our network is also absolutely critical to us, and we are in the process of upgrading that to Ethernet.

IT was the basis upon which the firm affected full integration among disparate BUs. Standard system infrastructure supported by a fully documented architecture provided clarity to BUs as well as Leopard consultancy, as to service expectations and interconnectivity requirements of any special purpose applications that the BU's might have wished to implement. Leopard felt that the integrity of the IT infrastructure was too critical to outsource because reliability and full uptime was essential for the internal processes to work at optimum efficiency within the firm. In order to enable the processes of integration, Leopard had established a formal governance structure with responsibility of the Group IT organisation clearly delineated. For example, the IT infrastructure divisions reported directly to the CIO's Office, i.e., operational activities running on IT, the network, the maintenance and the overnight data process services. In addition, the CIO Office, called "CIO Services," looked after all the financial matters pertaining to IT across the Group: these functions included all purchases, management of contracts with suppliers, and well as "due-diligence" research pertaining to procurement. The CIO reported to the FSO[97] Executive Director, and also was Chairman of the Technical Strategy Committee (Techstrat), which had oversight for assuring full compatibility of the IT infrastructure within the businesses.

[97] Financial Services Operation.

Table 7.2 IT Initiatives By Business Function-Leopard

Business Function	IT Initiatives	Designed for:
• **Internal Control; Governance; Communication**	--Centralised internal services support provided enterprise-wide, fully compatible IT infrastructure with Microsoft NT applications for documents transfer and other Intranet Services --Employee databases maintained with key profile data for measurement of equity targets in BUs; as well as an all-firm email address directory --Financial data collection also enabled through IT --Disaster recovery and security initiatives to maintain recoverability and protection of all enterprise data --Provided full network services – WAN and LAN – to interconnect all business locations with on-demand, reliable connectivity --IT applications extended into imaging and photocopying support	--Back-office support to support automation and efficiency --IT also used to capture internal information and measurement in HR and Finance --Enabled collaborative interaction among employee teams
• **Customer Service Provision (includes direct customer interface and broker channel support)**	--Blackspot platform provided IT-enabled full, channel integration of the Consultancy structure and the call centres --Blackspot also enabled needs-analysis, Customer Value Management (CVM) by providing a customer database with sales lead-generation functionality --Integration planning for common interfaces with Bank Two's IT marketing platforms to support lead-generation and products sales in the middle-markets	--Promoted channel efficiency and access through fully-integrated sales processes with IT capabilities --Robust tools provided to distribution channels to support complex product sales, portfolio management, and yield performance of various investment options
• **Product Life Cycle & Market Management: Brand and Product Development supporting all targeted retail market segments**	--IT applications provided product selection flexibility within a product family, such that products were customisable to meet client needs --Applications also designed to support account maintenance functions seamlessly; this was important to investment products with maturity dates where sales follow-up was required to retain clients --Data warehousing and data mining created basis upon which to design new products	--Robust product development with full customisation to client needs --Product functionality built upon research and mining of customer data (enabling cross-selling)
• **Supplier Chain Management**	--Software development principle established on researching and selecting packaged software for business solutions, rather than developing software internally (off-the-shelf preference) --Infrastructure not outsourced, but maintained internally: considered mission critical systems	--Efficiency and reliability
• **Alliances/Partnerships**	--IT partnerships based on risk-sharing principle in which performance criteria was mutually agreed to, and vendors "bought into" performance standards	--Efficiency and reliability; risk management
• **New Systems (market support using e-commerce and wireless mobile)**	-Blackspot Mobile designed not as "add on", but as an integrated extension for channel and client access --E-commerce Internet client capacity fully developed	--Mobile assess designed for anywhere, anytime broker and client access

Source: Author with interview and documents related evidence.

In addition, the CIO chaired an Information Technology and Operations Board (IT&O) which ensured compliance to principles associated with investments into the IT infrastructure and applications.

In its 2001 Annual Report, Leopard claimed: "*Much of the {Leopard} "intrapreneurship" is embedded in the field of information technology (IT) and information management (IM), which is regarded as a core discipline.... By harnessing IT and IM with the support of the Group Information Management Services Unit and various external consultants and solution providers, the Group is able to increase productivity, contain operating costs, enhance the exchange and management of vital information and to raise the quality of employees' work experience. No technology is procured and commissioned purely for the sake of being state-of-the-art. The emphasis is on providing the right tools to empower the entrepreneurial capabilities of all business units.*"

One of the principle platforms that supported the above strategic vision of Leopard was Blackspot, which it considered a "mission critical" system, and which linked all customer channels together so that clients received a "Leopard experience," not a "BU Product experience." Blackspot was extended to encompass the call centres and product development functions in the BUs. It had evolved to be a full information management solution/system with a common data warehouse structure, and data mining capabilities. Within the financial services industry in SA, Blackspot was considered a trend-setting, "best-in-class" IT platform. Leopard continued to investigate new applications, however, its investigative efforts were focused on how such applications would enhance its efficiency and competitiveness. For this reason, its e-commerce initiatives were designed to improve access to both its distribution channels and its target market, high-end clients who had access to computers, PDAs, and mobile phones. These clients were also expecting to have access to their financial portfolios on an "anywhere, anytime" basis.

Through experience, Leopard's Group IT organisation had learned that applications development was more effectively done through existing packages, which could be customised to the firm's needs. It felt that its value-add ability to integrate these applications into existing platforms was its fundamental expertise. The IT Group developed significant experience in working with vendors, and established among its vendor partners the expectation of "risk-sharing" in which performance measures were clearly outlined and the parameters for success (or failure) were understood and contractually embedded into collaborative procurement agreements.

7.3 Complementary Resource Combinations (CRCs)-Leopard

During the analysis process, ten CRCs were shown to have strategic relevance (see Appendix D-4 for list of CRCs). Seven of these CRCs were assessed to be potentially unique in creating strategic advantage, which are discussed below. As in the previous case analysis discussions, Table D-4.1 shows a synthesis of the supporting interview evidence to substantiate each of these seven critical CRCs (see Appendix D-4).

7.3.1 Alignment of IT Functions With Business Needs

Prior to 1998, there were low levels of business-IT alignment, and IT was dictating to the business what it should do, with no clear view on total costs of ownership. In 1999, the business model, in relation to IT, was changed in a number of ways; the four most significant were:

(1) *A CIO appointment, reporting to the Financial Services Operation (FSO) Executive Director.* The role of the CIO's Office was to balance the need to drive business efficiency - a big focus in Leopard, with the need to focus on where the future value would come from, in order to create a "balanced, sustainable business-technological ecology." In addition, a group-wide Research Unit was established in the CIO's Office whose responsibility was to develop a consolidated enterprise view of IT processes and systems, which enabled and/or created solutions for the BUs while achieving the firm's strategies and objectives. This enterprise view was created with the collaboration of the BUs themselves; the purpose was to:

> **L-C-2:** ... move towards it on a trust basis ... on a confidence-building basis ... We need to add some value and hopefully they will continue to use our services ... the whole idea here is now to get people to get focused, and prioritise the key issues ... to achieve our business strategies ... making sure that people don't rush off and spend hundreds and thousands on research initiatives that don't support the overall strategy.

It was also the first time that the Technology Infrastructure (networks, PCs, IT equipment) and Systems (IT strategy, architecture and systems applications) people reported to one boss (the CIO). The CIO sat in the Executive Management Committee. This reporting structure: streamlined the workflow and decision-support systems; facilitated more rigorous, transparent and faster decision-making; aided alignment: and lent itself to co-mentoring and sharing of experience. As one interviewee indicated, the previous political battles around influencing and decision-making were avoided:

> **L-C-1:** I want to de-politicise this thing. I'm not competing against you but we've got to work together in order to move out of this paradigm. And we worked pretty well together but the nice thing was, we had a common boss now. So, for the first time, systems and technology had one boss.

(2) *Techstrat, a Technology Strategy Committee.* All the BUs were represented on Techstrat and these BUs discussed common issues with Corporate IT. Techstrat was also tasked with noticing trends in the business- and technological landscapes, which then informed decisions in the firm. The CIO also, specifically, used Techstrat to look at both technology and client-need trends with BU input, to come to consensus on major platform changes such as the transition to Microsoft NT, and to raise concern regarding matters pertaining to both the business and IT strategy:

> **L-C-1:** Some time ago we took a strategic decision that {Windows} NT would be one of our strategic directions, so we started moving away from Netware because if one looks at the kind of money Microsoft is putting into research and development, they were hoping to replace everything.

> L-M-1: … we have been ahead of the game, certainly as the industry, in terms of technology, we have adapted quickly … and what we would do is make sure that we stay there and as you say with WAP coming along, in fact we already got guys saying how is it going to impact on us and how can we use it positively, what are the opportunities.

(3) *IT representation in the Strategy and Planning Committee chaired by the Group Chief Executive.* This committee was established in 1998 to provide governance for the group-wide strategy and planning process; in 2002, Systems people were, for the first time, invited to attend and contribute to the Group strategy. Leopard Group was focused on business-IT alignment and this was being thought about at multiple levels of the firm, and the Group CIO remarked:

> **L-C-2:** … we are planning to do a professional study … to really identify whether we do in fact have alignment or not, and from that to come up with some new action plans and to negotiate budget and all the work for next year

(4) *Project Management focus supported by training.* Courses were set up to assist business and IT staff to scope projects together, in a rigorous fashion, and to consider the full range of IT and business implications on business procedures and processes. The project management focus had enabled efficiencies in introducing new IT initiatives, and had placed emphasis on the bottom-line. Prior to establishing this project management discipline, the financials to support projects were not rigorously considered, and exposed the firm and its clients to risk.

> **L-B-1:** … the way we used to do it at {Leopard} was that this is the product we are introducing, this is the date that it is going to be done, come hell or high water you fit it in. And invariably what happens while you are doing your last testing, they are still busy changing your spec …

7.3.2 Customer-Led Processing Ability

With the shift in business model at Leopard, from centralised to BU focus, it was understood that a "total customer view" rather than a "siloed BU view" was imperative. Leopard was determined to eliminate inter-departmental and inter-BU discontinuities that could have both caused delays and errors, thereby damaging the relationships with clients and brokers – and ultimately impacting the brand. With this focus on its brand integrity and its belief that adequate product support, with little or no manual intervention, could give them process advantages over competitors, Leopard launched a new initiative. This initiative had as its goal the development of a platform with functions such as names, customer-lead processing to support call centre and mobile-computing Blackspot solutions. This initiative typified Leopard's business goal of streamlining new product development by automating as much of the product processes as was possible. Later in 2001, another new initiative was introduced to further embed customer-lead processing, known as Customer Value Management (CVM), which also aided the firm's goal with respect to leveraging bancassurance synergies through cross-selling.

Leopard's Blackspot system, designed as an intermediary sales tool and an in-house information management tool, was also deemed important to strengthen the firm's competitive advantage. In fact, this innovation – regarded as a world-first for client-focused software development in the life insurance and investment industry – commenced in the earlier 1990s as comprehensive needs-analysis software. Blackspot was designed to help the sales force to expedite its analysis and delivery of clients' investment needs, most notably where gaps existed in an existing financial planning and investment portfolio. One IT manager said of Blackspot and other IT initiatives that they delivered:

> **L-IT-1:** Enormous, enormous efficiencies. If you look in our financial statements you'll probably notice … that our cost ratio is significantly lower than our major competitors. In fact, it is one of the lower ones in the industry, and I attribute that to our very high degree of automation within our business processes.

The automation, though, introduced a certain number of business risks, particularly as many of the business managers and BU employees did not have an in-depth comprehension of how their business processes were put together, and integrated, technologically. On interviewee said:

> **L-IT-1:** The entire knowledge base is encapsulated within the system and the rules that are built into the system. There's a significant amount of risk.

These sorts of risks caused problems in the product delivery chain of some other personal financial services competitors, particularly the life insurance sector, which caused a lot of really bad press. In order to counter the allegations in poor customer service in the press, and to ensure that its products were not seen as commodities, Leopard decided to initiate a series of innovative, IT-enabled products. A number of the creative aspects to the products were in:

> **L-M-2:** (a) How good our product designs were, as opposed to our competitors, and (b) our ability to continuously find ways, at the edge, to exploit the tax regime, both locally and internationally.

As a result of its automation approach, and high levels of technological integration, Leopard had been able to drive efficiencies into its business processes, and therefore lower costs of its product offerings to both brokers and clients. In fact, according to Symeonidis (2001), at UBS-Warburg, Leopard had one of the two lowest cost structures of the "big four" players in the SA industry.

In addition, Leopard's speed of reaction to market opportunities, and short product design-to-market cycles, aided by its technology and project management competencies, have historically been some of the main drivers of its competitive advantage. According to the Head of Marketing

Sales, the three, unchanging demand pillars of "customer pull," and, therefore, Leopard's business, were: retirements, disabilities, and deaths. The differentiation came in how the growing complexities and the evolving different vehicles were used to service these ongoing human needs. One of the vehicles for doing this was IT, even though the firm had to intelligently balance cost against product innovation.

> **L-M-2:** What technology enables you to do is to launch products you could not have launched without the technology. I'll give you an example – our one pension product is a member-choice product … so at individual member level, at scheme level, at fund level, you can have complete flexible choice. Now without advanced systems and technology you could never have that product … it is still a nightmare to administer, so technology is giving you benefits. Okay, it is costing you a fortune. But, you can have a 2000 member scheme and each member has his own pension fund effectively inside that fund, and his own flexibility and his own mix of benefits. Now technology allows you to get sexy like that.

Leopard identified a marketing gap that caused client churn; the problem itself was that the firm had no way of proactively flagging contracts/policies coming up for maturity, in order to move these clients into new products before they took their funds and moved them to a competitor. From a marketing perspective, three problems needed to be addressed: (1) brokers who wrote up very long-term policies typically had left the firm by the time the policy reached maturity, and thus the firm was unaware of the clients' policy renewal dates, and would lose these customers at the time of policy payout; (2) agents and brokers were not able to "plan ahead" to assist clients who received large sums of money on maturity of their policies, to reinvest; and, (3) agents and brokers were often at a loss to assist and give serious advice to spouses or family members who, as a result of death, inherited large sums of money with no real insight into how to invest for future value. Although the agent was the first point of contact, Leopard found that their call centres, supported through technology, could support clients through this policy transition in the late 1990s.

> **L-IT-1:** Well, we've put all the IT processes in place that warns the agents that a particular contract is coming up for maturity. If there isn't an agent attached to the contract anymore, we assign that contract to the outbound call centre. So it's a far more proactive way of trying to retain the customers. If nothing happens at all, at least the customers will get documentation explaining what their options are at maturity … we're hoping that there will actually always be personal follow up … the person can just tick a box on a piece of paper and send it back to us which will see the contract rolled over or renewed in some way. So we're trying to make it easy for the person to leave their money with us.

The continuing evolution of its processes to create better client retention required better means of information management of client data. By 2001, Leopard wished to explore synergies through its bancassurance partner, as well as leverage the initial successes of the call centre. The firm piloted a new CVM initiative – initially pilot-implemented in some of the key BUs, most notably the Leopard Personal Benefits – to improve business knowledge, enhance systems and improve tools to deepen the understanding of customers and their unique needs. Many of the functionalities of its CVM initiative not only enhanced its outbound call centre abilities and its bancasurance inter-firm channel integration, but were also successful platforms for the customised development of high-value products and services that complied more specifically with distinct and changing high-end customer requirements. By the end of 2001, the complete CVM data mart, data analysis tools and campaign management capabilities had all been instituted successfully, and stronger incentives and rewards were implemented to retain customers and increase the value of their customer's portfolios. In addition, the new CVM EDMS[98] was also being phased in to enable Leopard BUs, and BUs in Bank Two, to communicate in a more flexible, client-friendly and effective manner.

Thus, through continuous product innovation, improved, IT-enabled productivity in distribution channels and the success of the CVM programme, BUs were thus able to improve their policyholder service levels and Leopard was able to achieve year-on-year reduction in the number of policy withdrawals and terminations. In their 2001 Annual Report, Leopard reported that the initial results from its implementation of CVM were promising, and that it was "*expected to help to intensify the impetus of business growth in the 2002 and ensuing financial years while maximising customer retention and service levels.*"

7.3.3 Human- and Business Processes Alignment

Because it realised that intellectual capital and intellectual capacity[99] were becoming the most important distinguishing factors between a "merely good firm" and an "excellent firm" in the international business world, Leopard stated in its 1999 Annual Report that its, "... *primary human*

[98] Electronic Document Management System.

[99] The first, rigorous academic underpinnings for linking intellectual capital, intellectual capacity and intangibles with business strategy first appeared in 1997 by authors such as Sveiby (1997) and Edvinsson (1997).

resources tasks were to promote knowledge management and a culture of lifelong learning ... and to manage change and the impact of transformation on {their} business ..." In the same year, Leopard put in place a human capital development initiative, as a business strategic imperative – which meant that, for the first time, the business strategy specifically dictated the HR strategy. By 2000, there was a huge focus under the new HR Director, to get an "uncomplicated alignment" on HR strategies between the high-level corporate strategy and the BU level strategies; his four key delivery areas were: (1) employment equity (a strategic commitment with full regard for the spirit and letter of the EE Act of 1998), (2) broad leadership development, which in 2001 expanded into the innovative B^3 initiative (founded on the premise of "having *the best people, doing the best things, best!*"), (3) competency-based remuneration plan, (4) utilisation and leveraging of technology, and in 2001, he added (5) the introduction of its own internationally-styled and benchmarked Human Capital Index and (6) Knowledge Competency Mapping: with a focus on appropriate human capital development. Leopard achieved the above six delivery areas with two underlying philosophical decisions: (a) a move towards flatter, broad-banded structures, and (b) the development of a systems thinking, multi-skilled staff capable of working effectively in team settings. The HR Director said:

> **L-HR**-1: {With} the broad-banded structures, you move away from your traditional hierarchy, and you look at what competencies you require - and you link your remuneration to those competencies. The individual will now get paid in terms of how competent he is, and not just in terms of what position he holds in the hierarchy ... and then part and parcel of that is moving towards teams and multi-skill teams that can work together.

Much of the groundwork was started in 1998, when Leopard began the process of decentralising its HR function from being purely corporate, centrally located and run, to a decentralised model with HR consultants physically located in specific BUs. The first 9 months of that change-over required a hands-on administrative role from the HR consultants. They had to synchronise all of the personnel files, establish a common repository of employee profile information, match this data against what the businesses required, and determined whether those skills and experience still had future value or were outdated. The HR Group looked to IT to help enable this data gathering effort; it seemed that earlier attempts had not been successful, as one interviewee remarked:

> **L-B-1:** They may have worked on a system X five years ago, the system may have been rewritten in a totally new language, so then it is not that relevant to this point in time.

This process of knowledge and/or competency mapping grew in sophistication and complexity over the years, and is still currently being used at Leopard. By 2000, HR practitioners were not doing "old-styled" HR work any longer. Having being trained in strategic facilitation and knowledge mapping, these "HR consultants" were transformed into "business consultants" by providing strategic advice and guidance to the BUs, embedding Group initiatives into each BU, and helping BUs solve their specific issues.

> **L-HR-1:** So I have an HR consultant … for every single business unit, and he has got to become a blood brother to that Managing Director … the important thing to me is that you get that rational, intellectual buy-in at the executive level. But, you have also got to create a structure and an ongoing process that correlates the two {at the executive and BU level}.

This also meant that business team leaders played different roles as well. Technology enablement and leveraging allowed line managers and employees themselves to do the HR administrative functions, such as filling in leave or sick forms and making pay queries. As far as knowledge mapping was concerned, a dynamic career (leadership) development framework was put in place to support the business framework, requiring individual staff to do skills assessments and see if they were correctly placed in the business. To encourage true knowledge sharing, the firm purposefully shifted from individualistic, "I am the boss" mentality, to that of "I am a team leader sharing the role with others" mentality. This was a shift from self-managed teaming to shared leadership, cross-functional teaming. The goal was to develop a cadre of balanced leaders who were competent in both the emotional issues, as well as the technical / functional issues. As one interviewee stated:

> **L-B-1:** … the buzz word has been self-managed teams… But we need to have cross-functional teams more than self-managed teams. And with the cross-functional team, there is not always a team leader or a project manager, it may evolve that three of those people all have leadership abilities and by understanding how the team is made up in terms of how they do think, what their personality profiles are ….

As a result of these transforming HR initiatives, Leopard was able to improve its people management alignment with resource management, especially in project life cycle implementations. These new HR approaches increased the retention of staff because they felt engaged. Employees also saw that the linked process of matching people with the right skills to projects actually worked. From an overall firm perspective, these HR programmes led to improving overall productivity through helping BUs improve their product development through faster deployment times with less delays, and lower implementation costs.

> **L-B-1:** Previously if a project team was kicking off and they wanted two analysts and four programmers, they would be allocated right up front. So the four programmers have to play solitaire {computer game} while the analysts do the analysis, and then towards the end of it, the analysts would play solitaire while the programmers were finishing the project. And then at the end of that they would carry on with phase two and people were saying: "Well, I am leaving because I am bored."

7.3.4 Dynamic Culture Enablement

Critical to the new human capital framework in 1999 were three main cultural thrusts:

(1) *The transformation of task-oriented employee- and management behaviours and roles to cross-functional, knowledge worker behaviours and roles.* This transformation was difficult since business-, systems- and infrastructure staff previously operated in isolated silos. These "operational silos" caused inherent inefficiencies between BUs, and resulted in disparate and non-integrated systems. These "operational silos" also led to network stability problems and high information costs driven by the time to seek out the right information, or to understand idiosyncratic, department-based processes. As mentioned earlier, a reorganisation of the IT function with IT Infrastructure and Systems staff reporting to the Group CIO was the first step to disaggregating the internal IT silos with disparate views and direction. In addition, the new governance structure with representation of Corporate IT and BUs on Techstrat and the IT&O Board paved the way to obtain buy-in and assure implementation success on these processes of working that led to a new cultural value of inter- and intra-BU teaming. Over time these structures and co-training and role-swapping both internally and externally to the BUs instilled this new cultural value that led to better working relationships, and drove out the inefficiencies and high costs in the business.

(2) *Empowerment of existing employees and Induction of new employees.* From a risk management perspective, Leopard felt EE and diversity goals were mission critical imperatives to

the firm's long-term success. For this reason, Leopard designed programs for existing employees to instil the cultural values of authority, accountability, and respect for the views and backgrounds of others. For its new employees, Leopard wanted its new cultural values made very clear. To this end, it established a multi-disciplined induction and training of new hires who came directly from University and Technikon. Induction took priority over specialist training. In addition, every new hire was provided formal mentoring and coaching.

(3) *Establishing a competency-based performance appraisal career development process.* Again, these initiatives were designed to reinforce the cultural values of authority, accountability, and the respect for the views and background of others. The most important of which was leadership development with new skills that extended expectations beyond technical and functional expertise. Leadership with accountability and respect for others required the "soft skills" such as empathy, creative thinking, team-building, lateral thinking, assertiveness, wisdom and understanding of multiple mental models. The effectiveness of using these "soft skills" to demonstrate effective leadership were embedded in both Leopard's appraisal and employee career development frameworks. Even though some employees initially questioned the emphasis on soft skills, they were appreciative of the fact that the framework enabled them to get rewarded for competencies, and their teamwork capabilities, and not just for where they were located in the organisational hierarchy. In addition, they were given clarity regarding their specific roles in implementing the business strategy. In addition, Leopard's reward systems were aligned to the execution of these strategies that drove successful departmental performance. These development, performance assessment and reward systems shifted the firm towards a goal-oriented culture.

At the end of 2001, the Leopard Group was placed 9th in the Preferred Employer Survey of South Africa conducted by Deloitte and Touche. By 2002, the next phase of work on the human capital model was initiated, in which firm-wide values were developed – in order to guide, and give the right messages/signals regarding, people's behaviour and attitudes.

> **L-HR-1**: You have got to "incentivise" them and you have got to improve just your people practices and how you anticipate your values around those people.

7.3.5 *Risk-Sharing Outsourcing Partnership*

After years of experience, in 2000, the Leopard Group established a guiding principle to only build proprietary systems as a last resort if no other packaged software application existed on the market that would provide them with their desired solution. Leopard's preferred means of software development was to work with an external vendor to provide both systems and related services. For Leopard, though, service support was seen as an important internal competence and, was therefore, handled by internal IT units. Interviewees claimed:

> **L-IT-2:** The obvious pro {advantage} to that is that the system is now developed, owned and managed/maintained by an external company, who've entered into a binding financial contract with us, to deliver certain services.
>
> **L-C-1:** The stuff I've outsourced is really the installation of PCs, because I can't control {it} – some months we'll have 300 PCs to install, other months 50, and so on. My agreement with my supplier is immaterial – all I want is a 2-day turnaround: "You charge me per PC, I want a 2-day turnaround" – that's what I want from an external supplier. That type {of work} I will outsource.

In the past, Leopard's focus with IT hardware, software and service suppliers had been on cost savings and closing good deals fast. However, the CIO wanted to shift the focus to one of risk-sharing, e.g., network downtime risk would be shared with the supplier; also as the firm moved to greater outsourcing with firms like Boston-based (USA) FDP who provided services such as customisation of Leopard's packages, and assisting in innovative solution generation. In addition, Microsoft was retained as a major vendor who was building systems for Leopard's e-commerce firm. The CIO said:

> **L-C-2:** ... so I guess where this is leading to is situationally we have alliances that has never been on our agenda before, but we are going to start looking more and more to this to try and share the risks.

In the latter half of the 1990s, Leopard was finding it hard to retain its good IT staff. Some of the employees that left then contracted back their services, expertise and social networks, to the firm at a high cost. To limit the IT "brain drain" of needed skills, Leopard established a retention plan of paying retention bonuses to hang on to these skilled employees, and as a last resort, hired them back as contractors. The CIO recognised that the skills needed by his IT managers had changed as the firm was shifting toward outsourcing and alliance-building. For this reason, Leopard initiated training to equip IT managers in business skills such as writing SLAs, negotiating contracts, building networks, and managing outside suppliers.

> **L-C-2:** ... even now, 40-50% of our IT resourcing are contractors ... let's say we want to start building banking systems in the future or private banking perhaps, our resources in systems won't necessarily have those business skills – so we would like to them just bring in contractors with the best technical skills. So it would be a bonus if we had in-house Systems people that understood the business.

As a result of a greater focus on business development of IT people, Leopard had been quite successful in retaining their permanent staff, with low IT staff turnovers over the last 5 years.

7.3.6 Segmented and Tightened Distribution Capacity

Leopard created systems to input, analyse and do targeted marketing in three main ways:

(1) *Established outbound call centre functionality to generate leads through the various business processes.* IT systems were developed to complement experienced outbound telemarketing people who were providing a value-adding, single point of interaction for the client. The call centre functionality was also expanded in 2000, since it proved to be a very good channel for Leopard as staff believed that more could still achieved with CRM and understanding customer profiles:

> **L-IT-1** I think there's enormous opportunity in our current client base that is just totally un-worked. There are some clients being talked about at the moment ... um, in terms of CRM and that type of stuff but we're not very good at utilising that... when we look at our major competitors ... when we decide to move on something, we probably move faster that they do.

(2) *Established support tools for agents and brokers.* Leopard built a variety of analysis tools to support agents and brokers with the identification of leads within their current portfolio of customers, and portfolio of products. Through marketing research, clients were differentiated in order to identify clients who generated profitable returns for the firm. By understanding what differentiated a "profitable" from "not so profitable" client, Leopard was able to customise its products to appeal to those customers who were in the "not so profitable" category. In addition, incentive plans were put in place to motivate intermediaries to sign up customers who met certain threshold criteria of profitability.

(3) *Efficiency and revenue benefits accrued through supporting Blackspot technology in Leopard's Consultancy organisation and new bancassurance channels.* Leopard used IT to improve channel efficiency and effectiveness through rigorously mapping distribution processes and continuously seeking synergies and efficiencies between their distribution channels. In addition, Leopard began extending the functionality of Blackspot to include e-commerce. Throughout the period of this research, Leopard's strategy of face-to-face client contact (for initial purchase) through a highly professional intermediary distribution system of agents and brokers, for high-end clients, did not change. However, Leopard felt that reciprocal efficiency benefits to both the firm and its client could be achieved as high-end customers sought access to their accounts, for maintenance, verification and updating on an "anywhere, anytime" basis. Interviewees pointed out:

> **L-IT-1:** ... so we'll be looking at more automation of our business processes, and of course putting more of the business processes in the hands of the client.

> **L-M-1:** Now the client won't mind picking up those costs because his changes per client are so few – but he prefers it ... As more and more {clients} have got the Internet, they will go straight into the website and do their own changes ... they won't have to see the consultants anymore.

In addition, Leopard's channel managers were finding ways to extend Blackspot's e-commerce functionality to reach the clients of Bank Two. Bank Two had excellent access to the middle-market. By integrating the channel access of both firms, Leopard felt that potential benefits of effective entry into the middle-market became feasible. This broader perspective of channel reach caused Leopard to also consider the potential of multiple, global distribution channels, thereby creating synergies with their bancassurance partners. The firm felt that a global footprint would help spread its risks, as overseas firms were encroaching on the lucrative insurance-conscious SA market.

7.3.7 Structured, Project Management Focus

As mentioned earlier, project management as a competency was identified by Leopard as another important initiative. As a result, a Projects Office was established and Leopard was assisted by an external firm to align individual competencies and organisational processes/systems to be compliant with the internationally recognised Project Management Professional (PMP) standards.

The Projects Office had a project methodology set, which the IT Group Architecture and Research Services Department used to develop their own, unique architecture research methodology, which was a subset of Leopard's project management tool set.

Two distinct research methods, i.e., long- and short-methods, were developed in-house in order to: (1) ensure governance, accountability and quality; (2) potentially gain competitive advantage by being able to react quickly to new economic- and technological market trends; (3) reduce research and/or information costs, and (4) decrease the time to make decisions. The Projects Office, in conjunction with the CIO's Office, also had the responsibility for assuring that all projects were justified by a business case, and tested for cost-benefit realisation at the end of the project implementation through an after-action review (AAR) process. A Project Management Forum was also put in place in 2000, tasked to engage all relevant stakeholder concerns, ideas, interests and fed this into the "living" (dynamic) project management methodology. Unlike previous efforts by Leopard to train only staff experts on project management, a number of executives were also participants in the training. This signalled to the rest of the firm that that project management was an important competency in the firm, and linked to the financial, production and risk areas. As a result, a common language, a common vision and important network/personal relationships were established, which facilitated the design and implementation of projects. This project management framework also produced process efficiencies and faster workflow decisions. At the beginning of 2001, Leopard also began encouraging project management as a career path within the firm – not only for IT employees, but also for non-IT people.

7.4 *Attributes of Sustainability – Leopard*

Building upon the evidence gathered about Leopard's CRCs, the ensuing analysis shifts focus to discussing the firm's attributes of sustainability. As in the previous cases, the analysis follows the "Framework of Sustainability" introduced in Chapter 2. The attributes of social complexity will be discussed followed by a discussion of Leopard's attributes of uniqueness.

7.5.1 Social Complexity Attributes

During the analysis of the interview and document evidence collected for Leopard, four attributes of sustainability were identified. These attributes are discussed in following sections. A summary of Leopard's social complexity attributes appears in Table 7.3. In addition, an expanded view of the interview evidence appears in Appendix D-4.2.

Table 7.3: Attributes of Sustainability: Social Complexity-Leopard

Sustainability Attributes	Assessment: Enablers, Challenges, Constraints	Which CRC Impacted
Knowledge-sharing culture that was trend-aware, and sought synergies across functions & disciplines	**Enablers:** • Purposefully created knowledge and learning culture • Benchmarking intelligence that allowed technological prowess and first-mover advantages • Targeted recruitment aligned to current and future business- and technological needs • Retention because employees felt that they were growing, and were expanding their personal networks **Challenges:** • Managed social and professional networks individually, as opposed to corporately • Shifted employees from dominant task-orientation positions, to knowledge sharing behaviours **Constraints:** • No skills in approaching social/professional network analysis as a business process • Not moving individual knowledge to corporate knowledge assets	• Dynamic culture enablement • Human and business process alignment • Risk-sharing, outsourcing partnership model • Alignment of IT functions with business needs

3-Tiered approach using map for the development of employee potential	**Enablers:** • Not moving individual knowledge to corporate knowledge assets • Created an environment for stretching and developing people with employees taking responsibility for building their careers; rewarding employees for the right behaviours • Job fulfilment led to heightened levels of client service • IT drove the firm and individuals to redefine roles and career paths. Competency mapping enabled by IT – places people in the right jobs to match their competencies; people-knowledge embedded in systems and processes • Intermediary training focused on relationship building with clients **Challenges:** • Willingness and potential of employees to engage in continuous learning and career-upgrading, over time, employees may have become "comfortable" in jobs and may have sabotaged change processes • Erosion of relationships as sales people were shifted out of engagement positions with brokers (as a result of automation) • Rewards may have been the reason for employees' changed behaviours, and not the business case • Customised development of people at senior executive levels may have left them unmarketable, but tied to Leopard **Constraints:** • The inability of employees to relate to the identified middle-market growth area (no plans for changing employees level at that level) – multi-ethic composition of the middle-market requires transformation of both sales channels and employee profiles	• Dynamic culture enablement • Human and business process alignment • Segmented and tightened distribution capacity • Customer-led processing capability
Formalised inter-functional collaboration	**Enablers:** • Appropriate values which employees could rally behind • Collaboratively adding value through consulting others and sharing with others was recognised **Challenges:** • Shift from entrepreneur-led (led from the top) organisation to knowledge worker-led organisation (shared-leadership): firm may have lost its entrepreneurial edge with former entrepreneurial "stars" not feeling valued • New group of senior executives buying into the paradigm of an employee-led organisation (as opposed to being led from the top) • Tension between allowing employees to share via electronic systems, and controls needed to ensure security and deter abuse	• Dynamic culture enablement • Aligning of business processes and human resource processes • Structured, Project Management Focus

	• Selling the business case for team-based, broad-band approaches to all management • Retaining skilled employees in Johannesburg (perception of crime) when, through technology, they can work from anywhere	
Transformation of senior leadership from entrepreneurial leadership to shared vision leadership mindset	**Enablers:** • Executives role modelled participative decision-making that motivated desired behaviours for new ways of working. People given the clear signal from senior leadership that they mattered and could participate • Institutionalised multi-functional sharing (e.g., committees with broad representation), broad participation of all employees, making them co-responsible for creating the desired future • Shift to strategic focus, not only day-to-day operational view **Challenge:** • Creating a robust succession pool of previously disadvantaged individuals and a pool with individuals with strategic skills • Corporate memory, embedded in processes and systems • Balancing the old and new ways of working in a way that is constructive for the firm (not just a step-change) • Majority of the same people working in the firm as before - difficult shift in leadership style (can they unlearn their previous behaviours) • Employees not used to taking responsibility (speed of empowerment)	• Human- and Business Process Alignment • Dynamic Culture Enablement • Alignment of IT functions with business needs

Source: Author's analysis of interview and document evidence

7.4.1.1 Knowledge-Sharing Culture

In the late 1990s, Leopard established a formalised benchmarking process at both the local and global levels. This benchmarking process with intelligence gathering, which it purposefully institutionalised, encouraged both in-house employees and outsourcing partners to fully exploit the process of knowledge gathering, for: (1) gauging themselves against the best of breed industry players; (2) setting standards for improving in-firm efficiency and effectiveness; and (3) acquiring intelligence that allowed for first-mover advantages, which was in keeping with its innovative and cutting-edge image. Benchmarking permeated the firm's culture and most of its key functional areas. Some examples in these areas included: (1) technological benchmarking to investigate new IT platforms, technological infrastructures, middleware, networks; (2) human capital benchmarking to study options and programmes for employee retention, people competencies matched to jobs, and recognition plans; (3) leadership and people development to look at "best-in-class" people processes as well as software that supported people processes – like SAP HR and PeopleSoft; and (4) competitive capabilities, to investigate industry trends and performance both in SA and abroad.

Among the benchmarking initiatives, those related to HR were new for Leopard at the beginning of 2000. Leopard felt it needed to bring in new forms of thinking about developing the appropriate people competencies. More specifically, training and recruiting initiatives were established to prepare existing employees and recruit new employees with the competencies and skills required for future trends spotted in technology and business. One interviewee said:

> **L-B-1:** ... we have to make sure that we are up to date with best practice and what is happening in the HR industry, as well as the IT industry, so that we can know how to play the game in order that we are not left behind.

Leopard acknowledged the importance of professional and social networks for sourcing accurate and relevant benchmarking data. Its challenge was to encourage its employees to shift from task orientation to knowledge gathering and knowledge sharing mindsets. Leopard started by tackling employees' knowledge gathering competencies. The firm began by encouraging employees to attend research conferences and seminars, book fairs and book review seminars. Through these initial efforts, in-house employees began to feel connected to value-adding communities-of-practice (locally and globally), and to know that they were working on the "latest" cutting-edge technologies and systems, particularly in IT. In addition, these initial steps into benchmarking provided the additional benefit of showing employees how to gauge their own value and marketability.

From a firm perspective, Leopard also established learning and benchmarking relationships with various institutions. The firm, itself, began to establish relationships; these included: academic research such as Harvard – especially through their publications and books such as the *Harvard Business Review;* research institutes such as Gartner, Aberdeen, ERwin and Quadrant; investment analysts like UBS-Warburg and Deutsche Bank; and managing consulting firms such as Deloitte and Touche, and KPMG. In some instances, Leopard also recruited employees who previously worked at leading consulting organisations such as IBM and Accenture; these employees were skilled in accessing benchmarking data. Leopard used their contacts with these institutions very creatively. For example, it used the Gartner Group as a sounding board for its own strategic plans. Another creative approach was to get some of these institutions to collect case studies, not of just success stories, but also of failures. The firm felt that learning from both success and failure stories were important to its culture of instilling feedback skills for employees on how to discuss the "bad news" and push back on initiatives for which they had reservations and fears, and helping them shift from their previously dominant, task-orientation mindsets to knowledge-sharing behaviours.

Leopard also prided itself on learning from best practice firms outside of their market sector:

> **L-M-2:** Pick 'n Pay (consumer retail firm) are sending their staff to Disneyland now. Do you know that we have just sent our staff to Disneyland? We sent a bunch of our staff. It was incredible, the experience that they come back with. So we are sending more and more of our staff to Disney.

Leopard's initiatives in benchmarking and intelligence gathering were beginning to be successfully embedded as cultural values. The firm was beginning to see the benefits of knowledge sharing among its employees. However, Leopard had not yet solved the problem of how to capitalise on the knowledge gathered by individuals, and capturing this knowledge at a corporate level. More specifically, Leopard had not built the competencies to turn ad-hoc individual and even corporate-gathered intelligence into structured knowledge assets. In order to capture knowledge capital, Leopard needed to develop a set of new competencies around social networking analysis. This lack of any institutionalised process in this area was assessed to be a "constraint." However, Leopard is to be applauded for its pioneering efforts in benchmarking and establishing among its employees the values of knowledge sharing. Their efforts in these areas make them "best-in-class" among their competitors as a firm who has recognised and embedded knowledge sharing into its culture.

7.4.1.2 Three-Tiered Approach/Map for Employee Development

Leopard had a 3-tiered approach for developing employees. First, the firm had a unique set of criteria for recruiting the right people in marketing and sales. They typically recruited candidates with no background in personal financial services – so that they could be acculturated into the Leopard "client service" approach. Their "lan-spec" which outlined hiring criteria, emphasised education – they hired only University graduates into their sales and marketing positions. This was unlike Buffalo or Cheetah who hired high school graduates into their sales and marketing positions. As one interviewee indicated:

> **L-M-1:** unless the new recruit meets all the criteria in that lan-spec, we don't take him on … But if he is missing those attributes, we won't even try with him. Now we could be turning away good people, but that is the discipline we have …

The second tier to developing its employees was to place people in the right jobs; when necessary, Leopard deployed employees into positions that maximised the usage of their competencies and gave them personal satisfaction. One of the major tools used by Leopard, which it incorporated into its HR processes, was competency mapping. Competency mapping was used with all employees in staff and the BUs; sales and marketing employees were not included. With the help its IT-based tools, competency profiles were established for all employees. The third tier of employee development was leadership competencies of employees, with strong focus on the "softer" and emotional aspects. This was the third leg of its three tiered people development process. One interviewee said:

> **L-B-1:** So you can be brilliantly skilled and so forth, and in terms of emotional intelligence you are an absolute washout … if you know yourself and where you are coming from, where you are going to, you can become a better leader.

The three tiered employee development process was premised by the underlying philosophy that employees themselves should take personal responsibility for their career development. Because of its hiring and employee development process, employees at Leopard had the opportunity to work with peers who were among the best in SA.[160] For Leopard, this concept of personal responsibility for career development presented a "challenge" because not all employees had the potential or willingness to engage in continuous learning and take personal responsibility for career-upgrading. Not all employees were keen to be redeployed to other parts of the business to better use their competencies because employees were "comfortable" in their old positions and social environments.

> **L-B-1**: Technology has come a long way as well from a HR perspective in that you can store information on competencies and skills, and at levels and you can even introduce I suppose deterioration or depreciation almost of skills … So if we are looking for somebody on project x and we need these skills, before we go external we can go in and key in the specifications and I know SAP can give you some sort of match in terms of this person matches your profile by thirty percent or ten percent. And you say well can we use this person do they have, are they trainable in and how much time have we got before we need the person or do we then have to go external and find more than a thirty percent match.

Some employees resisted being developed to more senior roles, because they felt that it left them "unmarketable" within SA; this was particularly the case for White South African employees who saw their "marketability" curtailed as businesses where filling these senior positions with Black South Africans. Paradoxically this "perception" by White South Africans worked as an advantage for Leopard because these employees also wanted to stay, not change jobs.

Leopard faced a "challenge" with its Consultancy group. It had trained a highly effective "relation-based" sales force, yet IT was making it possible for the firm and individuals to redefine their roles and career paths, as automation took over the mundane and simple tasks of account maintenance. However, by doing so Leopard left themselves open to the possibility of eroding the relationships with clients and, more importantly, with brokers. One interviewee commented on the importance of brokers by saying:

> **L-M-1**: We place a great emphasis on the brokers being important to us, in other words what each of our {marketing} people do is go out there and make the broker feel important to {Leopard} …

[160] As discussed in the CRC section, Deloitte and Touche Preferred Employee Survey in SA ranked Leopard at the 9th best employer in 2001.

As in all change programmes, Leopard did encounter resistance to change by some employees. To meet the "challenge," Leopard established reward systems to reward the "right" behaviours. These rewards were also expanded to include service performance to both internal and external clients. Leopard management firmly believed that employee job fulfilment and personal development, both led to retention and heightened levels of client service. An interviewee claimed:

> **L-M-2:** So if you are feeling aggrieved, undeveloped, unrecognised, you are not going to give good service ... the better we treat you, the better you will treat our customers – because we firmly believe there is a shared fate between your staff and your customers.

Leopard's main "constraint" at the time of this research was the discontinuity between its vision of extending its organic growth into the middle market. The firm had built its processes and systems to serve its target market, which was the high-end customer. This meant that Leopard's employees were not skilled in serving this middle-market. There were two major drawbacks facing Leopard. First, its sales and marketing team were made up of graduates – who only had experience in dealing with high-end clients; they were not able to identify with middle-income client needs. Second, the multi-ethnic composition of the middle-market was not reflected in Leopard's in-firm demographics; this market's clients were rapidly changing in composition as many more Black South Africans were gaining economic wealth. Like Cheetah, Leopard faced the dilemma of how to transform its Consultancy channels to another mindset of selling, where the margins were low and the financial needs were different. Leopard's EE plans were mainly designed to hire Black South Africans into management, so they could "fast-track" them into senior management roles. The firm had not yet, as Cheetah had done, realised that hiring Black South African sales agents with networks into the Black communities was a critical success factor to enter the middle-market. An alternative available to Leopard was to use its relationship with Bank Two, whose connections into the middle-market were good. However, Leopard had not yet built full integration with Bank Two.

7.4.1.3 Formalised Inter-Functional Collaboration

Since inception, Leopard had been known for its entrepreneurial- and charismatic individual foci. However, by 2001 there was a purposeful shift in focus toward a team-based, multi-functional approach to making decisions, and implementation of the firm's initiatives. This way of working was in line with the new knowledge-sharing culture. It was a belief of the new senior executive team that team-sharing, multi-national collaboration was a competitive imperative; however, the challenge of the senior team was to effectively sell the business case for such change to all management within Leopard. Inter-functional governance structures and committees were put in place to signal the intent of the senior executive team.

> **L-IT-2:** Four, five years ago, I don't think the guys in IT would have ever been invited to a business strategic group meeting … But in the last few years that's changed, and that's great. The guys have been invited along … {the Group Chief Executive} has briefings to what the business of the {Leopard} Life strategy is, giving the direction and goals. Like I said, maybe 5-10 years ago when I was in IT, we were maybe a bit clueless about it, what was going on …

Some BUs made the shift quite quickly, whilst others did it against their personal "better judgement" but did it in the interest of the firm, while still others resisted adamantly. There was recognition at senior management level, though, that the new philosophy needed to be customised for each BU. As a result, broad group-wide guidelines and values were developed and mandated, with each BU given the freedom to customise its internal application of the Corporate philosophy guidelines of inter-functional collaboration.

> **L-HR-1:** So you will need certain key guidelines and values that apply across the group and then it will be up to a business unit to say, "Yes, we want to go that route", and to apply the guidelines and values, the group values, in a way that suits their particular circumstances. And if they decide not to do it, then they decide not to do it. If it is the right thing, I gather everybody will eventually be on it but it is just a matter of different people buying in at different speeds. But I think everybody will be there eventually. It is just different agendas, different priorities.

However, it was a "challenge" for Leopard's senior managers, who previously led from the top and were rewarded for individual behaviour in their own functional specialties, to make the shift toward a collaborative, inter-functional set of cultural values. It was a risk that these senior leaders were willing to take because they felt that Leopard's future was at stake. The transition was difficult, as one interviewee reflected:

> **L-M-2:** … And yet a lot of the guys are still stuck in the past, you know what I mean, their title and their old traditions, structure and the values that we held here and the new guys come and screw it up and are

> not interested. OK, so you do have a clash of cultures, tradition. It would be much easier to start from scratch, it would be much easier to start a fresh company with no legacy but you can never do that …

Some of the senior IT management became quite concerned that the new knowledge-seeking and sharing culture would place undue risk and load on the IT Intranet networks, because of the heightened levels of traffic as a result of increased usage and document sharing. There was also a concern for security with a need to establish end-user standards on access to external information, and making the networks more permeable to hackers and viruses. However, the Corporate IT services organisation was able to successfully address these issues. In fact, technology was so critical to implementing tools for collaboration that Corporate IT also put in place redundant network infrastructure to assure reliable connectivity.

7.4.1.4 Transformation: Entrepreneurial Leadership to Shared Leadership

The changing realities in the local- and global marketplace required a need for speed of reaction, networking and relationship-building to remain competitive. As discussed in the previous section, senior leaders acted as role models for inter-functional collaboration. However, senior leadership found as a group, that transformation was difficult to achieve. Interviewees said:

> **L-B-1:** … the whole notion of the history of the company and the way the company has come along definitely has an impact on {Leopard} as an effective … I mean, it worked well when {the founder} started the company, which was wonderful. He was entrepreneurial, he had vision, he has still got vision, he is an incredible businessman. But it is very much, like insurance was, look long-term, invest in things that will give you a long-term return. In the last five years that has changed … you know people are not worried. I want return now, live a bit more dangerously. Yes you can make more, you can lose more.

> **L-M-2:** … the company's history has held it back. It was a traditional, bureaucratic, hierarchical organisation, driven from the top by one man. OK, so if that one man wanted something to happen, it happened. But if he did not want it to happen, it didn't happen … and as he became more and more out of touch with the day-to-day aspects of the business, but failed to empower the executive at the same time, we had this huge period where nothing happened.

As a result, at the end of 1998, Leopard's entrepreneurial founder came to this realisation and removed himself from the CEO position. At the same time, he changed out his twelve members of the firm's senior management because they did not have the skills needed to inspire and lead the firm to change to a shared leadership mindset. These twelve senior leaders had been "task-oriented, individualistic managers." At the helm of Leopard was a new CEO with a track record for visionary, not entrepreneurial leadership. In addition, the senior leadership team were replaced with "leaders" rather than "managers," with abilities of motivating the firm to change. This transformation required initiatives and processes to embed the value drivers of shared leadership. Leopard, through its senior leadership team, had to engage employees more broadly in decision-making, in setting strategic direction. In addition, the firm also had to secure buy-in from its middle managers to participate in the change process. They, too, had been ""managers" of functions; now they had to create participatory environments in which their influence was not established by a "box on an organisation chart," but as "champions" for shared leadership and a knowledge culture.

> **L-HR-1:** It is at a watershed, there is no doubt ... It is a situation where it is a huge organisation, full of knowledge workers who all of a sudden cannot be managed in the same way. And the previous entrepreneur realised that, and this is why he left, I think ...it happened before my time, but I think one the reasons he exited was because he realised that it was a different organisation, that needed different people. So he appointed a different CEO and that CEO's job was to appoint a completely new executive team. So they have literally replaced the top twelve people in the organisation in months ... it is at the threshold of its next exciting era with a whole lot of changes necessary. And one of that is the culture change – where we have got to move from being very much task-orientated. They are not output-orientated, they all very busy or we, I mustn't say "they". We are all very busy doing things but it is not output-orientated, there is not a culture of delivery ...

> **L-HR-1:** ... But what organisations like this need now, and they have got it in the form of {the Group Chief Executive}, is a visionary leader. People need that to rally behind, otherwise they are not going to change and adapt going forward. Good management is just not enough anymore, you have got to have that visionary leadership.

> **L-M-1:** We have got managers doing the day-to-day operations, but we should be looking three years {down the line} ... what the landscape will be like and how, we must be ready for it ... yes. And that is really being created by our (Group Chief Executive) – he is very good in that sense, he is a military man by background.

One of the challenges for Leopard was putting the levers in place to embed the new vision of shared leadership. Although the outgoing CEO could change out the twelve top executives of the business, the new CEO could not start a wholesale swap out of existing employees located in the firm's BUs. The mental models held by employees were difficult to "unlearn," especially since these models of individualistic style had been successful in the old regime. The key challenge was to balance off the old and new ways of working, and not to do a once-off step-change – which could possibly have resulted in failure, and in the loss of people's commitment. Additionally, much of the corporate memory and old ways of working were embedded in the firm's processes, systems and "ways of doing things." So a balancing of the restructuring of both human- and firm processes were needed. As mentioned earlier, the executive team, therefore, had to role model these new foci, as well as the new behaviours, and it was important that they were seen to be doing so – to gain both the trust of all stakeholders and give employees "licence" to do the same.

> **L-B-1:** … senior leadership has been in command and control in the past. "You do as I say!" That is historical … everybody was little carbon copies of clones of the big boys twenty years ago. It is changing now … For some of the people to let go and move from that mound of control, to a more cooperative and consultative environment is very scary for some of them. But what {the Group Chief Executive} has done is slowly changing things … some of the people have retired, and he is bringing in new people, external people … The big thing, I think, from senior executives is that they need to lead by example … you need to work to something … that they have not had in the past. We are starting to see it now, they become more real. I mean {the Group Chief Executive} can be seen walking the floor, his predecessors you never saw … And for some of those other people {senior executives and managers}, for them it is scary for them to start doing it. But they are starting to do it because they have seen the boss do it …. and if he can do it then they can … Some of them are totally out of their comfort zone, but they will either fit in or go.

In addition, new committees were set up, and old ones reconstituted, so as to include broad participation in decision-making and strategy setting, in order to further institutionalise the multi-functional sharing environment and to signal to people that they mattered.

7.5.2 Attributes of Sustainability: Uniqueness-Leopard

As a result of analysing the interview and document evidence on Leopard, three attributes of uniqueness were identified. As in the other cases, a summary of the uniqueness attributes with assessments of how these attributes "enable," "challenge," and "constrain" the firm's ability through its CRCs to engage the market are discussed in Table 7.4. A more expanded view of the evidence is presented in Appendix D-4, in Table D-4.3.

Table 7.4: Attributes of Sustainability: Uniqueness-Leopard

Sustainability Attributes	Assessment: Enablers, Challenges, Constraints	Which CRC Impacted
Blackspot - a firm-wide transformational IT initiative	**Enablers:** • Affords effective product-leader strategy • 'Locking in' of brokers through technology • Higher levels of efficiency and subsequent employee productivity: lower total cost of ownership and operating costs (e.g., automation vs. paper-based, cutting out of branches)	• Customer-led processing capability • Segmented and tightened distribution capacity • Alignment of IT functions with business needs • Human and business process

	• Intrapreneurial culture enablement (particularly after first successes) • Better engagement of, and service to, clients • New ways of working enabled by technological and organisational redesign; enabled needs-driven sales operation, as opposed to product-driven sales operation **Challenge:** • Huge investment (IT costs, training & retraining, business process redesign) – strain on capital and therefore restricted other possibilities/projects • Weaning brokers off initial reward for using the Blackspot solution to dependency on the Blackspot solution • Speed of culture change • Older agents, not able or willing to retrain – but was 'carried' by the firm, agents given opportunities to set up own franchises • Difference of views between the marketing and business entities regarding the new ways of working	alignment
Brand image based upon technological acumen that created access to broad range of financial services	**Enablers:** • IT-enabled, broker-led approach to acquiring and retaining clients (trust and relationship of brokers appreciated more than advertising) • Better, and more seamless, customer relationship management – 'one-stop shop' concept • Leveraging of dual brands – both Leopard and Bank Two are seen as technological leaders, and their brands are linked to technology • Bancassurance allows market reach to broad range of financial services **Challenge:** • Integration, over time, of IT systems and business processes between Leopard and banking partners • Different organisational cultures (Leopard vs. banking partners) • Leopard employee lack of skills in financial services across broad range of customer segments (other than insurance, and across different client groups) • The complexity of the risk-sharing relationship with outsourcing partners when they had to cover Leopard and bancassurance partners • No single brand and different marketing approaches – bank through advertising, and Leopard through broker trust and relationships **Constraint:** Disparate visions/views between the CEO (move to full financial services firm) and Marketing Director (continue doing core insurance business)	• Segmented and tightened distribution capacity • Customer-led processing capability • Alignment of IT functions with business needs • Risk-sharing, outsourcing partnership
Creation of new cadre of business	**Enablers:** • Peace of mind for the CIO that people were placed	• Human and business processes alignment

consultants with human capital responsibilities	and developed appropriately; relating to IT current and future needs • High levels of alignment between BUs and HR initiatives • Higher levels of respect and trust between business managers and new business (HR) consultants • Relevant unpacking of corporate strategy • Lower business risk as high levels of matches (and appropriate bridges) between human and business processes • More 'connected' business (HR) consultants, since they were involved in decision-making bodies and committees • Readied firm for faster reaction times for when new trends emerged **Challenge:** • To find a significant number of individuals who could play this new role (Do they want to? Can they – skills?) • Lack of peer group or community-of practice for new styled business (HR) consultants in the rest of the industry • Friction with 'old styled HR' and central HR employees (seem to be siding with BUs)	• Alignment of IT functions with business needs • Structured, project management focus • Dynamic culture enablement
Source: Author's analysis of interview and document evidence		

7.4.2.1 Blackspot: A Firm-Wide Transformational IT Initiative

Leopard's Blackspot application was initially developed in the 1990's to support the sales process by helping agents and brokers sell and maintain their accounts. Because of its success in the marketplace among brokers as the "best-in-class" sales support application, Blackspot developed path dependent attributes. It became the "standard" among brokers as their "preferred" application of choice. Within the firm, Blackspot became integrated into the operational processes. Blackspot, with its technology foundation, became a driving force in Leopard because it defined how employees worked in Leopard, as well as affected their interaction with clients of the firm.

> **L-M-1:** ... for the first 2-3 years of that {Blackspot} system, we went through a lot of pain because people, brokers, agents, were not skilled and did not want to do administration – so there was a whole new learning curve.

> **L-B-1:** ... technology has definitely made a big change to how we deal with clients, and it is going to change even more.

Blackspot's functionality expanded to match the prevailing product-driven strategy, that of reducing operating costs and total cost of ownership by cutting out agent branches, by shifting manual administrative work to electronic means, and by standardising IT supportive infrastructure. At the same time, Blackspot provided better client service by reducing turnaround times of policy initiations and payouts, through higher levels of efficiency and accuracy of account maintenance functions, and by bringing the client closer to the business since it provided them with account checking functionality.

> **L-IT-1:** Actually, one of our other competitive advantages must, of course, relate to the technology implemented in our {Blackspot} system, and the level of automation that is provided to our administrative processes. That has been quite a focus of both the business and systems development areas for quite some time now.
>
> **L-IT-2:** Instead of you {broker} running around with a laptop and a huge amount of software, with executable stuff on it, it's now all centralised through the Internet, so the customer online, actually do a service change or something like that...
>
> **L-M-1:** With {Blackspot}, we could cut out the branches, and slowly we will give more and more responsibility to the clients in terms of managing their own data.

By restructuring the cost of ownership and giving clients functionality that they could use, Blackspot altered the entire client serving structure of the firm.

> **L-M-1:** ... needs analysis ... their client data now is stored on their computer and that is the beauty of this ... So Kurt phones in and says: "{consultant's name} you know we mentioned so and so 6 months ago, what was it we discussed" – he just pushes a button and there is all Kurt's details. So it is also a record system for consultants. So ok what I have explained so far Kurt is what we call a front-end ... that is the front-end of {Blackspot}.
>
> **L-C-1:** ... we encouraged our policy holders who had a change of address, or who had different bank details, to update that online ... we also encouraged the people selling our business to buy {Blackspot}, and we'd pay them for that {fee for doing the administration themselves} because now we didn't have that infrastructure overhead.

By using technology to effectively handle the administrative details of client accounts, Leopard's Consultancy team could concentrated its effort on maintaining and growing the broker relationships, given that their agencies offices were closed down, as it felt that these relationships were a key factor in the success of its overall market capability.

> **L-M-1:** … if you don't have that relationship then people leave you very quickly, you know there is no loyalty in business and brokers are being hounded all the time by all the insurance businesses – so you are never in a position where you can say that guy is really locked into us, except {Blackspot} does give us that advantage as well, because some have now got used to {Blackspot} and they want to deal with us because of the fact that all their data is there, and they can get access to it.

Looking at the evidence, Leopard experienced several challenges. The first challenge was that the initial investment in Blackspot was large, which meant Leopard was anxious to recover its upfront investment. This drive for a faster payback on investment created logistics complexities, as Leopard closed traditional branches, while phasing in its new platform to serve intermediaries. Leopard chose not to run two parallel systems. In addition to rapid payback, the firm also wanted to speed up the processes of cultural change.

> **L-M-1:** … for the first two or three years of that {Blackspot} system, we went through a lot of pain because people, brokers and agents were not skilled {in the technology-enabled process} and did not want to do administration {themselves} – so there was a whole new learning curve. So, especially on the broker side, and we had a lot of brokers, they said: "hey, if you want us to do this work, we will go and support the other insurance companies who will do it for us through the branch network."

As a result, for a while, Leopard actually had to pay brokers a sum of money for every bit of administration that they did. Fortunately, the front-end integration did facilitate cross-selling opportunities which Leopard saw, through the statistics gathered by Blackspot. Three other challenges occurred: (1) Leopard became concerned that, over time, they would not be able to 'wean' the brokers off the initial reward initiative; (2) the ensuing dependency on the Blackspot solution would create the need for more process integration; and (3) the "high profile of Blackspot would increase risk as its IT investment, training and re-training of people and business process redesigning increased. This last challenge was particularly working because Leopard's transformation change of its Consultancy structure was dependent on Blackspot's initial success and its scalability to enable other internal processes to be streamlined. Leopard did not have a proven record of delivering big, new projects. In fact, the Blackspot solution was a deviation from the norm – but it was hoped that it encourage an intrapreneurial[101] culture of building phased-in scalable systems, particularly after the first successes.

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[101] Intrapreneurship is the means for firms to change their pool of competencies to increase their long-term economic viability (McGrath, Venkatraman, MacMillan, & Boulind, 1992). These include innovativeness, development of

> **L-C-2:** It was only {Blackspot} in which we have been successful … but, generally, we have some trepidation about these things.

The evidence from the interviews indicated two additional challenges. First, older agents at Leopard were not comfortable using computers. Since they had years of experience on the paper-based systems and procedures, they were not able, or unwilling, to be retrained. Given the SA labour laws, it would have been difficult to get these employees retrenched, and Leopard was made to "carry them," at a cost.

> **L-M-1:** … well some cannot {use a laptop} because they are old hands at this and they are not at the computer stage, but the younger guys we know are very computer literate.

Leopard came up with a solution to this dilemma. The firm provided incentives to those sales agents who did not want to learn IT to set up their own franchise operations. Most of these older sales employees took advantage of this offer because with their established networks within their communities, they could continue to sell Leopard products, but be their own bosses.

The other additional challenge was the differing views between the marketing and business entities as to why Blackspot was important. Historically, Leopard was only focused on high-end, high-wealth clients, and doing mainly insurance. Executives within the marketing department believed that this would still be the dominant business for Leopard, and that the reasons for moving toward more technological enablement and e-commerce were to allow for simple products to be transacted and essentially low-value clients to purchase products and make administrative changes. Additionally, high-income clients would use technology to do account maintenance and tracking, but only after initial face-to-face purchases.

> **L-M-1:** We are saying face-to-face selling will still be dominant, but will be technology-aided with like {Blackspot} … the bread and butter stuff will be sold through e-commerce, your simple products, your term assurance, your unit trusts. It is more sophisticated stuff where {Leopard} has positioned itself in the market – works the high-end of the market where you will need face-to-face selling. But yes, with e-commerce, we have developed a call centre here where we are selling direct on the telephone.

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novel products, services, or processes; risk-taking; and pro-activeness (Covin & Slevin, 1989; Jennings & Young, 1990).

However, other senior executives saw Blackspot's potential as a platform that could help improve other aspects of doing business more efficiently within Leopard. Evidence indicated that both views co-existed well within Leopard. In the future the concern was that future development priorities of Blackspot would require more alignment between the views of marketing and the rest of the business.

Although Leopard had not reconciled its views about the ongoing potential of Blackspot, it still was considered a leading-edge technology initiative. Other major competitors in the market were either not developing the same solutions, or only did it partially. Two of Leopard's competitors, Cheetah and Buffalo, were making use of a vendor product, Brownspot, which was focused mainly on financial analysis. As one interviewee commented,

> **L-M-1:** I have been surprised that they {competitors} have been so slow.

7.4.2.2 Brand Image Based Upon Technological Acumen

As a niche player in the high-end market, Leopard, through the 1990s was never widely known for its product and marketing acumen, but rather its brand was linked to its technological prowess. In its 2001 Annual Report, Leopard felt that its brand held *"wide respect and support of investors, policy holders, intermediaries, and the public at large."* However, Leopard's brand lacked "spontaneous awareness," and had changed its advertising agency. In addition, because of its lower brand recognition, Leopard sought to leverage its bancassurance partnership with Bank Two, a firm which had local and international acclaim, and was known as a technological leader in the banking world. Its common prowess in technology was felt to be a source of complementary strengths in creating a synergistic bancassurance relationship. This bancassurance partnership allowed Leopard to extend its market reach in two ways: (1) the expansion of its products set, i.e., adding banking and other-banking related products to its own set, and therefore shifting the firm to becoming a full financial services firm – a 'one-stop shop', as opposed to only being in insurance. One interviewee claimed:

> **L-M-1:** And that is what all worldwide organisations try and do, they try and lock the client in and offer him all he needs for financial services … one-stop shopping. The challenge there, of course, is to make sure the client feels comfortable with that …

(2) the potential expansion of its market share, into the untapped, but desirable, middle-income group, of which Bank Two had a substantial market share.

> **L-IT-1:** … to harness all that information coming into the Call Centre and to have better customer relation management software … so we can actually own the customer, and because … we're very closely tied up with {Bank Two} now … you must now create a new distribution channel for that middle-income market, which we are doing … We took a stake in {Leopard Bank} which does a lot of micro-lending … and that is a community you are getting to through the microlending … So when you get into the middle- income market you can't do it on a face-to-face basis, it has to be what we call workplace, where you get into groups or into particular organisations where they have the type of group client.

As Leopard looked to expand its range of financial products, it recognised that the firm faced "major challenges." Its employees had no skills and experience in working with a full range of financial products such as portfolio investments, unit trusts. In addition, Leopard's expertise was working with clients on a personal basis in one market segment, than working with clients who may have been in "groups" in differing market segments. For these reasons, the bancassurance partnership made sense.

The 'one-stop shop' concept also meant that Leopard was able to provide more seamless customer relationship management, through "richer pictures" of the clients, and attract potential clients. In addition, IT enablement of brokers further entrenched Leopard's belief that face-to-face selling was important in engaging high-end clients, while IT enablement of the call centre meant that middle- to low-income clients could be serviced via the telephone and/or Internet. This entry into new markets with Bank Two also posed additional challenges to the firm. Some of these integration challenges included: the "coupling" of Bank Two and Leopard's technological systems and business processes; reconciling the organisational cultural differences between Leopard (niche, high-end insurance firm) and Bank Two (high- to low-end banking firm), and renegotiating its vendor agreements on risk-sharing outsourcing partnerships as these vendors were now expected to service both Leopard and its bancassurance partners. From a marketing perspective, Leopard also faced the challenge of potential "brand confusion." There was no single brand for products and services that were created. In addition, Bank Two had a preference for advertising as its main vehicle to reach middle- and low-end retail potential clients, whereas Leopard believed in brokers, loyal to the firm, and building relationships with its clients, as its main marketing approach.

Although realising that these challenges were significant, through the period of this research, Leopard had created "plans of engagement" with Bank Two, and were in the process of implementing these plans. There was no "show stoppers" that indicated the bancassurance relationship was in trouble. However, within Leopard, there were "constraining," disparate views at senior executive levels regarding the future direction and strategy of the firm – the Marketing Director believed that Leopard should continue in its core insurance business, and the CEO believed that Leopard should become a fully-fledged financial services firm. The Marketing Director said:

> **L-M-1:** I am talking five years now … I think there is opportunities to sell more life insurance but certainly we have got to be a keener player in terms of investment products. Just to digress for one second … in {Leopard Investments} … we have built up assets of R4.8 billion, selling just investment products … but we are still part of the life insurance company. We saw an opportunity, we started up this investment company up and that is what happened … Unit trusts, a creative type of policy, where it is shorter than five years, yes. {Leopard Investments} was selling investment short-term, whereas {Leopard} Life would sell investments longer term … what I am saying, financial services has got a tremendous future ahead of it. What you would do is be able to address all the markets … meaning innovative on the life insurance side as well. On all fronts … because people's needs don't change. When I say needs, I mean the same sort of products are required, they just become more up to date and they need more complex {products} because you use different vehicles … but at the end of the day people want to save for retirement, they want protection on death, they want to know that they are disabled, they want cover. Now those three things will always be there.

The CEO had a different view:

> **L-M-2:** We decided that we have no expertise in the mass market. Therefore, the only way to get into the mass market is by taking shareholder companies that do. In other words, we are insuring our future by strategic acquisition, because we have no expertise … so, for example, our {Leopard Bank} deal … we gained access to the trade unions that they have access to. Through bancassurance, we gained access to … those customers that {BankTwo} has. Now we could never, in {Leopard} Life, ever be able to get those customers. So yes, we are broadening our marketing … Banking, homeloans, investments, unit trusts, specialised investments. You can look across all our businesses, we truly are … {a} financial services group in the broadest sense of the word.

7.4.2.3 Creation of New Cadre of Business Consultants With HR Responsibilities

As part of its new business model of decentralised BUs and in order to lower its business risk, Leopard moved away from maintaining large numbers of 'old-styled', centrally-controlled, administrative HR employees to creating a small central HR office, and placing business analysts in the BUs themselves. These business analysts were tasked with human capital management responsibilities. This was a total breakaway from what had previously been done, both within Leopard as well as in the industry.

> **L-HR-1:** ... the role of the HR practitioner is to provide strategic advice and guidance ... to be business consultants. The day-to-day management of the people, performance management stuff, leave records, leave scheduling, all of that ... the line person can do. You have got an empowered knowledge worker who doesn't require quite the same level of instruction ... so now the supervisors/managers/team leader starts assuming some of that old HR management-type role, in terms of the leave scheduling, the performance management administration, all those things. They start doing it themselves, and why they can do it is because they are also empowered by technology to have access to a range of information and systems to help them to do it ... so they don't need this bright spark HR practitioner there to tell them what to do...So we are going to need fewer HR practitioners at that technician-type level, and we are going to need a few high-level business consultants.

This enabled much closer alignment of HR strategies and people development initiatives to business requirements, and was met with positive enthusiasm by the business managers themselves. However, paradoxically some tension was created between central HR employees and new BU-placed business (HR) consultants who were advocates of the BUs and were siding more with their clients than the professional HR staff. One interviewee said:

> **L-IT-1:** .. the support we get from central HR is so bad that we've created our own HR function ... we don't rely on central HR for anything of significance, simply because they are so poor at providing us with support. ... The only value I get from those guys is in terms of the salary slips that they dish out once a month, and obviously the tax and associated things that go with that ... and they provide us with an IR service...they've got a couple of IR lawyers that give us advice on that sort of stuff. But other than that, in our business unit, we have a business-focused HR guy ... You'll get much better information on the HR issues relating to our division from him than you will from get from anyone in central HR. In fact central HR can tell you nothing about our HR functions because we don't trust them ...

The business HR consultants also had representation on the highest operational committees inside the firm, which caused them to feel more "connected" to the pulse of the business. This differed from past practice when committee decisions were past down and handed out to the HR department, and then to the BUs. The CIO regarded the current structure, although creating some tension between Corporate HR and the BUs, as being appropriate with regard to the firm's current agenda on personnel development. One HR head in the BU said:

> **L-B-1:** I am part of {the HR Director's} team in terms of looking at corporate strategy and I am also part of {the CIO's} team to look at system strategy and to make sure the HR ties into that. Whatever he {CIO} is doing strategically from an information systems point of view, we can provide the resources to do that. Another part of it, we have to make sure that we are up to date with best practice and what is happening in the HR industry as well as the IT industry, so that we can you play the game … so that we are not left behind … I think it is very much a partnership rather than that is HR and that is the business, we need to be seen you know growing together. With all the changes and in terms of legislation and employment equity and basic conditions of employment, we need to make sure that we are very up to date with those, and that the business stays in line with that, that we are not compromised in any way … So I see it very much as a partnership that we are involved in the discussions right from the beginning.

Even though this was innovative for the industry, and potentially exciting for the business (HR) consultants, the challenge for Leopard was that the pool of such, specialised consultants who: (1) wanted to play HR roles; and (2) had the business and HR skills and training to do so effectively, was quite limited. In addition, there was an obvious lack of peer group or communities-of-practice for such consultants, and no specific training targeted at such positions, both within Leopard and in the industry at large.

7.5 Portrait of the Firm – Leopard

This higher level of analysis allows the assessment whether Leopard's espoused strategies, and subsequent actions, are aligned with what had actually been put in place in the firm itself, and was fully understood. Initially, the CRC-enabled strategic architecture is discussed from a market perspective, after which the gradations of 'competitive coherence,' subsequent sustainability are then analysed.

7.5.1 Strategic Architecture: Key and Core Capabilities

Leopard's strategic architecture, key- and core capabilities, are sketched from the perspective of the marketplace (as described in Chapter 2). Driven and enabled by the CRCs discussed above, and further enhanced by the sustainability elements (discussed above), these capabilities are the ways in which the firm effectively competes in the marketplace, and is what is "visible" through the lens of the client. A summary of the core capabilities compared to Leopard's declared strategies appears in Table 7.5 below.

Leopard Consultancy provided an umbrella structure for Leopard's tied, in-house, agency force, franchise force and independent broker consultant force, and subsequently facilitated greater channel integration. A cornerstone of the distribution success and requisite internal operational changes, toward full technology enablement of the Leopard Consultancy, was the conviction that Leopard was an intermediary-driven firm and a belief that increased sophistication in the financial services sector would increase, not decrease, the need for face-to-face selling (particularly in the high-end market). Even as early as 1995, the "high advice" strategy was reflected in the growth of their agency and franchise force from 893 in 1995 to over 1277 in 1999. On its own, franchises grew by 274% over the three-year period ending 1999. In 2000, Leopard's Executive Director (Financial Services) made the public comment that: "... *we are serious about pursuing the high-advice strategy*[102]."

Leopard was also among the first financial services firms to offer individual choice within its group product ranges, i.e., the Blackspot technology made it possible to tailor individual choice of investments within, for example, a group pension scheme. Blackspot gained wide acceptance within the broker community. Leopard then began developing an e-commerce solution which, along with its bancassurance partnerships, grew their share in market segments where they were not strong, i.e., in particular, the middle-market. Not only did Leopard reward brokers to begin using the cutting-edge Blackspot solution, but it cleverly layered its 'lock-in' of brokers through the provision of training and accreditation schemes.

[102] A comment reported in the March 2000 edition of COVER – the premier South African industry newsletter.

Table 7.5: Summary of Key and Core Capabilities-Leopard

Strategic Area	Key Capabilities	Core Capabilities
• **Products/ Service**	• Self-service for middle-market, made possible through automation	• "Best of class" service to high-end market through in-house sales force (agents), franchisees and broker community • Individual investment choice offering (made possible through advanced systems and business processes) • Robust risk-based product line that appealed to wealth market
• **Distribution Channels**	• Locked-in brokers, through offering of incentives for use of their Blackspot solution • Proactively developed and grew relationships with broker community • Leveraged the bancassurance partnerships for advertising to middle- to low-market (low-market was approached in groups, e.g., through unions) – using partnerships • Leopard Consultancy provided an umbrella structure for the firm's agency force and broker force, and facilitated channel integration	• Used IT capabilities and organisational infrastructure to lock in brokers, in support of the intermediary-driven distribution approach • Cross-selling opportunities presented by automation and integrated IT solutions • Sales force considered "best of breed" in the industry • Continued with face-to-face broker approach for high-end clients, whom were marketed to via the trust and loyalty they had in brokers – direct sales
• **Cost Structure**		• A growing investment product set tailored for big, single premiums • IT used to drive down product-, service and overall operations costs
• **Product Pricing**	• High pricing for high-end market, against a low-cost base meant higher margins for brokers and the firm	
• **Branding Promotion**	• Purposeful leveraging of Bank Two's (banassurance partner) leading financial services brand and technological leadership	• Brand established around professionalism in the high-end market • Brand linked with technological prowess
• **Market Segmentation**		• Clear focus on the low-growth, high-end client market • Innovating only for targeted, segmented clients in focused, well-established areas, relating to core products and services, i.e., value-added financial services (e.g., cross selling and product extension through CVM) • Growing penetration of middle- and low-market through bancassurance partnerships
• **Market Research; Bench-marking**	• Early stages of benchmarking, to compare where firm was against best-of-breed (particularly in technology- and human capital management)	• Market research treated as subset of larger business intelligence process (with formal structures to support it) • Shift toward long-term, research based planning (as opposed to short-term mindset)
• **Market Philosophy**		• Totally focused on an explicit strategy to build value for shareholders, clients, employees and intermediaries and the community in which they lived and worked

Source: Author; Strategic areas-(Kotler, 1980); analysis of interviews; internal and external document evidence

Its marketing approach differed to the different market segments, i.e., Leopard continued an individual approach, through brokers, with high-end clients, while opting for the relationship approach to groups (such as with trade unions) through its bancassurance partners to reach the middle-market. On the downside, Bank Two, Leopard's bancassurance partner, was taking a big share of the profit margins on bancassurance sales, particularly of simple products. However, more equitable arrangements were in place for complex products sold through Bank Two, where Leopard received a larger share of the margin.

Around the same time, Leopard began an intensive drive to "professionalise" its operations and services personnel, which supplemented their human capital strategy. This included recruiting the 'right' sales people and developing employees with demonstrated potential into leaders. By 2002, Leopard had completed the roll out of its CVM system[103], which established a more comprehensive view and "distinct memory or profile" of each client from a firm-wide perspective. The system also helped to improve cross-selling within the Leopard Group. This platform ensured that clients' needs were met optimally, while Leopard extracted maximum value from each client relationship. Leopard had certainly delivered on its market philosophy regarding the delivery of value, most notably, in the community. Leopard Foundation's focus on sponsoring and championing education, training and related community programmes, complemented the firm's commitment to the transformation of the SA society. Leopard's aims were geared to developing the country's human potential through personal empowerment and developing market-oriented skills. In addition the Foundation retained a focus on the HIV/AIDS pandemic through various educational and infrastructure support initiatives.

7.5.2 Causal Ambiguity

A comparison of Leopard's "declared" strategies and its strategies "in practice" is shown in Table 7.6. As in the other four cases, an assessment of "competitive coherence" was made for Leopard's strategies. Leopard's "high advice", broker-led strategy worked well for them, and they were particularly successful in 'locking in' brokers for the high-income market. Their traditional focus

[103] Leopard's term for a CRM system.

on the high-income market had also been broadened, with some success, to include emerging market segments that could potentially be migrated to their target market. Their bancassurance partnerships have worked well for them.

Table 7.6: Portrait of the Firm: Comparison of "Declared" Strategies with Strategic Architecture-Leopard

Declared Strategies	Strategic Architecture: Core Capabilities	Assessment of Causal Ambiguity: Level of Competitive Coherence; comments
• Creation of knowledge culture in which people were recognised and valued for their leadership abilities	• Employees recruited and developed to "best of breed" employees, of which the sales force was a part • Market research treated as subset of larger business intelligence process (with formal structures to support it) • Shifted toward long-term, research based planning (as opposed to short-term mindset)	**Mostly Competitively Coherent.** The new business model, with one focus area on knowledge sharing was fully implemented, with closer alignment between the business and HR (so recruitment, retention and development were aligned to business and IT needs). However, networking was not treated formally as a business process.
• Embedded, and leveraged, customer value management programme for new business and retention	• Cross-selling opportunities presented by automation and integrated IT solutions • Innovating only for targeted , segmented clients in focused, well-established areas, relating to core products and services, i.e., value-added financial services (e.g., cross-selling and product extension via CVM)	**Partly Competitively Coherent.** Its product houses (vested in BUs) were generally not fully integrated, although the initiation process was initiated and had early success in certain BUs in 2002.
• Product innovation as a hallmark of what the firm continually put on offer	• Robust risk-based product line to appeal to wealth market • Individual investment choice offering (made possible through advanced systems and business processes) • Market research treated as subset of larger business intelligence process (with formal structures to support it) • Innovating only for targeted , segmented clients in focused, well-established areas, relating to core products and services, i.e., value-added financial services (e.g., cross-selling and product extension through CVM)	**Competitively Coherent.** Leopard had demonstrated, over the years, it was leading-edge as far as product innovation was concerned. It was an embedded value within the firm, and business and technological processes were geared to support that strategy.
• Leveraged the strong position in the individual, upper-income market	• "Best-in-class" service to high-end market through in-house sales force (agents), franchisees and broker community. Sales force considered "best of breed" in the industry	**Competitively Coherent.** Niche player previously, and internal skills, business experience and processes, as well as distribution channel players aligned behind

	• Continued with face-to-face broker approach for high-end clients, whom were marketed to via the trust and loyalty they had in brokers – direct sales • Brand established around professionalism supported by IT in the high-end market • Robust risk-based product line to appeal to wealth market; Clear focus on the low-growth, high-end client market	providing "best-in-class" service to high-end market.
• Achieved further synergies, and continued growth, with bancassurance partners, in order to broaden market exposure and capture greater proportions of emerging market segments	• Growing penetration of middle- and low-market through bancassurance partnerships • Brand linked with technological prowess • Cross-selling opportunities presented by automation and integrated IT solutions	**Mostly Competitively Coherent.** Bancassurance initiatives were working well (even as profit streams from these partnerships were quite low), and Leopard was fully committed to driving further synergies. Differing views held by executive leadership about future direction
• Through technology enablement, streamlined distribution channels, with a clear focus on the productivity of agencies and franchises	• Use IT capabilities and organisational infrastructure to lock-in brokers, in support of the intermediary-driven distribution approach • IT used to drive down product-, service and overall operations costs	**Partly Competitively.** Full IT enablement of distribution channels, but (as stated above) its product houses were not as yet fully integrated.
• Played a role in the transformation of SA, particularly through education & skills development	• Totally focused on an explicit strategy to build value for shareholders, clients, employees and intermediaries and the community in which they lived and worked	**Competitively Coherent.** Evidence suggested that Leopard has been proactive, through its Foundation initiatives, in addressing the transformation needs in SA – and was visible in the market, in doing so.

Source: Author's analysis of interviews and documents

There was, however, some tension within the firm regarding the broadened approach, i.e., to become a full financial services house, as opposed to sticking to their historically core products and high-end market experience. This was not assessed to be too much of a constraint, but could result in political tensions and in-fighting among senior executives with other employees eventually taking sides in the debate. Leopard had always been strong in distribution, supported by leading-edge technology solutions, and sought to aggressively develop their traditional agency and broker channels with further electronic distribution facilities.

Paradoxically, even though Leopard fully understood the need for deep relationships and networks in its distribution channels, it had been unable to translate that into its understanding regarding market intelligence, benchmarking and knowledge sharing. Critical to a knowledge sharing culture was the management of networks as a business process – something Leopard had left to chance and dependent on individuals to carry out, rather than to embed it as corporate processes. HR research and benchmarking was utilised, but was still in its early stages, while IT benchmarking done locally worked really well, and globally less well.

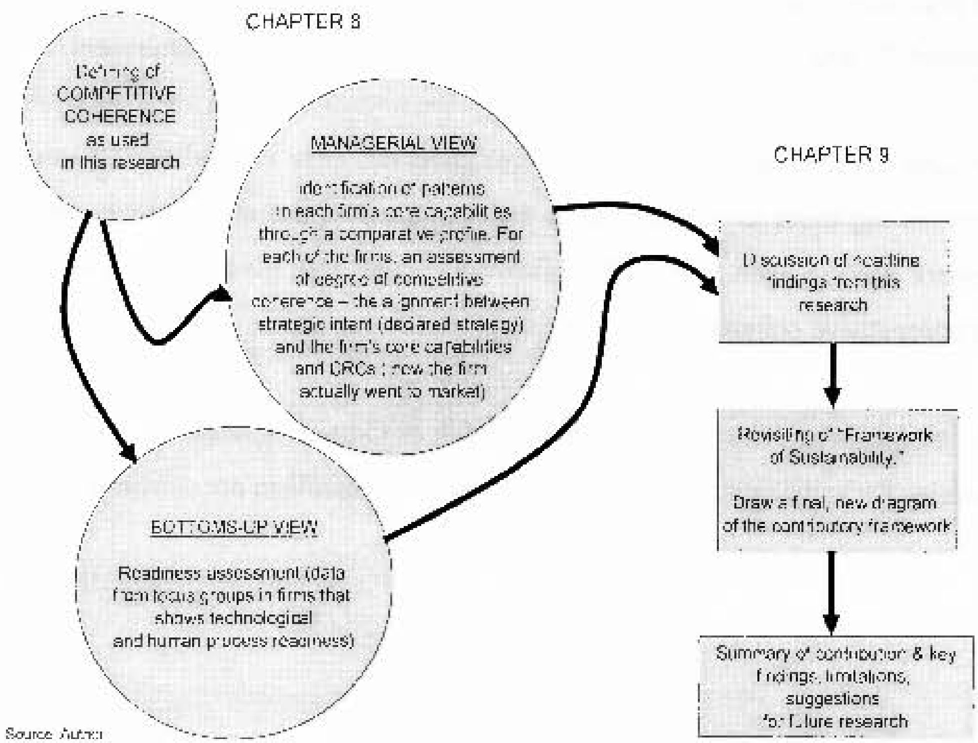
In summary, Leopard was doing really well as a niche player in the high-income market, and had a strategic architecture, and internal CRCs that supported its strategies. The change from a founder/owner management style to an empowered, shared leadership style had led to a corporate culture which gave both key decision-makers and employees' greater leeway and flexibility. However, its challenges lie in rapidly shifting 'old-styled' employees and structures to align with the new business model. The division of the firm's operations into eight business production units, each run effectively as separate businesses, will make Leopard more customer-focused and results-driven, but will pose new challenges regarding product integration.

CHAPTER 8: COMPARATIVE CASE ANALYSIS

8.1 Introduction

Chapter 8 summarises the comparison of the four firm cases in the personal financial services industry. In order to help the reader understand the logic structure of this Chapter, as well as the key findings in Chapter 9, a flow diagram appears in Figure 8.1. The flow diagram shows that a comparison of the competitive coherence of each firm will be discussed with an assessment of their overall competitive coherence completed for each firm. The discussion then shifts to a "bottom-up" view that brings in additional focus group data for each of the firms. Much of the interview data used in the cases themselves came from managers in the businesses. The "bottom-up" view comes from employees who are staff members in the firm from a variety of different functional areas, within the personal financial services BUs, and acts as a "test gauge" for whether or not the "managerial" view of each firm is reasonable. In addition, this view brings into focus some of the interplay among the CRCs, giving some evidence again on how employees think about "what works and what does not work" within their businesses. The cross-comparison then looks at both views and gleans insights from the two perspectives with respect to the dynamics of how CRCs operate within the firm. In both Chapter 8 and 9, additional references and literature will be included to complement the high-level insights from cross-case analysis.

Figure 8.1: Cross-Case Analysis & Findings Flowchart



Source: Author

8.2 Levels of Competitive Coherence - Analysis

Competitive coherence, as defined in this research, differs from classic corporate coherence, introduced by Dosi, Teece and Winter (1992)[104] in relation to BU alignment, in that it has been used as an extension of the understanding of causal ambiguity[105]. Competitive coherence is the alignment between strategic intent (declared strategy) and the firm's core capabilities and CRCs (how the firm actually went to market). The annual reports and interview evidence showed that,

[104] Dosi, Teece & Winter (1992: 188) defined "corporate coherence" as follows: "A firm exhibits coherence when its line of business are related, in the sense that there are certain characteristics common to each. A firm's coherence increases as the number of common technological and market characteristics found in each product line increases."

[105] Competitive coherence, in this research, has been defined differently from "corporate coherence", to mean 'the level and amount of alignment – lack of dissonance – between a firm's declared strategic intent (what it says it is going to do) and its core capabilities, CRCs and IT-based infrastructure (what it actually does in constructing capabilities with which to compete).

within each of the firms, Hamel and Prahalad's (1989) three criteria for strategic intent were all met in that their core capabilites: captured the essence of winning; stayed reasonably stable over a long period[106]; and set targets that deserved personal effort and commitment.

In the next section, the evidence will compare the core capabilities of each firm, looking for patterns among them to see how each firm approached the marketplace, using the Kotler (1980) framework used in each case. The following section will give a comparative assessment of each firm's competitive coherence.

8.2.1 Insights into the Comparative Profile of Core Capabilities

Summaries for summary of the core capabilities for each firm are shown in Table 8.1.

[106] In each of the cases, the table of declared strategies lists the declared strategies (from Annual reports) that remained stable over the period of the research, and were confirmed by interviews.

Table 8.1 – Cross-Case Comparison of Core Capabilities

Strategic Areas	Buffalo	Cheetah	Giraffe	Leopard
Product: Service	• Create leading-edge products to sustain firm's "first-mover" momentum • Establish, through its culture, an attitude among its employees that customer service defines quality	• Continue to reinforce the Cheetah heritage of reliable customer service and professional customer relationships geared toward middle market • Create autonomous business clusters (ABC) who can more effectively create "best fit" products and services to meet middle-market needs	• Rapid product development(fast-follower approach) • "Best of class" service through convenient access to customer accounts by end-users and brokers	• "Best of class" service to high-end market through in-house sales force (agents), franchisees and broker community • Individual investment choice offering (made possible through advanced systems and business processes) • Robust risk-based product line to appeal to wealth market
Distribution Channels	• Use IT resources to enhance both the broker and sales force access to client data, product offerings, and promotions • Provide cross-selling opportunities for distribution channels to offer newly created bundles of products to up-sell to clients	• Continually assess sales channels for efficiency, using call centres to replace small offices, and outbound telemarketing to sell simpler non-life products • Re-structure sales advisor force to increase the percentage of Black sales agents to reach middle-market Black clients	• Sell primarily through broker channel; use a common interface organisation of mostly in-house broker consultants • IT used to enhance access and information capabilities	• Use IT capabilities and organisational infrastructure to 'lock in' brokers, in support of the intermediary-driven distribution approach • Cross-selling opportunities presented by automation and integrated IT solutions • Sales force considered "best of breed" in the industry • Continue with face-to-face broker approach for high-end clients, whom are marketed to via broker trust and loyalty - directly selling to the clients
Cost Structure		• Maintain a discipline of stewardship of client funds, so the administrative load on products is competitive. • Continually improve cost structure through initiatives such as IT backroom applications, IT outsourcing and BPR to support the middle-market which have lower margins	• Cost efficient; 'profit' a driving corporate value; IT used to enhance productivity • Considered "best in class"	• A growing investment product set tailored for big, single premiums • IT used to drive down product-, service and overall operations costs

Product Pricing				
Brand; Promotion	• Establish a brand known for credible, reliable products from a firm committed to all of South Africa • Develop alliances to offer a wider range of product bundles that emphasise client investment, in addition to insurance protection	• Reinforce brand image as a trustworthy, reliable company that has track record of creating wealth through "steady returns" for its customers		• Brand established around professionalism in the high-end market • Brand linked with technological prowess
Market Segmentation	• Provide products to all income segments, recognising that economic mobility of clients can help Buffalo retain clients as their incomes grow. • Service high-end market's needs for "high yield" investment products, and convenient access to accounts through the Internet	• Focus on middle-market, recognising that the margins in this market are lower, but the rate of growth faster • Re-structure distribution access to meet the demands of an ethnically diverse middle-market	• Highly focused—high-end and middle markets	• Clear focus on the low-growth, high-end client market • Innovating only for targeted , segmented clients in focused, well-established areas, relating to core products and services, i.e., value-added financial services (e.g., cross selling and product extension through CVM) • Growing penetration of middle- and low-market through bancassurance partnerships
Market Research; Benchmarking	• Sustain reputation for market research and benchmarking that allows Buffalo to support its "marketing leadership" image			• Market research treated as subset of larger business intelligence process (with formal structures to support it) • Shift toward long-term, research based planning (as opposed to short-term mindset)
Market Philosophy	• Maintain a balance among all stakeholders which recognises that clients are also members of SA communities with special needs, i.e., AIDs/HIV, need for wellness awareness, and education support	• Commitment to build an economically viable South African society, based on principles of inclusion	• People, both employees and brokers, key to market effectiveness	• Totally focused on an explicit strategy to build value for shareholders, clients, employees and intermediaries and the community in which they live and work

Source: Author's analysis; Strategic area names (Kotler, 1980)

The following insights were gained through the analysis of the patterns in each firm's core capabilities. In addition, evidence from the case discussion about their CRCs – especially those related to IT – are also interjected to support the discussion on core capabilities. These insights, therefore, portray the dynamic interaction of IT and CRCs to support each firm's core capabilities.

8.2.1.1 Firms Compete on the Basis of Service, Not Only Products

All four firms recognised that the sustainable advantage based on those core capabilities for developing innovative products was short-lived. Buffalo and Leopard, however, had built their CRCs to support their core capabilities around being "first-movers" in the industry, recognising that their CRCs required a component of continuous innovation to maintain their "competitive edge." Continuous innovation is incremental, and takes place within existing infrastructures, while building on existing knowledge in existing markets without challenging underlying strategies or assumptions. Continuous innovation, according to Miller and Morris (1999), occurs within the boundaries of this known world, and works when the future competitive requirements of customers can be met within existing industry structures, an existing competitive architecture (convergent thinking, by progressive refinements, increasing focus, and therefore increasing specialization). But the necessary continuous innovation in the financial services industry is clearly not sufficient unto itself. As Joe Marone, Dean of Rensselaer Polytechnic Institute has commented, "We know that there is overwhelming emphasis on the virtue of continual incremental improvement, yet every time we look at any successful company that has emerged over the last 30 years in a technology intensive field, and in fact throughout any period of industrial history, you will always find a pattern of big leaps into major new product lines, which are then followed by the efforts to stay ahead. And yet while we know an awful lot about practices of continual improvement, we seem to know very little about how to manage the discontinuous innovations. It may well be that the practices that we have learned for continuous improvement are not only inappropriate for discontinuous innovation, but may actually be detrimental" (Miller & Morris, 1999: 4). The authors define discontinuous innovation as bringing forth conditions that emanate from fundamentally different new knowledge in one or more dimensions of a product or service compared to what has come before, offering significantly different performance attributes: "...discontinuous innovation falls outside of existing markets or market segments, and when successful extends and redefines the market, exposing new possibilities (lateral or divergent thinking, by looking outside of defined boundaries, and by discovery of new knowledge related to both market need and technological capability)." Discontinuous innovation dramatically leads to aggregated domains of knowledge that support new capabilities to meet the requirements of customers whose needs can no longer be met within the existing strategic architecture. This, according to Miller and Morris (1999), often happens because new combinations or aggregations of knowledge, tools, technology, and processes change the underlying character of customer need, by changing the boundaries of what is possible. The difficulty, though, that is so commonly experienced in achieving successful discontinuous innovation is precisely that it requires new knowledge, knowledge that is not available when firms are looking only on the inside. Success at both continuous and discontinuous innovation are driven by "forced questioning" about the limits of existing capabilities, and by asking the right questions and probing at the edges of existing knowledge to understand what new possibilities may exist that have not yet been recognised or considered. Until, and unless, such questions are asked, deep and fundamental answers about the evolution of firms, markets, and industries will not be uncovered in time to do anything about it, nor will leadership be achieved.

In the case of this research, both Buffalo and Leopard integrated their product factories with technology to support the features and functionality of their products. For example, after "questioning" large segments of customers and potential customers, Leopard created customising features that allowed clients to shift funds in their portfolios without going through the administrative hurdles of "re-purchasing" a different product. Both Cheetah and Giraffe built CRCs to support a core capability of being "fast-followers" in the marketplace; they viewed products as commodities. As Giraffe indicated, they looked at what products Buffalo were creating and within five to six months, they would offer similar products to their customers. From their perspective, it was IT enablement, integrated with other resources, which provided these two firms with the ability to be fast to market. What we note is that all four firms were continuously in a state of change – but two firms purposefully chose to address change under the effects of innovation and divergence, while the two others purposefully chose to address change under the effects of consistency and convergence (e.g., taking advantage of established skills and knowledge to be fast-followers). For all four firms though, a rigid IT infrastructure would have stymied even the best strategic initiatives, making it difficult to introduce change in cost- and time-efficient ways[107]. The keys to success appear to be rooted in deep understanding of the competitive reality of the firm and how it affects its internal business processes, and then getting the balance right between support for innovation and experimentation (flexibility) and support for continuous improvement and efficiency (standardisation)[108] – this choice being both purposeful and intentional by firm leaders, in consultation with all stakeholders, but particularly IT managers and employees. In a similar vain, Prahalad & Krishnan (2002) emphasises the necessary dialogue between business and technology managers as necessary to solve these dilemmas, while Sauer & Willcocks (2002) go even further to propose that firms should have an "organisational architect" to help close the gap between corporate strategy and technology by enabling this dialogue. All four firms were found to think along similar lines and employed people in such roles, called by different names: IT architects, business integrators, IT strategists or systems people.

All four firms chose to compete for long-term sustainability on the basis of service differentiation. The research showed that as IT was applied to more sophisticated tasks, mass service became increasingly a commodity and these incumbent firms were forced, in a way, to creatively move to higher level service, and the internal focus of activity became more people- than equipment-oriented. As Hammer (2004) observed, nearly all firms realise that customer service is important, what makes for differentiation is how well firms "implement"/"execute" observable market benefit to customers that brings competitive sustainability. In the case of all four firms, there was a recognition that their CRCs needed to be tuned to the marketplace, as mentioned above, and the value-add was moved from back- to front-office. Three of the firms chose to be niche players with Cheetah targeting the middle-market and Leopard and Giraffe the high-income market – this purposeful choice impacted the degree of customisation, as well as customer contact time, depending on the market segment choice that was pursued. Buffalo established a service-based

[107] Similar conclusions were arrived at by Prahalad & Krishnan (2002) working with more than 500 business leaders in large firms, over a period of four years. The objective of their study, though, was to determine the capacity of managers to lead change within their firms – which is akin to what this research has viewed as leadership strategic choice (initially discussed in the literature review, as well as further on in this chapter).

[108] Griffiths & Remenyi (2003) talk of a continuum between a stable domain (low variance in user expectation) and an evolving domain (high variance in user expectation).

CRC foundation to provide customised service to the full range of income markets. This CRC set was composed of a fully integrated database that kept track of client contacts so that the first point of contact on an inbound telephone call was expediently handled by a customer representative. This common database also allowed for cross-selling functions and for market research to create new products (e.g., Leopard CVM and Buffalo's CRM initiatives). In essence, IT enabled several combinations of CRCs to support its integrated marketing core capabilities.

8.2.1.2 Fine Tuning Channels to Meet the Changing Needs of Target Markets

All four firms were seasoned veterans in managing their channels. Many of their capabilities were more "key capabilities" rather than "core capabilities." Channel reach was clearly a barrier to entry into the SA personal finance services industry. Table 8.2 depicts the relative share of business that each of the firm's derived from various channels. All firms have had to develop core capabilities in balancing client reach and access on one hand, and costs on the other. Most firms were moving away from being wholly dependent upon in-house sales agents (a fixed cost to the business) and moving more toward establishing brokers-based channels (a variable cost to the business).

Table 8.2 – Averaged Percentage of Business from Different Distribution Channels (1999-2003)

Averaged Retail Market Percentage	Buffalo	Cheetah	Leopard	Giraffe
Agents & Franchisees	40	45	43	5
Brokers*	40	35	45	70
Bancassurance**	15	15	11	25
Direct marketing and other***	5	5	1	0
TOTAL	**100**	**100**	**100**	**100**

* Excludes bank brokers
** Bank brokers and bank employees
*** Only direct marketing where brokers do not receive any commission
Source: Symeonidis, 2001; Annual Reports; KPMG, 2001-2003

As a niche player Giraffe, as can be seen by the chart, relied almost exclusively on the broker channel to reach the high-end market. The firm had developed CRCs around providing highly aggressive bonuses to brokers to sell their products. Giraffe had also developed CRCs, with the help of its parent Bank One, to develop incentive packages for bank brokers. The firm prided itself in its ability to "outsell" Cheetah to its own bancassurance partner, Associate Bank. Leopard was perhaps the most creative developer of IT-enabled CRCs, with its Blackspot solution. It competed with the other three firms to be the "platform of choice" to the broker community. To accomplish this, they tailored the features and functionality of Blackspot to provide brokers with the sales and administrative tools to be successful in selling products to high-end clients, backed up by very good in-house service on Leopard's end (for good and efficient relationships with brokers).

For Cheetah, the set of CRCs were established to meet its core capability requirements to sell both efficiently and effectively to the Black South African emerging market. To this end, Cheetah began experimenting with outbound selling techniques to keep costs in check; they began to build a set of CRCs to support this: such as what type of products to offer over telephone sales, what type of people to hire as telephone sales personnel, and how to provide incentives to these telemarketing sales employees to motivate the most effective selling behaviour. In addition, Cheetah also changed the mix of their sales agents so that Blacks represented nearly 60% of the in-house sales force. Cheetah was more aggressive in their action than the other three firms in their understanding of relationship between context legitimacy, embeddedness drag (the changing SA and transformational requirements) and sustainability[109]. Of heightened importance in a changing SA is the fact that firms are given legitimacy by these relationships which, in turn, enhances their survival and performance chances[110] – again leader choice do, and can, have the potential to affect firms competitiveness and sustainability of that competitiveness.

8.2.1.3 Key and Core Capabilities support each Firm's Drive for Cost Efficiency

Industry analysts observed that the cost structure of firms in the personal financial services industry needed to be lowered if these four firms were to neutralise the entry of large foreign competitors into the SA market (KPMG, 2002, 2004; Symeonidis, 2001, 2002). All four firms developed key capabilities in remaining vigilant to the size of their cost structures. Buffalo had elected to remain cost conscious, but not cost-driven, as opposed to Cheetah, who had developed

[109] DiMaggio & Powell (1983) and Carroll, Goodstein & Gyenes (1990) inform us of how a firm's performance is affected positively by its relationship with larger institutions in society and its embeddedness in the economic system - this researcher would add, embeddeddness in the societal and political systems as well.

[110] Well connected (legitimate) firms do fare better than poorly connected firms do (Newman, 1999; Singh, Tucker & House, 1986).

extensive CRCs to support core capabilities in cost strategies – this was important in the middle-market (Cheetah's dominant market) where margins are lower. Leopard and Giraffe (and Cheetah) have used IT-enabled applications to streamline processes and labour efficiencies in their firms. Leopard, in particular, has been the most effective firm in driving integrated processes to achieve excellent efficiency benefits without degrading customer service.

8.2.1.4 Oligopolistic Industry Structure: Price Competition Difficult

None of the firms researched had core capabilities developed to compete on product pricing, which is not surprising, given the nature of the market; the structure of the industry is such that market power (91% of the market share) is essentially consolidated in four firms. The industry has all the classic characteristics of being oligopolistic: the industry neither has perfect competition nor is monopolistic; the market conditions are such that the seller firms are few and the actions of any one of them will materially affect price, and have a measurable impact on competitors; the firms are large enough to influence the market price and pricing efficiency (Cotterill, 2001; McCorriston, Morgan & Rayner, 1998). In addition, the industry has high investment entry requirements, such as huge IT farms, massive organisational infrastructures, massive sizes of assets under management, huge capitalisation, all round scale and vast distribution channels, and together with embedded relationships and high switching costs for clients, the barriers to entry to this industry is very high. Interestingly, because of the structure of the industry, firms are careful not to engage in price competition – as the firm with the 'deepest pockets' would most likely succeed, with the others rendered losers. The SA government has recognised this, and has established this industry as a quasi-regulated industry to avoid any collusion that may ensue which would prove disadvantageous to the industry's clients and the society at large.

8.2.1.5 Market Research and Benchmarking Used to Improve Decision-Making

The evidence gathered in this research confirms that those firms engaged in business intelligence activities such as benchmarking and market research do so to improve decision-making in such areas as: type of products to develop, and overall strategic outlook *vis a vis* the external environment (Pauker & Whitaker, 2000). Two of the firms - Buffalo and Leopard – developed a set of CRCs to support its core competencies of developing innovative products and scanning the environment for potentially beneficial innovations that they could embed in their processes and resources as components for new CRCs. Neither Cheetah nor Giraffe, as market followers, saw the benefits of developing intelligence gathering and benchmarking as core competencies.

However, all firms were able to derive some benefit from technically-based intelligence through their outsourcing partners. Each firm set expectations of their key outsource partners to keep them updated on the latest software packages available, for potential resource enhancements. In the case of Leopard and Buffalo, other vendor partners, such as the Gartner Group, Gemini and KPMG were used to provide "industry watch" information commissioned especially for their needs[11].

8.2.1.6 Brand Image and Market Philosophy of Firms Support EE and BEE

When looking at each firm's market philosophy (See Table 8.1), each firm has developed core capabilities in supporting SA's drive to build an inclusive society where the benefits of economic wealth are more equitably distributed. The government initiatives of EE and BEE were designed to give impetus on spurring the corporations in SA to create more opportunities for those citizens who were particularly deprived of sharing in South Africa's wealth during the Apartheid years (Empowerdex, 2003; Jack *et al.*, 2003; Martindale, 2003). All but Giraffe developed innovative ways of transferring ownership to the Black community. The four firms included in this study also developed CRCs to improve its core capabilities to bring the benefits of economic wealth to the SA communities that they served; however, each took a different approach. Buffalo (emphasis on triple bottom-line) and Cheetah (emphasis on inclusion) had opted for being society-focused, while Giraffe (emphasis on employees and brokers) and Leopard (emphasis on shareholders, employees, clients and intermediaries) had opted for a market-focus.

[11] Some researchers (Collinson, 1999, Crossan & Inkpen, 1995; Richter & Vettel, 1995) do warn about some of the pitfalls in using vendors and alliances for market research, noting the embeddedness of knowledge between firms, managers' knowledge of the bounds that exist on what can be learned, and seeking balance in selecting partners for sourcing knowledge.

All firms promoted their brand and "identities[112]," linked to their stated market philosophies. As firms, entrusted with client wealth and security, they all shared common brand attributes which were: reliable, credible, trustworthy and committed to SA. However, it was the way in which each firm created its complement of CRCs to support their respective images within the SA marketplace that differentiated them. For example, Buffalo's advertisements stressed, "*As committed as it is to achieving employment equity, the company is committed to diversity*," Leopard emphasised "*We are also enthusiastic about the role we have to play in helping shape a South Africa without unfair discrimination*." In addition, brand values also had importance internally, to each firm, as each used these identity characteristics as CRCs to promote "firm" membership round which employees could rally.

8.2.2 Competency Coherence: Assessment of Overall Core Capabilities

After searching for patterns and developing the insights described above, the next layer of analysis was to assess the overall level of competitive coherence rating for each firm. The core capabilities were taken from the "Portrait of the Firm" section for each of the cases (See Tables 4.6, 5.6, 6.6, and 7.6). In these tables assessment of competitive coherence were made, which is the alignment of strategic intent (shown in the firm's declared strategies and philosophies over the research period) and the core capabilities (derived from the study evidence). Each of the firms' profiles is found in Figures 8.2 through 8.5. In addition, a summary of all of the Core Capabilities appears in a cross-comparison summary in Table F-1.1 in section F.1 of Appendix F. These figures show how well core capabilities were aligned; i.e., their competitive coherence. An overall rating was assigned to each firm to provide some sense of "relative ranking" among these very successful competitors. These overall ratings were not constructed "scientifically" with mathematic precision, but were determined "interpretively," weighing the evidence gathered through the cases. What was striking was the degree of competitive coherence within each firm. This evidence supports the fact that these firms represent 91% of the market in the personal financial services

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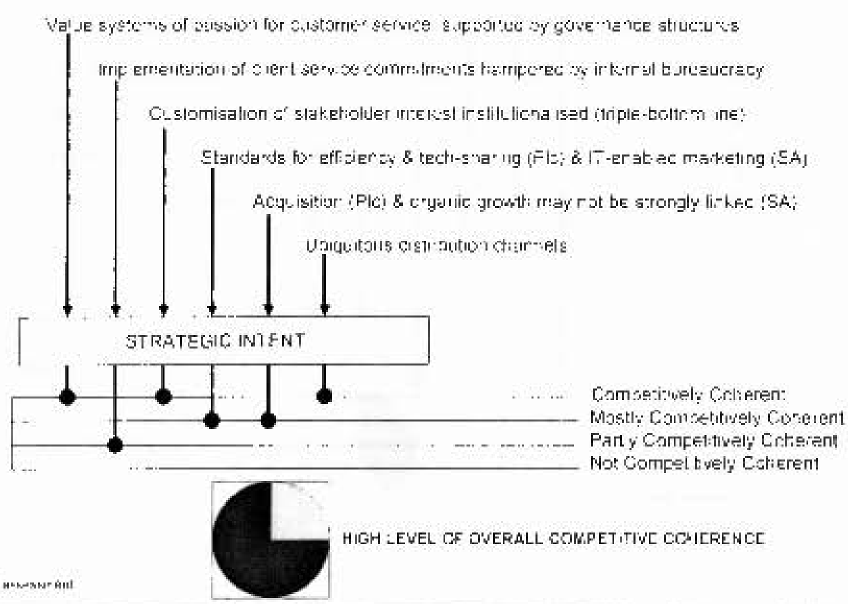
[112] Boundaries to a firm represent more than the legal units of accountability; they provide the cognitive representation of what constitutes the object of membership, i.e., of identity. Through identity, individuals anchor their perceptions of self and other, and by this anchoring, they develop the focal rules by which action is coordinated and intention communicated through common categorization (Kogut, 1997; Kogut & Zander, 1996; Liang-Rulke, Moreland & Argote, 1995).

assurance industry in SA (See Part 2, Table 3). Looking at Figures 8.2 through 8.5, the overall assessments of competitive coherence were: (1) Buffalo was assessed as "High"; (2) Cheetah as "Reasonable"; (3) Giraffe as "Moderate," and (4) Leopard as "Good". In no case was any of these firms seen to have high dissonance of competitive coherence between their declared strategies and their core capabilities. Each firm is discussed in the following sections.

8.2.2.1 Buffalo: High Level of Competitive Coherence

Buffalo (see Figure 8.2), with the highest market share, is a firm that has built a set of CRCs supporting its core capabilities that make them a formidable market player. Its core capabilities are marketing driven, and as shown by the evidence, supported by CRCs that show a high degree of integration. In addition, its CRCs – its benchmarking, product development, and channel access – are designed to keep Buffalo at the "leading-edge."

Figure 8.2 Assessment of Competitive Coherence of Core Capabilities – Buffalo

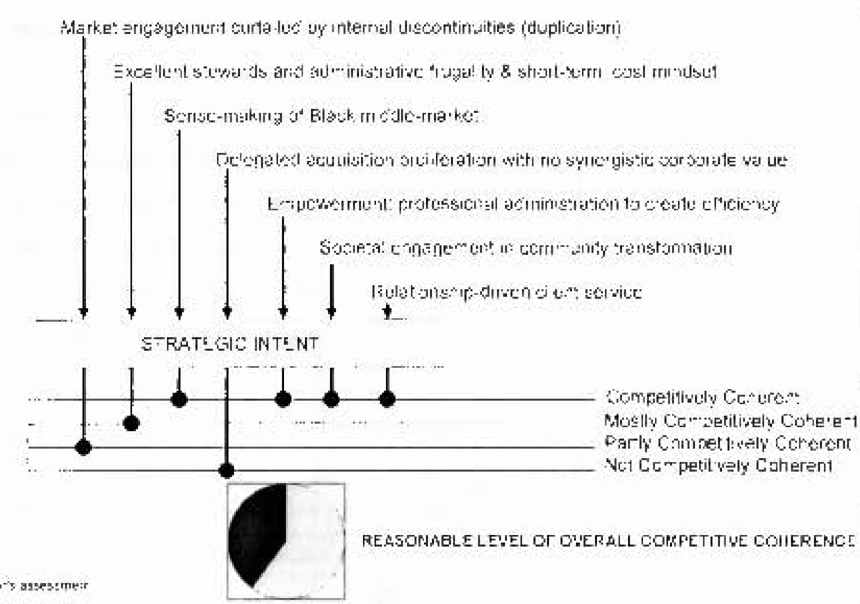


Source: Author's assessment

8.2.2.2 Cheetah: Reasonable Level of Competitive Coherence

Cheetah (See Figure 8.3), as the number two market player, showed a reasonable level of competitive coherence. Among the top four, it was ranked lowest. The firm faces great challenges as it goes through a major transformation to become a firm that is more "inclusive." This means that many of its CRCs will require significant modification and new CRCs will need to be created for it to remain a world class firm. In addition, Cheetah has not been able to meet the challenges of post demutualisation in creating a set of CRCs balancing organic and acquisition-based growth as Buffalo has done. In fact, it has chosen to delegate this responsibility to its BUs. This poses a longer term concern, as these acquisitions may proliferate with no synergies accruing to the Group.

Figure 8.3 Assessment of Competitive Coherence of Core Capabilities – Cheetah

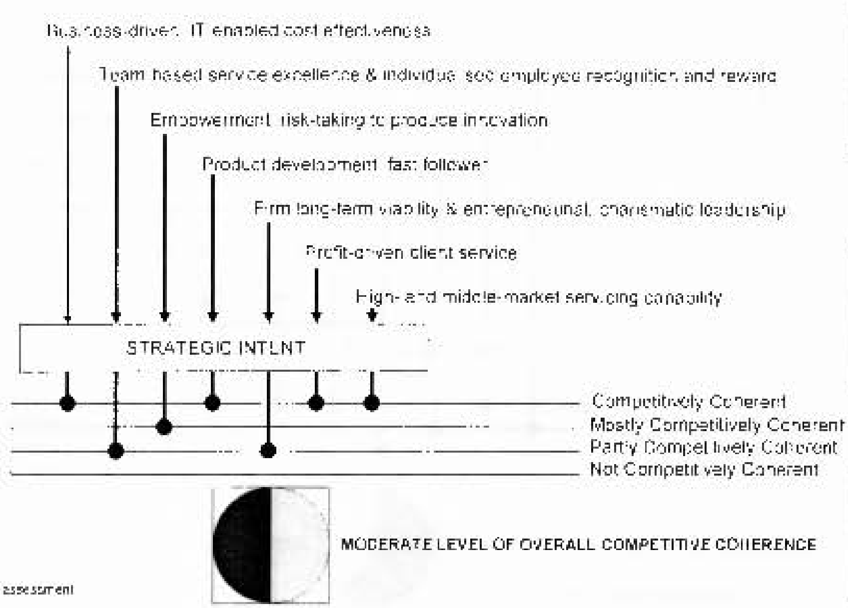


Source: Author's assessment

8.2.2.3 Giraffe: Moderate Level of Competitive Coherence

Giraffe (See Figure 8.4) is a niche player providing services to the high-end market. As a subsidiary of one of the top Banks in SA, Giraffe has clearly developed CRCs such as "aggressively rich" incentive plans for brokers, and revenue-producing relationships with other bank partners that have been highly effective niche players. Unlike Cheetah, Giraffe has been able to developed a set of CRCs to quickly integrate acquired firms into their way of doing business. What is unique about their core capabilities in mergers and acquisitions, is that it is created through an inter-dynamic of charismatic leadership and skilled CRCs to execute to plan. This is very different from Buffalo's CRCs which are embedded and driven through financial, governance and strategic processes. The concern in the case of Giraffe is the degree to which its core capabilities are scalable for growth, especially in the inter-dependencies between its CRCs and its charismatic executive leader – his drive, vision and energy dominates the business; with an entrepreneurial culture, very many of these CRCs such those associated with mergers and acquisitions are embedded as processes within the firm.

Figure 8.4 Assessment of Competitive Coherence of Core Capabilities – Giraffe

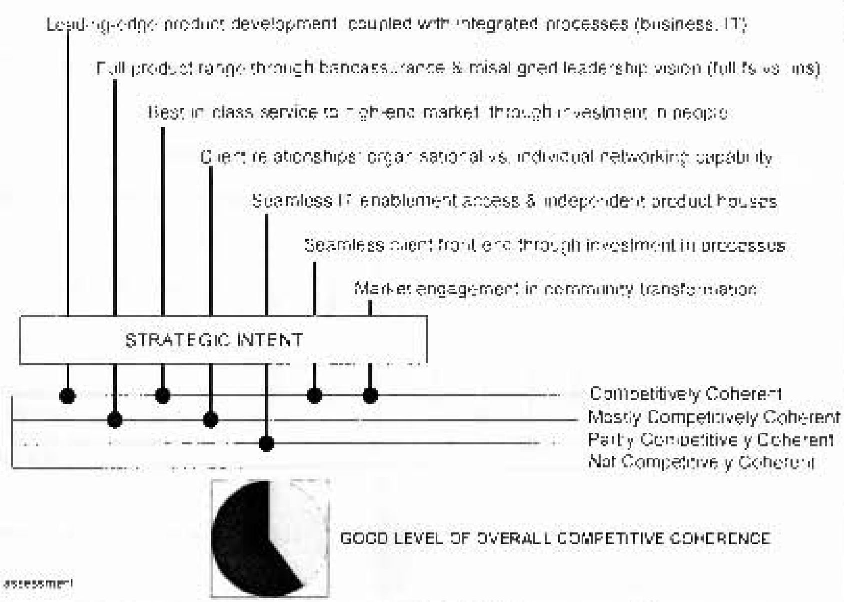


Source: Author's assessment

8.2.2.4 Leopard: Good Level of Competitive Coherence

Leopard (See Figure 8.5) like Giraffe is a niche player. Also like Giraffe, it has built core capabilities using IT to drive efficiency and channel integration. However, Leopard has extended its CRCs more pervasively such that its Blackspot IT application not only integrates channel management processes, but also has been instrumental in creating a common platform for BUs to develop their own internal processing CRCs for backroom management of marketing and CRM support[113]. There has been some evidence that, in spite of creating highly integrated marketing processes, that the coordinative CRCs between channels and the product-based BUs have not been as seamless as those in Buffalo where product managers share the same databases and have developed a set of CRCs around cross-selling. However, Leopard has very recently excelled in new sales performance. From financial analysts reports for the first quarter growth (2004) in the sector, Leopard's individual life Annual Premium Equivalent (APE) levels showed a 25% increase with the two largest players – Buffalo posting a 5% increase and Cheetah a 1% increase (Ketola, 2004). It seems that Leopard may be taking market share from Cheetah's high-end market.

Figure 8.5 Assessment of Competitive Coherence of Core Capabilities – Leopard



Source: Author's assessment

8.3 A Bottom-Up View from Employees

Success for a firm will depend on the degree to which the corporate culture fosters and maximises firm CRCs, and the success for this will depend on the capability of both the management and the

[113] And is therefore referred to as a solution, as opposed to only an application.

employees (Sharkie, 2003), as well as how employees interpret the strategies and direction of the firm. Ulrich (1997) suggests that it is necessary to develop a shared mindset which will enable the development of a unique identity for the firm in the minds of all stakeholders, and it is this shared mindset which is the enabler for the creation of wealth for all. In addition, he suggests that firms need to be able to capture the intellectual capital of its employees (Teece, 2000)[114], and to do this it is argued that management needs to involve and engage employees fully in the activities of the firm.

Those CRCs, especially those through which social interactions are required, require shared mindsets, a complex web of social processes, and formal support systems within firms. For this reason, this researcher sought opportunities to meet with the staffs of each of these firms. Through contacts at the four firms, a short questionnaire and focus group discussions were conducted. Up to this point, all of the evidence collected in the case studies represented a managerial view. This bottom-up view was designed to provide some indication of a shared mindset, and, more specifically, organisational readiness to engage in the processes of nurturing, growing or weeding out CRCs needed to support a firm's core capabilities.

First, employees were asked to fill out questionnaires. Based upon research of Kukard, April and Pinkham (April & Ahmadi-Izadi, 2004; Gorelick, Milton & April, 2004), this questionnaire was designed to assess the readiness of an organisation to provide the conditions under which CRCs could be created and/or changed. Although biased toward social complexity-oriented CRCs, through this questionnaire areas of readiness were explored (see section F.2.1 in Appendix F for copy of the "Organisational Readiness Framework" questionnaire). The following 5 categories were used to gather information. These were:

(1) *Organisational alignment (OA)*. Included the degree to which employees saw alignment of firm strategies, its alignment of HR processes with business direction, level of people

[114] "In the global economy we now confront, it is intangible capital which is pre-eminent; but in addition to protecting such capital against re-contracting hazards, one must focus on generating, acquiring transferring and combining such assets so as to meet customer needs.

involvement in setting group direction, the degree of role clarity and decision-making responsibility.

(2) *Bureaucratic Stability (BS).* Included in this parameter were questions about how employees view: the degree of shared leadership; freedom to take risks and experiment; amount of participation in formal and ad-hoc groups that set direction; the level of both inter- and intra-departmental teaming; the degree to which firms support transparency to clients (i.e., invite clients to see operations and input on strategies; or employees volunteer to speak to community groups about the business); and degree of support for virtual work style (e.g., working away from office).

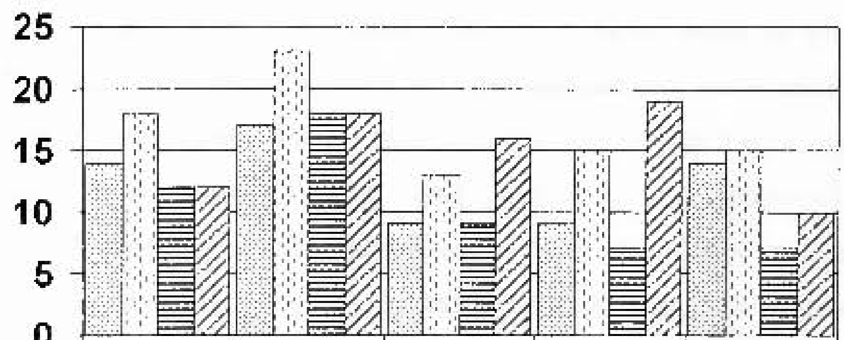
(3) *Staff Rewards and Diversity (SRD).* Employees were asked to assess the degree to which the firm used: "hard" incentives like bonuses and recognition payouts; "soft" incentives like corporate gyms, wellness programmes, child-care facilities, psychological well-being programmes; team based rewards; and individual rewards. Also included in this section was a question that assed the degree to which employees felt that the firm represented the gender and geographic population of their surrounding communities.

(4) *Learning Styles (LS).* Employees were asked to assess the degree to which the firm use: mentoring and coaching for everyone; formal training for everyone; and informal learning. Employees were also asked to assess the level of benchmarking and overall technical literacy (i.e., the ability of their peers to use IT) that existed in their part of the business.

(5) *Trust, Information, and Commitment (TIC).* Employees were asked to assess: the degree to which they felt senior management was committed to people development; the level of trust within their teams; the level of trust of leadership; and organisational trust levels. They were also asked to assess the degree to which information was shared in the firm.

The specific findings by firm can be found in section F.2.2 in Appendix F. The data in section F.2.2 in Appendix F represent aggregations of the data collected from employees. Again, the data was not collected using "statistically reliable" methods such as random sampling. Therefore, the level of inference and generalisability to other employee groups is limited. The comparative results for each of the firms are shown in Figure 8.6. The overall ratings seems to have a reasonably good "degree of fit,"[115] with the overall rankings of competitive coherence shown in the previous section (see Figures 8.2 through 8.5), especially with Buffalo and Cheetah. Both firms are large, with Buffalo having a high competitive coherence rating and, in this analysis, had consistently the "lower scores" in all five categories indicating a relatively high organisational readiness to change. On the other hand, Cheetah showed a relatively low readiness to change. From an overall perspective, the data gathered was less clear for Giraffe and Leopard; however, there appeared to be some indication of "fit" for both firms between their overall competitive coherence and their organisational readiness to change.

Figure 8.6 Organisational Readiness (Averaged Values)



	OA	BS	SRD	LS	TIC
Buffalo	14	17	9	9	14
Cheetah	18	23	13	15	15
Giraffe	12	18	9	7	7
Leopard	12	18	16	19	10

Source: Author's assessment informed by Focus Group sessions

Focus group data was also obtained from these participants. The search for patterns among the data gathered through the dialogue with employees were interpreted *vis a vis* the questionnaire itself. However, employees made far ranging comments and observations about their respective

[115] Correlation is typically the term used in statistical analysis; however, the evidence gathered was not sufficiently robust to determine correlation.

firms. The evidence was "anecdotal" – a series of comments made by employees placed on flip charts. When looking over the flip chart material, there were four categories that captured most of their comments. From the employee's perspective, they wanted to discuss: (1) what we think about our leaders; (2) what we like about our working environments, i.e., are these work colleagues people I like to work with; (3) are we treated equitably; and (4) how are we cared for – are we given training, development and tools we need to do our jobs well. These categories do not exactly map to the questionnaire, but they do provide insights into many of the areas assessed by employees. A high level synopsis of employees' views is discussed below.

8.3.1 How Employees View Leadership

For the most part, employees in all firms had a range of views about their leaders. Employees had a tendency to speak about their senior leaders as "personalities," rather than in terms of track record. Even when critical, they still felt that their firms were well led. In the case of Buffalo, employees remember what it was like prior to demutualisation in 1998, and felt the changes had created distance (lack of visibility and "touch") between them and the top of the business; however, they felt that the "new blood" brought in and promoted to run the South African group, fundamentally recognised the important role of people and were working diligently on developing a culture of passion for customer service. In Cheetah, employees were very concerned because the senior leadership position seemed to be a "revolving door." Since their CEO, who was well liked by the people, fell terminally ill and resigned, they were concerned that there was no-one who had a global vision of what was going on, or a vision for going forward. In both of these large firms, employees identified with their own boss, and generally had positive comments to say about their operational leaders. They felt, for the most part, included or at least informed about decisions that impacted their daily work lives. However, boss levels were not as important as peer colleagues because much of the decisions on implementation were done in work teams or formal teams. Unlike Buffalo and Cheetah, both Giraffe and Leopard felt closely connected to their senior leaders. In Giraffe, employees could recall incidences where either they or their boss had worked on an important project where the CEO had been involved. Leopard's transition from an "entrepreneurial leader" to a "visionary" leader seemed to have gone smoothly. However, employees were not sure if a CEO who had no experience in the personal finance industry could understand the business; from their perspective, the jury was still out on the new CEO, even after he had been in position for two years. Leopard tended to see their BU heads as their "senior bosses." They felt that the shared leadership concept was working – for many of them, the concept was similar to the team work arrangements they had, except that there was more feedback and more formal participation in committees in which senior managers were available.

8.3.2 Working Environment – Do we Like and Trust the People We Work With

For the most part, there was a reasonably good level of trust observed by the employees in these firms. In Buffalo and Cheetah, employees felt they were given enough information to do their jobs. For the most part, Buffalo and Cheetah employees had little to say about trust except in their local work teams, which they felt was alright. In the case of Leopard, employees thought that there was a lot of information sharing; in fact, too much at times, with email boxes being jammed with group broadcast, pass-along messages. In addition, because of the significant degree of inter-organisational involvement, Leopard employees also felt there were disagreements in views; however, there were escalation- and other processes in place to resolve conflicts. In Giraffe, employees trusted their managers enough to "disagree" publicly," but for the most part found no need to because they were comfortable with the direction their entrepreneurial leader was taking the firm. Information sharing and information searching was highly informal and likely to take place in hallways and over cell phones. In all firms, issues of ethnicity were raised in relation to trust (peer-to-peer, as well and manager-employee trust), particularly as White employees, on aggregate, felt that Black employees had more career opportunities in the sector, and Black employees perceived White employees as viewing them as "less than" – focus groups reported on multi-ethnic teams taking longer to reach decisions, but were pleased at the types of perspectives and possibilities emanating from such teamwork and decisions. However, teams whose members knew that others knew what to do (competence), were motivated to do it (motivation and intent) and could be depended on to do it (trust and delegation), felt that ethnicity was not a barrier then, and high trust levels ensued[116]. From the cases we also see that even though management

[116] McGrath, MacMillan & Venkatraman (1995: 265) make the point that such groups require minimal expenditure on incentives or monitoring and control devices. They claim that "... to the extent that essential information flows exists, are smooth, are error-free and relatively complete, the group should be able to execute necessary transactions without costly inter- and intra-group contracting."

commitment (Leopard) and shared values (Giraffe) set the boundaries within which to develop and re-create CRCs, it should also allow for healthy constructive dissent (which, from the evidence, we see at Leopard, Giraffe and Buffalo, but not as much at Cheetah to the same degree) – extending the insight into *deftness*[117] (McGrath, Macmillan & Venkatraman, 1995) to include constructive dissent and ethnicity-trust as two of the necessary characteristics of deftness in this context.

8.3.3 Equity: People Expected to Be Treated Fairly

Employees were generally satisfied with their pay structure. Those that worked for Buffalo felt that the firm was into team rewards, some individual recognition, and fringe benefits (such as share options) were available to everyone. Giraffe, on the other hand, had very rich bonus plans - usually used at the discretion of senior management to award outstanding individual and team accomplishments. Employees felt that there were "superstars" in the business that usually got the special recognition. In Cheetah, employees indicated that profit sharing bonuses were not used to reward work (but as policyholders did have shares after demutualisation). In Leopard, employees felt that the reward schemes were fair and frequently used to reward outstanding performance. The two firms in which people mentioned diversity issues, specifically relating to rewards, were in Cheetah and Buffalo. Few of the employees, at Buffalo and Cheetah, were concerned about initiatives to bring in more Black South Africans into the business. At Cheetah they apparently understood, as White employees, that this direction was needed, but they felt this left little room for them to both advance within the firm and subsequently achieve 'good' financial rewards. At Buffalo employees felt that Black employees were being brought in, but not fast enough at senior levels - thereby shutting them out of potentially lucrative rewards (which they felt were still being reserved for senior White managers).

[117] Deftness represents the extent to which the processes by which a team solves problems are effortless, effective and well-honed (McGrath, MacMillan & Venkatraman, 1995). Deftness is a central issue construct to emerging competence because it captures the extent to which a group possesses a 'developed collective mind' (Weick & Roberts, 1993), as evidenced by an interpersonal infrastructure which permits them to effectively address opportunity, agency and network-building, information search and flows (Ancona & Caldwell, 1988) and transaction cost problems.

8.3.4 HR Programs Demonstrate Respect for Employees

People in Buffalo and Leopard felt that their firms' HR programs which provided training, encouraged learning, and offered opportunities to improve through support for advanced degrees demonstrated that their firms were serious about their personal growth and development (and indirectly therefore about their career advancement). At Buffalo, employees were extremely proud of the Corporate Business School, established a few years back, and felt positive about its impact on their learning and development. Employees of Leopard recognised that their firm was leading the way in providing mentoring and coaching for all employees, not just managers. They saw these programs as "novel," but felt that they provided benefit to grow more rapidly in the business. As part of their growth, employees at Leopard also indicated that they were encouraged to go on conferences related to their disciplines; some of them felt that they were able to make a case for such trips, especially if they were local and did not require significant travel. In Giraffe, employees indicated that each employee was responsible for their own development, so there was very little in the way of HR supported programmes. At Cheetah, employees said informal learning was encouraged, but that most training came by way of formal, job-related programmes. They indicated that each BU was responsible for training, and in some BUs peer mentoring had been established.

8.4 Toward a Deeper Understanding of Sustainability

Traditional micro-economic theory portrays the firm as essentially a combination of stocks and flows, suggesting that through factors of production managers decide best how to compete. Understanding what happens within "the Black Box" (Rosenberg, 1994) of the firm has been advanced by the concepts of Nelson & Winter (1982) through the metaphor of evolutionary economics (Hodgson & Knudsen, 2004; Norgaard, 1994; Winter, 1971). What this research has done is to probe deeper into what goes on in the firm to sustain competitive advantage, using RBT. The evidence provided by the study of the four top firms in the personal financial services industry suggests a richer set of dynamics that combines to create sustainable advantage. The metaphor which best describes this complex phenomenon is what astronomers call star nurseries (firms) in which *matter* (assets, people, patents, manuals, policies and materials) are acted upon by *catalytic forces and energy factors* (social complexities and uniquenesses) to create *stars* (CRCs) that make up the *galaxy* (the firm itself with its core- and key capabilities), and that organises into *multiple galaxies (*marketplace of competitors). Because the nursery from which stars are born, and the forces from which nurseries are created, are never static, the star nursery within the galaxy is never stable. Its very components of sustainability are undergoing, through *universe forces* (marketplace and environment), renewing cycles of erosion, maintenance and creation. The metaphor, of course, describes the complex relationships within a firm; however it lacks the interjection of "intent;" that is, the notions of vision, control, managerial decision and action (which has been written about in previous sections). Yet, it does capture what seems to be going on within a planetary system.

This research has looked at the stars (CRCs) in this metaphor of the firm's star nursery, and most specifically IT-enabled CRCs. In this section, the discussion turns to what the case evidence and cross-case analysis inform us on, with regard to our understanding of the role of IT within the firm. The section ends with a discussion of what the evidence tells us about the nature of CRCs.

8.4.1 IT in Firms: Assets? Process? CRCs? Or Core Capabilities?

When looking across the IT infrastructures of the firms (see section F.3 for cross-comparative summaries of IT initiatives in Appendix F), they all have similar assets such as IT-enabled call centres, backroom imaging and database systems to house customer data, sales support systems, and many other IT and network assets. As what can be found in the literature, indeed, IT appears to be an asset. However, in the case of the personal financial services industry, these assets have become in the words of many interviewees "commodities." The role of IT, therefore, at an asset level, has been to create barriers to entry to this industry as these firms have invested in the appropriate assets, over time and because of managerial choice, to remain "in the game" and have developed a set of CRCs – such as CRM systems for client and intermediary access to support key capabilities. In addition, as assets are viewed as commodities, these firms have established CRCs around managing vendors, contract negotiation, and third party interface procedures. In the case of Cheetah, nearly all of its IT capability and asset infrastructure have been outsourced, because the firm believes these assets are not a source of competitive advantage.

Yet, IT has an "enablement" quality that allows the firm to enable and integrate the way it organises work, it implements initiatives, it holds "memory" through stored and retrieved data, and it establishes a variety of ways of communications. It is catalytic in the way each of the firms in this study has used it to combinatively enable other processes to become CRCs that drive core capabilities. Perhaps the best example of this is Buffalo's use of a common database and retrieval system to enable a set of CRCs that creates opportunities for the firm to cross-sell, create product bundles with marketing alliance partners, and do market research. In this case, the role of IT is not a core competency, but a combination of catalytic enablers that creates CRCs which, in turn, supports Buffalo's core capability of a firm with highly integrated marketing functions. The evidence, therefore, explains the many ways in which IT enriches processes and coordinative functions within a firm.

Case evidence shows us that IT's combinative role was experienced in the four firms in the following ways:

Table 8.3 – Experience of IT's Combinative Role Across the Firms

IT ASSIST EXTERNALLY WITH	ACTUAL PROCESSES	IT ASSIST INTERNALLY WITH	ACTUAL PROCESSES
Total customer view	Customer-led processing capability	**Streamlined new product development**	Automation of as much product process as possible
Cross-selling	Through improved business knowledge; data mining and customer understanding; computer-based marketing analysis	**Internal and external recruitment**	Speed of access to talent pool, and lower cost in tapping in to next-generation workforce
Intermediary support	Help sales force expedite its analysis and delivery of clients' investment needs	**Management information and decision-support**	Strategy formulation; management; decision-making robustness and speed;
Client retention	Early warning to brokers; proactive systems wrt policy maturity or possible switching out; communicating options at maturity to clients; alerting call centres; targeted marketing by information-led outbound call centres	**Knowledge competency mapping & blended learning**	Employee profile information repositories; mapped against business needs; regional, national & international on-line e-learning courses complementing classroom courses; firm-wide conferences & workshops
Bancassurance partnering & channel effectiveness	System integration; business process integration, as well as	**Organisational structure**	Shared IT best practices across BUs/profit centres; ad-hoc team arrangements

	inter-firm integration; integrating channel access; mapping distribution processes		around projects/issues; smaller corporate functions; flatter management structures; get decision-making closer to employee-facing clients; encourages cross-functional & cross-disciplinary work
Flexible client communication	Through, e.g., electronic document management systems	**Canvassing employee viewpoints**	Use IT-based systems to do climate surveys, 360⁰ feedback, nominations for awards
Broker management	Data on each broker; can provide loyalty benefits to brokers	**Standards for data security and BU conflict resolution**	BU sharing IT forums; overall architecture across BUs to establish standards
Channel reach	Through technological integration with agents in bank partners, and with brokers not previously on assurance firm's database	**Product customisation**	Helps BUs tailor standard products to market needs
Client management	End-client details; leads for other products; cross-selling and greater share of wallet	**Business efficiency & subsequent profitability**	Moving off legacy systems to client-server architectures; automation; facilitation of large multi-BU project implementations infrastructure planning, sharing through databases and coordination through project management software and workflow systems
Channel restructuring	Channel balancing between electronic, telephone and face-to-face engagement; enabling call centres and giving agents ability to work from home	**Low cost structures, thus low product offering costs**	Enabled through high levels of automation and efficiencies in business processes; shift account maintenance to client & broker; integrate IT, people capabilities and streamlines processes; reducing costs of call centres
E-Commerce & M-Commerce abilities	Integrative infrastructure solutions (Web and mobile) for channel effectiveness and client service	**Value improvement**	Matching business activities with IT processes, so able to match client needs; mapping value chain elements ad removing inefficiencies
Service	Improvement of client relationship; single point of authentication with full client data; enable more effective and what appears	**Performance management and governance**	Measurement and monitoring of performance management objectives, e.g., software-driven balanced scorecards across

	to be more personalised service; communication medium to clients & brokers (also sales support for agents); access for clients into their accounts; reliable and appropriate information provided		firm BUs, on-line 360^0 feedback programmes; spread of strategic context; visible key performance indicators in real-time; accountability; enables transparency and ensures policy control as well as upholds data protection requirements

The evidence from these cases showed that only one firm – Leopard -- has used IT to build core capabilities in order to engage, what they perceived as, the changing market demand for service in a world of product ubiquity. Blackspot is an excellent example of how business-led IT develops a core capability. As researchers have observed, business-led IT is best developed prototypically in "dolphin-sized" modules, rather than as a "whale-sized" mega project (Feeny, 1997). Leopard started Blackspot on a scalable platform within certain BUs that later was expanded to be a set of linked, integrated applications supporting many of the operational functions within the firm; this created the foundation upon which Leopard's entire market-facing functionality resided. In addition, Blackspot became a "firm standard", rather than just a sales tool which led to Leopard's customers seeing a common face with all BUs linked to Blackspot. This was unlike the experience at Cheetah, where customers had to interface with different BUs depending on what product they had purchased to maintain their accounts.

In summary, it would appear that teleology[118] is not a description of technological evolution in the personal financial services industry, instead, technology seems to evolve in response to the interplay of history, individuals and managerial choice, and market demand (real or perceived)[119]. Evidence shows that a firm's strategic intent and its interpretation of its marketplace "game plan" is what created the role IT plays in the firm, specifically as it relates to the firm's CRC diffusion

[118] The belief in a purposeful development toward an end such as in nature or history.

[119] There is a substantial literature on technological evolution and change (Dutton & Thomas, 1985; Mensch, 1979; Sahal, 1981). Some suggest that technological change is inherently a chance or spontaneous event driven by technological genius (Schumpeter, 1961; Taton, 1958), others claim a function of historical necessity (Gilfillan, 1935), still others claim a function of economic demand and growth (Schmookler, 1966). Tushman & Anderson (1986) claim that none of the previous perspectives alone captures the complexity of technological change, while Morison (1966) and Sahal (1981) claim that it is a function of both variety and chance as well as structure and patterns.

process and capability creation process. Whereas before the rules of the game was to focus on short-term cost reductions, the true challenge now lies in striking a balance between future growth and current-day cost efficiency. Successful financial services firms must therefore first ensure that their business models are focused on creating value. IT, as a highly facile "asset" which is then socially "shaped" to the context of the business, has a clear role to play in competing for that future.

8.4.2 How CRCs Enable Firms to Build Sustainability

Returning to the star nursery metaphor, this research provides insight into what happens within the "star nursery" of a firm. The evidence does support the fact that aggregations of assets are the "matter stuff" as well as tacitly ambiguous forces such as people-action from which stars (CRCs) are made. The metaphor brings into focus the notion of "rarity" because within the star nursery the forces that are in place are "particular" to that given galaxy – the firm. As this researcher has found throughout this study, the nature of CRCs is integral to understanding the dynamics of a firm's sustainability. The following characteristics were gleaned from the case studies in this research about the nature of CRCs.

8.4.2.1 CRCs are more than Assets

The evidence suggests that the qualities of rarity are embedded within CRCs, not assets or resources themselves. In fact, this research has revealed that it is the combinatorial aspects of resources that create CRCs, and it is when these CRCs are impacted by socially complex, unique, path dependent and knowledge catalysts that barriers to imitation are created – barriers to imitation are therefore the complex sum of these (see Figure 9.1). For example, Giraffe created a business built on a single channel, selling to a niche market. It has successfully built a web of CRCs that include broker incentive plans, sales maintenance support, and product bundles that make it easier for brokers to sell Giraffe products rather than those of a competitor. The "assets and resources," i.e., its products, IT infrastructure to sales support, and the broker incentive plans themselves, have in effect been "wrapped" with unique and socially complex people action and processes to establish its barriers to imitation.

8.4.2.2 CRCs are inward focused, while Core Capabilities are outward focused

The "inwardness" of CRCs make them less detectable by competitors and therefore helps strengthen the firm's barriers to competitive erosion, unlike the firms capabilities which are deployed in the marketplace daily. What has been insightful is how the dynamics of CRCs are impacted as a firm's competitive coherence between its strategic intent (declared strategies) become intentionally or unintentionally disengaged from its "applied" strategic action through its key- and core capabilities. As the cross-comparison analysis indicated, these firms are highly successful competitors in the SA personal financial services industry. Cheetah represents a case in which the firm has intentionally declared that it is in a transformation phase, motivated by marketplace forces such as Black Empowerment that is radically changing the composition of its traditional middle-market client base. At this time, Cheetah's competitive coherence is lower than its other competitors as it begins to "re-jig" the basis upon which it competes. From an outward-facing perspective, industry watchers and competitors see new core capabilities being built around inclusion such as a sales channel composed of a significant number of Black agents. However, within the firm significant changes are in place, as Cheetah also recombines resources to build new CRCs to meet this strategic intent of an inclusionary core capability, and intentionally goes about destroying CRCs which no longer have relevance in a changed marketplace (even if it previously led to its current success, but now appears to erode value due to what it represents in the marketplace as well as its irrelevancy to its target market). Internally this has meant deploying IT in new ways, in conjunction with helping employees unlearn previous mental sets (with tension as to how to hang on to corporate memory[120] that is useful, e.g., how to get things done in certain ways, who to work with in-firm networks, where information and knowledge is stored, etc.) and redesigning business processes. As shown in the focus groups, incongruities and tensions are created as CRCs are redesigned or destroyed, since it leaves lots of uncertainty – and success becomes dependent on the employees, managers' and firm's ability to navigate such uncertainty over a time-based journey. In the case of Cheetah, this was further complicated by the fact that

[120] Organisational memory provides information that reduces transaction costs, contributes to effective and efficient decision-making, and is a basis for power within organizations (Croasdell, 2001). Walsh & Ungson (1991) and Prahalad & Hamel (1990) posit some advantages of cultivating organizational memories: honing of core competencies, increased organizational learning, increased autonomy, integration of organizational actors, lower transaction costs, and management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individuals and businesses to adapt quickly to changing opportunities.

many employees were themselves feeling disenfranchised as new Black employees were brought into the firm, in order to address the need for transformation. When new workers challenge old assumptions and introduce new world views, the knowledge and experience of former employees is equally important in understanding the context and circumstances that contribute to organisational memory (Croasdell, 2001) – if new Black workers are seen as hostile or too much of a challenge to dominant worldviews, it could result in social inefficiencies that will ultimately impact the important value-building, socially complexity aspects of new CRCs. Hence marketplace, societal and political change appears to be driving CRC development more than technological change.

8.4.2.3 CRCs are Socially Shaped

The star nursery metaphor is most closely linked to this characteristic of CRCs, as has been discussed previously. Within the firm, as in these star nurseries, there are both tacit and explicit forces at work. CRCs by their nature are not "isolated" within the firm, but are themselves "acted upon" by socially complex forces. The evidence gathered through this case analysis saw these forces at work. For example in the focus groups, Leopard's intent to build a shared leadership culture required a change in its HR support structure. It reduced the Corporate HR staff and began building capabilities within the BUs, using BU HR consultants[121] – these HR professionals were trained in business and did not partake in old-styled HR administration, payroll and data capture activities. Instead they added value by analysing the CRCs and understood the social complexity of the firm as it related to the people issues, and played significant roles in developing business strategies at all levels of the firm. As new CRCs were being created, tensions increased between old HR staff members and these business consultants, as new relationships and power structures were altered. As shown in the focus groups, Giraffe's drive to reward individual behaviour led to employees feeling left out as they saw "what" management rewarded "who they thought were the super-stars driving success." Buffalo, for instance, was finding it very difficult to develop a shared

[121] According to April (2002), getting to grips with socially complex resource combinations in order to develop, nurture and grow them is the work of new-styled human resource professionals who are internal business consultants within the firm, and understand the social complexities of human capital that enable the strategic architecture of the firm.

culture between itself and its bancassurance partner, due to the convolution of social complexity (even though technologically the integration was more than adequate), which was not a catalyst focused on by senior management – as a result, and in frustration, in 2002 it launched it own bank internally.

CRCs are institutionalised and are part of the firm's taken-for-granted reality, which is the accretion of decisions made over time and events in the firm's history (Kimberly, 1987; Leonard-Barton, 1992; Pettigrew, 1979; Tucker, Singh & Meinhard, 1990). Employees are always going to interpret their individual and organisational roles (Giddens, 1984) in response to environmental conditions and to the information at hand, and managerial systems evolve over time and are the accumulated responses to employees' interpretations. The lesson for firms is that they put in place CRCs and social complexity catalysts in the "time and space given" (half-lives of which are continuously shortening), and purposefully manage the social complexity catalysts, otherwise they will find it extremely hard, maybe impossible, to obtain them in the near future. What is going to be evident in the marketplace, and has already been evident in the SA marketplace, are incumbents which do not have the necessary CRCs for competing in a changed local and global environment acquiring start-ups, merging and creating alliances with firms that do have them, insourcing with partners and vendors, hiving off departments and starting "garage incubators" to develop these resource combinations, and putting the necessary resources (highly competent people, capital, new knowledge-management-aligned IT systems, etc.) in place in order to quickly grow these CRCs – unfortunately, social complexity by its very nature is a time-based and often frustrating process, since trust, respect, teams, shared understanding, belief in others, etc. are not overnight inventions[122].

[122] According to Teece (2000), organisational knowledge is embedded in organisational processes, procedures, routines and structures. Such knowledge cannot be moved into an organisation without the transfer of clusters of individuals with established patterns of working together. This is most frequently accomplished through personal relations or through alliances, joint ventures, mergers and acquisitions of BUs.

8.4.2.4 Organisational Readiness Enables CRCs to Retain Rarity Properties

One of the characteristics shown by the evidence is that CRCs are subject to change as new CRCs in the firm's nursery are borne. It is the firm's absorptive capacity[123] to understand what, and how, CRCs are to change that keeps its core capabilities relevant, and competitively coherent, to the market. The case evidence demonstrate how these top firms first acquire environmental knowledge and provide feedback between CRCs and core capabilities, and this new inside knowledge is then evaluated, integrated and utilised commercially. Therefore, the wisdom to "know when" and "how to" tweak their CRCs to stay ahead of very competent competitors requires a more comprehensive knowledge of the external environment and, more importantly, internal "combinatorial learning," i.e., the learning ability to assess what CRCs should remain in place (if still adding value – and can either lead to parity and hence key capabilities or are distinctive and hence core capabilities), which ones to change and redesign (if it can still add value in a new form as either key- or core capabilities), and which ones to destroy (if eroding value and hence can lead to destructive/irrelevant capabilities). The evidence from this research shows that when successful firms have competitively coherent core capabilities, they are effective in sustaining advantage. Buffalo and Leopard, at the time of the research for instance, were increasing their combinational learning absorptive capacities by creating new knowledge-based CRCs to assess their cluster of existing CRCs, i.e., to determine which CRCs, and how these CRCs, should change or not change, or what new ones should be developed. In addition, they effectively used benchmarking and knowledge management systems and practices to facilitate their learning abilities.

Absorptive capacity is an important moderating factor for firms in assimilating new knowledge. It may enable or restrict the level and range of "exploration adaptations" (Lewin, Long & Caroll, 1999) and therefore the necessary 'dynamic agility' required of firms. Financial services firms confronted with changing knowledge- and competitive environments should aim to constantly

[123] In addition to *tacit knowledge*, firms need to understand their specific *knowledge absorptive capacities*, which closely relates to its ability to reconfigure and grow existing knowledge, for integration and utilisation – this ability is labelled by Cohen and Levinthal (1990) as a firm's absorptive capacity, and stems from the premise that a firm needs prior related knowledge to absorb and use new knowledge.

reconfigure their component knowledge[124] (Van den Bosch, Volberda & de Boer, 1999; April & Cradock, 2000). The types of component knowledge can be distinguished from the case research data: (a) knowledge related to internal relationships within the firm, (b) knowledge related to products and services, (c) knowledge related to business processes, (d) knowledge related to business units, (e) knowledge related to specific projects and project implementations, (f) knowledge related to customers, (g) knowledge related to networks, such as alliances/partners, vendors, suppliers, etc., and (h) knowledge related to the marketplace.

According to Van den Bosch, Volberda & de Boer (1999: 52): "Reconfiguring existing component knowledge builds on the distinction made by Henderson & Clarke (1990) between four types of innovations: incremental, modular, architectural and radical innovation." This research has not evidenced any radical innovations in the four firms. Managers therefore have to make, and have made, choices about the type of innovation they want to implement, which has consequences on the sorts of knowledge reconfiguration and new knowledge configurations that would be possible, as well as the future knowledge absorption capacity of the firm. Building on, and adapting, Grant's (1996) knowledge integration concepts, and Van den Bosch, Volberda & de Boer's (1999) knowledge absorption characteristics, five dimensions of knowledge absorption, required in this industry, can be defined:

(1) **Efficiency** of knowledge absorption refers to how firms identify, assimilate and exploit knowledge from a cost and speed perspective.
(2) **Effectiveness** of knowledge absorption refers to the use, and correct and relevant application, of component knowledge in adding value to CRCs in enabling the strategic architecture of the firm.
(3) **Scope** of knowledge absorption refers to the breadth of component knowledge a firm draws on – both internal and external component knowledge.

[124] Van den Bosch, Volberda & de Boer (1999) suggest that component knowledge can reside within the firm itself, within the firm's traditional knowledge environment, and within knowledge environments that have yet to be explored (more fully sometimes) – both inside and outside of the firm. Cohen & Levinthal (1990) inform us that outside sources of knowledge are critical to the innovation process in general.

(4) **Flexibility** of knowledge absorption refers to the extent to which a firm can access additional, and reconfigure existing, component knowledge.

(5) **Scalability** of knowledge absorption refers to the extent to which a firm can grow and develop relevant component knowledge.

New knowledge is therefore the product of a firm's combinatorial learning processes to generate new applications from existing knowledge components (Kogut & Zander, 1992). The knowledge reconfiguration and new knowledge configuration consequently serve as platforms for producing adapted and new CRCs – and thus affect the way in which a particular firm is able to compete. The challenge to create new knowledge configurations within the firm implies that the absorption of different types of new component knowledge becomes a critical ability to master for a firm's management and leadership.

CHAPTER 9: KEY FINDINGS, CONTRIBUTION, LIMITATIONS & SUGGESTIONS FOR FUTURE RESEARCH

9.1 Introduction

The analysis of the personal financial services (assurance) industry has provided significant insights into both the industry itself, as well as to understanding with greater depth as to how firms sustain competitive advantage. Upfront it should be stated that the strategic literature, particularly the RBT literature, is populated with multi-faceted, and different, meanings for the same concepts and terms, such as: assets, resources, stocks, flows, routines, complementarity, capabilities, and competencies. This makes research into RBT-perspectives of competitive advantage particularly difficult, and requires researchers to continually define what their interpretations of such concepts are (as was done in this research). Through the literature and research of others, a foundation for the research was established which resulted in a "Framework of Sustainability." In addition, two overarching research questions were developed. They were:

- **How does IT impact competitive advantage in the context of the top personal financial services (assurance) firms in South Africa?**
- **Why do certain combinations of resources enable capabilities, particularly IT-dependent capabilities, to become competitively advantageous to high-performing personal financial services firms?**

Although this research was not designed "quantitatively deterministic", the following three propositions helped to maintain the discipline of evidentiary development that remained faithful to the two overarching research questions stated above, as well as to a richer understanding of the "Framework of Sustainability" introduced in Figure 2.3 in Chapter 2. These were:

(1) IT assets can establish "rarity" within a firm, thereby contributing to its sustainable competitive advantage.

(2) Firms combine a variety of complementary resources to meet marketplace challenges, which includes developing both key- and core capabilities. In other words, differences in the CRCs of firms will lead to differences in sustainable competitive advantage (SCA).

(3) A firm's strategic architecture reflects both key- and core capabilities that sustain their competitive advantage.

These questions and propositions helped to set the scope of this research. For example, the focus on IT assets and enablements sharpened the research endeavour by looking at pools of assets (IT infrastructure) and firm internal processes (enabled or combined with other assets) to create sustainable advantage. Within the firm itself, IT could not be explored without bringing in a discussion of other resources, due to the significant cross-dependent characteristics of a firm's CRCs. In other words, the evidence itself pointed out that IT itself could not be decontextualised.

The rest of this chapter is devoted to discussing the "headline findings" from this research. First, the findings with respect to the personal financial services sector in SA are discussed. Second, the discussion revisits the model, discussing the insights found that has enriched the "Framework of Sustainability" which, in turn, contributes to the understanding of RBT within a firm. The chapter ends with a discussion of the limitations of this research and suggestions for additional research.

9.2 Findings: Within Personal Financial Services

The analysis of the evidence gathered in this research supports the following three findings that define each firm's respective strategic architecture. In essence, because the "big four" have the most market influence, these findings also characterise the personal financial services industry within South Africa.

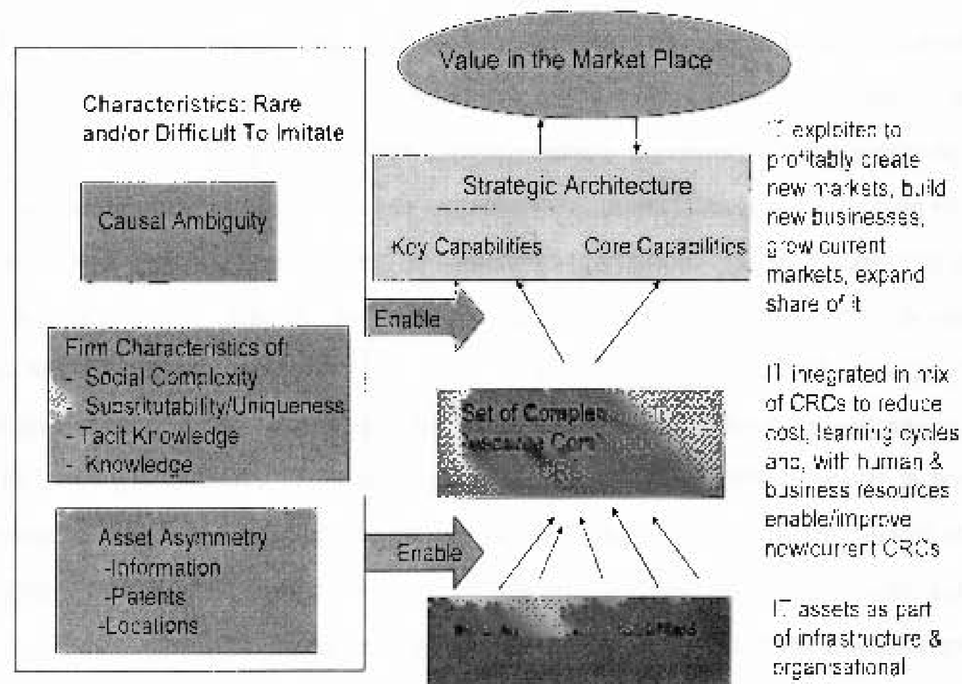
9.2.1 Reasonably Good Competitive Coherence Among Four Firms

All of these firms displayed reasonably good competitive coherence between their declared strategic intent and their core capabilities. Evidence suggests that each firm's core capabilities, however, varied among the four firms. Within the short-term, these firms are likely to maintain their competitive advantages. Each one has significant market shares within their targeted markets, and together represents 91% of the market. However, a closer cross-comparison of their CRCs, using "focus group data" from the bottom-up view, shows the "readiness" of these firms to design new CRCs, discard CRCs that may not be relevant, and maintain those CRCs that remain relevant to support those core competencies that sustains competitive advantage. This "combinatorial learning" capacity seems, through the evidence gathered in this research, to provide the "potential edge" – that proverbial two percent advantage – to be "great" among firms who are "good" (Collins, 2001), and able to sustain the advantage (Collins & Porras, 1997).

9.2.2 IT's Role – The "Price of the Ticket" into this Industry

Based upon the literature, an initial framework was created to establish the parameters of this research. The original model is presented in Chapter 2 is shown in Figure 9.1.

Figure 9.1
Framework for Sustainability under Business Advantage Approach



Source: Author

When addressing the first propostion: *IT assets can establish "rarity" within a firm, thereby contributing to its sustainable competitive advantage*, this research found this propostion NOT to be the case. This research has demonstrated that IT, when solely used as an asset, seldom lead to any kind of competitive advantage for firms in this industry – at best, it ensures competitive parity. Instead of headlong pursuit of innovation through IT assets, firms in this industry instead focus on cutting costs by jettisoning unneeded resources, consolidating underutilised or duplicative technologies, and improving the processes by which they manage what is left. Despite this climate, innovation now seeps into IT through means other than pure technology. Offshoring and utility computing, for instance, have engendered lots of interest – not for the prospect of new computing capabilities, but essentially because of the promise of lower business costs. Also, in combination with other resources, and when skilfully combined, IT can produce valuable CRCs and potentially rent-generating capabilities. However, the benefits of the sorts of strategies envisaged by the researched firms did not come for free – all four firms included in this research (remembering these are the top four firms in the industry) were significant users of IT, and had significant contributions in IT farms/infrastructure and thus idiosyncratic competitive pathways. In effect, because of cost, scale and size, once one of these firms embedded a certain IT architecture, it then committed itself down a competitive pathway for a long time (typically until full return on investment is realised). Paradoxically, when looking at cost advantage from IT, firms have to balance this against scale. As was also shown by other researchers, the barriers to entry in this personal financial industry are partially defined by its IT infrastructure investment (Brynjolfsson & Hitt, 1995; Cecil & Goldstein, 1990; Dewan & Min, 1997; Watkins, 1994). IT investments exposes firms to two kinds of uncertainty, and therefore determines the cost of capital required to make those investments: (1) technological uncertainty, and (2) market uncertainty[125] (Mata, Fuerst & Barney, 1995). This research confirmed that IT-enabled key capabilities were the "price of the ticket" to enter this industry. However, one firm, Leopard, had demonstrated that IT-related CRCs could also be successfully integrated in a firm's core capabilities. More discussion of how IT enables the creation of CRC robustness is discussed in Section 9.3.

[125] Mata, Fuerst & Barney (1995: 495-496) define technological uncertainty as the risk that an IT investment may not meet its expected performance targets in a timely way, and market uncertainty as risks related to the customer's acceptance of new IT products or services.

9.2.3 Societal Policies Shape Firms' Approaches to the Market

The SA economy is in significant transition to more rapidly include all of its citizens in the benefits of wealth creation and prosperity. The infrastructure of education, health (especially HIV/AIDS), security and employment are areas that the SA Government are expecting the business community to "partner" with various groups within the SA communities to reduce the divide between rich and poor South Africans (two-tiered economy), and achieve the desired economic equality (so necessary for the country to prosper). Unlike its counterparts in Europe or North America, these for assurance firms have "stepped up" legitimacy requirements, and focused responsibilities to make Black Economic Empowerment (BEE) a reality in SA. As shown in the evidence of these cases, all four firms have engaged in creative and innovative ways to expand the ownership of these businesses to include Black South Africans, to fund community-based projects throughout SA, and include more Black South Africans into positions of responsibility in their respective firms – in part, "necessity innovation" is this area is demanded, as there are no blueprints for doing well in this domain, yet it could potentially be a destroyer of competitive advantage sustainability for these firms. These programs to support BEE are less fuelled by "altruistic intent," but rather "marketplace" legitimacy and ultimate survival. This confirms the findings from the literature on how firms respond to their "corporate citizenship" responsibilities and context (Bryson, Bromiley & Jung, 1990; McIntosh, Thomas, Leipziger & Coleman, 2003; Sabapathy & Zadek, 2003). As shown in all of their annual reports, other documents and confirmed to some extent by the interview evidence, BEE and other socially responsible initiatives are included in the governance structures of these firms. Although each firm has launched creative and innovative initiatives to include Black ownership into its businesses, all of them are facing significant challenges to transform their CRC capacity to enable BEE to become part of the way "they do business."

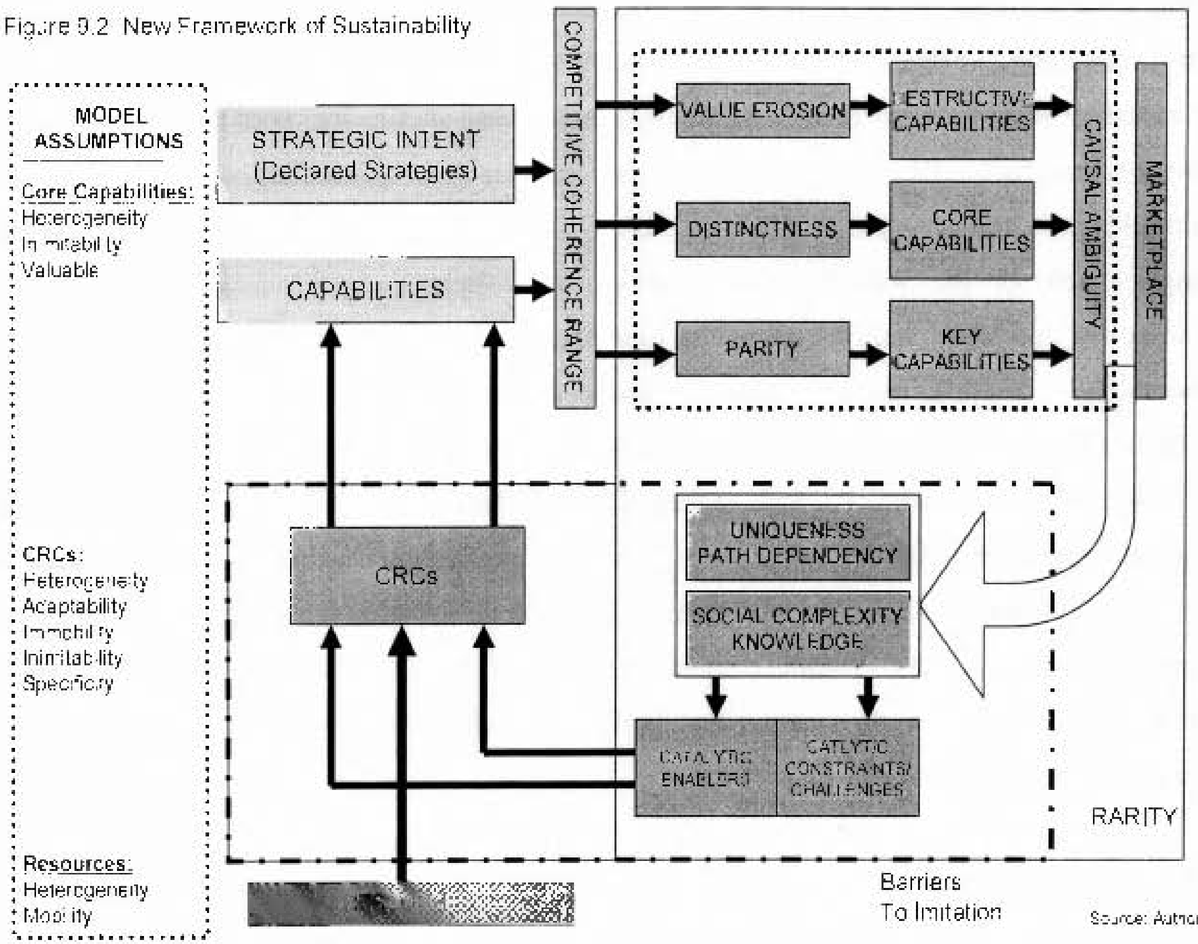
9.2.4 Evidence Support a more Robust Framework of Sustainability

The most important findings of this research are the deeper understanding of how a firm's assets, along with its CRCs, create the dynamics to sustain its core capabilities for marketplace effectiveness. In this section, the discussion brings together the literature on RBT, with the evidence to support a more robust framework.

Core capabilities[126], variously conceived in the literature as 'system-level resources' (Black & Boal, 1994), 'system-level routines' (Colbert, 2004), 'organisational routines' (Grant, 1991; Nelson & Winter, 1982), 'core competencies' (Hamal & Prahalad, 1990), and 'organisational capabilities' (Barney, 1992; Collis, 1994; Lado & Wilson, 1994; Ulrich & Lake, 1991; Ulrich, 1997), are the way in which firms differentially compete and extract value to achieve viable rents or profits. A number of heterogeneous core capabilities are needed by a firm if it is to develop competitive advantage and achieve success in a competitive context. The research has also shown that other capabilities (see Figure 9.2), other than core capabilities: key[127] capabilities (resulting from CRCs that lead to competitive parity) and destructive capabilities[128] (resulting from CRCs that no longer add value to, hinder, or destroy value and thus leads to value erosion), do not lead to sustained competitive advantage, but merely allow the firm to compete (and, at times, depresses the firm's competitive abilities).

[126] Core capabilities, defined in Chapter 2, are those distinctive capabilities that allow the firm to extract value and are rent-producing ('differentiating' or 'critical' capabilities).
[127] Key capabilities, defined in Chapter 2, are those capabilities that allow the firm to be a "player" in the industry – 'necessary' but not differentiating ('qualifying' or 'maintenance' capabilities).
[128] Destructive capabilities are those capabilities that no longer, or have never, produced viable rents for the firm, and instead erode value ('deflective' or 'erosive' capabilities).

Figure 9.2 New Framework of Sustainability



This research has also shifted the researcher's initial understanding of 'causal ambiguity[129].' Within firm dynamics have partially lifted the veil of ambiguity by refocusing this research effort on strategic intent. Evidence gathered through this research has shown that "declared strategies" can be assessed to determine the level of coherence in a firm's strategic architecture. It also enables the development of better understanding of the degree to which capabilities help drive sustainable advantage. This means that there is a level of loosely coupling CRCs to capabilities. The cautions by researchers such as Barney (1991) still exist; i.e., the resources driving core capabilities can still be causally ambiguous. However, the "Framework of Sustainablity" shows that the within-firm

[129] In chapter 2 (literature review), 'causal ambiguity' referred to the uncertainty regarding the causes of efficiency differences among firms, and neither the firm, nor its competitors were sure which capabilities were earning the rents.

dynamics may, at least, be partially known – that the "black box" effects of causal ambiguity may not be probed and explored. However, the Framework also shows that there is an *external* role to be played by causal ambiguity. The evidence from the case studies indicates that firms attempt to creatively construct CRCs that are customised to their own particular cultures or processes ("cultural innovation" or "processural innovation"). However, through benchmarking and other attempts, such as the formation of alliances, to collect competitive intellence, establish technological complementarity, reduce the time-span of innovation, broaden market access and collaboratively address market structure, some evidence demonstrated that a firm's core capabilities themselves are obvious and explicit to competitors (causally explicit), because of its application in the marketplace and, therefore, in themselves are not the reasons for causal ambiguity. However, what is frequently ambiguous to competitors was the alchemy of "*how it is done*" within the firm, and the fact that alliance-gathered information never really rises to the level of operational knowledge within competitor firms (Porrini, 2001). Therefore within the "Framework of Sustainability," causal ambiguity is still shown as a means of maintaining some sustainability advantages in the marketplace.

With respect to proposition 3: *A firm's strategic architecture reflects both key- and core and capabilities that sustain their competitive advantage* – this proposition was found to be PARTIALLY valid. The research evidence did confirm that a firm's architecture was composed of both key- and core capabilities. However, the evidence also indicated that firms develop capabilities that are destructive as well; in some cases these capabilities may have demonstrated effectiveness in meeting marketplace demands, but over time these capabilities have become handicaps in dealing with changing marketplace realities. For example, Cheetah's distribution channel was customised to meet the demand of a middle-class market, composed mostly of White Afrikaners. In the new South Africa, where diversity policies have created a rapidly growing middle-class, this capability has become a liability, one that Cheetah has been struggling to transform.

Research interviews revealed the fact that some core capabilities, over time, even become key capabilities or destructive capabilities, as competitors imitate them or introduce disruptive capabilities[130]. It was the CRCs (complementary resource combinations) and not the combinative capabilities (Colbert, 2004) that provided the bases for core capabilities to produce rents, thus thwarting competitors from trying to disentangle CRCs, from imitating them and from investing potentially non-recoverable costs in trying to develop them (thereby preserving the inimitability of the core capabilities themselves). The resulting core capabilities thus become inimitable (because of the inimitable CRCs), resulting in profit streams that are more likely to be sustainable (Collis & Montgomery, 1995). Sustainability, as posited in the literature review, does not refer to a particular period of calendar time, nor does it imply that advantages persist indefinitely (McGrath, MacMillan & Venkatraman, 1995), but rather depends on the possibility and extent of competitive duplication of CRCs themselves[131]. In response to the proposition 2: *Firms combine a variety of complementary resources to meet marketplace challenges, which includes developing both key- and core capabilities.* This proposition did, in fact, prove to be the case; evidence showed that firms used a variety of different CRCs to enrich core capabilities. In the firms studied (top four in the industry), two of them (Buffalo and Leopard) rather deployed resources and energy in developing their own CRCs to produce rent-generating capabilities, while Giraffe and Cheetah developed CRCs to be able to be fast-followers. In conceptual and empirical work, researchers (Amit & Schoemaker, 1993; Barnard, 1938; Black & Boal, 1994; Brumagim, 1994; Collis, 1994; Grant, 1991, Teece, 1986) have described the importance of the relationships between and among resources that display "cogency," "complementarity," or "cospecialisation" (defined as CRCs in this research) or that generate rents at the system level or organisational level (defined as core capabilities in this research).

One of the revelations of this research has been the paradoxical tension between the need for CRC immobility and CRC adaptability – both underpinning the model assumptions about sustainable competitive advantage. Both economics, as well as social studies of technology for instance, indicate the difficulty of changing infrastructure, as they are growing, and equally the difficulty of reversing IT-enabled, previously-aligned CRCs (as shown in this research). The significant and

[130] Disruptive capabilities, is defined here, as those innovative / new capabilities that change the mode of competition, by introducing new competitive models, in the industry ('transformative' capabilities).
[131] The financial services industry is typically cited as an industry where sustainable advantages are difficult to attain (Bhide, 1986).

accumulated structural and organisational resistance to change highlights the need for CRC adaptability. The possible danger for CRCs is how, when developing standards[132] and arriving at "local and situated" (Latour & Woolgar, 1986)[133] realities, that context is deleted (Bowker & Star, 1994; Timmermans & Berg, 1997) and results are constructed as universal (theories used to inform arguments and rationale, facts that are used to make business cases, ways of doing things, ways in which technologies are used, and ways of putting together resources). Once firms embark down a particular path in constructing, deconstructing and/or adapting CRCs, the routines for doing so gather their own momentum (Hughes, 1983) as they mature, and become self-reinforcing as "the way in which we do things around here[134]" over time. The technological systems put in place in the development of such CRCs, equally grow in momentum as managers make choices about paths for CRC development and take on a certain 'style' (Ciborra & Hanseth, 1998), only moderated by 'reverse salients[135]' (Hughes, 1987), also known as 'technical imbalances' (Rosenberg, 1994). Management of such CRC development face a paradox[136]: CRCs simultaneously enhance and inhibit core capability development. The 'style' of the four firms researched was evident in the interviews and focus groups, and it became obvious that each firm had its own 'style', which could be related to 'idiosyncratic routines' in RBT language. Hence, the need for adding a context-capability alignment-feedback loop into the model (see Figure 9.2). Not surprisingly, firms in this research, when faced with misalignment of market-facing capabilities to changing contexts and trends, turn to "tweaking" of the social complexity catalysts (often referring to cultural or human resource problems[137], and not knowledge catalysts), as well as the uniqueness catalysts (often referring to process integration problems[138], and not path dependency) to achieve realignment or 'fix.' It has been apparent that, organisationally, these are the best "windows" into the firms for

[132] Standards are traditionally considered as purely technical and universal, in the sense that there is one definition satisfying the needs for all users. This definition is assumed to be complete, ensuring that all correct local implementations will work in the same way (Ciborra and Hanseth, 1998: 314).
[133] Latour and Woolgar (1986) describe how scientific results are obtained within specific local contexts and how the context is deleted as the results are constructed as universal.
[134] Confirmed in bottom-view focus groups
[135] Reverse salients denote those elements that are "lagging behind" and for that reason causing major problems for the further development of the whole technological system.
[136] According to Quinn & Cameron (1988: 2), "the key characteristic in paradox is the simultaneous presence of contradictory, even mutually exclusive elements.
[137] Confirmed in bottom-view focus groups
[138] Confirmed in bottom-view focus groups

diagnostics and interventions (the anomaly of avoidance of "tweaking" on knowledge- and path dependency catalysts is as a result of the fact that neither of the two concepts were in the business lexicon of business language and conceptual understanding, and therefore there was a high level of ignorance around leverage of 'knowledge-,' and 'path dependency,' catalysts[139]). So, these firms use the practice of "tweaking" the catalysts, since they are in the realm of visibility, in order to develop new, or adapt old, CRCs – as opposed to going directly to the CRCs, where it is not as apparent what to tweak in a combinative form. As a result, the feedback loop (Figure 9.2) is shown from context-capability alignment to the catalysts. Grant (1991) showed how the capabilities of a firm provide a base for decisions on future strategic decisions and actions. This research has also revealed the fact that, often, firms embark on multiple attempts over time[140], and through learning (Dosi, Nelson & Winter, 2000; Eisenhardt & Martin, 2000[141]; Tell, 2002) get new CRCs instilled and embedded, and ultimately competitive capabilities (examples of multiple attempts to create CRCs for the firms are: Leopard – alignment of the BUs and organisational structure; Buffalo – knowledge management; Cheetah – M&A and image, inclusivity; Giraffe – CRCs that can facilitate the growth of the business).

In the literature review, it was argued that the RBV takes the 'core competence' thinking one step further: it posits that competitive advantage can be sustained only if the capabilities creating the advantage are supported by resources that are not easily duplicated by competitors. Two levels of ambiguity exists for competitors, which raises two interesting strategic ponderings: (1) "I'm not sure why they are winning?," and (2) "How do they create CRCs that deliver capabilities?" This research has allowed the researcher to adapt this thinking to one in which competitive advantage is understood, in this industry, to be sustained only if the core capabilities creating the advantage are

[139] As of 2000 at Leopard and Cheetah, and 2002 at Buffalo, knowledge management as a business process was beginning to be thought about and acted upon (for Buffalo, see: Gorelick, Milton & April, 2004). However, the initiative "lost its legs" at Cheetah after 18 months as it began focusing a lot more on cost reduction, and both Leopard and Buffalo continues (until today) with its initiatives in this direction, and are starting to see the value-added benefits thereof.

[140] Embedding of a new CRC, or adapting of an old CRC, is a complex, time-based organisational process (Colbert, 2004) – and is not unlike the time-based embedding of new behaviours and routines in individuals (Kruger & Dunning, 1999), so well known in social psychology (shifting from unconscious incompetence, to conscious incompetence, to conscious competence, and finally to unconscious competence – all in a feedback loop).

[141] Eisenhardt & Martin (2000: 1106) point out that "... well known learning mechanisms guide the evolution of dynamic capabilities and underlie path-dependence."

supported by CRCs that are not duplicated by competitors. As a result, the notion of 'isolating mechanisms' (Rumelt, 1984) can for the first time be placed at the level of the catalysts and CRCs, as opposed to at the inert, resource level (called for by many resource-based theorists) – the actual catalysts and CRCs are the real isolating mechanisms, which ultimately make it impossible for competitors to assess where the actual advantage is coming from. What is evident, from this research, is that catalysts tend to offer low insulation – since competitors use benchmarking, business intelligence and outsourcing firms as "windows" into firms, hence the growing importance of knowledge management in the industry – as opposed to CRCs which tend to offer high insulation – since competitors find it extremely difficult to fully understand the combinatory dynamics therein. Since such CRCs are firm-specific, they are arguably the most "imperfectly mobile" within a given firm, and its immobility (Peteref, 1993) is the key to sustaining economic rent. In addition, the researcher has been forced, through the research evidence, to consider the fact that 'isolating mechanisms' and 'mobility barriers' are best thought about as different concepts[142]. What the evidence has shown is that adaptation is a response to different, changing and uneconomical competitive environments and trends, and that by "tweaking" of catalysts and ultimately going down a path of CRC development, enhancement or adaptation, a certain 'style' emanates and capabilities result. However, if the environment was misread by management in the first place, or it rapidly changed while aligned CRCs were being developed or adapted, the firm ends up with value-destroying capabilities[143] that are unmatched to the new environment – even though it committed resources, effort, capital, made decisions, and built technological- and organisational infrastructures. As a result, the strategic architecture concept, first introduced in the literature review, has been expanded to include destructive capabilities. In addition, to get the firm to the position of choices, before decisions were made, the firm is also left with deflected effort, deflected resources, deflected capital, deflected institutional arrangements, deflected social scripts,

[142] In the literature review, 'isolating mechanisms' and 'mobility barriers' were understood to be different terminology for similar concepts

[143] Callon's (1991; 1994) concept of the (possible) irreversibility of an aligned network (CRC) captures the accumulated resistance against change quite nicely.

deflected cognitive ecologies and formative contexts[144] (Ciborra & Hanseth, 1998) – essentially non-recoverable costs.

What the research has demonstrated is a need for firms to educate themselves, and rapidly share that knowledge internally, in how CRCs are developed, how they bring certain types of resources together, how catalysts enact upon them, how they can be changed to align with changing capability needs, and the need for business- and human processes alignment to that knowledge, in order to sustain competitive advantage. Because CRCs can be prone to "shift and drift"[145] (Berg, 1997; Ciborra, 1994), the way they are implemented and used need to be made explicit in organisational practices and management need to negotiate and coordinate commitments[146] against CRC-knowledge – because of the danger that CRC design processes, more often than not, take paths unthought of at the start, almost beyond the actors' wills, have an open nature and are subject to continuous re-invention. Even though management must muster commitment and an environment of shared competitive values, such as was found to be more prevalent in Giraffe and Leopard than in Buffalo and Cheetah, and sets the boundaries within which to develop, re-create or graft out CRCs, they should also allow for, and create an environment that allows for, healthy constructive dissent – interestingly such constructive dissent is more prevalent at Buffalo and Leopard than it is at Giraffe and Cheetah. Eisenhardt, Kahwajy & Bourgeois (1997) found that conflict was a necessary, but not sufficient condition for effective strategic choice, and whose characterisation of effective top management teams was entirely consonant with the idea of 'deftness' (McGrath, MacMillan & Venkatraman, 1995). Thus, at any given point in a firm's

[144] 'Formative contexts' are sets of pre-existing institutional arrangements, cognitive frames and imageries that actors bring and routinely enact in a situation of action (Ciborra & Lanzara, 1994). As such, they constitute the background condition for action, enforcing constraints, giving direction and meaning, and setting the range of opportunities for undertaking action (Ciborra & Hanseth, 1998).

[145] All of these routines and interventions are continuously developed, tried out, retained or discarded, retrieved and combined, on a local, often tacit basis, outside or at the margins of the master plans and designs, in an endless process of *bricolage* (Ciborra, 1994).

[146] Such vision of what management, information and decision-making is all about is based on the attempt to bring Heidegger's (1994) philosophy to bear on to the field of business organisations (Introna, 1997). Winograd & Flores (1987) developed the notion of the vision of management as networks of commitments: the task of management being to cope with breakdowns of business transactions by completing all the necessary negotiation and coordination loops needed to execute a transaction.

history, CRCs are evolving, and firm survival depends upon management successfully managing that evolution.

It is possible to reinterpret the role of resources, and invent new ways of using it, when needed, in order to construct new CRCs – hence, the more heterogenous the set of resources, the larger the possible permutations of CRCs. Designing technology-enabled CRCs for business use, referred to as 'aligned heterogeneous networks' (Ciborra & Hanseth, 1998:314) or 'complex heterogeneous actor networks' (Hanseth & Monteiro, 1997; Star & Ruhleder, 1996), is more than the design of pure, isolated technological artefacts. These are designed in combination with other, non-technical resources like documents, work practices, organisational rules, organisational structures, training programs. In earlier discussion on evidence-based IT initiatives across firms, we noticed that all of the firms were doing similar things, e.g., they all had call centres, they all used IT in their distribution channels, etc. The variation tended to be in the how they used IT to combine with other non-technical resources as CRCs, and ultimately aligning to produce market-facing capabilities such as channel management and vendor relationship management. CRCs are not only there to enable capabilities, but facilitate communication, reduce costs of transacting in supporting the alignment, disintermediation and interlocking of business, human and technological processes within firms. Since these are the four most successful firms in SA, the differences in what they are doing, in particular with IT, are marginal. None of the firms researched viewed IT as a pure technical (inert) resource, or technical artefacts, but rather as a technological system[147] (Ciborra & Hanseth, 1998), comprising of technology itself, IT governance, IT leadership, IT rules, and IT structures – an enabling, value-added, enchainment system[148].

In conclusion, this research has demonstrated that by thinking of strategy in terms of resource-based theory, particularly within the boundaries of the firm, it is possible to derive an answer to the "how" of competitive advantage. In addition, it has shown that in order to fully understand the

[147] In Hughes' (1983) work, actor-network theory about infrastructure, he defines a 'technological system' as a heterogeneous collection of technical components, humans and institutions which includes the pure 'technical' system, its designers and support organization, regulating bodies, etc., noting that such systems are both socially constructed and society shaping.

[148] Heidegger (1994) writes about an enchaining process of ordering, which highlights a paramount aspect of how infrastructure is conceived today by the management literature.

way in which firms align resources, CRCs and their strategic architectures, in order to compete successfully, the theory must consider learning and knowledge management, social complexities, uniqueness, path dependencies (positive and shadow), technological systems, complementarity, and coherence – and not merely treat competitiveness from a purely transaction-cost approach.

9.3 Summary of Contribution

This research has taken the "black box" of the firm and, through evidence, disaggregated its components of competition that drive its strategic architecture. This research has three levels of contribution:

(1) it has demonstrated how firms, in the personal financial services (assurance) sector of South Africa, competes with the resources available to it. In particular, how IT was used in the sector in building CRCs.

(2) it has given deeper insight into sustainability of competitive advantage, and placed the focus at the level of CRCs, as opposed to previous strategic literature which emphasised uniqueness of resources or lead-time to build capabilities, in discussing the departure point for sustainability. Through the detailed case studies, this research has demonstrated that it is at the level of combination of CRCs with catalysts, i.e., social complexity and uniqueness, where the concept of sustainability makes most sense, and that firms would be better placed to focus their efforts at that level in competing. In addition, the research was able to more rigorously place the level at which barriers to imitation could be developed, and given insight into the combinatorial learning processes firms, in this industry, have to put in place or enhance in order to sustain their advantages.

(3) The early thinking around IT and competitive advantage was that firms got uniqueness from IT. Research by Mata, Fuerst & Barney (1995) demonstrated that advantages ensued, relating to IT, when the focus was on the management of IT. Then Feeny & Ives (1997) claimed that advantage did not come from the uniqueness of IT, but rather how firms leveraged the various aspects of IT to take

advantage of unique organisational facets or unique positioning. This research has, in addition, highlighted the role of IT in creation of sustainable competitive advantage, by noting that IT and IT innovations continuously create new CRC possibilities, thereby offering the industry new possibilities for competing, and gaining or sustaining advantage – this is the special contribution of IT.

9.3.1 *Implications and Contributions for Practitioners*

There are some important insights for practitioners too:

(1) the research has demonstrated that socially-embedded resources are highly, strategically important (in the sense that they are inscrutable to competitors) because of their inherent combinative complexity, but they are difficult to deliberately build for precisely the same reason. This research has given insight, for managers, on how to act within that complexity so that the firm is encouraged to sustainably thrive, without having to unravel and codify the myriad causal effects at play in the social dynamics of the firm.

(2) the research has shown the need for practitioners to link technological systems (not technological resources) and firm strategy. The framework presented in this research establishes and clarifies the link with the business and its strategy, and would aid practitioners in thinking systemically.

(3) the research has made explicit the need for firms, and the people in them, to continuously scan the business-, human- and technological landscapes in order to provide the necessary feedback information and intelligence, so that business units can be encouraged to take a longer-term view, and in response identify and share resources of common value, build collaborative CRCs and develop methods of spreading knowledge about the implications of technology (and technological innovations) across the firm.

(4) the research has emphasised the important mediating role of leaders in making decisions about resource investment, CRC development and, ultimately CRC deployment in ways to compete.

(5) the research has highlighted the need for practitioners to focus their energies and effort on all of the catalytic aspects of organisational life (uniqueness, social complexity, knowledge and path dependency), and not only the former two listed (uniqueness, social complexity), in order to sustain competitive advantage.

9.4 Limitations of this Research

As stated in Chapter 3, the purpose of this research was exploratory in nature. The Feeny Continuum (See Chapter 3, Figure 3.2) shows that this research has investigated "emerging practice" with the intention of better understanding how competitive sustainability is created within the firm. For this reason, this research is limited in its "generalisable" contributions. In other words, its contribution objective was met in that a more robust understanding of the conceptual underpinnings to RBT was met; however, its applicability beyond the four cases must be made with caution to the research application in other contexts, i.e., other industries or other countries. However, given the small research domain (of one industry sector with four cases), it is interesting to note that throughout the interview and focus group processes, comments were being made about how difficult it was to build sustainable competitive advantage, given that the products and building blocks are common to the top four firms in the industry (it may have been different if two on the low end and two at the top end were chosen), and there is almost no differentiation at the resource level – this made for a challenging research domain, and must have resonance for other "tight industries."

Another limitation was that the focus of this research was on IT itself. The industry was selected because of its high density of IT assets. The focus on IT was beneficial in placing parameters on the study design, and was important in understanding the impacts of IT on CRCs. What this research did not include are specific impacts of other assets and resources within the firm. This creates again another limit in the generalisability of the "Framework of Sustainability" because other discrete resources, assets or stocks may have a much different profile of enablement. For example, patents in biochemistry firms or copyrights in software or entertainment firms may create not only different CRCs, but also different competitive coherences and learning combinatorials for facing their respective marketplaces.

Although the analysis of evidence was vigorous with care exercised to support the "chain of evidence" research process, the findings were still based upon, and limited by, this researcher's ability to interpret the evidence. To support this interpretation this researcher maintained the discipline of cross-confirmation of key pieces of significant evidence.

The structure of this dissertation may itself be a concern because much of the effort was designed for "intensive" probes into each firm's assets and CRCs. This is very unlike other case studies which have shorter narratives on cases, with much more significant time spent on cross-case comparison. However, this researcher felt that the nature of the research was to understand RBT and shed light on the internal workings of the firm, in order to get at the CRCs and catalytic elements, and therefore required much more case rigour with the cases themselves, designed as "confirmatory" evidence to see if the "Framework of Sustainability" was applicable and capable of providing insights beyond a single firm (the ultimate aim being a more robust framework on competitive sustainability).

9.5 Suggestions for Future Research

This research, by design, had a within-firm focus. Most certainly one avenue of research would be to extend the study of CRCs in other industries, using other firm resources. Since the "Framework of Sustainability" has shown a more detailed view of what's inside the "black box" of the firm, much more confirmatory evidence (potentially quantitative evidence) is needed to extend and confirm the details of dimensions of the framework. Further integration of the RBT and evolutionary economics will help to increase our understanding of how the firm's CRCs are developed, and the impact of knowledge management and learning on failure and the inability of a firm to change trajectory, due to the historical choices made, will add to the body of knowledge in this area.

A second potentially fertile area of further research is to understand social complexity and the role of knowledge management in creating sustainable advange. Buffalo and Leopard were both experiementing with knowledge management to ascertain what value such efforts would bring in enriching the knowledge and experience of their employees, improving its stock of accumulated knowledge, and innovatively creating ongoing changes to a firm's CRCs that would improve its competitive sustainability.

A third area of future research is to explore causal ambiguity much more deeply than was achieved in this research effort. For example, how do firms intentionally obscure its inimitable CRCs and core capabilities, especially when shareowners and public policy advocates are demanding more transparency. From an internal perspective, where understanding causative linkages are important to sustaining longer-term advantage, it may be invaluable to research the evolution of declared strategies over time to see what seems to work within firms, as levers to retool the CRCs. This would be particularly significant, since this research identified that CRCs can erode capabilities as well.

And finally, another avenue of research could be an investigation specifically of the "external" environment, to explore the dynamics of how these factors impact a firm's strategic architecture. For the most part, firms generally confine their explorations of their environment to become "better" competitors. Yet, in emerging economies, where business transitions are rapid, technological transitions are not incremental but in leap-frogs[149] (April, Fourman & McCrea, 2004), social transformation is imperative and economic transitions are very fluid, external environments and social legitimacy are every bit as important as internal environments. The example in South Africa is the multiple political, social, and economic policies and directives designed to correct the imbalances created by Apartheid and their impact on industry sectors. This research would require extensive evidence gathering among the various stakeholders in South Africa – government, communities, and investors, and will most probably require significant funding and be conducted by more than one individual.

One other possibility is the exploration of resource-based insights into the practice of strategic human resource management, particularly the mediating effects of dysfunctional social

[149] In their article, *Monitoring and Evaluation – The Digital Leap-Frog: Monitoring and Evaluation and Performance Management as an Improvement Tool in Business and Government*, April, Fourman & McCrea (2004) describe the potentials of the digital leap-frog process in South Africa.

complementary resource combinations on competitive advantage sustainability. Deeper understanding can be gained as to the synchronistic interplay between social context and the building of CRCs over time.

Another exciting possibility for complementary research could be through the employment of the population ecologists' concept of structural inertia (Barney & Ouchi, 1986), and could expand the understanding of how firms perceive, or not perceive, their environment based upon existing trajectories of accumulated experience and memory.

In summary, if this research opens the door even wider for other researchers to enter the room of resource-based theory and sustainability, it will have served a productive purpose.

APPENDIX A: PILOT STUDY OF A UK PERSONAL FINANCIAL SERVICES COMPANY

A.1 Scope of the Pilot Study

The pilot study was conducted in the UK while the researcher was at Oxford University, as a Sainsbury Fellow during 1998-1999. The purpose of the pilot study was to: (1) generate a better understanding of the contributors to the competitive advantage of a firm; (2) to gain some insight into the UK insurance sector, which could focus my data collection in South Africa; (3) test the research design, i.e., to test whether the qualitative research approach was appropriate and sufficient to gain enough insight into the research question; and (4) to make the contributory research framework more robust. During the pilot phase, two levels of interviews were conducted. One set of three interviews were conducted with intermediaries. It was felt that these industry players would have a good marketing perspective of the industry. The other set of three interviews were conducted with managers who worked at AMP Pearl Assurance, one of the large personal financial services firms in the UK at the time.

A.2 Brief Profile of the UK Insurance Industry

The insurance industry, with its 300 year history, is one of the oldest in the UK (Pearson, 1997). It is one of the largest sectors in the UK economy, worth around £ 86 billion in 1994 and has been reported to be the largest in Europe with its level of investment as a percentage of GDP in 1996 at 94.1% – Switzerland was second with 75.5% rate of investment to GDP (Ward & Zurbruegg, 2000; Webb & Pettigrew, 1999). In the 1970s, the fairly stable world of the previous 30 years underwent rapid change after the Financial Services and Building Societies Act of 1986 initiated restructured regulation to introduce more market competition into the industry (Pettigrew & Whipp, 1991). Webb & Pettigrew (1999) characterised the change, especially between 1990 and 1996, as a period of upheaval in the industry. The industry during the late 1980's, and 1990's, was one characterised by rapid changes in markets, technologies, customer attitudes and global competition (Farny, 1999; Webb & Pettigrew, 1999). In addition, with common standards proposed by the European Common Market to create an environment of more inter-EU state competition, there was even more of an impetus for the UK insurance industry to change, especially since macro-economic data indicated that the industry was less cost efficient than its European counterparts (Hardwick, 1997).

Many UK firms recognised that they had to improve their capability profiles, encourage innovation, and shorten time periods for speed of response to compete in this unstable environment (Watkins, 1994). As a competitive response, insurance firms have invested heavily in IT as an ongoing strategic investment, to address the needs for administrative efficiency and increasing the channel effectiveness (Watkins, 1994; Webb & Pettigrew, 1999). The retail financial services sector was, and still is, one of the largest employers of IT professionals in the UK, with large banks such as NatWest employing over 3000, large insurance firms such as Norwich Union employing over 500, and large building societies like the Halifax also employing over 500 (Watkins, 1994:). A similar expansion has taken place in the insurance sector, where there are now over 76 000 people engaged in activities which support the big insurance firms. These include brokers, independent life intermediaries, loss adjusters and consultant actuaries, to name just a few (Watkins, 1994:).

The following two sections describe the findings and research experiences from the two sets of interviews that were conducted.

A.3 Interviews with Intermediaries

The reason for interviewing intermediaries was to gain some insight into, and gain an overview of, the insurance sector within the UK. Insurance products and services in the UK still tend to be sold by intermediaries. It was, therefore, decided that it may be useful to conduct a few interviews with intermediaries prior to the actual pilot study. The feeling was that three interviews would be enough to get a 'feel' for the marketplace, establish who the main stakeholders were, and get a sense of the changing nature of competition in the sector.

In addition to obtaining information on the UK insurance distribution structure, it was the researcher's intention to improve his skills, as an interviewer and in the qualitative method. Rather than findings *per se*, these three interviews helped the researcher understand the logistics of setting up, preparing for, and conducting the interview itself. Lessons learned from each of these learning areas will be discussed.

A.3.1 Setting up Interviews: Access

Access was one of the main problems encountered when setting up the interviews with brokers and agents. A total of 20 phone calls were made in the county of Oxfordshire (UK) before it was possible to have three interviews arranged. Three interviews were agreed to, one (a lead given by a friend) who agreed to be interviewed by phone (as he was resident in the county of Lancashire, northern England). One other interviewee agreed that the researcher post some questions to him, and he would then answer and return them to the researcher – this, however, did not materialise. The main reasons given by those not wanting to be interviewed were:

(1) "no time"
(2) "don't understand the IT systems myself"
(3) "head office will have a better idea"
(4) "we don't deal with the IT stuff"
(5) "we're too busy – we are going through a post-merger process"

From the twenty calls, the researcher obtained access to three individuals who were willing to speak with him. These individuals were:

(1) Graham Stevens – Tait Conisbee Insurance Brokers, based in Banbury Road, Oxford, Oxfordshire. Mr Stevens was interviewed in person, at his workplace. The interview lasted an hour and forty-five minutes.

(2) Peter Beaumont – Harrison Beaumont Insurance Brokers Ltd., based in Des Rouches Square, Witney, Oxfordshire. Mr Beaumont was interviewed in person, at his workplace. The interview lasted for hour and forty minutes

(3) Clive Wilderspin – Britannic Assurance, based in Rochdale, Lancashire. Mr Wilderspin was interviewed by telephone, and the interview lasted an hour.

A.3.2 Preparing for the Interviews: Questions and Approach

In approaching these interviews, the researcher used a particular mental model as a guiding framework (Levitt, 1980) for envisaging three product/service levels within the industry:

(1) Generic Product – it was assumed that all these firms would offer this. However, in practice, some firms do offer extras that go beyond product features (bonuses with products, services);
(2) Expected Product – full description of product (e.g., life policy + extras/expected things). The deliberately-undifferentiated competitor offers the expected product at a good price; and,
(3) Augmented Product – the differentiated product (with secret ingredient X). Augmented differently and the price is probably higher, but overall equation is preferable.

A.3.2.1 Unstructured Questions for Intermediaries

The (explicit) questions for the interviewing of the intermediaries were fairly unstructured, as this was an exploratory exercise. However, the researcher approached the interviews with a number of guiding questions, and these were mailed to the interviewees prior to the researcher interviewing them. Table A.1 shows a summary of the questions that were used in the interviews.

Table A.1: Summary of Unstructured Interview Questions
• Who are the leading companies, and what are the leading products, in the insurance industry / financial services sector, and why (in your opinion)? • Why are they able to be the leaders, whilst others cannot be? • As a potential customer, why should I buy your product(s)? What makes your product(s) and/or service(s) different from your competitors? • What is the basis of your company's success? What gives you the ability to do that? What tools do you use in pursuing / maintaining this success? • How do you / did you create your position in the marketplace? • Complete the sentence : "We win because .... "? If that is your source of advantage, then why hasn't everybody got that? • Do you feel that information technology (IT) is creating new options that is potentially of relevance to the company (both your company and/or the big insurance / financial services houses)? • Do you think that information technology (IT) is giving better costs, or augmenting the base product? • About your competition – are you going to be replaced by direct-line firms? Are you, or your market share, threatened by them? How has this caused you to work differently? What about the Internet or Electronic Commerce? Where do you see the future of the sector going? • Finally – please think on the following when answering the above : your relationship with the insurance / financial services head offices (suppliers), teamwork, benchmarking (comparing yourself to the 'best' in the sector), IT-strategy alignment, IT training of your staff, IT training of head office staff, top management commitment to the strategy process, your firm's organisational culture – what are the contributing factors, organisational flexibility
Source: Author

A.3.3 Conducting the Interviews: Perfecting Interview Techniques

It was hoped that the intermediaries would give insights into the different insurance firms that they may choose from, and why they would do so. It was also the intent to gain initial insights into the core- and key capabilities of the different insurance firms. Insurance products and services in the UK still tend to be sold by intermediaries. It was, therefore, decided that it may be useful to conduct a few interviews with intermediaries prior to interviewing employees of an insurance firm – to gauge if their views were significantly divergent. The researcher had hoped to get a 'feel' for the marketplace, establish who the main stakeholders were, and get a sense of the changing nature of competition , and what was causing this change, in the sector.

This phase did not produce what had been intended, for three particular reasons:

(1) The researcher created an atmosphere, during interviews, that was conducive to chatting, rather than purposeful (focused) research. As a result, the intermediaries spent the time talking about their own businesses rather than the industry. Opportunities for directed questioning, such as: "If CGU is good at 'that,' why are they good at it and why not everybody else?," were missed. It must be said that, at this stage, the researcher was not very clear on the methodological process either, as it was an emerging process, rather than a prescriptive one.

(2) The interviewees (intermediaries) did not have a clear understanding of what the researcher was trying to extract from the interviews, due to the lack of clarity from the researcher in describing the objectives of the research, and the lack of clarity in what the researcher was trying to achieve as outputs from the interview process.

(3) The mental framework using the Levitt (1980) of product categories did not work. The researcher learned from the interviewees that product categories were not as clear cut as the model indicated. According to the agents and brokers interviewed, the product selection process was more complex and customised to the needs of the premium insurers.

In summary, the interviews showed that it would be necessary, in the future, for the interviewees to have a clearer understanding of certain key "research-pertinent words/terms," e.g., the distinction between core- and key capabilities. Also, it became obvious that the interviewees did not necessarily know how IT was being used strategically, and that future interviews may have to be targeted at particular individuals who could give value-adding insights, at differing levels of the firm.

A.4 Interviews at AMP Pearl

As shown on the firm website (AMP, 2003), AMP Pearl was originally founded in London in 1864 and became part of the AMP Group in 1989. AMP Pearl also benefits from the ability to call on the quality resources available to the AMP Group. AMP has grown to be one of the largest firms in Australasia, listing on the Australian and New Zealand Stock Exchanges in mid-1998. AMP Pearl is (hereafter referred to as 'Pearl') Head Office is situated in Peterborough (north of Cambridge) in England, UK and, at the time, was rated as the fifth largest insurance firm in the UK. The following two sections will provide a list of the interviewees, brief summary of the findings, and lessons for the research that was to be conducted in South Africa.

A.4.1 Interviewees at Pearl

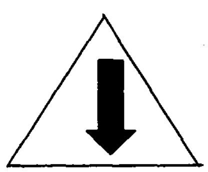
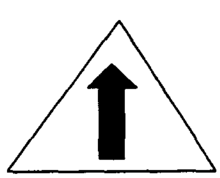
It was decided that three interviews would be sufficient to test the research design, i.e., to test whether the qualitative research approach was appropriate and sufficient, to gain enough insight to make the contributory framework robust. The researcher contacted several of the UK's largest insurance firms. Only Pearl was willing to provide access. As a result of his contact, the following three people agreed to be interview participants:

(1) Martin Rooks – Marketing Manager (interviewed for an hour and a half, at Pearl Head Office – Peterborough, Cambridge, UK).
(2) Malcolm Pascoe – IT Service Head (interviewed for an hour and fifteen minutes, at Pearl Head Office).
(3) Karen Payne – HR Internal Consultant to the IT Department (interviewed for an hour and a half, at Pearl Head Office).

A number of guiding questions (see below) were sent to the interviewees, prior to the actual interviews, and these served to give the interviewees an idea of the questions they were likely to encounter during the interviews. After the interviews with the intermediaries, it became clear that the questions needed to be semi-structured into protocols.

What became clear from the Pilot Study was the need for separate interview protocols (i.e., two interview regimes for interviews on a 'strategic' level and interviews on an 'operational level.') For this reason, key "drill down" (strategic level) or "drill up" (operational level) semi-structured interview question sets were developed as shown in Table A.2.

Table A. 2 Questionnaire Protocols for Interviews at AMP Pearl

Protocol Type	Questions
Strategic Protocol 	• How's the firm doing? • How are you trying to achieve competitive advantage? • How is the firm winning? How is it winning business? • What are the key ingredients of the winning elements? • What do you consider key- and core capabilities (given my explanation of the concepts)? • Tell me what is done in your domain of the firm? • What major activities, initiatives are currently underway (and what will be done in the near future)? • So how does that impact on the overall impact of the firm? • Can you see it threading through to core- and key capabilities? • What further contributions in your area can it make? • Where does IT feature? IT in your view – what is its contribution or lack of it? • What is the role of IT in terms of 'this way' of competing?
Operational Protocol 	• More about … What are the sets of activities going on in the firm? • What are the exciting applications on the "floor" / within the organisation? • What are the major investments in IT? • What are the current developments? • What is the perceived current health of IT in the organisation? • What are the IT relationships like with other areas of the business? • Track record? • What are the business-IT linkages? • Is there an IT strategy process? How does it fit in with the business strategy process? • What complementary resource combinations have been created (given my explanation of the concepts)? • The overall success of the firm – what is the contribution being made by IT? • What further application of IT can make a real difference for this firm?

Source: Author

A.4.2 Findings from the Interviews with Pearl

Because of the limited number of interviews conducted, no attempt was made to write up the pilot study, using all aspects of the "Framework of Sustainability." There were a number of information gaps; these included: (1) what IT does provide at Pearl, and (2) what value is provided by IT in terms of exploiting infrastructure and applications for business goals. As mentioned previously, the Pilot Study served mainly as a 'test' for the research methodology and case analysis approach in answering the proposed research questions.

After the interviewing process at Pearl, the data appeared to indicate that Pearl had two core capabilities ('order winners'), i.e., (1) a superior ability to address the specific needs of customers convincingly, and (2) a superior range of products. The enablers, or complementary resource combinations, as well as the resources are presented in Table A.3 below:

Table A.3: Core Skills

CORE	COMPLEMENTARY RESOURCE COMBINATIONS	RESOURCES
(1) Superior ability to address specific customer needs convincingly	- customer-intimate sales force - way in which sales force is supported with information about customer - knowledge management - lead generation - sales force given sense of targets - good at building relationships with customers	- customer database - technology - information - people (sales force)
(2) Superior range of products	- innovation - culture - cross subsidisation within AMP	- entrepreneurial people - environment (rules) - AMP-wide Intranet - inter-organisational systems - customer database - product manager

Source: Author

The interviews also highlighted the fact that Pearl had three key capabilities ('order qualifiers'), i.e., (1) quality service, (2) brand image, and (3) a reasonable cost structure (cost effective). Once again, the enablers (or complementary resource combinations) as well as the resources are presented in Table A.4 below.

Table A.4: Key Capabilities

KEY	COMPLEMENTARY RESOURCE COMBINATIONS	RESOURCES
(1) Quality service	- keeping customers informed - fast, seamless systems - information intensity - error free environment - infrastructure - IT-business alignment - benchmarking against key competitors	- systems - trained people - information
(2) Brand image	- consistent corporate image - shared understanding regarding values, required behaviours	- brand - informed people
(3) Reasonable cost structure (cost effectiveness)	- senior management commitment - minimal physical infrastructure - streamlined business processes - organisational size	- technology - trained people

Source: Author

A.4.3 Key Research Method Lessons from Pilot Study

A number of important methodological lessons were learnt during the Pilot Study phase of the research, and these led to further refinements of the research design and approach. Some of the main lessons learnt are summarised below:

(1) Importance of being alert and knowing when to drill down during interviewing, e.g., the researcher missed out an opportunity to drill down when interviewing Martin Rooks (Marketing Manager) when he commented: "We were developing a system, and we later abandoned it." The researcher could have asked : "Why?," which could have given me insights into the CRCs that existed within Pearl

(2) Another key question missed during the first interview at Pearl, with Martin Rooks was : "Is there anything distinctive for Pearl in the way they deliver their 5 key values? Anything specific that has been done at Pearl, for example : "Give me an example of how I would experience, for instance, 'professionalism' – tell me a story?" The researcher was then able to pursue that line of thought during subsequent interviews. However, the question is most suited to someone in Marketing or Strategy – so it was a missed opportunity that was noted to be remembered during my research in South Africa.

(3) Get to know something about the person initially, at the start of the interview, so as to establish a relationship time at firm, or the researcher could also get a personal profile or biography from their secretary.

(4) At the start of the interview, the researcher should also ask two or three leading questions regarding the firm's 'strategic health', such as: "How well is the firm doing at the moment?"

(5) It may be useful to also check the annual report of the firm, to understand their positioning, and to know in what "shape" the firm currently is (e.g., they are doing great, or they are in the middle of a turnaround, or they are currently struggling).

(6) The Pilot Study has highlighted the need to choose the interviewees intelligently, i.e., the interviewees have to have sufficient depth of knowledge regarding the subject matter, and, hopefully, have sufficient insight to be able to make linkages between their specific area of the organisation, and its relation to other key and core aspects within other areas of the organisation.

(7) The amount of transcribed text and notes generated by these six interviews were significantly large. For this reason, a computer program for text analysis should be sought to provide a means of providing the initial steps of distilling the evidence into model elements for further analysis. The researcher also learnt that more rigorous analytical frameworks needed to be developed in order to understand the inquiry focus areas posed by the overarching research questions.

A.5 Summary of Pilot Study

In retrospect, the Pilot Study effort did meet its goals of providing insights into the UK insurance industry. What was more invaluable was the insights gained as a researcher to perfect my qualitative research skills, and fine-tune my semi-structured questions. These lessons proved important in designing the semi-structured protocols for the South African insurance industry case studies. It also helped me clarify the type of people, in the firms, to interview, as well as the skills in listening to ask follow-on questions to provide more in-depth reflective thinking on the part of the interviewees.

APPENDIX B-1: NON-DISCLOSURE AGREEMENT FOR PARTICIPATING FIRM – SAMPLE

NON-DISCLOSURE / CONFIDENTIALITY AGREEMENT (A Sample Only)

1. I, the undersigned, **Kurt April**, am a Senior Lecturer and Sainsbury Fellow of the Graduate School of Business of the University of Cape Town and as such involved in doing research towards a Ph.D. on Information Technology Enabling Sustainable Competitive Advantage, and will in the course of my studies do research at (# FULL NAME OF THE COMPANY).

2. I have been informed, and acknowledge that in the course of "the research" I have been, and will be, receiving information from (# FULL NAME OF THE COMPANY) ("the information") which will be confidential and/or proprietary and/or sensitive information of (# FULL NAME OF THE COMPANY).

3. I understand that any information provided to me by (# FULL NAME OF THE COMPANY) is provided solely for the purposes of the research and sanitised, analysed publication.

4. I acknowledge and agree that information published or conveyed to other persons cannot be done in a manner that in any way identifies (# FULL NAME OF THE COMPANY), or be used for any purpose other than the research without the prior written approval of (# FULL NAME OF THE COMPANY), to be given on behalf of (# FULL NAME OF THE COMPANY) by their Chief Legal Advisor or his/her delegate.

5. I understand that (# FULL NAME OF THE COMPANY) could suffer considerable loss or damage if the confidentiality of information provided by it is not maintained and that I would be liable for such loss or damage if I am the cause.

NAME ____________________ SIGNED ____________________

DATE ____________

WITNESS 1 ________________ SIGNED ____________________

WITNESS 2 ________________ SIGNED ____________________

ON BEHALF OF (# FULL COMPANY NAME) (Name and Signed) ______________

WITNESS 1 ________________ **SIGNED** ____________________

WITNESS 2 ________________ **SIGNED** ____________________

APPENDIX B-2: SUMMARY OF SEMI-STRUCTURED QUESTION PROTOCOLS

The following are the five proposed protocols, which formed the guidelines for interviews with the various individuals in the research. The five protocols were used during interviews with:

(1) M : Executive in Strategy Development and/or Marketing Executive;
(2) C : IT Executive, e.g., CIO or IT Director;
(3) B : Business Unit or Department Heads
(4) IT : Heads of IT Units, e.g., IT Projects Head, IT Architecture Head, etc.; and
(5) HR : Head of Human Resource Departments

Each alpha designator (e.g., M, C, B, IT, and HR) was incorporated into the participant codes found in Appendix C-1.

Table B-2.1: STRATEGIC / MARKETING LEVEL PROTOCOL (Strategy / Marketing)
• How's the firm doing? • What, would you say, is the basis of competition in 'your game'? • How is the firm winning? How is it winning business? • What are the key ingredients of the winning elements? Complete the sentence: "We win because ... ? " If that is your source of advantage, then why hasn't every firm got that? • What is the basis of your firm's success? • What would you describe as the most important resources in the firm? What are the 'enablers' for the bringing together of those resources to create value for your firm? What enables you to put those resources together? (Example : a call centre needs an IT kit, location, certain resources -> 3 firms all have the same building blocks, but perform differently. Why?) • How are you trying to achieve competitive advantage? How do you/ did you create your position in the marketplace? • As a potential customer, why should I buy your product(s)? What makes your product(s) and/or service(s) different from your competitors? • What do you consider to be the key capabilities ('qualifiers-' – key commodities to be in the game) and core capabilities ('order winners' – distinctive things about the firm)? • Would you consider your firm to be flexible/adaptive to new challenges and trends in the marketplace? What enables your firm to be so flexible/adaptive? If not, what are the main hindrances? • Tell me what is done in your domain of the firm? What major activities, initiatives are currently being undertaken (and what will be done in the near future)? So how does that impact on the overall effectiveness of the firm? Can you see it threading through to core- and key capabilities? • Do you feel that IT is creating new options, that is potentially of relevance to the firm (both your firm, and the other big insurance houses)? • Do you think that IT has enabled the firm to improve its performance (financially and otherwise)? • Where does IT feature in your domain of the firm? IT in your view – what is its contribution or lack of it to the organisation as a whole? What is the role of IT in terms of 'this way' of competing? • Has IT enabled you (or your 'department') to work differently than before? • What further contributions in your area can IT make? • How important are the synergies between the various departments within the firm? Also, the relationships between people – what is its importance for the sustainability of advantage, and for future innovation, etc.? • How does your firm go about putting things in place that will lead to the sustainability of your competitive advantage? What are the main contributors to the sustainability of your advantage? • Do you think that IT has a role to play in sustaining advantage? If not, why not? If so, in which way?
Source: Author

Table B-2.2: SENIOR IT PROTOCOL (CIO or IT Director)
• What, in your opinion, are the key- and core- capabilities of the firm? • Would you say that there is a direct link between IT investment and actual business performance of the firm? Any evidence of your statement? • How do you see IT enabling or facilitating the key- and core capabilities of the firm? • Do you feel that IT is creating new options that are potentially of relevance to the firm (both your firm, and the other big insurance houses)? • Does an IT strategy for the organisation, as a whole, exist? What is the level of IT planning that takes place – how important has this been in relation to how the total business operates? • Do you think that IT has enabled the firm to improve its performance (financially or/and otherwise)? • What would you say are the key connections between IT and the way your firm is trying to compete? • What IT domain is most important to the firm? • Where does IT most need improvement? • As regards IT above : (a) what does the firm currently have in place, and (b) what is the firm developing / seeing as future key connections? • How would you describe the IT-Business alignment within your firm? What else can be done to either, sustain it if it is very good, or improve it if it is bad? • Do you think that business executives recognise the strategic potential of IT? How important do you think that is, in terms of future competitive advantage? • Is there shared agreement about the 'vision' of the firm and IT's role in it? • Has IT impacted the organisational structure of the firm? In which way – and has it, in your opinion, impacted positively or negatively on the business and performance of the firm? • Is IT centralised or decentralised within the firm? Do you think 'that' is the most effective configuration for the firm? How does it facilitate what your business does well? • What is the role of training, specifically IT training, in the firm? How does it feed into what the firm is good at? • Are there examples of important opportunities that were ignored, discounted, or undiscovered by your firm that proved costly to your business? What norms and practices created this gap? • How would you describe top management's/leadership's commitment to IT initiatives? How important is the role of leadership, and their decision-making? Do you think that leadership has a role to play regarding the way IT is used throughout the firm? • Would you consider, as a result of the current IT infrastructure, the firm to be flexible and adaptive? Would the firm be able to 'turn on its heels quickly' to support changing market demands or trends? • What of the Internet, E-Commerce and M-Commerce? Where do you see the future of the sector going? How will this affect what your unit does? • On a broader scale: What is the existing contribution of IT to the business? How would you describe the future contribution? • How do you think your firm is going to sustain its competitive advantage in the future? What do you think will be the key ingredients/resources within the firm for sustainability of advantage? What do you think IT's role will be in the sustainability of that advantage?
Source: Author

Table B-2.3: OPERATIONAL LEVEL PROTOCOL (Business Unit Heads)
• Do you think that you fully understand how the firm currently achieves its position in the marketplace? • What are the sets of activities going on in the firm? How does your business unit/department contribute to those activities? • How widely is the strategy knowledge of your business unit disseminated, both internally and externally to the firm? Is a strategy only effective if it is broadly known internally? • What are the existing applications on the "floor" / within your business unit? • What are the key tangible, and intangible, resources within your business unit? • How do these resources 'come together' to enable/facilitate what the firm does well (i.e., its core and key capabilities)? • How important are your relationships with your external providers with regard to the success of your business? • What aspects of your business unit need the most improvement? What, of the mentioned aspects, can be improved by/through the use of IT? • Has IT impacted the organisational structure of the firm? In which way – and has it, in your opinion, impacted positively or negatively on the business and performance of the firm? • What are the major investments in IT? What are the current developments? • What is the perceived current health of IT in the organisation? • What are the IT relationships like with other areas of the business? Track record? • What are the business-IT linkages? • How would you describe the organisational culture within the firm, and/or your business unit? Do you think that IT has a role to play in developing/sustaining/changing that culture? What are the implications of this? • What is the impact of IT on teamwork within the business unit? • Is there an IT strategy process within your business unit? How does it fit in with the business strategy process? What complementary resource combinations have been created (given the explanation of the term, which I provided earlier)? • Organisations are complex social entities with their own inertia and constraints. Inter-organisational conflict is a serious challenge encountered by management in making resource decisions. What are the 'conditions' that exist within your business unit for facilitating organisational trust, cooperation, and the absence of fundamental conflict? Has/can IT play a role in enhancing those 'conditions?' • Do you think that your values, norms and historical practices lead you to overlook opportunities, or does it aid in 'sifting out' good, from bad, opportunities? • The overall success of the firm – what is the current contribution being made by IT? What do you think would be the future contribution? • Would you say that there is a direct link between IT investment and actual business performance of the firm? Any evidence of your statement? • What further application of IT can make a real difference for this firm? • What are the main stumbling blocks with regard to IT implementation, that can really make a difference to your business, if dealt with? • What of the Internet, E-Commerce and M-Commerce? Where do you see the future of the sector going? How will this affect what your unit does? • What new practices are needed to generate the behaviours required to support your future strategy? • How do you think your firm is going to sustain its competitive advantage in the future? What do you think will be the key ingredients/resources within the firm for sustainability of advantage? What do you think IT's role will be in the sustainability of that advantage?
Source: Author

Table B-2. 4: IT UNIT LEVEL PROTOCOL (IT Unit Heads)
• What is the perceived current health of IT in the firm? How would you describe its relationships with other areas of the business? • What are the sets of business initiatives/activities going on in the firm, as it relates to IT? How does your business unit/department contribute to those activities? • What are the current focus areas of the IT department? • What are the exiting applications on the "floor" / within the organisation? What are the major IT investments at present? • Would you say that there is a direct link between IT investment and actual business performance of the firm? Any evidence of your statement? • Would you say that IT planning and/or specific decision-making had a role to play as regards the use of IT in sustaining the firm's competitive advantage? • What are the basic building blocks of a successful IT department? • What are the important intangible resources in this IT unit that enables the tangible resources to work well together? • What is the role of the IT infrastructure as regards the firm's competitive position? • Would you consider, as a result of the current IT infrastructure, the firm to be flexible and adaptive? Would the firm be able to 'turn on its heels quickly' to support changing market demands or trends? • Are there examples of important opportunities that were ignored, discounted, or undiscovered by your firm that proved costly to your business? What norms and practices created this gap? • What is the importance of coordination of education and training programmes between business functions, human resources, and the IT departments? • How would you describe the 'general business' understanding of your IT people? • How would you describe the role of the CEO's/Chairman's commitment to the success of IT implementation? How would you describe the relationship between the CEO/Chairman and the CIO/IT Director? Has that relationship influenced the role of IT within the firm? • How important are your relationships with your external providers with regard to the success of your business? • Do you think that you understand how your firm currently achieves its position in the marketplace? • What do you think is the core business of your firm? How does IT fit into that? • What further applications of IT can make a real difference for this firm? What are the future developments, or future IT investments? • Do you use benchmarking as a tool for focussing your energies for the future? Would you say that there is a specific link between benchmarking and actual business performance? • What of the Internet, E-Commerce and M-Commerce? Where do you see the future of the sector going? How will this affect what your unit does? • What are the most important technology resources in the firm? What would you describe as the most important business- and human resources? In which way does IT enhance or complement the important business- and human resources? • How do you think your firm is going to sustain its competitive advantage in the future? What do you think will be the key ingredients/resources within the firm for sustainability of advantage? What do you think IT's role will be in the sustainability of that advantage?
Source: Author

Table B-2.5: HUMAN RESOURCES PROTOCOL (HR Director & HR Department Head)
• What is your job role and/or responsibilities? • What you consider are the key resources for achieving the main business initiatives, or strategic thrusts, at your firm (specifically the Individual Business Unit {BU}, if you can answer in relation to that specific Business Unit). • How is HR positioning themselves to achieve those strategic thrusts? • What are the major investments in HR, and what are the major initiatives? • From those resources above, could you list the tangible and intangible resources which are responsible for providing your firm's competitive advantage (and/or the Individual BU)? • What are the main human- and business- resources that interact with the technological resources? • Which of the above resources are going to be important for the sustainability of the competitive advantage of your firm and/or the Individual BU, going forward 2-4 years? How are you able to bring those resources together – what are the things in place/being put in place that facilitate the process of bringing the resources together? • Do you think that HR is playing a minor, or major, role at your firm? Do you think that the role should/could change in the future? • Do you envisage or already have evidence of the role of HR changing within the firm in achievement of its strategic objectives? • How would you describe the organisational culture within your firm (the entire firm), as well as the culture within the Individual Business Unit? What effects does this culture have on the business, and its performance (any evidence of this)? • What are the main ingredients that make up the specific culture? • Do you think that IT has significantly changed the way business is done within your firm? Has it had an effect on HR (if so, in which way)? • How would you describe the role of the senior leadership at your firm? • What is the alignment like between your HR strategy and the Individual BU strategy? • What is the alignment like between your HR strategy and the company IT strategy? • Do you think a shared vision of the overall business strategy exists within the business units (specifically the Individual BU)? What has enabled/stifled it to be shared? • Is the HR function able to identify and plan (with the IT function) for future technology challenges? • Do you think that IT training has impacted on the business performance of the firm (specifically the Individual BU)? Do you have any evidence of this? • Does teamwork play a big role in IT initiatives - project planning, implementations, etc.? What has been the value added through the use of teamwork? What makes for good teamwork? • Some of the greatest problems organisations are facing in the changing economy is retention of its knowledge workers – is this a problem at your firm? If so, what are some of the strategies for addressing the problem? If not, do you foresee it becoming a problem at your firm? • What is the role of your performance agreement initiative in ensuring the future success of your firm?
Source: Author

APPENDIX C-1: LIST OF INTERVIEWEES BY PARTICIPATING FIRM

The follow Table lists the life insurance firms in SA that participated in this study. Each firm represented one of four cases. They were given an African animal name. In addition, each interviewee was assigned a code. The first letter stands for the animal entity. Elephant had multiple letters because the firm had recently been merged, but not yet integrated into one company. The second letter in the code identifies the semi-structured question protocol that was used, and the third numerical code indicates the number of interviewees in that category. For example, "B-IT-2" would be Buffalo, using the IT question protocol, and it was the second interviewee in that category. For more detail on the four protocols, see Appendix B-2. Since there were two interviewers in this research, the initials are used to designate each: "KA" for Kurt April and "GM" for Gennis Makura.

Table: C-1 List of Interviewees by Firm

Firm	Interviewee By Code	Date of Interview	Title of Interview	Interviewer		
				KA	GM	Both
Buffalo	B-B-1	01-00	Managing Director-Unit Trust	X		
	B-B-2	08-01 to 11-01	Business Unit Mgr.-Life		X	
	B-C-1	08-01 to 11-01	Group IT Strategy Manager		X	
	B-C-2	08-01 to 11-01	CIO		X	
	B-HR-1	01-00	HR Manager-Unit Trusts	X		
	B-IT-1	02-00	IT Manager	X		
	B-IT-2	03-00; 08-01/11-01	IT Manager-Unit Trusts			X
	B-IT-3	03-00	IT Head-Individual Life	X		
	B-IT-4	08-01 to 11-01	IT Executive		X	
	B-M-1	01-00	Grp. Mktg. Mgr.-Pers.Fin. BU	X		
	B-M-2	02-00	Mktg. Mgr.-Individual Life	X		
	B-M-3	02-00	Mktg. Mgr.-Unit Trusts	X		
	B-M-4	02-00	Group Strategy Executive	X		
	B-M-5	02-00	Mgr.-Distribution Mktg.	X		
	B-M-6	01-00	Grp.Mktg.Dev.Mgr.-Pers.Fin.BU	X		

Table: C-1 List of Interviewees by Firm (Continued)

Firm	Interviewee By Code	Date of Interview	Title of Interview	Interviewer KA	Interviewer GM	Interviewer Both
Cheetah	C-B-1	02-00	Digit.Commerce.Grp.; Ex-Grp.CIO	X		
	C-B-2	07-00; 08-01/11-01	Managing Director-Pers. Fin. BU			X
	C-C-1	04-00	Group CIO	X		
	C-C-2	08-01 to 11-01	E-Business Executive		X	
	C-HR-1	07-00	General Mgr.-Grp. HR	X		
	C-IT-1	02-00	CIO-Personal Finance BU	X		
	C-IT-2	04-00; 08-01/11-01	IT Mgr.-Life			X
	C-IT-3	08-01 to 11-01	IT Systems Analyst-Unit Trust		X	
	C-IT-4	08-01 to 11-01	IT Head of Implementation		X	
	C-IT-5	08-01 to 11-01	IT Head of Invest. Process Tech.		X	
	C-M-1	02-00; 08-01/11-01	Mktg. Mgr.-Personal Finance			X
	C-M-2	08-01 to 11-01	Head of Planning-Corporate		X	
Giraffe	G-B-1	01-00	Marketing Manager	X		
	G-B-2	06-00	Managing Director-Life	X		
	G-C-1	05-00	CIO	X		
	G-HR-1	05-00	Human Resources Director	X		
	G-HR-2	06-00	Mgr.-Learning Dev. & Cust. Svcs.	X		
	G-IT-1	02-00	IT Mgr.-Bus. Analysis & Trng.	X		
	G-IT-2	08-01 to 11-01	IT Mgr.-South		X	
	G-IT-3	05-00	IT Head of Technology-Life	X		
	G-M-1	02-00	Managing Director-Life	X		
	G-M-2	03-00	Strategy Mgr.	X		
Leopard	L-B-1	04-00	BU Head-Individual Life	X		
	L-C-1	04-00	Deputy G.M.-IT & Operations	X		
	L-C-2	04-00	CIO	X		
	L-HR-1	4:00	Director-Grp. Human Resources	X		
	L-IT-1	04-00	Assist GM-IT Business Systems	X		
	L-IT-2	04-00; 08-01/11-01	Head: IT Architectural & Research			X
	L-M-1	04-00	M.D.-Sales & Distribution	X		
	L-M-2	04-00	CEO	X		

Source: Author

APPENDIX C-2: SUMMARY OF DOCUMENTS AND OTHER WRITTEN MATERIALS

Table C-2: Summary of Documents and Written Materials

Firm	Document (Type and Title)	Date Version	Author (Indiv. Title or Group)	Application (When/How/Where Used)
Buffalo	Annual Reports (Plc and SA Levels)	1999-2003	Buffalo Plc and SA	Verify strategy direction and Financial Context
	Presentations to Investment Analysts	2000-2002	Same as above	Same as above
	Social Responsibility Reports	2001-2002	Buffalo SA	Describes commitments on a triple bottom-line basis: financial, community, and employees. Sets targets
	Product Brochures	No Date	Buffalo SA	Describes products; also sales contact details
	Internal Power Point Presentation—IT	1999	Buffalo SA	Discusses internal IT strategies *vis a vis* business strategies; architecture; IT role. No discussion of specific projects
	Internal documents on areas such as Strategy and Benchmarking	1999	Buffalo SA	Discusses various aspects of strategy; benchmarking with competitors – SA and Europe
	Website Portal	2003	Buffalo Plc Buffalo SA	Portal to various parts of both firms; Organisation charts, philosophy/cultural values described.

Table C-2: Summary of Documents and Written Materials (Continued)				
Firm	**Document (Type and Title)**	**Date Version**	**Author (Indiv. Title or Group)**	**Application (When/How/Where Used)**
Cheetah	Annual Reports	1999-2003	Cheetah Group	Financials reported for all business clusters at the Group level
	Investor Mid-Year Reports	2002-2003	Group Level	Interim Results for Investor Analyst Community
	Transformation Report	2003	Group Level	Inaugural report. A "triple bottom-line" approach to reporting; done in conjunction with annual report
	IT Presentations on Cheetah Group Architecture and Governance	1999-2000	Group Level	Describes overall architecture, principles of application development, forums for inter-BU dialogue and sharing
	Other internal reports e.g. BPR, competitive assessment, balanced score card on IT	1999-2000	Group; and BU levels	Describes various internal efforts to compare performance to competitors and to find opportunities to make BUs more efficient
	Other firm press material; newspaper articles	ongoing	Group; and BU levels	External materials of press releases for journalists; press articles
	Web portal	2003	Group Level	Access to various reports; product brochures; firm information
Giraffe	Annual Reports	1999-2003	Bank One	Used to Establish strategic and Financial Context
	Presentations to Investment Analysts	1999	Same as Above	Same as Above
	Brochures-Products	No Dates	Giraffe	Understand Products and customers

Table C-2: Summary of Documents and Written Materials (Continued)				
Firm	**Document (Type and Title)**	**Date Version**	**Author (Indiv. Title or Group)**	**Application (When/How/Where Used)**
	Web Pages	1999-2003	Bank One; Giraffe	Obtain press releases on key events; information on brand and strategy
Leopard	COVER	2000	Leopard Feature Bank Two	Strategic direction; statistics on business units; bancassurance
	Annual Reports	1999-2003	Leopard	Verify strategy direction and Financial Context
	IT&O Business Plan	2000-2003	Leopard	FSO systems architecture services & middleware architecture design
	Presentations to Investment Analysts	2002-20003	Leopard	Strategy; financial results
	Leopard News	2000-2002	Leopard's Comms. Department	Internal newsletter – social responsibility initiatives; awards; firm growth; business unit news; Internet news
	Cognitive Process Profile (CPP)	2000	Leopard HR & Magellan Consulting	Cognitive processing metrics; cognitive and competency matching with certain work environments
	Website Portal	2003	Leopard	Portal to various business units; organisational structure; philosophy; human capital management; Leopard social responsibility initiatives
Source: Author				

APPENDIX C-3: CODE LIST AND CODE FAMILIES

The following are the codes that were generated during the analysis process. These codes were then assigned to code families. The code families were based upon the Framework of Sustainability. Shown below are the code structure and the code families for Cheetah. Except for unique variations by firm, this code family is representative of all firms included in the study.

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Benchmarking

Business-Resource Combinations: Receipes
Business Process-Automation/Efficiencies/Cost Reduction
Business Process-Customer Channels
Business Process-Internet/Digital Channels
Business Resource: Culture
Business Resource: Culture Entrepreneurial
Business Resource: Vantage-Giraffe
Business Structure
Business:  Core Competency
Business:  Innovation
Business:  IT used for efficiency/cost effectiveness
Business:  People-Recognition
Business: Alignment of IT functions to business needs/performance
Business: Branding
Business: Career Development
Business: Career Development Framework
Business: CEO/CIO Relationship
Business: CIO Role
Business: Continuous Contact with Customers
Business: CRM
Business: Customer Focus/Sensitivity
Business: Future Vision
Business: Governance Structure/Policy
Business: Human Intellectual Capital/Turnover
Business: IT/Systems Failures
Business: Key Capabilities
Business: Knowledge Management
Business: Knowledge Mgmnt.-Tranfer of Skills/Experience  among BUs
Business: Leadership
Business: Leadership Development
Business: Learning/process/structural/goals
Business: Measurements of Success
```

Business: Merger-Culture/Business Alignment
Business: People-As Resources
Business: People Fit/Right People
Business: People Skills Dev./Change Programs
Business: Product Development-Process/Vision/Mkt Goals
Business: Recruiting
Business: Regulation/ tax structure incentives-clients
Business: Resource-People
Business: Sales Process
Business: Teaming/collaboration
Business: Training
Business: Value Chain/IT role and value; BPR
Business; Resource-Blue Print
Career-Current Role/Background
Challange: HR areas of improvement
Challenge: A culture accepting Change
Challenge: Anticipating the Market
Challenge: Communication-fully integrated
Challenge: Compensation based on new Competencies
Challenge: Cost Restructuring using IT
Challenge: De-centralized Structure/Corp. Integration
Challenge: Integration of Strategy to Planning/Action
Challenge: Maintaining Entrepreneurial culture
Challenge: Path Dependent Transition
Challenge: Re-structuring Distribution Channels
Challenge: Role of External Consultants
Challenge: Transformation of Roles
Client Base
Client Base-Customer Profitability/Cross Selling
Client Base-Lead Processing
Client Base-Shareowners/stakeholders
Client Base: Customer Relationships/Loyalty
Company Background
Competition-Improvements/Defensive Strategies
Competitive Advantage-Sustainability
Competitors
Constraint: Leadership gaps
Constraint: Branding Corp. Awareness
Constraint: Client Base-Underutilized
Constraint: HR-People not important as bus. tasks
Constraint: HR not aligned with Business Strategy
Constraint: Inadequate participative consulting; tops down driven
Constraint: IT Applications not aligned to business needs
Constraint: Minimal understanding of Marketing's role.
Constraint: Missed Market/Client Opportunities
Constraint: No Timeboxing of IT projects
Constraint: No/Ambiguous Measurement-Bottom Line Outcomes
Constraint: Nonaligned priorities
Constraint: Path Dependency-Lock-in
Constraint: Regulation; Labour Laws
Constraints: None
Contraint: Decision Making-Slow/Not aligned/no buy in
Contraint: HR/not enough of the right people
Contraint: Intra/Inter-Functional Non-alignment

Contraint: Pay Incentives not aligned to intended goals/behavior
Contraint: Political Infighting
Contraint: Strategy Fragmentation
Enabler-Extending IT Application to Other Uses
Enabler-Linking IT to Business Functions
Enabler: Bottom Line Outcomes Linking activity
Enabler: Business Driven IT
Enabler: HR-Allignment to Business Strategy
Enabler: HR-Empowerment
Enabler: HR-internal partnerships
Enabler: HR Labour Law; Regulation viewed as opportunity
Enabler: IT Alignment to Business Dir.,Strat.,Vision
Enabler: IT as an agent for Change
Enabler: Leadership Development
Enabler: Leading by Example
Enabler: Low Turnover of staff
Enabler: Measuring Internal Customer Satisfaction
Enabler: Path Dependency Prior Experience/Corp. Memory
Enabler: Rapid IT Platform Conversion
Enabler: Recruiting the Right People
Enabler: Time Boxing
Enabler: Training-Functional and People Skills
Enabler:HR-Creating Knowledge workers
Enabler; Competitive Advantage
Enabler; Inter-team Collaboration
HR Resources
HR Strategy Implementation
HR: Human Captital Model
HR: Downsizing
HR: Future Direction
HR: Organizational Role
HR: People Competency Skills
HR: People Lifestyle/bus flexibility/community
HR: Performance Based Compensation
HR: Project Management/development Competency
HR: Resources- SAP
IT Application-Compass
IT Application: CRM
IT Application: Off-the-Shelf
IT Applications-Proprietary/In-house Development
IT Applications: Future Projects
IT Applications: Mkt. Customer Focused
IT Infrastructure-Data Mining
IT Infrastructure-Data Warehouse
IT Infrastructure-Data Warehouse: Blue Print
IT Infrastructure-Mainframe
IT Infrastructure-Mainframe Limitations/Restructuring
IT Infrastructure: Architecture Design
IT Infrastructure: IT Integration/Common Platforms-BUs/functions
IT Infrastructure: Architecture Design/Development
IT Infrastructure: Call Centre
IT Infrastructure: Call Centre Service
IT Infrastructure: Client Server Platform
IT Infrastructure: Communication Network

IT Infrastructure: E-Commerce/Internet
IT Infrastructure: Intranet
IT Infrastructure: JIT Mainframe Maintenance
IT Infrastructure: Mainframe Maintenance
IT Infrastructure: PC networks
IT Infrastructure:Mobile Communications/WAP
IT Leadership/Role
IT Resource: IT tools to enhance communications/relationships
IT Resource: Architecture
IT Resource: AWD Automatic Work Distributor
IT Resource: Culture
IT Resource: Management People Skills
IT Resource: Measurements of Success
IT Resource: Mentoring and Coaching
IT Resource: Nursery for New Employees
IT Resource: Outsourcing/Vendor Partnerships
IT Resource: People
IT Resource: Retention of Key People
IT Resource: Training
IT Resource: Working Relationships-IT Groups
IT Resource: Working Relationships-Other Groups
IT Resources/Asset Investment
IT Resources: Drive Business Efficiency
IT Resources: Project Management
IT: Internal User Service/Feedback
IT: Merger Implementation
IT: Priorities- Bus. Contribution/Business Survival
IT:Priorities/Planning
Product-Iife Cycle/Time to Market
Product-Process
Products-As resources
Products: IT contribution
Social Network Knowledge: Structure-Informal
Strategic: Direction/Goals/Vision
Strategy: IT Strategy
Strategy: Business Driven
Strategy: Client Focus/Growth/Retention
Strategy: Merger Goals/Direction
Strategy; Strategic Alliances

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IT: Priorities- Bus. Contribution/Business Survival
IT:Priorities/Planning
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Challenge: Anticipating the Market
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Challenge: Compensation based on new Competencies
Challenge: Cost Restructuring using IT
Challenge: De-centralized Structure/Corp. Integration
Challenge: Integration of Strategy to Planning/Action
Challenge: Maintaining Entrepreneurial culture
Challenge: Path Dependent Transition
Challenge: Re-structuring Distribution Channels
Challenge: Role of External Consultants
Challenge: Transformation of Roles
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Business-Resource Combinations: Receipes
Business Process-Automation/Efficiencies/Cost Reduction
Business Process-Customer Channels
Business Process-Internet/Digital Channels
Business:  Innovation
Business: Alignment of IT functions to business needs/performance
```

Business: Career Development Framework
Business: Governance Structure/Policy
Business: IT/Systems Failures
Business: Product Development-Process/Vision/Mkt Goals
Business: Recruiting
Business: Sales Process
Business: Training
Business: Value Chain/IT role and value; BPR
Client Base-Customer Profitability/Cross Selling
Client Base-Lead Processing
Client Base-Shareowners/stakeholders
Client Base: Customer Relationships/Loyalty
HR Resources
HR Strategy Implementation
HR: Human Captital Model
HR: People Competency Skills
HR: People Lifestyle/bus flexibility/community
HR: Performance Based Compensation
HR: Project Management/development Competency
IT Applications: Mkt. Customer Focused
IT Resource: Measurements of Success
IT Resource: Outsourcing/Vendor Partnerships
IT Resource: Training
IT Resources: Drive Business Efficiency
IT: Internal User Service/Feedback
Product-Iife Cycle/Time to Market
Product-Process
Products-As resources
Products: IT contribution

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Constraint: Client Base-Underutilized
Constraint: HR-People not important as bus. tasks
Constraint: HR not aligned with Business Strategy
Constraint: Inadequate participative consulting; tops down driven
Constraint: IT Applications not aligned to business needs
Constraint: Minimal understanding of Marketing's role.
Constraint: Missed Market/Client Opportunities
Constraint: No Timeboxing of IT projects
Constraint: No/Ambiguous Measurement-Bottom Line Outcomes
Constraint: Nonaligned priorities
Constraint: Path Dependency-Lock-in
Constraint: Regulation; Labour Laws

Constraints: None
Contraint: Decision Making-Slow/Not aligned/no buy in
Contraint: HR/not enough of the right people
Contraint: Intra/Inter-Functional Non-alignment
Contraint: Pay Incentives not aligned to intended goals/behavior
Contraint: Political Infighting
Contraint: Strategy Fragmentation

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Business: Core Competency
Business: Branding
Competitive Advantage-Sustainability

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Enabler-Linking IT to Business Functions
Enabler: Bottom Line Outcomes Linking activity
Enabler: Business Driven IT
Enabler: HR-Allignment to Business Strategy
Enabler: HR-Empowerment
Enabler: HR-internal partnerships
Enabler: HR Labour Law; Regulation viewed as opportunity
Enabler: IT Alignment to Business Dir.,Strat.,Vision
Enabler: IT as an agent for Change
Enabler: Leadership Development
Enabler: Leading by Example
Enabler: Low Turnover of staff
Enabler: Measuring Internal Customer Satisfaction
Enabler: Path Dependency Prior Experience/Corp. Memory
Enabler: Rapid IT Platform Conversion
Enabler: Recruiting the Right People
Enabler: Time Boxing
Enabler: Training-Functional and People Skills
Enabler:HR-Creating Knowledge workers

Enabler; Competitive Advantage
Enabler; Inter-team Collaboration

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Code-Filter: Code Family Key Capabililities
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Benchmarking
Business Structure
Business: IT used for efficiency/cost effectiveness
Business: CEO/CIO Relationship
Business: CIO Role
Business: Customer Focus/Sensitivity
Business: Key Capabilities
Business: Measurements of Success
Business: Regulation/ tax structure incentives-clients
Client Base
Company Background
HR: Organizational Role

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Code-Filter: **Code Family Knowledge Management**
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Business: CRM
Business: Knowledge Management
Business: Knowledge Mgmnt.-Tranfer of Skills/Experience among BUs
Business: Learning/process/structural/goals

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Code-Filter: **Code Family Pool-IT Infrastructure**
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IT Infrastructure-Data Mining
IT Infrastructure-Data Warehouse
IT Infrastructure-Data Warehouse: Blue Print
IT Infrastructure-Mainframe
IT Infrastructure-Mainframe Limitations/Restructuring
IT Infrastructure: Architecture Design
IT Infrastructure: IT Integration/Common Platforms-BUs/functions
IT Infrastructure: Architecture Design/Development
IT Infrastructure: Call Centre
IT Infrastructure: Call Centre Service
IT Infrastructure: Client Server Platform
IT Infrastructure: Communication Network
IT Infrastructure: E-Commerce/Internet
IT Infrastructure: Intranet
IT Infrastructure: JIT Mainframe Maintenance
IT Infrastructure: Mainframe Maintenance
IT Infrastructure: PC networks
IT Infrastructure:Mobile Communications/WAP
IT Resource: Architecture
IT Resource: AWD Automatic Work Distributor
IT Resources/Asset Investment

|HU: Cheetah
File: {C:\Program Files\Scientific Software\ATLASti\TEXTBANK\Cheetah}
Edited by: Super
Date/Time: 11/05/03 03:19:17 PM

Code-Filter: **Code Family Pool-IT Applications**
--!

HR: Resources- SAP
IT Application-Compass
IT Application: CRM
IT Application: Off-the-Shelf
IT Applications-Proprietary/In-house Development

|HU: Cheetah
File: {C:\Program Files\Scientific Software\ATLASti\TEXTBANK\Cheetah}
Edited by: Super
Date/Time: 11/05/03 03:20:32 PM

Code-Filter: **Code Family Social Complexity**
--!

Business Resource: Culture
Business Resource: Culture Entrepreneurial
Business: People-Recognition

Business: Human Intellectual Capital/Turnover
Business: Leadership
Business: Leadership Development
Business: Merger-Culture/Business Alignment
Business: People-As Resources
Business: People Fit/Right People
Business: Resource-People
Business: Teaming/collaboration
HR: Downsizing
IT Leadership/Role
IT Resource: IT tools to enhance communications/relationships
IT Resource: Culture
IT Resource: People
IT Resource: Retention of Key People
IT Resource: Working Relationships-IT Groups
IT Resource: Working Relationships-Other Groups
IT: Merger Implementation
Social Network Knowledge: Structure-Informal

|HU: Cheetah
File: {C:\Program Files\Scientific Software\ATLASti\TEXTBANK\Cheetah}
Edited by: Super
Date/Time: 11/05/03 03:22:20 PM

Code-Filter: **Code Family Substitutability/Uniqueness**
--!

Business: Career Development
Business: Continuous Contact with Customers
Business: Future Vision
Business: People Skills Dev./Change Programs
Competition-Improvements/Defensive Strategies
HR: Future Direction
IT Applications: Future Projects
IT Resource: Management People Skills
IT Resource: Mentoring and Coaching
IT Resource: Nursery for New Employees
IT Resources: Project Management
Strategic: Direction/Goals/Vision
Strategy: IT Strategy
Strategy: Business Driven
Strategy: Client Focus/Growth/Retention
Strategy: Merger Goals/Direction
Strategy; Strategic Alliances

Single Codes, Not in Families

Competitors
Career-Current Role/Background

APPENDIX C-4: SAMPLES OF CODED TRANSCRIPTS WITH ANALYTIC NOTES

The following three sample transcript pages are taken from the Leopard case, and show the process of analytic note development.

Well currently we are looking, we have set up an e-commerce area END OF SIDE A We have set up this e-commerce because there is no doubt about it e-commerce will role in future distribution, although our view is the next five years and we have a five year strategic plan. We are saying face to face selling will still be dominant but will be technology aided like that is the bread and butter stuff will be sold through e commerce, you know your simple products, your term insurance, your unit trust. It is the more sophisticated stuff where has positioned itself in the market, works the high-end of the market, you will need face to face selling. But yes with e- commerce we have developed a call centre here where we are selling direct on the telephone. But we are not setting up in competition to our agency and broker operations, this is where corporate clients come in and we say do you want to deal with a consultant, no, fine, then with deal with someone over the telephone. That call centre has been very effective, again the volume is nowhere what we get through our distribution of our call distribution but it is still starting to make a reasonable impact. And then certainly we are starting to look down the road and we say not only in South Africa, today we are an insurance company which is worldwide and from a distribution point of view we will be looking for distribution offshore where we may again be the factory here but we will have distribution offshore, so they can sell our products offshore or sell offshore products which we could administer here. So we are certainly looking much wider than in South Africa because today if you have the offshore companies coming here and competing with you this is going to be a very small market to just spend your whole life here. So it is a lucrative market because (14) insurance conscience however you can t just stay in South Africa, you have got to look wider.

Code: Business: Innovation (2-0)

P 6: L-M-1 Marking Sales Head May 20 2003.asc - 6:66
(1219:1235) (Super)
Codes: [Business: Innovation]

I should not be satisfied if at the end of the year I look and I say hey we increased it twenty percent, it was all investment, I would be worried. I would say hold on I could actually have got more by meaning innovative on the life insurance side as well so that is what I am trying to say. On all fronts. Because people's needs don't change, when I say needs I mean the same sort of products are required, they just become more up to date and they need more complex because you use different vehicles but at the end of the day people want to save for retirement, they want protection on death, they want to know that they are disabled, they want cover. Now those three things will always be there.

P 7: L-C-2 CIO May 21 2003.asc - 7:10 (163:169)

Have a 5-year strategic plan in which face-to-face selling will still be dominant, but will be aided with technologies like Blueprint. The technology supports simple client decisions, eg

Leopard's strategic decision to work the high-end (high worth) of the market requires therefore that face-to-face selling still be prevalent.

A separate call centre capability dealing with slightly more complex products have been set up to support corporates

The call centre has been very effective but the volume has not been comparable to the normal call distribution – but it is starting to make a reasonable impact.

Strategically Leopard is starting to look globally as an insurance company and wanting to build a global distribution capability. This is both because of the growth opportunities as well as spread their risk as offshore companies are encroaching on the insurance conscious SA market

Because peoples' need for insurance products do not change, Leopard's Marketing Director is keen for them to keep focused on their core business — insurance products (as opposed to becoming fully an investment house).

and innovate around their core products and services

Leopard -QC 6

the business and at that stage IT was really dictating to the business what it should do. And then we changed the model and put a lot of the systems development people into business because they had an idea of how technology could be used and they knew what technology was. Business was fairly illiterate from that point of view, they knew how to use the end- user device and how to interface[U17]but that was a limit of their exposure.

Previously there was low levels of business-IT alignment and IT was dictating to business what it should do. The model was then changed, and a number of systems development people were put into the business because they had an idea of how technology could be used, and what technology was. A TECH-STRAT committee known as Techstrat was formed, on which all the business units were represented. An example of one the type of conversation that occurred on this committee went as follows:

P 5: L-C-1 . Deputy GM May 20 2003.asc - 5:19 (280:300)
(Super)
Codes: [Business: Alignment of IT functions to business needs]

So we went to Techstrat, which is the technology strategy committee, all business units are represented there, and we said 'guys if we continue on token ring ATM we're into a hiding second to none, we recommend that we go with the bigger bit Ethernet route, and these are the reasons: it's simple technology; it's easy to manage; a lot of the network companies are concentrating on bigger bit Ethernet; all the investments going in there; token ring investments dying down, it's not supported anymore' so those were all the key issues that we looked at. Some time ago we took a strategic direction that NT would be one of our strategic directions, so we started moving away from Netware because if one looks at the kind of money Microsoft is putting into research and development, and then also they were looking at broad architecture, they were hoping to replace everything.

Techstrat also noticed trends in the business and technology landscape, which then informed decisions in the company

Techstrat is a forum that brings together the discussion between business and technology.

P 7: L-C-2 . CIO May 21 2003.asc - 7:6 (91:120) (Super)
Codes: [Business: Alignment of IT functions to business needs]

LI: The CIO the role that I play is - because I report to and I am still represented on the Executive management committee which is chaired by and we have a technology strategy committee which has got representation by all the business unit heads and that is a forum try and bring technology and business discussion together. Now that is basically an instrument, which I will be using to generate the market the ideas and to raise concern about general matters pertaining to IT and our strategy. KA: Those committees must be quite important to get align in business and IT. LI: In terms of the alignment in the last two years has been chairing or leading a group planning strategising and planning process and last year was the first time that systems people were invited to attend those strategy workshop and we contributed directly to what is currently our strategy for the group. Hopefully in terms of alignment we are planning to do a professional study to basically use the words "tease out" to really identify whether we do in fact have alignment or not and from that to come up with some new action plans and to negotiate budget and all the work for next year.

GROUP CHIEF EXECUTIVE

Over the last 2 years, has chaired a group wide strategising and planning process, and in the last 12 months was the first time that systems people were invited to attend and contribute to the group strategy. The focus on business-IT alignment is being thought about on multiple levels of the company and

Code: Business: Career Development Framework (1-0)

CIO
- reports to CEO
- on Executive mngt committee
- on Techstrat committee

Governance structure

coded CR 8

pure managers — from — and future required — Lea. development

The idea is to develop leaders growth paths dependent on their strengths. It does, however, require an emotional maturity and vulnerability from leaders.

It is also gives you some of the input. OK so that is where we have been moving now in terms of leadership development, understanding who you are and where you are going to and are now planning to start off with the senior management team. OK, the output is confidential it is entirely up to you as to works on it but we are happy to bear ourselves and say this is what it said about me, good things and bad things. Some of the areas that I don't like doing things might not be relevant at work so I can choose to ignore those or if it is relevant in my job I need to put plans in place to make sure that I then develop those skills and support the job. So that is how we are trying to move from management to leader.

broker consultants sell to the broker — promoting why they should use Liberty products

P 6: L-M-1 Marking Sales Head May 30 2003.asc - 6:6
(110:138) (Super)
Codes: [Business: Training]

Components that makes a broker consultant

Training	Knowledge
Blueprint/technology, Products, Third party selling	Product knowledge, legislative knowledge, Knowing how to sell to third party

And they trained essentially in marketing or operations? M: They are trained in computers, I will come back to blueprint just now because it applies to everything. They are trained in computers, they trained on products, they trained to third party selling, all those things are the components that make up a successful broker consultant. In other words you must have product knowledge, you must have legislative knowledge, you must be able to sell to third parties. I am not saying direct to the client, you are selling to the broker, promoting, in other words why that broker should support his company. Ok so that is the broker consultant and of course on top of that is the service but we will come b~~ack to service~~ and because that applies to the whole package that you offer. So that is broker consult~~ant and then~~ we have the agent. The agent works for us, he is contracted to us, he can only sell for us and he goes out there and sells directly to the consumer. So he operates like the broker except that he can only sell for Liberty Life, whereas the broker can sell for anyone and the broker is not our employee.

More than technology

Agent
Works for ~~Liberty~~ and is contracted to only sell Liberty products directly to the consumer

Both broker consultant and agent trained this way.

Code: Client Base-Customer Profitability (2-0)

P 1: L-IT-1 Liberty May 17 03.asc - 1:14 (246:258)
(Super)
Codes: [Client Base-Customer Profitability]

it's like every organization we have clients who are profitable to us and some who are not profitable to us and some who're just sort of paying their way. K: Ya AB: Obviously we want as many of the profitable ones and we want to dispense with a few of the, K: Hanging on AB: We know we've got clients who cost us money and we'd really like them to go our competitors.

Through marketing results client differentiation in order to identify profitable clients and understand the reasons behind why some customers are not profitable. It's not always prudent to dispense of non profitable customers

P 1: L-IT-1 - Liberty May 17 03.asc - 1:15 (267:286)
(Super)
Codes: [Client Base-Customer Profitability]

and ~~attempt~~ adopt strategies that turn them into profitable customers. Sometimes it may be that certain intermediaries are only passing on unprofitable clients

Leopard CRE 15

APPENDIX D: INTERVIEW DATA – CHAIN OF EVIDENCE

This appendix was created to show the interview evidence that establishes the conceptual framework to support the case analysis of each assurance firm included in the study. More specifically, the following sub-appendices shows the conceptual building blocks, based upon evidence, that demonstrates how key complementary resource combinations form the bases upon which core- and key capabilities are created by each assurance firm to enable, or constrain, their ability to maintain sustainable competitive advantage. For each case analysis, two key tables have been created: (1) A synthesis of the complementary resource combinations that demonstrate how resources, combined with IT, create potential advantage; and (2) attributes of sustainability that define the strategic architecture of the firm with emphasis on social complexity, and other firm characteristics that define uniqueness.

APPENDIX D-1: INTERVIEW EVIDENCE FOR BUFFALO CASE

Through the analysis of the interview data, the following CRCs were identified for Buffalo SA. Out of the 14 CRCs, 8 were considered "significant" due to:

- the strength of evidence among Interviewees; this CRC was discussed frequently;
- other documentary evidence corroborated the particular CRC as important;
- the role played by IT.

Within the list of 14 CRCs, the 8 significant ones are highlighted in "bold" below. This list is followed by Table D-1.1 in which more substantive interview evidence is presented to support each of the 8 CRCs.

- **Creating a reputation for market leadership in product development.**
- Creating digital access considered key strategy to direct communication with Clients, agents, and brokers
- **Deploying a ubiquitous distribution network selling to all retail market segments from high income to low income groups.**
- Designing an international organisation under a Plc structure allows risk spreading and shared IT knowledge
- **Designing cross-selling capabilities through market based alliances with other firms, capitalising on synergies with complementary products.**
- **Highlighting and investing in business-aligned IT as a key lever to organic growth and efficiency**
- **Establishing an expectation of employees co-create bottom line success and, therefore, are motivated to consider careers rather than jobs at Buffalo SA.**
- **Institutionalising a Program Office to support large business-sponsored projects**
- **Institutionalising Corporate Governance through closely linked vertical integration of codes of conduct and values of integrity.**
- Linking network of senior managers in all Buffalo Plc subsidiaries not only structurally, but through stock ownership incentives that promote inter-business cooperation
- Maintaining a large customer base of roughly 4 million policy holders world wide; of which approximately 2.7 million are in SA.
- Maintaining an organisation recognised for its marketing innovation, supported by extensive market research
- Supporting brand name recognition of Buffalo SA as a "household" name with over 150 history of being South Africa's insurance firm
- **Using outsourcing partnerships as a means of developing more efficient maintenance of "backroom" IT functions.**

Critical Complimentary Resource Combinations(CRCs) - Buffalo

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo

CRC	Supporting Resources	Evidence-Interview Analysis
Market Leadership in Product Development	• Well funded marketing department; Sets overall marketing strategy • Extensive market research investment • Large client base from which to extend market research • IT support of product development	• **B-B-1:** we pride ourselves on being product initiators, being product leaders as opposed to followers, and certainly the funded funds is an area where we led the market in terms of product development, and we're reaping the benefits as a result of that now...we will sell a product to anybody who can afford our minimum premium. That's one point that we make. The other point is, we would like anybody in the Group to make use of our product as an underlying investment vehicle in their product design. So we view our products as building blocks. • **B-B-2:** The focus is getting our systems up and running to accommodate the launch of new products and to accommodate new legislation coming in. • **B-C-1:** ...Buffalo can't go into market with a new product without the IT capability--examples include Buffalo virtual bank and policy administration which are not possible without IT. • **B-IT-3:** I think it is about reach, it is about agility, um, and I say it is reach because you can now reach different customers with different products, it is about agile as you understand the markets on a proactive basis you can move with those markets proactively as opposed to reactively to the market...So there is two components, running the business and selling the product, so IT enables both of those. • **B-M-2:** ...we have four major different product systems operating on four major different environments and what have you and we are building a fifth one. But it does not worry us because we are still able to have an interface, we are able to bring the things together... • **B-M-3:** ...individual life's margins are much bigger – our margins on our business {unit trusts} are tiny compared to – we bring in loads of money but the margins are already tight and the industry wide thing...Margins on life insurance product are much higher and making profitable business...It will just get bigger and bigger.

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Ubiquitous Distribution Network serving all retail segments	• Well developed agent, broker, and electronic direct sales and servicing structure • IT support of channels • Channel management capabilities with emphasis on balanced commission incentives to promote products	• **B-B-1:** …an area that is important is your relationship with your distribution. So historically distribution was, and is human in nature. We make use of human distribution to sell our product…People sell products in order to earn commission, so that they can feed their families. So one has to pay their commission quickly. But firstly you have to be able to provide them with products that they can sell. …So again you get back to performance. To make their job easy, you need to provide them with funds that are performing, you need to pay their commission, you need to make their client servicing…with their clients, painless…we will be rolling out within the next couple of months, …password protected, internet access; the ability for a broker to look at all his clients accounts, over the internet. And there's a whole lot of functionality which the broker will be able to do. And in fact, individual unit holders will also have the facility to put in password, …pertaining to them specifically. And see things like, on a daily basis their account…{But} people are comfortable being with people. And the broker is there to provide value added advice. • **B-B-2:** Let's start at the focus distribution. I think we've very educated people who actually go out into the field to drive that focus on distribution. It's no more that you just go and sell a unit trust type of thing, you have to be rather educated on {estate planning} almost financial adviser type level. So I think there's been lot's of development in training from a people perspective {to upgrade skills in this area}…because now our Buffalo distribution family feels a need for lots of support from head office and branches across the country. • **B-C-1:** With the Internet we can now sell unit trusts online through FundsNet you can do full investment transactions. WAP gives you the ability to take out, sell or move unit trusts to a new portfolio. • **B-C-2:** The Internet is starting to play a role. Our focus is along the lines for the customer who wants to do it himself; let him, but don't force the customer to do it himself. On the other hand our distribution channels,

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		enable them by the use of Internet, e-commerce and m-commerce. SMS is a key aspect of delivering information to our distributors in terms of status of their policies. In our business plan we see those three technologiesplaying a role. We also see Interactive Voice Response (IVR) starting to playing a role. . • **B-M-1:** We started talking about distribution, as one of a key success factors in this business the only one in which we have actually been very, very successful on the management distribution, distribution channels in the past but which is a crucial issue going forwards...in terms of the multiple channels... When the decision was made to go via a broker as well, traditionally we have gone via a direct sales force, when that decision was made in the 70's to go with the brokers there was...tremendous conflict or anger...sales force said...they are going to lose business...there are a large level of customers that will use one {brokers} but there are also a large level of customers who want to interact with Buffalo direct. So there is a complexity of the distribution framework...It is probably one of the strongest distribution channels that we come through the brokers, the agencies private network through a direct proposition. • **B-M-6:** If you talk distribution its a very, very tightened distribution system. If you look historically, you say then why has Buffalo been successful that's one of the most important reasons it has been our ability to distribute our product.... we have managed to do successfully is to manage two large seemingly contradictory sales forces at the same time. Which is that we have a tied sales force, those that are employed by Buffalo and sell effectively only Buffalo products. We also work through a broker or independent financial advisor channel. A pretty contradictory {arrangement}...you know objectively speaking, but in terms of the dynamics in the market place itself it is competitive as a result there are companies {competitors} which actually either went one way or the other. • **B-M-2:** : We have, depending on which

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		figure you want to look at, anything the great individual life is two point seven million current policy owners, we are in contact with or we have information on about six million people who are associated with those policy owners...you say our lives are short, the children, the beneficiaries and what have you and in fact we have got nine million people on our individual life client base, and then we have got the unit trust and group schemes. So we are in contact with a very substantial proportion of the economically viable population of South Africa and providing we do the job properly, we have the inside edge, which must be an advantage...I have been playing with ...segment analysis... where I am looking at success in relation to anything at the level of a branch activity,...there is a variance of ten times, not ten percent, ten times between the results of most successful branch and the least successful branch. • **B-M-5:** there is a hundred and sixty two branches by the way, it is just our agency distribution branches. We have approximately eighty three broker branches country wide. • **B-IT-2:** the online brokerage, well that is clearly something which we need to work. It is very definitely a strong IT initiative or where IT is strongly involved because it is really through the creation or it is really through the delivery of IT capability that the business initiative is at all feasible.
Cross Selling using Alliances with other firms	• Large client base (approx. 2.7 million policy holders in SA) • Data warehousing capabilities for market analysis • Strong marketing strategy organisation • Magnet products in customer base considered attractive to potential alliance partners	• **B-B-1:** ...Buffalo has a company within it called 'Investment Frontiers.' And within Investment Frontiers, you have an endowment product, through that endowment product, you can select one or two of the Fedsure Funds, with many other switching capability between these funds...we have the management of our funds is outsourced to Fedsure Asset Management. So it's incumbent upon Fedsure Asset Management to employ good fund managers within their whole organisation. We do outsource to another company called {Newcut Investments} but their speciality is the management of funded funds. And we have a range of three funded funds which they

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		manage on our behalf. • **B-M-1:** again {we have} a very strong position in Buffalo life. Where we have gone into the linked products in the market through {Planetarium} which is a Buffalo Bank product. • **B-M-2:** we have got two point seven something million people, million policy owners which represents I suppose about out of an adult population of eighteen twenty million, it is something over ten percent. In fact we have probably got about twenty four, twenty five percent of the economically viable population on our client base, directly or indirectly and I would say we are about, effectively,...one and a half times in size of the next competitor in the market • **B-M-3:** those are complementary products...people will have life insurance for a very good reason and people will have unit trust for a different reason and I do usually have both in your portfolio in balancing everything out...there are so many more players coming in to the market and lots of linked product companies coming in and a lot of the money coming in through the linked product company so you know it is quite competitive. • **B-IT-3:** let's take a thing...you buy a policy, you buy property and you now put change to the address, this is my new address...there is opportunity, what other things are you missing, do you have life cover, how long have you been at this address...Now it is opportunity...we can get in there. But then it is a first mover kind of advantage. So maximise the revenues thing is about consolidate the customer information... Now the challenge for us in our business is because you can buy life insurance product and you have got a million Rand cover, why do you need to speak to us again, there is no reason. Now who do we create a need for you to interact with us or how do we create a vehicle that we can stay close to you. The bank is the most obvious one such as the value added service--master card with Buffalo Bank...where you get a discounted fee. So

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		we can start getting a lot more detail on what customer behaviours are…you always try to turn the long term insurance business into retail business, so you can stay close to the customer… we will be able to sell other people's products through our distribution capability. • **B-IT-4:** Key- capability is taking the Buffalo brand and offering unit trusts, life products, pensions and filling the gap that's not there i.e. offering people some banking deposits, mortgage loans so that Buffalo has a better offering to its client base.
Business Aligned IT to drive organic growth and efficiency	• IT infrastructure customer database enhanced by data warehousing and data mining applications IT management and technical expertise • Structure of IT investment oversight on large projects	• **B-C-2:** It's mainly skill I would say, in understanding the business very well. You know we assist the business in making decisions about direction, which I think is a critical one...Innovation and the ability to move quickly and come up with new ideas and put them into the marketplace…stay ahead of the bunch, stay ahead of your competition. Spend enough money on development and growth not maintaining. It does affect your profits but in the long-term the benefits are there… because the time for delivery is getting shorter and shorter and it's only with IT that you can actually deliver in time. • **B-IT-2:** …it is about combining IT to create, with innovative legal framework thinking to create an environment which provides a level of service that clients would take… finally the online brokerage…It is very definitely a strong IT initiative or where IT is strongly involved because it is really through the creation or it is really through the delivery of IT capability that the business initiative is at all feasible. We are currently working on deciding how, what form that will take and how that will look…I am at the centre of working on that along with XXX and the marketing people. • **B-IT-3:** I think people recognise the fact that IT is a key player in that role, I think that

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		what they are grappling with more is how do you manage it, how do you derive that benefit out of it because at the end of the day you can, delivering the system or the "applicational" infrastructures, is a fairly relative or easy task, extracting the value out of that is the trick...what is IT going to do. The IT response is very simple you know, reduce the cost of IT so at the pure running is brought down--the cost of running the systems, performance tuning, better design, correct platform, you know, are the cost of processing is coming down fast and the cost of the servers, why is it sitting in the mid-platform and not on the mainframe, understanding which technologies platform you should be investing in, ask to get out those efficiencies and exploit them. • **B-IT-4:** The nature of the business {unit} is electronic so it's enabled by technology so it's very IT centric. In the old phase of the bank the IT department has been the biggest department it's only now that we're starting to run that the user areas are getting bigger but IT has been the bigger area investment wise, staff wise in the bank. In terms of enabling, it enables the business to run through what it builds and what it puts on the table.... I have responsibility for Buffalo banking services and we have an IT strategy, which is closely linked to the business plan it's the business proposition/case/strategy which links into the IT strategy. • **B-M-3:** I think ...distribution does not exist on its own. Distribution exists within the framework of everything we do and marketing. They kind of inter relate in so many different ways and require trust—with marketing and IT input, operational input so the resources and skills...IT is as important in distribution as it is in marketing as it is in operation and for example straight processing as it is in finance and in terms of the billing systems or the commission payments and everything is as important in all areas

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Employees regarded as co-creators of bottom-line success	• Large employee base; including sales distribution force • Training institutionalised; encourage self-initiated learning • Institutionalised performance feedback and career development	• **B-B-1:** ...training is essential and we're very big on that. We're not scared to spend money on training people. • **B-B-2:** We used to do a transformation project, very intensive process which we started. We actually had a lot of achievements with the whole project-- restructuring, implementing things like balance score cards to track performance to reach financial goals...We started to implement all of that ..; {in the} total business and IT...they are actually doing a whole performance measurement on a balance score card basis. ..then we changed to more to a change management approach which is completely different actually. I mean change management used to be a part of transformation but not everything... the focus to me is very heavily on technology which often leaves people behind a bit. That's why I would say...we've done so much in terms of change management. • **B-IT-2:** I would really not enjoy dealing with people that are not prepared to up-skill and train themselves and use the business as a facilitator. To me the business does not go and say ooh, wow, it looks like you are due for your training this month, people must be constantly up-skilling and re-equipping themselves using the business as the resource provider to assist them to do that...the business needs to provide a setting in which learning is a culture as it were and providing that capability... specific types of people display a far greater attitude and willingness and absorption and receptiveness to learn, to continuous learning...those are clearly the people that you want. • **B-IT-3:** we have rolled out is a system now called Aviator which is a three sixty degree web enabled performance review system, {where peers} make comments against a set list of criteria...So there are two ways you can deal with the group. We could say, we are going to do review on you, now I have seen this so you must give me five names of people you want, but some of them must be senior and some must be colleagues and some must be junior, now you can choose them. Now

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		the risk for that you can choose the people that you want to give the right information to or we can say listen we are going to randomly generate five people that have worked with you and we are going to get feedback and then what happens, they go along and they fill in all these questions against your job alright, the system collates all that stuff, prints out a graph about how they see you in each of the different categories, how you see yourself, how they see them. So it is a non-confrontational way of dealing with conflict. • **B-IT-4:** We use training in a very wide format. We probably subscribe to learning organisation principles and part of our value system is that learners are being self-driven to be masters at our craft. So there is a lot of emphasis on people teaching themselves, lots of buying books and resources and then mentoring and teaching and sharing knowledge rather than a big investment in formal training. We do use training if we need quick access to skills or some standard. • **B-M-2:** until relatively recently Buffalo's HR policy was to develop its' staff and so until relatively recently the number of senior external people that were brought in was very small and that certainly helped, the moving of people around helped make that sustainable and the fact that the first place that you look for a person to fill a hole was in your organisation but not necessarily there or widely in the organisation and I think that helped tremendously...the great advantage of recruiting somebody from within the organisation and not necessarily within your particular line, is that they always bring in some other knowledge, some other skills, some other experience...it started off many years ago—CEO's philosophy was that he would recruit people who had educational disadvantages, people who had failed matric, who had dropped out of university, for some reason which made them so much more loyal to him, much more difficult to poach and therefore much more developable. • **B-M-4:** I mean, I think one of the things that we have established and are constantly refining, is internal management process, which tries to identify people who

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		are high flyers and tries to give them opportunities, as early as possible to take a general management perspective, either through strategic projects or through new small business units and give them that sort of responsibility and freedom. I wouldn't call it entrepreneurial, that would be overselling but to give that type of opportunity to somebody whom you see as a future leader, I think is very important and helps you to ensure that they stay put. And we're a large enough business and we're creating new businesses fast enough that we can do that, so that's quite good. • **B-M-5:** I give you an example, I am currently looking for two people, there is a country wide message going out within Buffalo. Coincidentally it just happens to be part of the new employment equity bill which says you know look inside first and then you know, but it is so entrenched within the culture that it was not a transition.
Institutionalised IT structure with Program Office	• Significant corporate IT strategic focus • Significant investment in IT • Centralised investment decision-making on large investments	• **B-C-1:** There is a stringent procedure for projects that cost more than R25 million; the case for the return on investment needs to be proven… Project management is important, although the problem is understood it's still a problem to bring in projects on time. • **B-C-2:** What we typically have in running our projects is that we have both an IT project manager and a business project manager. Together they run the project. Now typically the business guy depends on the IT guy to tell him when things will be ready. The business project manager is responsible for marketing, training, communication so there is a critical relationship. There is no sense in developing a new application and then no one is using it because they are not trained. • **B-IT-2:** At every level so to call it this big IT planning thing and a few people buy this big software packages that cost millions, there is a role for planning at every single level, I mean there is project planning, there is different kinds of planning, there is strategic planning, there is planning your own personal time management planning, your own personal life, it is everything

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		really, planning is important at every single level of anything and so the answer to that must be yes, but it is equally important in anything, it is no more or less important than any other environment and clearly I mean project planning is just merely a specific spin on planning and it is a particular kind of event that you want to plan. So the answer is and the minor effort that you put into your planning is determined by the logistical complexity of what it is that you are planning. • **B-IT-3:** We have just recently established a project office, programme office for the group but understanding what is happening at the group level, so you can log in and find out what the projects on are ongoing, why do I need to repeat them, why don't I just log into, so start sharing information across the organisation…{that's what we do}. • **B-IT-4:** I think in the future we'll just continue using the model in terms of how we formalise our project management as well. What we have there all of our projects are business-driven/led even the IT projects. So we attach a business driver/reason for doing all strategic project even if it's a big IT project like choosing a new ERP system or whatever it's normally linked to a business sponsor who has a problem to be solved or a reason why it's meant to be done. They then provide the governance or what's to be delivered so it works quite well.
Vertically Integrated Governance Structure	• Corporately sponsored governance structure • The 'Buffalo SA Way' with emphasis on trust and openness • Buffalo SA social responsibility measurement structure	• **B-C-1:** At business unit level there are references to IT throughout the document on Buffalo's vision… IT doesn't exist by itself therefore it needs to follow the governance structure of the business…. • **B-IT-2**: …what I can say is that at the end of the day the governance and business ideas need to be aligned. So in other words a business as a whole needs to have a risk profile or a risk setting, that must determine the level of governance that you have, a business must have some other strategic agendas that determine various other kind of practicalities of governance in terms of you

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		know, the level of operation and internal competition and whatever else it is that governance was going to impact in terms of things to mandate, do similar or whatever. So at the very basic level governance is not a simplistic issue because it has to be related to what happens in the business, that implies certain fundamental criteria about governance. One of those criteria is that governance must be flexible. Now governance and flexible are opposing words because governance is not a flexible most certainly not in implementations certainly. So that is a big challenge, it is how do you achieve flexibility in your governance...I don't believe that Buffalo is alone in its plight of not having solved that problem, I believe it is a general issue. • **B-IT-4**: IT sits on the executive and it's part of the business governance. There is full awareness of what's going on. The other thing is that the team operates in terms of key decisions, strategies that kind of stuff... If you do decentralise because of size you need some kind of governance in place that ensures there is alignment to standards and reuse of things that have been done before. I think in a group like Buffalo where we have a combination of centralised and decentralised {entities} it's difficult to get all the ducks to fly in a row...It's control, there's top down control, there's full buy in to the values, the vision, standards, the strategy, there is full accountability to every facet of IT in one place.
Outsourcing of non-core IT functions	• IT infrastructure large with several legacy systems • IT organisation aligned with business to determine core and non-core functions	• **B-B-1**: I believe we make better use of our technology resources. I'll give you an example: We do {help service} sixty percent of the unit trust industry through use of a common admin. platform, called Limon. Now we've done development work on that system which Limon then sell on to others and then we earn a commission or a fee for that. • **B-C-1:** The future is to link all the Buffalo firms worldwide and to outsource Internet infrastructure. • **B-C-2:** Specifically in our scenarios where we have outsourced our infrastructures

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		to an external provider therefore that relationship is critical. It is governed by a contract but the contract is not enough you need a relationship. • **B-IT-1**: As part, sorry to just cover a bit more on the partnership, the outsource is typically the transfer of our assets, so we had resources transferred across and equally a degree of Buffalo's IT infrastructure became {Global IT Outsourcer} assets as well. So for example Buffalo's mainframe machines are now {Global IT Outsourcer's} ...One has to remember in outsource is that you can't just be buying resource and not buying equipment, and service. Buffalo is looking for the best service and the best service level for the best price and equally {Global IT Outsourcer} is looking to provide that and obviously all the way along the line to reduce Buffalo's cost... four hundred staff that have move across to the {Global IT Outsourcer} organisation... I think that is a very key one because you are talking about {Global IT Outsourcer} being a service provider—a move from being an internal service provider to being an external service provider is key. And therefore they doing a different job... So they have moved from a back room in Buffalo to a front line job in {Global IT Outsourcer}. • **B-IT-2:** Well managing the IT operation clearly which that then includes everything, the manpower resourcing...the IT infrastructure itself although the infrastructure management is outsourced to {Global IT Outsourcer}, but still a responsibility for making sure that relationship, and budgets are clearly {defined}...We outsource lots of things and then from an IT operation I can talk about resourcing that we outsource the bulk of my big work is outsourced, the bulk of what I do is outsourced, so it is about managing our components rather than and managing things that are done rather than doing it all ourselves. So there will be a level of outsource but we are not specifically working with a {one} partner...the strategic thinking and the business and the marketing and the distribution aspects of IT are all...internal to Buffalo...clearly what we are looking at is creating an administration hub,

Table D-1.1 Synthesis of Critical Complementary Resource Combinations-Buffalo (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		• what we are saying is that some of the transaction capabilities and the operation capabilities are commodities in business today and that those things {functions}we can in fact benefit by "commoditising" them. • **B-IT-3:** Having the capability to share with your partnerships, having capability here because I scaled up to sell them to new markets, why can't we sell, administer products for other companies. One of the ways of bringing down my cost is by creating a variable cost out of it. Part of our challenge is our 1500 mips capacity, for example, let's use that argument ... but I only need a thousand. Now I sell it off...I can pump other people's business through my capacity because part of the {IT} market is cost scale, and economies of scale. I can also sell into other markets internationally, and administer here and get a cost efficiency. • **B-M-6**: I have been very involved in outsourcing our infrastructure and development. Our IT structure development and we have just gone through that.
Source: Author's Analysis of Transcribed Text		

Attributes of Sustainability: Social Complexity – Buffalo

Table D-1.2 Summary of Attributions of Sustainability-Social Complexity: Buffalo		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
The "Buffalo Way" Culture—a commitment to integrating multiple stakeholders needs through the integration of 4 core values (integrity, commitment, growth and passion)	• **B-C-2:** The other thing is our values. Our key value is integrity. Its value for money • **B-HR-1**: I think you've got to do some of the stuff we were trying to do… flatten the structure, move more to self-managed teams, move to multi-skilling and sort of revitalize the culture…to me the only way we're ever going to achieve those initiatives is to change our leadership, to change our culture, to change our structure, to change our people. You've got to change it all and you've got to keep on changing it. It doesn't just happen once off, you've got to build it into the culture that's a culture continuously renews itself… I mean in any transformation process the first thing one needs to do is allow the catharsis of the feelings, one allows the openness, the honesty and we really got that • **B-IT-3:** I wanted to say it is probably that simple as at the same time they are complex because we know organisational culture of the organisation of the size is not something which you just switch on and switch off. • **B-M-1**: It {integrity} is part of the value system and it also has contributed tremendously to our success but on the other hand our success also enables it because we are not under such pressure to cut corners to achieve the bottom line to keep the shareholders happy. .. That is of course the other challenge which is a change… previously we only had to keep the policy holders happy and now we got to keep the policy holders and the shareholders happy. ..we are looking much more closely at profitability and having share price {as an incentive}does help…a nice easy way of setting a bonus structure, if you have got share incentives which are based on Buffalo share price, then you are encouraged to think what can I do to help Buffalo's share price. • **B-M-5**: A big one is integrity…Probably the biggest. You find when you speak to	**Impact on:** • Expectation of employees to co-create bottom line performance • Governance Process integration to reinforce values • IT investment as lever for organic growth **Enablers:** • Employees bottom line focus see investments (such as those in IT) as a means to create value • Shared Culture acts as catalyst to create a complementary market approach across Bus **Challenges:** • Changes in environment require vigilance among employees to continuously adjust • Requirement for careful balancing of both complementary and often disparate needs of stakeholders

Table D-1.2 Summary of Attributions of Sustainability-Social Complexity: Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	competitors they will say we don't know how Buffalo actually happens to be able to that because they are such a conservative company. You know, we will never cross the line between ethics and what is wrong you know, there is a way of doing business and it is all about integrity and clients know that. • **B-M-6:** So when I arrived here and try and tell you I've got a large policy {that includes} Unit Trusts and asset management... you cannot do that if you are working for one business unit or they are not talking across each other in terms of sharing information… so you obviously think {integrating} organisational cultures. That's critical…. I would say that Buffalo is going through incredible changes at the moment.	
Senior Leadership engaged in "direction setting" with heavy reliance on integrated processes, formal committees, and teamwork to govern daily action and project implementation	• **B-C-1:** Now through a process, that we call BITS, which is business-IT strategy, we went and established what are the business needs and priorities for the next three years. So we have therefore got ten strategic programs that we're running that relate to these business priorities. • **B-HR-1:** {there is} high intellect on that management team. They're a bunch of very, very clever people. A bunch of individualists um, but they're very clever. And they have a very high strategic ability…which is very unusual - They don't know how to structure internally to achieve what they want to achieve • **B-IT-2:** it {project championing}is part of the job and it will become an impassive part of the job in the future. So today there is some championing required…These things you can't do at the bottom, you can't drive marketing campaigns and other initiatives of business, they have to come right out of the top of the business, it has to be what the business wants to do…it is about creation of goals, it is about creation of desire, it is about motivation… if people know where they are going, they know what they must do, they really want to get there and you can leave them and they will get there. • **B-IT-3:** We have done a lot of work in the last year, putting in what we would term business governance controls alright where	**Impact on:** • Leadership expectation of employees as "co-creators" of bottom line success • Institutionalising Corporate Governance through closely linked vertical integration **Enablers** • A "federated" approach to organisational structure with Plc strategy, processes, governance principles with formal committee structures providing the need vertical integration • Some degree of autonomy to a business units primarily based in the UK, SA, and USA

Table D-1.2 Summary of Attributions of Sustainability-Social Complexity: Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	the business projects have become business justified from either a return on investment, net value, whatever way you want to determine the financial criteria or the hurdle rate for that investment in the business and...anything over fifty thousand has to go to what we call the business alignment board...So all these processes get justified and approved by this board who manages the investment made into IT. • **B-IT-4:** The other thing is that the team operates in terms of key decisions, strategies that kind of stuff... centralised, decentralised has pros and cons. The one thing is size I think it's hard to control something from a central point of view if it's very big. It makes sense then to decentralise but if you decentralise you don't have benefit of group spend, the group alignment reuse all those kinds of things. If you do decentralise because of size you need some kind of governance in place that ensures there is alignment to standards and reuse of things that have been done before. I think in a group like Buffalo where we have a combination of centralised and decentralised it's difficult to get all the ducks to fly in a row. We're small so we centralise and know what IT is doing. It's a factor of size...It's control, there's top down control, there's full buy in to the values, the vision, standards, the strategy, there is full accountability to every facet of IT in one place. • **B-M-3:** A lot of that cooperation that you want to call it happens at executive team level –I think there is 7 or 8 on a team e.g. IT, operations, marketing, distribution, product developments. HR is not on the exec team any more. – So that is it – we meet every single week and there is a lot of formalised forums for those kind of interactions...we have on a Thursday the marketing distribution meeting every week - and we get together and talk about all the initiatives...and what needs to be done and all of that – so there is an enormous amount of cooperation and I find people are very good about calling in people and talk about other resources that they need – if there is a big project on the go and then there is normally somebody from every discipline involving a project team and so that does not	**Challenges:** • Maintaining the proper balance of centralization to obtain Corporate Plc synergies and decentralization to encourage innovation and rapid response to local markets • Facilitating knowledge sharing (e.g. IT applications) among widely dispersed global entities • Establishing enriched discussions on business issues through the representation and input of relevant stakeholders

Table D-1.2 Summary of Attributions of Sustainability-Social Complexity: Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	seem to be a problem in this company at all. **B-M-4:** If one looks at the management team, the top management team, I don't know how many of them are new to the company… some 40 to 50% that have arrived in the last five years, which is a good balance, I don't think you want more than that because you must have continuity and you must have opportunity for people in the firm to grow.	
Employees valued for long term career contributions to teamwork and collaboration	• **B-IT-2:** there was pretty much a representation on each area of the business there and it makes for some interesting… some views and how different people look at them. But the thing is it does also, if one can draw it all together, it actually makes for very powerful solutions. • **B-M-2:** I think that Buffalo is quite good at developing people and giving them the challenges which keep them. The other thing is …movement of people across business units and it also helps create synergy, it helps create understanding… certainly in order to be a qualified actuary, you had to have worked in different areas and so then actuaries had an actual rotation plan that they moved around the business…people say well we are looking for someone to head or to run this particular business function or this particular thing and then look across the whole organisation to see whether we can't move people around. • **B-M-3:** I think of people resources we are fortunate now that we got a very forward thinking management – we got a young group of management who really are intent on driving this company forward and they embrace new ideas and it is really nice to have young leaders in this company because I am sure you know the rest of Mutual is very old and it is full of a lot of older people who have been here since {they} started--it was their first job and 25 years later they have risen through the ranks and grades and whatever and they still at Mutual whereas this company seems to have and XXX {employee} is probably here the longest of everybody but you know • **B-M-4:** I've seen incredibly talented people	**Impact on:** • Establishing an expectation of "co-creation" of bottom line success; with employees focused on careers • Institutionalised Governance through closely linked vertical integration of codes of conduct and values of integrity • Outsourcing partnerships for efficient management of "backroom" IT functions **Enablers:** • Low turnover with employees heavily invested into the Buffalo way and culture • High likelihood of maintaining the governance principals • Encourages employees to focus on the success of the business rather than looking for their next job. • High likelihood of retaining high levels of knowledge and experience with the business

Table D-1.2 Summary of Attributions of Sustainability-Social Complexity: Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	• join the organisation from outside, now that's quite new for Mutual. Traditionally you were home-grown in Mutual and you know, after twenty years serving the company, you become general manager and you dip into retirement, and that's a bit harsh. And that's not really true but it did, as a Buffalo status it had a little bit more of a civil service feel... I think the people mix that we have now, is pretty impressive. • **B-M-6:** Quality of training in management of those people, development of those human resources. It is often said that it is called the University of Pinelands... One of the things that pulls you to the organisation is the quality of people. That of course works across the business, so it does have a tremendous depth of people that allows one to {work with well rounded colleagues}	**Constraints:** • Low turnover may cause complacency and negative path dependent behaviour • Commitments to employees may create difficulties with re-structuring to improve the bottom line
Source: Author's Analysis of Transcribed Text		

Attributes of Sustainability: Uniqueness – Buffalo

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Integrated Marketing (product, distribution, and brand) continuing to build upon large share of SA market	• **B-B-1:** You've got to look at it in conjunction with life products, with other types of financial services, an holistic view of an individual client… the Unit Trust Company is quite independent in the manner and the way we run our business. In terms of, for example if you look at the marketing function, it's corporate marketing, who oversee the corporate brand. I buy into that, however I produce adverts myself. As long as they have the same look and feel and payoff line as the group, then they're happy and I'm happy. My below the line material looks very different from other companies within the group, but the brand we use is a common brand and we all look to enhance that brand. • **B-M-1:** We are continually working and striding to ensure that the vibe {passion}is revitalised and strengthened....even as an individual one has just to be careful of being arrogant within Buffalo. We get a lot of business… I would add to which is quality in people. • **B-M-2:** Well I think we have three major competitive advantages. One is we have the best known and most effective brand so there is a natural willingness to do business with us and that brand appears to be pretty well accepted by all the segments of the market place, not an Afrikaaner brand or a black brand or a white brand or an English brand, it has a very strong brand across virtually the entire South African population…we have distribution, we have a very substantial distribution channel…an agency force, the full time sales force and the independent brokers. Because we have got such strong relations with both, we have a degree of stability and a degree by which we can guide parts of the market. A small company does not necessarily have that. and the third major thing is that we are in contact with a huge client base, we have got them • **B-M-3:** I think I am going to answer it in a different way - I think everything distribution	**Impact on:** • Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities through market based alliances • Business aligned IT as a lever to organic growth and efficiency **Enablers:** • Scale and Momentum established in SA market to continue to maintain market leadership • Brand loyalty supported by ubiquitous distribution network • Large customer base provides significant opportunities for cross-selling of products **Challenges:** • Structural changes in the SA market may create industry wide shifts in the demand for insurance products • Long term market

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	does not exist on its own distribution exist within the framework of everything we do and marketing and the kind of inter relate in so many different ways and every trust that we have will require marketing and IT input, operational input so the resources and skills set just get used by whatever project get on the way – I don't know if it makes sense – there is no one thing that is specifically pertains to any other thing – IT is as important in distribution as it is in marketing as it is in operation and for example straight processing as it is in finance and in terms of the billing systems or the commission payments and everything is as important in all areas • **B-M-4:** When you have an organisation with many business units, it's very easy for them to focus internally. And that's the role of putting things like marketing and other group capabilities. What the marketing initiative is trying to do, is to take a client-centric of the market and say 'this is how various offerings should be offered into the market in order to ensure maximum share of what is the maximum value.'... the range of products that we're able to offer is important because it means that essentially we offer something of a one-stop shop. And your relationship with your Buffalo broker-consultant,...can hopefully service most of your financial service needs, and that indeed is one of the primary drivers behind the growth of Buffalo Bank,...I think the other thing that is a strength in that distribution, is that in itself it has critical mass, in itself really, and we have the largest critical mass. because the brand is ubiquitous, our areas of expertise are reasonably well known, and clients will actually ask for an Buffalo products • **B-M-6:** You have to look at a very top level strategic perspective and say right what is the direction that you are going in. What markets are you addressing, what kind of product are you offering and when. Then look at it across the business and say right now what are we doing in each market, what capabilities as a group be developing in order to address that market, that market, then provide guidance.	leadership may lead to market arrogance rather than market vigilance

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
E-commerce established as another channel for high-end market segment	• **B-B-1:** ...internet access, the ability for a broker to look at all his clients accounts, on over the internet. And there's a whole lot of functionality which the broker will be able to do. And in fact, individual unit holders will also have the facility to put in password,...to look at our clients' administration system, pertaining to them specifically. And see things like, on a daily basis their account and holder values. And there will be some, initially they'll be able to change address details and that kind of thing and in time, they'll be able to perform switches between funds and to repurchase it directly... People are comfortable being with people. And the broker is there to provide value added advice. What we do is, we provide funds and we provide functionality to make their lives easier, but the advice role is still fundamental. • **B-C-2:** At the moment it's small of our 2,5 million customers only 100 000 of them regularly visit our Internet site. • **B-IT-2:** the whole Internet & e-commerce channel perspective is also changing the paradigm of the way that business makes use of IT services. Whereas in the past IT was limited to the back office exclusively, now IT is exposed to your clients and business partners. The reliance of the business on the IT becomes much greater because without the IT component the business relationship would fail. On the e-commerce aspect, we are looking at increasing the level of provision of the service. We are moving it from where it used to be an add on to the business on the side to where it is becoming a core component of doing business. • **B-IT-3**: the other key challenge I think is obviously maximising, call it profitable customers, how do you get more people in and that is that reach thing, um, how do we get into the emerging middle market, ok, do we, concept like that and do you consider it to be value added service,...So it is creating those different vehicles like the Internet but it is not the Internet per say that you have got to have it	**Impact on:** • Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Business aligned IT as a lever to organic growth and efficiency **Enablers:** • Extends marketing distribution to provide virtual convenience for brokers and clients • Potentially creates a more efficient channel • Reinforces the image of Buffalo as a technically savvy organization **Challenges**: • Creating the optimum organizational design to enable maximum benefit to accrue to all business units • Overcoming the technical challenges of providing the appropriate use and safeguarding of client data

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	in your house, it is kiosk kind of based on the kind of concept--Internet cafes—Buffalo Internet café concept around the country as a brand where people can go and access the internet in general...So it is about creating that virtual connection. • **B-IT-4:** Well we play in the Internet space, e-commerce space and m-commerce space... our corporate business we a thing where we got to our pension fund clients of the Buffalo group and we offer them home loans against their pension funds. • **B-M-1:** We have done that with what we call our e-commerce group, and they set up their own business unit. That's fine maybe for now, but it then takes the group focus off the need to change in order to become an e-business and if you have got to make the change some day. So I am not convinced that's a good idea. The question may become how do you link, to give a total package to the customer as I was told in marketing they want to be able to draw up a fleet of packages So when I arrived here and try and tell you I've got a large policy, I also have Unit Trusts and asset management. That's right they are available. But you cannot do that if you are working for one business unit or they are not talking across each other in terms of sharing customer information. • **B-M-2:** ...someone in the IT area says, well because of something obviously {they see externally like} the development of the internet and some of the e-commerce things...some of the IT people quite often are coming up with ideas and opportunities and then going to the businesses and saying, shouldn't we be working in this area,... So a lot of the thinking has to come from the IT area, a lot of the opportunities are identified in the IT area, but then they sell their idea to a business unit.	
Demutualisation redefine organisation structure, employee and customer roles	• **B-B-2:** I think there is a high level understanding with most people of where we fit in and what we are trying to achieve. Very often what I find is that it gets down to how do I actually make the strategy work? How do I do my job ... it's still in line with the strategy and that I actually contribute to it? I think that is sadly lacking, it really is. It has become a little	**Impact on:** • Ubiquitous network selling to all retail market segments in SA • Cross-selling

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	better also in terms of where would we align with the Buffalo Group strategy. We never go out of sync with that. We might have our own initiatives and angles but we're still aligned with the Group strategy. That communication has become a whole lot better. There's been quite an intensive drive to communicate it down to all levels, to make it simple so that a lot of people actually understand what we're trying to achieve with the strategy • **B-C-1:** We have a federated model, which is the same as throughout the business. Group IT provides standards on for example security and provides direction... It is all driven by business objectives, people development and performance...Sound management and business plans that demonstrate the delivery of value to stakeholder. Buffalo is listed on the London stock exchange so we must comply with their requirements. We have risk and governance committees all over the world, which aggregate to the plc committee, and an annual risk want a large corporate centre at all. But what we're doing is just spinning off these capabilities as business units, so the Service Centre and the Call Centre will be a business unit...So it's not an overhead and it's not lost in Individual Life's product and value chain, it's becoming a bank capability which the group can then leverage across business units. So it's quite interesting to see that evolution. • **B-C-2:** Our presence in the UK and the US gives us the competitive advantage that our customer investing in South Africa understands that the assets of this company are not just in South Africa. Especially people that are looking for stability. Until Sept 11 the overseas markets were stable, generally speaking, the view is that the overseas markets are more stable than the South African markets. • **B-IT-2:** we have a much bigger ship that we have to move, I mean we have an oil tanker and they {competitor} have frigate...And the point is they have been doing some moving on their frigate and I believe we are moving our oil tanker at the same speed as they are moving their frigate and that to me implies a greater ability in our area than what they do have. The fact is that the frigate might just be an, it turns	capabilities through market based alliances • Establishing an expectation of "co-creation" of bottom line success; with employees focused on careers • Institutionalised Governance through closely linked vertical integration of codes of conduct and values of integrity **Enablers:** • Re-structuring produced opportunities for access to global capital markets • A stock rather than mutual structure created organizational flexibility with respect to both domestic and overseas acquisitions **Challenges:** • Reduce insurance risk through diversified subsidiaries in the UK and US as well as South Africa • Re-structured business makes leadership "more distant" and governance more complex • Customer loyalty in SA may erode as customers no longer feel they part of a "mutual" in which they were a closed community of owners • As employee roles change as SA

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	ahead of us or we ahead of them, it might be a close call, but the fact is, is that we are moving something a lot bigger than what they are and it requires far more lateral thinking and clear thinking and some real intelligent footwork to achieve that. • **B-M-1:** We put together an IT strategy and just after demutualisation...To cut a long story short we eventually we led up an HR and IT platform{initiatives} as well, so we had about five or six platforms which were looking at various aspects of the business, thing like value, efficiencies, growth, share • **B-M-4:** And I think there are a couple of significant developments about {the life} business. One is, that to a certain extent, it is becoming less core, where it is almost breaking itself up. So in the old days Individual Life was Buffalo. And then you had a sort of , the pensions bit, employee benefits sort of on the side in a nice contained business which gave healthy profits...What we've seen is that functionalities from Individual Life, is starting to spin off and become group capabilities. So things like the marketing function, is now held centrally instead of just in Individual Life. Individual Life used to do marketing for all our business units, it no longer does...Other things such as, you know if one looks back over the past 5 years or so, and unit trust has spun off into its own business, the agency distributions were forced to spin off and it's now its own business. So you can see... Individual Life, on its own gives them a better focus and value creation. There's also the capabilities, I've mentioned marketing but also certain core IT capabilities, such as the Call Centre capabilities, are also spinning off to become group capabilities...So one can see Individual Life, in some senses shrinking, not in revenue as a profit but in terms of the role it plays within the group. • **B-M-6:** I don't think that we really understood the degree that demutualisation would force us to change. It has been a very positive thing... Buffalo may be very bureaucratic and it's very political and it's very autocratic but people have not harmed the quality to customers. I don't care what anyone says in this organisation, they will not harm the	Buffalo, employees may feel alienated from the "parent" company located in London.

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
IT managed as a business investment	quality. That sort of like sums it up. I think what makes Buffalo successful ... assessment is carried out. • **B-C-1:** IT doesn't exist by itself therefore it needs to follow the governance structure of the business. • **B-C-2:** If it wasn't for IT they wouldn't be able to achieve that {Group strategy} , especially the worldwide operation; through IT we link the world together. In South Africa IT is a key component of the delivery vehicle for selling and administering a policy, paying claims and all the support functions. • **B-IT-2:** What works better is to align people with people {rather than IT function to other business functions}...you find that specific people tend to focus with specific clients as it were and specific business function perspectives and that seems to work fairly well.... The other thing is that sometimes there is an instrumental view that says that well we referred to this because that will achieve eighty percent of where we want to get right now, we are aware there is more that we want to do, contact management here for example...because if you need that benefit getting a contact management system on the ground that works. Forget about all the fancy tracking and modification and all the other stuff that you can do, we know that we are going to want that eventually, but right now the major business driver is that these guys don't have a list of contacts, please let's get one. So the thing is, the bite size, is to do that first. • **B-IT-4:** IT is a separate division to the rest of the business divisions. The IT-business alignment is very good and I think it's because of a few factors; the one is a very tight management team. IT sits on the executive and it's part of the business governance. There is full awareness of what's going on. • **B-M-2:** ...the whole budgeting and resource allocation thing has been turned round so that is being driven by business. So if, when we want some new systems work done, new development work done, it is based on a business case presented by the business manager which goes to a business board which agrees to resources and the IT people have to sell their service to the business board which also helps to	**Impact on:** • Business aligned IT as a lever to organic growth and efficiency • Institutionalising a Program Office to support large business-sponsored projects • Outsourcing partnerships for efficient management of "backroom" IT functions **Enablers:** • Assures large IT investments are viewed as creating a return to the business • Governance structure holds funding for large IT projects centrally which reinforces the discipline of creating a business case with hurdle rate performance to secure funding • IT Program Offices establishes coordinative functions to "share" benefits of IT across Bus and helps keep projects on schedule **Challenges:** • Managing IT resources such that projects are completed on time and on budget • Sharing applications among BUs both such that IT investments are optimised rather than duplicated.

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Internal Learning driven by external "leading-edge" concepts	get the alignment. • **B-HR-1:** they {leadership} have a very high strategic ability which is very unusual - business strategic ability, external rather than internal focus. • **B-IT:2:** the most interesting {external} connections in recent time has not been made in the IT area, but have in fact been made by XXX {MD} for example, is really good at trading connections with possibilities and so on. I believe that I sometimes get connections but that is actually what it is, you know it is about somebody comes up with an idea… so hence if you read the PLC annual results for last year, you will see that there are comments about technology because it is being viewed now as an important ingredient to attracting business to the group. So yes first mover advantage in some cases is worth while and again it is like marketing, when you spend it, when do you first move and when don't, it is a critical decision factor and one not always easily made. • **B-IT-4:** The ability to tap into intelligence in terms of what competitors are doing. Market intelligence in terms of how clients perceive us and our products and actually looking back into the company so that we change and then have the ability to deliver solutions, infrastructure and capability to meet them. This means that it's an ongoing cycle of improvement and transformation. Ensuring the business runs as designed and changing the business as we go through our realigned strategy and responding. • **B-M-2:** they {IT} are frequently building really cutting edge systems and technology and things and that always seems to be liked by IT people. Sometimes it is leading edge. • **B-M-3:** I think that probably the key thing is to ability to adapt to change and with that couple with that is the expertise that will be required to look into trends and say this is probably going to happen in the future lets do something about it now – and we can see the way the world is going now… lets put that initiative in to place now so that we can be ahead of the pack and I think that is going to be an important thing that constant innovation in response to changing markets and changing times – that's the most crucial	• Assuring that outsourced functions meet contract terms **Impact on:** • Reputation for market leadership in product development • Ubiquitous network selling to all retail market segments in SA • Cross-selling capabilities through market based alliances • Business aligned IT as a lever to organic growth and efficiency **Enablers:** • Maintains Buffalo's competitive edge as a market leader in SA • Reinforces Buffalo's brand image of being customer focused and aware • IT is used as a means of enhancing the "leading edge" image, especially in the area of e-commerce. **Challenges**: • Discipline maintained of focus on external competitive dynamics Requires a continued investment in market research in SA; other competitors with market follower strategies do not require

Table D-1.3 Summary of Attributions of Sustainability: Uniqueness-Buffalo (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
		this investment **Constraints:** • Pursuit of the "new, leading edge" may cause Buffalo to pursue latest "fads" which do not contribute to the bottom line • IT expenditures potentially higher as company becomes the "beta" site for new technology. • The tension between IT and bottom line may be eroded if having the latest IT platforms outweighs bottom line discipline.
Source: Author's Analysis of Transcribed Text		

APPENDIX D-2: INTERVIEW EVIDENCE FOR CHEETAH CASE

From the evidence gathered from documents and interviews for Cheetah, eleven CRCs were identified. Of those 11, 7 CRCs were deemed "significant," using the criteria discussed under the Buffalo case. These 11 CRCs are shown below with the significant CRCs shown in bold. Interview evidence is presented on the 7 significant CRCs in Table D-2.1.

- Assuring employee hiring practices that are representative of the communities served by Cheetah
- **Creating and maintaining effective channels to reach middle-market**
- Creating outreach programs to the communities in South Africa to address HIV/Aids, basic education; to promote the arts and culture of Africa
- **Designing a business unit structure which is highly autonomous, with BUs measured on bottom-line efficiency**
- **Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs**
- **Exploiting IT to drive efficiency within the business**
- **Exploiting e-commerce to drive channel efficiency and create a stronger client relationship**
- **Implementing a business process re-engineering process to drive cost out of the business**
- Reinforcing image of a traditional, financially savvy organisation
- Re-structuring corporate governance to be more transparent with emphasis on vertically integrating governance structure from BUs to Corporate organisation
- **Using outsource initiatives to achieve efficiency**

Critical Complementary Resources (CRCs) - Cheetah

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah		
CRC	**Support Resources**	**Evidence-Interview Analysis**
Creating and maintaining effective channels to reach middle-market	• Strategy focus on middle-market • Second largest distribution channel network in SA • Significant effort to make channels more efficient • IT resources viewed as contributor to channel efficiency • Second largest customer base in SA	• **C-B-2:** we are changing the process about how our advisors {sales agents} operate dramatically and we are enabling them with technologically a lot – giving them tools to give proper advice – and we really starting to convert them from policies pushers to satisfying the clients needs – really analysing the needs… there is not really a need for policies pushers any more and there are a… need for people {agents} to analyse your financial need and come up with a solution to satisfy those needs – not only your financial need…half of our business comes from independent of brokers… the feedback that we are currently getting from the brokers is that our services are by far the best than our competitors…in terms of the brokers it would be probably be two things – the speed at which we issue policies so that they can get their commission and the other part would be that the service we give their clients…we really keep their clients happy… I mean that is very true about the life insurance industry it has become so complex and there is just no way where you can operate without technology everywhere. • **C-C-2:** in the life insurance business we have a lot of financial advisors, life insurance brokers if you like … so that in fact we've shut down nearly all of our branches in the country except in major centres purely because we needed the office to support the advisors and now we support them with IT. We see IT as key-- it's the main thrust. • **C-IT-2:** {Brokers are} very, very important. We rely on them to bring us proposals and they get remunerated based on the benefits achieved out of those implemented proposals so they don't waste our time bringing us business proposal that don't make sense. • **C-M-1:** The brokers, so that is a bit of a problem to me, in my mind, but I am not too worried… Because the problem is we can't really go out there and say, …with an advert … "come talk to {Cheetah} because we are

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		• the best in the market in terms of financial planning advice", you can have the {Cheetah bank} brokers having a heart attack, you are going to have… all the independent brokers having a heart attack. They don't say hey I don't work for {Cheetah}, you telling the client that if you want good advice go to {Cheetah}, I am not {Cheetah}, so we will peeve them off. So we are trying to do it but our hands are a bit tied so we are trying to do it in a very, around the corner way… we have {Cheetah} advisors, those are advisors that are contracted to {Cheetah} and only sell {Cheetah's} products…across the country, well we don't really have branches anymore, they basically work from home and then they sell to regions and branches but they don't sell it to branches anymore ok…and then we have…the broker network out there but they are brokers, anything from group brokers, {Cheetah bank} brokers down to independent brokers and then now we have started a new thing which you will hear about called a GA, which are general agents. And general agents are almost like a combination of the two, general agents are, we hold the contract but with those GA's, he is a {Cheetah} general agent but he can sell anybody's products…we have two separate divisions that look after the brokers and the advisors and they service and look after them. We support them and that kind of stuff in terms of communicating to them and that kind of stuff etc… it is about two thousand {Cheetah} advisors. We have got contracts with a lot of brokers out there, I am not quite sure, I think that is about three four thousand as well, broker contracts out there. We are now doing the GA thing as well, as I said to you I am not sure how many, the last time I heard it was about two hundred GA's at the moment. • **C-M-2:** {On market share} We were always first or second until say five years ago. I think we took our eyes off the ball for a while. We appointed more and more sales people who were not that productive, who brought in volumes but not necessarily profitable business. Since then we've had a good rethink of our sales force so we're growing, we're in the twenties now with our

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
Designing a business unit structure which is highly autonomous, with BUs geared to markets and measured on bottom-line efficiency	• A federal organisation with more flexibility • BU Entities with marketing expertise to understand customer needs • Financially-oriented mindset that measures and strives for efficiency within the BUs	market share. • **C-B-2:** We try and communicate as much as possible between different business units, what the strategies are, why we are doing things but that doesn't eliminate the conflict anyway but I think it helps to manage it. If you informed people I think you have less conflict. • **C-C-1:** What we tend to do is we are motivating certain business units to be experimenting with different things and then we would set up the mechanisms for facilitating and learning across the businesses... It is a continual communication two way communication thing that gets you there...I don't think we are there yet but {it's fair} to say we are focusing on growing that understanding... • **C-C-2:** in most of our other businesses we have different businesses; health, merchant banking, share trading, asset management, {Cheetah boutique bank}. Each one tends to have its own way of reading its market...each business operates in a separate market generally all operational systems that we need in each business are well in place and many of the client facing systems like websites and things like that are well established. Some have got much further so we have an online share company, {Cheetah Trading}. That's state of the art fully online trading some of our other businesses haven't got any transactions online yet so there's a mix • **C-M-1:** ... I will be honest to you, this company at the moment is not structured around the client...you want to become client focused, acknowledge the importance of being client focused, but we are not structured in order to be client focused, to be client driven, we are not a client centric...well in fact everything, right down to the fact that we have different databases and have the information about the client, we don't have a synergistic handling of the client. ...Clients said they don't see unit trusts, they don't see life, they see {Cheetah}, they buy {Cheetah} ...The problem is these products, they are products, but products of {Cheetah} that have become companies ... Old structures and systems are the hindrance but we are changing. The intention to change is there but the speed isn't,

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs	• Line managers rather than experts are key decision-makers with full accountability for these decisions • Smaller Exco staffs can focus only on critical corporate issues • Leadership with autonomous mindset	we can't change overnight. • **C-B-1:** you must recognise that when I got the IT responsibility the central IT function was eight hundred and fifty people. When I left in July it was fifteen people so we went through a major restructuring… we moved {IT employees} into the businesses, especially people that could think about businesses...So architects, analysts and key builders, key developers were moved into the business. Now the thing that you get…when you give somebody wings is that they actually like to try out the wings. So when we established the independent IT organisations in the businesses. …there was a lot of independence and a lot of I am going to do things on their own and they don't really need any central management. We thought it would be a good way of allowing that because when you fly on your own you realise the importance of flying with information…The wind is quite tough when you flying on your own. So it took about an eighteen month cycle from very independent, "don't even want to talk to your guys, I am going to do our own thing,"…to a situation where we are now, where…there is a lot of cooperation and the cooperation is on architectural things. As a matter of fact we have quite a nice model that I think developed in the end… • **C-C-1:** Like the risk management knowledge is fairly centralised in the business. So in a way I think the businesses have in the past been forced into organising themselves around censorship knowledge, censorship competency. But what is happening is that for the innovation happening around this, these divisional centres of knowledge are being broken up and therefore there is a growing need for collaboration across business boundaries to form like virtual centres of knowledge… But what we {Group-IT} are responsible for, is to agree with them and to facilitate what is necessary for them to co-ordinate and collaborate. So it is more about our role than the general priority. • **C-HR-1:** when I started here we had a 190 odd people in a very corporate centrally driven HR which is equated to the old payroll administration and now everyone thought that

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		is what his/her job is – look after pension fund the payroll administration and like of it. Within in three years we are now sitting with 6 people from 190 – one is a secretary and one is an admin support and all that we are going to focus on at the corporate office is two areas – the one is the pure management of human intellectual capital which is the recruitment retention and deployment of your core skills – that is it your executive development we do nothing else here than the top core of what we need in this company to keep it that the cutting edge. • **C-IT-2:** ...typically in an organisation like {Cheetah} where the corporate barons have got into power, the corporate barons are the financial manager, the HR manager, the IS manager, all these corporate overhead functions, we have built up a power base over the years because they are still in head office and they are much more important than the salesmen. Suddenly the {end}users are looking at the support functions through this challenge process between provider and user... There is the tension on the train...There is no appropriate solution to sort of sponsor marketing...And then it was really saying the strategic drivers, the legacy and the imperatives-- the past, and the future--there is the drivers and there is the current imperatives and you walk a staggered path {toward goals}... so this is the picture for {Cheetah} Life, ok, the division, is the point of reference which guides empowered decision-making • **C-IT-4:** Currently IT sits as a separate centralised unit within the BU, it does not form part of the business area. For now this structure has served us well in {Cheetah} Life. IT is decentralised in the whole {Cheetah} business. It has served us well, there may come a time in the future when this will change.
Exploiting IT to drive efficiency within the business	• Business strategy to drive shareowner value • Automation of processes enabled by IT • Cost reduction mindset to drive competitive advantage	• **C-B-2:** ...hopefully we will get to a stage where we have much more generic software and hardware for that matter. But how you actually use {IT} – how you streamline the processes around that and how you link your people with the software and get the economy to scale around that and that will become very important... ten years ago most things were

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
	• IT infrastructure • IT seasoned employees	done manually and you structured your organisation to make the flow of work as good as you can with a manual organisation. Nowadays we've got technology like workflow and image. We've certainly streamlined and the other thing that has changed a lot is the importance of your IT director in the organisational structure. Ten years ago he probably wouldn't have featured on the executive, he now plays a key role on the executive. • **C-C-1:** The idea is to collaborate, you have got a higher objective than or higher priority than just let's improve business units....It is not seen as a higher priority for the business to be improving themselves. What we did say though is the role of group IT is not about making the business fairer businesses but they are responsible for themselves. • **C-C-2:** CRM, investment management, PRM and IT would also be one of the core competencies that we have and the ability to cost effectively deploy IT to support our business...Everything we do is IT supported or enabled. We wouldn't be able to exist without IT so all those competencies that I've mentioned are based on our IT foundation. • **C-IT-4:** in terms of efficiency. For example, previously we used a lot of paper where the advisor had to go to the client, fill out the application form and send it to a sales office where it would be imaged and then passed on. Now he can upload the policy application right there and then into the back end systems. • **C-IT-5:** definitely there would be {savings through IT} because you can achieve efficiencies in the process then you can reduce your costs, you can free up people to do more of the knowledge type work that they should be doing as opposed to doing mechanical, repetitive tasks. • **C-M-1:** Then we have got to have this central information base, we have to know everything about our clients, we have to be very client intelligent, we have to have a database which we are continually expanding, continually mining, continually looking, because that will become our brand. I mean

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		that is what we will use to look for new gaps and new opportunities on how we can better satisfy the customer, better servicing and that kind of stuff…and basically you have got to have systems in place it enables you to do your operations more effectively so when the guy wants a statement, all that kind of stuff. But admin has got to be client driven as well. But once again, so it is almost like, you have one information base about the client, you have one service op-system for the client and then you will basically all these interfaces to the client which are connected into the single system…
Exploiting e-commerce to drive channel efficiency and create a stronger client relationship	• {Cheetah} Web portal to all products; BUs • Multiple resources in BUs to create e-channel administrative support for brokers and agents • Restructured branch offices; Agents working from home • IT Leaders with e-commerce expertise	• **C-B-1**: As far as e-commerce goes…I would rather say that we have been good at that from a channel point of view so I mean I think there is a thing here called {Cheetah}.Net which is an internet access for brokers….This thing where we deliver a confirmation about a policy that is issued to a broker at the moment that it is delivered on his cell-phone with SMS… It has been running for two years already ok so it is a big thing, the guy sits in the meeting and says beep-beep and he checks and it says he just got commission for ten thousand rands or whatever the case may be. It is a big thing. …You see all kinds of stuff that they can do on the web {linked to mobile phones}. One of the things that we have done which I thought was also great and I see {Buffalo} has also launched now recently, but I mean ours has been in for two years or more, is where you interactively on the internet develop a client personal risk profile… it {software} says this is your risk profile from an investment point of view and we propose the following mix from a unit trust products and we think you should keep so much and you can go into the internet and do that. And I think that was quite a nifty thing…But it is more a channel, we have not been good at seeing the advantages of e-commerce and following new products, that is definitely e-commerce type products and making that a profitable business for us. • **C-B-2**: …the more money they {clients} have the closer they want to be to that money and Internet is not the sweetest thing, that is, very close – people don't trust it. Fifty years

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		from now it might be… most people like personal contact and they like to socialise and that the Internet does not stock. It is very impersonal in that way… we are looking most for the moment for utilisation of Internet because there are huge cost savings for us – business to business as well as business to clients – I said earlier selling on the Internet, I don't think there is ever going to be a big demand– it will be an important channel but it won't be huge – the next generation can worry about that later on but – certainly in terms of providing cheaper and better services more efficiently – it is something which we work on very much… I think the Internet is a very good information tool. For the next ten years I don't see it being very widely used in South Africa to do transactions certainly not financial transactions. In the context of our industry I see it being used as a tool to make information available to our clients online… I think there will always be people at the upper end of the market who just don't have the time and who will pay other people to do things for them. At the lower ~~end~~ of the market there will always be people who are not sophisticated enough or don't have access to the Internet who we will have to service. • **C-C-1**: Then obviously on the e-business side there is a lot of initiatives happening, now ranging from focal review of websites, project called San-Web which is a group project. It is basically putting client productivity in place for the fundamentals of the personalisation, and much improved capability of adapting your communication with your customer on distribution channels. There is a lot of follow up work on that front to be utilising it to its full potential…{our capability} quite good but can improve still and the technology that supports the website does not give us a lot of very good management production. • **C-C-2:** The way that we're competing now is to provide the best service for the customers on the Internet, enabling intermediaries… Internet is just a part of life we have no choice we use it. Where we see the big value of the Internet for more traditional businesses like life assurance is customer self-

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		service, reducing call centre costs, reducing mail that comes in even reducing e-mails and other electronic communication. Let a client do it themselves also the liability goes to the customer. We think of someone putting the wrong address in the customer is unlikely to do that. The second thing is e-commerce, we don't see much that we can do; will we ever sell a life insurance policy online nobody will because its too complex in South Africa and there's too many options. We might bring out other products. Customers tend not to want to do it electronically when they are buying those kind of products a very small niche would be very well aware and very confident to buy a 30 or 40 year policy online. On the investment side we have online share trading, our unit trusts are online but we don't see it as major it's not gonna take over from normal unit trusts channels it will be another channel. • **C-IT-4:** {Internet}It won't play a big role in terms of sales but it will enable better service. There it has a strong role to play. It's a case of how you integrate the electronic, telephone and face-to-face channels to provide service to your clients. • **C-IT-5:** I don't think e-commerce/m-commerce is applicable to our business model currently. Certainly in limited ways in disseminating certain types of information to clients, as a delivery mechanism or a communication media, the Internet is important. We're not going to achieve any great savings or efficiencies out of using e-commerce per se. We're still essentially a face-to-face business. • **C-M-1**: When it comes to the internet and the role that e-commerce is going to play on the internet as a channel, as a medium, I mean it is vital, we all know that. And we have already got a website...If you are taking those simple services because a website, we have got to make sure it is a better website, we have got to move with trends, so we are continually looking at ways. We have also got a project underway looking to revitalise the site with full functionality in terms of e-commerce, online trading, online selling, online buying, all that kind of stuff...we have an advisor and broker

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		web which is basically an extranet which is purely for the broker and advisor and there is a number of tools and stuff on there and then we are busy with a project called, a {Cheetah Net}project which you have probably heard about which will ultimately provide a business administration platform for the advisor and the brokers to work from...
Implementing a business process re-engineering process to drive cost out of the business	• Business strategy to drive shareowner value • Financial mindset and corporate cost-orientation • Employees with financial expertise	• **C-B-2:** Industry issues--there is legislation very much in terms of consumerism...and initiatives that are for BPR which will come to exec next year{2001} • **C-IT-2**: in order to re-engineer your business, look at the shortest space between input and output and simplify it ...some of the premises of this is that the issues we have at hand are people, processes, technology, those are the concerns that we have... The problem occurs that your organisation is held together by people...so how do you change the people? So what I am really getting to is that the whole issue around BPR is much more challenged...by the people issue...These are the people that know what to do, they know where the inefficiencies are, they understand the business quite well, they don't have strategic vision... So we are talking now about the process of getting that to happen ...the study of what we are using and we have used it probably eight or nine times now. It is about a six month process and the name that we use for it is value improvement process. We study these guys at this layer, it must be at least three layers, we studied these guys, named your outputs for us. So this is a little bit like OVA, overhead value analysis... We say name your outputs, so this is a provider of service,... typically say five outputs, then for each output he should name the user and the cost. And each of these guys go through the same. What is really interesting is when you capture all this information you can then summarise and say user x is the cause of this total cost plus this total cost, plus the one that is occurring there and you might find in an organisation like {Cheetah} the general ledger department is the biggest user of IT resource which is totally crazy... it should be the sales department, marketing department. So you get them

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		running around doing this exercise which is useful in its own right as an output analysis of organisation... You can see that this guy's output becomes this guy's input like that and you can make bigger links in the chain, you know, eliminate those two and make the thing go straight because maybe technology enables it.
Using outsource initiatives to achieve efficiency	• IT infrastructure with legacy systems • Flexible IT employees capable of working in BU structure	• **C-B-1:** one of the things that we did, which we concluded recently, was to take two hundred and fifty people and outsource them... I think I would say that the biggest is the ability to manage contracts...you know this is the contract, this is what you are supposed to deliver, let us check if you have, are there any penalties that are coming up to kick in... I would not even say it is alliances, it is just contract, sub contracting, I don't see this as strategic alliances, XXX{BU CIO} may see it as alliances, I see it more as sub-contracting or alliances is too strong a word for me. • **C-B-2:** If you'd asked me that question five years ago, I would have said not at all because {Cheetah} had this position of doing everything itself. It's become increasingly more important as we've decided to outsource our core activities to the degree now where in terms of all our systems infrastructure, all the hardware and networking is being outsourced to {Outsource Systems}. If the systems are down my people can't work so that's the one area where we are very dependent and then we use individual contractors as well from time to time to do specific contract work when we have a temporary shortage of resources. • **C-C-1:** The infrastructure is mostly outsourced to {D-Outsourcer} now... There are some bits and pieces of infrastructure around the business, mostly a remnant from the difficulty in changing {Cheetah} in the last three four years when {Cheetah} still had a very central IT department, centrally driven, some businesses were revolting against that and started creating infrastructure... the outsourcer or the partner is also {included in}a problem...I think being open from both ends actually gets you to understand where the overlaps are and where the strengths and competencies are of the partner, fits the things that you need and also...a realisation of where

Table D-2.1 Synthesis of Critical Complementary Resource Combinations-Cheetah (Continued)		
CRC	**Support Resources**	**Evidence-Interview Analysis**
		they don't... What we did is we, very different to other financial services companies, we developed with outsourcing the service level of expectations up front, we got a specialist American company in that does outsource facilitation, and they helped us to develop our needs into consistent useable service level agreements. • **C-C-2:** It's not just decentralised we outsource a lot. We took a Gartner Group model called IS life, IT life. We took out pieces that we weren't good at and we outsourced them to strategic outsource partners. It has been hugely successful. • **C-IT-1:** ...{the position} we have adopted is that we won't be buying, or we won't be developing in-house applications anymore. We still rather are buying packages off the shelf, because in the past we've tended to develop everything I mean even if you could buy it, we would almost write our financial system kind of thing. That we have changed totally we are now saying let's buy what's available, the process surrounding that is what gives you the competitive advantage, and the way you treat your clients. • **C-IT-2:** IT is an enabler but IT doesn't have to be internal. I don't think that IT has to be internal because it's strategic. There are many instances of companies outsourcing the strategic aspects of their business and continuing to be successful. The competence that they retained was management. • **C-IT-5:** Relationships are critical but it's more than about having a good relationship, it's about having the correct relationship. We have to have the right relationship that benefits us primarily. The external service provider can't dictate the terms of the relationship we have to dictate them
Source: Author's analysis of transcribed interviews		

Attributes of Sustainability: Social Complexity - Cheetah

Table D-2.2 Summary of Attributes of Sustainability: Social Complexity-Cheetah

Sustainability Attributes	Evidence	Impact on Key CRCs
Culture in Transformation from "White Afrikaner" to "Multi-ethnic" value system	• **C-B-1:** {Cheetah} were the first company that empowered blacks you know through the NAIL deal and {Rhino Insurance Company} that we sold off... what analysts think of us now that we are listed and so forth. We can kill this notion of being a white Afrikaans male dominated...it is a tough thing for us to do, we have got to really look at ourselves because we are a white Afrikaner dominant company and we have got to take tough measures to change that .... I mean our top people...are black people and good black people, ...I mean like top management, on the executive. But we still sit with the image and I don't think we have done enough to really get that to work properly. • **C-HR-1:** at the moment is a stumbling block but it can be an advantage if manage correctly now you notice...{Rhino Insurance Company merger}announcements that has been taking place. Now if you look at the culture of a {Cheetah}. It started off by looking at oppressed group of people... Afrikaners who have gone through difficult times and created a very successful financial institution and they jealously guard that...and allowing people to enter...– the outsiders would just come in and does not really feel comfortable – given the culture that is here and that has been a problem...but the black person has been oppressed and I think what {Cheetah} can do is to turn this thing around and to say what we did for ourselves we can use that same success formula and by just integrating it with a few people we could be on a combination of something that could be a competitive advantage and I think that XXX {Black Senior Executive}... could very well be a catalyst that will enable us to use that very successfully... it will take very good ...leaders in order to make that work because you are sitting on...a time bomb of having this thing implode and now if we doing it correctly and I believe we can, then you are going to find a culture of diversity for the first time in a company and successfully driven which could be a competitive edge...but it is strange that the black person has got a very specific culture as well and their value system are not any different and putting those two together if managed carefully could be a success formula and rather than to take {Cheetah's}	**Impact on:** • Creating and maintaining effective channels to reach middle market • Designing a business unit structure which is highly autonomous, with BUs geared to markets and measured on bottom line efficiency **Enablers:** • Recognition that present culture must be changed to remain relevant in the new South Africa • Understanding that ethnic diversity is a "make or break" issue for the firm **Challenges:** • Changing a successful culture that has been in existence for 80 years takes time • Transformation very "painful" for employees • Requires a significant investment in training • Cultural transformation

Table D-2.2 Summary of Attributes of Sustainability: Social Complexity-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	culture and trying to make it an English • culture it is not going to work and I am saying is keep the {Cheetah} culture and just bring the black culture and merge the two and rather trying to ...make {Cheetah} an English speaking company ...the guys will just bring their backs up if you are trying to do that...That is where the transformation element comes in and I don't think at a strategic point is that we can manage diversity in the whole of {Cheetah}. I think it is a misnomer ...{it is} the job of an HR practitioner... to educate people on the realms of diversity • **C-IT-2:** {It is} Quite interesting that fifty percent of our client base is black, and there is a perception amongst the black market {of Cheetah}, that the Afrikaner is a trust worthy guy to do business with, he will keep his word. • **C-M-1:** I came into {Cheetah} pretty much with an image of {Cheetah} which I think most people have of {Cheetah}, you know, very, very conservative, Afrikaans, bureaucratic organisation. And on some counts it was confirmed to me but on others it was not and one that surprised me is that {Cheetah} is more advanced and a lot more progressive and a lot more knowledgeable than I thought in a lot of areas and...I don't think we stand back,...from any other company out there locally at least in terms of product advancement, in terms of technological ability, in terms of human resource power and that sort of stuff. Bureaucracy maybe, yes, but that is about it...	requires wisdom in selecting which values to retain and which ones to discard
Leadership focus on management and administration with backgrounds in finance or actuarial functions	• **C-B-1:** because the company is driven by IT, what is possible in IT... or whatever other economies and you have got to understand that ...even if you are actuary{because if} don't understand it you are out of your depth.... and shit I don't have marketing background, I have financial background... • **C-B-2:** I am actuary but I know currently more about IT than actuarial stuff and that is more important for me you know that rather than to know that actuarial stuff to run my business • **C-HR-1:** ...culture is managed here is from the top only and XXX {Exco CEO} has been allowed to do that and he has entrenched the culture in BEE...{what} he can do now is {delegate} to the likes of XXX and XXX {Both black Senior Leaders} who by way of their leadership style will entrench 90% of that {new diversity} culture – the tools that	**Impact on:** • Designing a business unit structure which is highly autonomous, with BUs geared to markets and measured on bottom line efficiency • Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs

Table D-2.2 Summary of Attributes of Sustainability: Social Complexity-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	we bring in are only going to educate people on what is the definition of diversity what does it mean when two people coming together and making people understand their differences but the diversity and the way it is managed is from the top and that is in terms of the selection of your leadership once and it all comes back to your leaders. They will drive the culture… {on leadership} once again it is traditional …a good actuary was a good manager sort of syndrome {in Cheetah}… but the trouble is the depth of that leadership in a company like a {Cheetah} that understand the way that the XXX {CEO} does –he has got this vision and he is on a mission on what he wants to achieve but if something happens to XXX {CEO} then we are back to square one • **C-IT-2:** In an organisation like this you are going to struggle just because of the size and the remoteness of the leadership to what is really going on…The culture within {Cheetah} is to manage not lead. … its difficult in a life insurance company which is driven by actuaries…	• Using outsource initiatives to achieve efficiency **Enablers:** • Financial and actuarial functions important areas of expertise in bancassurance firms • Leaders through experience have good discipline in operational efficiency and bottom line focus **Challenges:** • Developing and recruiting new leaders who may not have come from insurance or banking **Constraints:** • Transformation requires leadership—not management—to set vision and inspire employees to change
Financial Control with emphasis on cost a consistent cultural value	• **C-B-2:** I think we are not there yet but we are working very hard on that to have a value for money advantage almost because we really manage to reduce our cost base substantially –…we really are cost effective • **C-C-2:** However we've used it greatly, greatly to reduce costs the fact that we have such a low cost structure relative • **C-IT-1:** Then we have also got initiatives were we talk total costs of ownership models .. Then we have got a process which we started currently called OVA (Overhead Value Analysis) which would really mean that you understand the {costs and benefits} and you actually define your outputs and you relate	**Impact on:** • Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs • Exploiting IT to drive efficiency within the business • Exploiting e-commerce to drive

Table D-2.2 Summary of Attributes of Sustainability: Social Complexity-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	that all back to your budget figures so that business people understand exactly what they are paying for and what value ...It is measurable... • **C-IT-2:** And it is quite interesting that they have learnt through the process as well...I think that does summarise it quite well. It is based on the budget in terms of the costs of those outputs.... • **C-M-1:** Because the ship is built so big and is so big it is not flexible, simple as that. And I believe these days you have got to be lean and mean, you have got to be lean and mean and we are not.	• channel efficiency and create a stronger customer relationship • Implementing a business process re-engineering process to drive cost out of the business • Using outsource initiatives to achieve efficiency **Enablers:** • Establishes credibility with customers of keeping overheads low • Scale and cost control identified by investment analysts as important competitive consideration **Challenges:** • Knowing which costs to eliminate **Constraints:** • Over-reliance on efficiencies may create "false economies", i.e., not investing for future growth • BU structure itself may be the cause of significant duplication and built-in cost

Table D-2.2 Summary of Attributes of Sustainability: Social Complexity-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Employee Empowerment with both responsibility and accountability	• **C-B-1:** We have a very much an empowerment is in the nature of {Cheetah}. Empowerment stands all over this company, I mean if you started to empower the Afrikaans people, the nature of the product is empowerment, financial empowerment...The way that we run the company is an empowerment approach so we say to someone right you are in charge..., guess who is going to get fired if it does not make a profit, ok. So I mean now if at the same time I say to you I am going to fire you if you don't make a profit, I am empowering you as well,...so empowerment is I mean it is all over everything {you manage}. So now if you don't succeed then the only thing that you can blame is yourself not because you were forced to integrate your systems. • **C-B-2:** We try and keep {salaries} market related ...average market remuneration and it is obviously ...the feeling of achieving something and ...if I am not achieving anything I would not want to work here – and really we have been giving them a feeling of really having participated—a sense of real responsibility • **C-IT-1:** I figured that the natural advantage that {Cheetah} has is a highly disciplined work force. And again it is related to the Afrikaans discipline culture, that kind of thing. It is negative in a sense that if you ask a subordinate to do something, it can be crazy as hell, they won't tell you it is crazy, they will just go and do it...they don't question well. But they execute what is being asked for... and you would expect that that sort of culture would create a very efficient well run administration but the fact of the matter is...we have probably got as many people correcting errors as are doing the normal job, work departments to correct errors. • **C-IT-2:** ... you give these people the tasks of implementing the improvements that they have suggested and you change the entire organisation to accommodate the improvements that they have suggested. They have participated in it, ...and everybody is kind of happy, you know. • **C-IT-5:** People without a doubt {that are} skilled, dedicated people and {that} are passionate about IT...{we are creating} an environment that is conducive to people learning, growing, providing a work environment where people are motivated to explore the options and to think laterally and creatively.	**Impact on:** • Exploiting e-commerce to drive channel efficiency and create a stronger client relationship • Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs **Enablers:** • Empowered employees can see how they contribute to BU operational success • Employees work with little minimum direction; have the freedom to act individually or collectively to implement BU performance goals **Challenges:** • Training and motivating employees to take on the empowerment mantel • Recruiting and developing leaders from other ethnic groups without loosing the loyalty of current workforce
Source: Author's analysis of the interview data		

Attributes of Sustainability: Uniqueness – Cheetah

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Reinforce Cheetah's brand characteristics of stability, best value, and staying power that appeal to middle-market clients	• **C-B-2:** That is a difficult one obviously over time {Cheetah} has I think been very dependent on our brand probably a short answer – in terms of the white Afrikaner population – that has changed a lot over the 5 years and it is actually difficult and that is where we came from that is where the whole reputation was built but we have changed that so much over the last 10 years and it is not relevant anymore. • **C-IT-2:** I don't know that we are very good at capitalising on our natural advantages, I think our natural advantage currently is a brand that is fairly well trusted. • **C-IT-4:** Products will just be a qualifier; they will not give you a competitive advantage and our brand needs to maintain its strong position. • **C-M-1:** in terms of how you want to position of brand of {Cheetah}, you know people think of {Cheetah} and they think about trust, good expert financial planning advice... but {Cheetah} carries Afrikaner white male brand, it comes from people, executives around you and trying to change that brand is a hell of a hard task... the brand of {Cheetah} is a very powerful brand, you know for eighty years or sixty years, it is a very powerful brand. I think it is one of the reasons why people come to {Cheetah} is because {Cheetah} is seen to equal security, stability, size, success... Brand is important in any business but so much more in services businesses, ... we have only got the brand because there is nothing else tangible to get onto. Now the problem is everything hinges on that brand... The problem we have with {Cheetah} at the moment is we have got the brand of {Cheetah}, ok, we have got this company {Cheetah}, which consists at the moment of {Cheetah Bank} , which is pretty much independent with its own brand, {Cheetah} Health..., you know employee benefits and SGF which is the collective of four different companies, unit trusts. I mean unit trusts are portfolios and {Cheetah} trust... Now so unfortunately me here I look after SPF, I	**Impact on:** • Creating and maintaining effective channels to reach middle market • Designing a business unit structure which is highly autonomous, with BUs geared to markets and measured on bottom line efficiency **Enablers:** • Reinforces effective sales efforts to reach target market • Track record of reliability supports client retention • Brand consistently recognised among employees as critical to firm's success **Challenges:** • Afrikaner related brand needs to be re-positioned to appeal to the broader, ethnically diverse middle market • Market roles between Corporate and BU entities must be clarified to prevent brand erosion • Marketing direction requires an

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	don't look after the brand, you understand what I am saying? So in a way I have got to do a marketing job but I have got no power over the brand, I have got to sell unit trusts, I have got to sell Life... And someone else is looking after the so called positioning of {Cheetah}, you can call it the mother brand, Ok.... The problem is these products, they are products, but products of {Cheetah} that have become companies, ok. So theoretically if they are companies, what is the strategy of these companies, how, what are we going to do to sell more unit trusts, what are we going to do to position {Cheetah} unit trusts, why must the person buy {Cheetah} unit trusts as a company, right. But we can't do that because it is the product within {Cheetah}, even though it is structured as a company. So it is bit of a problem so for you to ask me what am I doing as a brand to out manoeuvre {Buffalo} or to make customers buy from me, I can say to you I am doing nothing because I don't run the brand. • **C-M-2:** Its strong brand, good products and more and more good advice. ...We win because we have a good brand, which we can build on.	Integrated approach, using brand as a means of defining service, products, pricing, and channel access
Promote Customer Service and client relationships through extensive channel network to reach target middle-market	• **C-B-1:** I think it is good that it should be like that and I think we want to get better at advising people as well. And what I would like to believe and I think it is true, why people like us is because they trust us. • **C-IT-2:** By creating lower cost operating platforms with sufficient flexibility to maintain out competitive advantage of being fast follower... We are not market innovators but we are fast followers. We are very quick to respond to other people's innovation with something better even. With the systems we are building, we aim to maintain our competitive advantage through the creation of flexibility in our products and we are conscious of that. • **C-IT-3:** {We need to be} a leader in client service. I believe this carries the company when the market is not doing well... Technology and support...enables the high client service levels in the call centre and on the Internet. • **C-IT-4:** The ability to administer what needs to be done in terms of honouring a contract accurately and cost efficiently without undue	**Impact on:** • Creating and maintaining effective channels to reach middle market • Designing a business unit structure which is highly autonomous, with BUs geared to markets and measured on bottom line efficiency • Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	risks. The ability to provide a service that the client can trust, that is accurate and with a service level that he would like… providing the right service levels but also to really be in the wealth creation business means being in a long-term relationship with our clients… It all depends our ability to develop sound, long-term relationships with our clients and to do that better than anyone else. Service and relationships will be most important. Products will just be a qualifier… • **C-M-1**: Pricing wise I think we are competitive, we are never going to be the cheapest, I don't think we want to be the cheapest, but pricing wise we are competitive. We have a very extensive sales force in terms of our own sales force. …So what I am trying to say is you need to make it as easy as possible to deal with this business. So whether the client wants to deal with you through the internet, whether the client wants to deal with you through the telephone, whether the client wants to deal with you face to face, whether he wants to deal with you at head office, he must be able to do that… We are looking to move our business to a more relationship driven business in order to retain and develop our existing clients… I am saying if a company is really relationship driven, you are going to make damn sure your service is up to scratch… we need to have the very expert professional service capacity… Investment returns wise they are the most stable and secure, the safest, they may not give you the best returns but I don't think you are going to lose your money, in the sense of the company going bankrupt…{Another} reason is our service, our ability to deliver service, which is going a long way towards a more differentiated and personalised service…	**Enablers:** • employees to service and the need to build Consistent commitment of • long term client relationships • A ubiquitously deployed distribution channel based on easy access to Cheetah • Large scale market footprint with "second" largest market share provides base from which to grow • Middle market considered fastest growing market in SA **Challenges:** • Orchestrating BU structure to establish common standards of good service.

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
IT initiatives, including e-commerce, require "balanced" alignment to both Corporate and to BU strategic direction	• **C-B-1:** they {IT employees} have got to be very close to the business, they have got to understand the business because what they have got to do is they have got to understand the need and translate it into technology terms. And if we don't have those people in the business then we are going to die… how can we communicate it to each other,.. that is what we need. Different kind of person as well, different kind of profile, somebody that likes communicating, somebody that likes to articulate, not somebody that likes to close the door and go and sit behind the desk…. I am in charge {in the BU} of the product, I own the product and hopefully channel, clients and stuff like that, …I know my technology, my technology architecture as a business and what is it doing for a business and that is why I think it is important. • **C-B-2:** how you streamline the processes around that and how you link your people with the software and get the economy to scale around that and that will become very important… it is so horribly expensive to implement and it is difficult actually because it is so expensive nowadays to implement technology to get a good business return…Not only to show but to actually realise those benefits – you come up with all these wonderful promises and a lot of those promises just vanishes into thin air as the project gets more expensive as it doesn't deliver on time as – people think that technology gets cheaper all the time and it is not really true – because the high cost of technology skills at the moment I find that it is getting more and more expensive to implement technology –… Poor implementation records and I mean I am not only talking from {Cheetah} I am talking industry wide…Over promises and under deliver and I think the other big stumbling block it… IT understanding of business and business understanding of IT getting those two worlds to connect. • **C-C-1:** well XXX {CEO of E-commerce BU} is actually working on some toolkit which is ok for the kinds of solutions he is working with, but it is not very usable for businesses {BUs}, so we need to work with one, see how we can actually	**Impact on:** • Establishing smaller corporate functions like IT and HR to reduce staff costs and embed these functions in the BUs • Exploiting IT to drive efficiency within the business • Exploiting e-commerce to drive channel efficiency and create a stronger customer relationship • Using outsource initiatives to achieve efficiency **Enablers:** • Consistent recognition among employees importance of IT in the business • Recognising problems in IT deployments of the past, and creating a decentralised IT structure located in BUs **Challenges:** • Learning from past failures to improve IT implementation—not only organisational structural changes, but other process changes • Developing criteria to determine when to develop IT systems internally, or outsource them

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	utilise a lot of what XXX {CEO of E-commerce BU} has put in place to actually have a stronger total business solution. Obviously at this point it is still immature..., but the e-initiative is quite important...there is a lot of potential in mobile going forward. And then the other interesting area which we have just started to work on is what you can call ECRM or online data mining or what we also call it is client behaviour intelligence... it's critical to get a single view of your client in a company,.... I mean we actually have about four product providers, and you have got four different help desks you know serving the client providers. Now consolidating that surely is critical, but not just consolidating but consolidating the data that they work from. So when a client phones you and {you know} he not five minutes ago talked to the Unit Trusts environment, when the call center lady / guy answers the telephone then he could say OK I have seen you talk about you Unit Trusts so far do you want to know about your life policies, now it really makes an impression on people. you know its an integrated portfolio and is being managed so you can actually supervise those Unit trusts. So that what we are doing, although within {Cheetah} overall as a company you have got four different customer business units. consolidation of {IT generic systems}.... Leads can quickly disappear. in cracks if you don't know what follows on from there. So the whole concept of controlling the environment, controlling the information regarding your customers so that's all customer relationships and staff. • **C-HR-1:** so if you go to any manager and there is no question about the importance and the role of IT has been at the cutting edge of what is happening and I think IT strategy has been getting even more attention than the people side ...that is the impression that I get from a HR practitioner that a lot of time is spent there {in IT} but if you look at the track record from {Cheetah} in managing IT is an absolutely disaster – and we come back to ...the placement of project management that has been a downfall and so we are able to identify the right things but we are not able to deliver them and we use to go through a hell of a steep learning curve in terms	**Constraint:** • Implementation key capabilities, especially in project management are insufficient; BUs rely heavily on outsourcing • No clear indication of integration between Corporate and BU IT strategies to support a common Architecture at an infrastructure level.

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	of problems in those areas before we come up with a right answer. I would love to quantify in the last five years how much {Cheetah} has spent on IT intervention that has been successful...a success story if it comes off is the use of XXX {CEO of E-commerce BU}… XXX {Exco CEO} recognised him and it was not our wonderful HR guys who did it and who recognised the guy with the flair for entrepreneurship and had an IT brain and people management skills and he stuck in there and I mean that means to me a lot of insight but then if you go and look at some of the projects before XXX {Exco CEO} time is an absolutely disaster – must have costed us millions of rands. • **C-IT-2:** IT fits in fairly well in that we haven't gone for the best products. We have gone for products that can process a large market. From an IT point of view we build our systems for scalability with some flexibility… IT is an enabler but IT doesn't have to be internal. I don't think that IT has to be internal because it's strategic…We have made a lot of very costly mistakes in the last three years. I would say the bottom line of all of that is changes in business strategy, uncertainty around the business strategy, um, we have probably thrown about two hundred and fifty million into the Pin-Pro project when we realised it was not going to deliver a set of systems appropriate to the new strategy. Now what we have done is we have gone this package route which is appropriate to the current strategy but what if the strategy changes, that is a real danger. So those are missed opportunities. We have wasted a lot of money on abandoned projects. • **C-IT-4:** We have a high level strategy about where we want to go and how we view IT as a supporting the business strategy. I don't know everything it is very comprehensive. I think there are a lot of gaps in it, too much is still intuitive and not based on sound research and planning…{This is} fairly important because our business is so technology driven but I think it is reactive and not proactive. • **C-M-1:** we were looking to build a central client database, a central client warehouse which houses all the information we need about all our clients and which from there will service all the	

Table D-2.3 Summary of Attributes of Sustainability: Uniqueness-Cheetah (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	client contact areas. So whether it is advisor or broker, he will have sufficient information to service his clients and build relations with his clients. Direct call centre, the service centre, marketing all that we need to do blaa blaa blaa, internet or whatever. That is basically what we are doing. Unfortunately the concern we have at • the moment is having a data warehouse there which can carry information of all the companies, it does not make you a relationship driven company… another big thing is the service call centre you know, we closed down a lot of our offices and we have now basically got these two big service call centres which they or clients do everything with, over the phone in terms of operational services and admin and that sort of thing…But once again it is a {Cheetah} life service centre. So at the moment we have got a massive {Cheetah} life service centre which is if you are a life client you can phone in, you can change your policy number and you can get your portfolio and you can get whatever. {customer says,} "You see while I am on the phone I would like to just talk to your about my unit trust" {centre employee says,}" I am sorry we don't handle unit trusts, I will have to transfer you", and you get transferred to the unit trust call centre, and he says, " great, while I am here I will like to buy a will", " sorry we can't help you with that" so he gets put through to someone else. That is what the client faces at the moment.	
Source: Author's analysis of the interview data		

APPENDIX D-3: INTERVIEW EVIDENCE FOR GIRAFFE CASE

The following Complementary Resource Combinations were identified by interviewees in Giraffe. The CRCs in bold are identified as "significant" to the strategic architecture of Giraffe. These seven significant CRCs are developed in greater detail in Table D-4.1.

- **Aligning IT to business profit centre needs.**
- Assuring transparent governance with discipline toward maintaining financial, and service, performance at high levels.
- Creating an updated brand with "look and feel" and colour scheme similar to that of parent, Bank One. Includes a new slogan, "Making a success of life".
- Creating links to corporate–wholesale market to provide a uniform interface with all target markets.
- **Designing channel flexibility to cost-effectively deliver standard (but customised) products to the high-, and middle, market customers.**
- **Embedding innovation culturally, and structurally, into the organisation**
- Encouraging employees to be "engaged" in the running of the business; i.e., speaking out when they see that leadership may be headed in the wrong direction. Making heroes out of employees who do speak up on pertinent issues.
- **Establishing business efficiency through automation.**
- **Exploiting IT with client-centric applications developed in-house; with infrastructure and other non-critical applications managed through vendor alliances.**
- Learning from IT failures; encouraging risk-taking among employees.
- **Maintaining a loosely-coupled, decentralised managerial structure, with high emphasis on profitability.**
- **Maintaining a loosely-coupled HR direction, with profit centres accountable for both the strategic, and compliance, responsibilities.**

Critical Complementary Resource Combinations (CRCs) – Giraffe

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe

CRC	Supporting Resources	Evidence-Interview Analysis
Decentralised managerial structure with high emphasis on profitability	• Structure of competing business unit profit centres • Empowered functional groups (IT, marketing, etc.); Small Exco staff; consultative rather than oversight role	• **G-M-2:** ...we have what we call kind of 'show and tell' sessions ... so for example IT, there is an IT forum where the people will share what they do in their business units, so that we don't learn in one place and not share in another place ... So in all those disciplines ... across, we make sure that there are forums in place where those individuals can share what they do and that we don't drift too far apart. If you want something, you can ask for it and you will get a very detailed answer. I think ... you can get negative competition when people ... do things to surprise the other one, we don't do that. • **G-C-1:** We have a Strategic Project Review Board, on which I sit, where we work through all the large projects...it's kind of a CTO role there, but the point is, I don't have line responsibility, so it is a consultative role. {As CIO}, what I'm not doing any more is comparing IT versus management expense ratios...what we do say though is, that every company must value profitability... and what I in a way encourage, is IT best practices. But it's not standards based, it's involvement based, I understand their strategy... Of course, subconsciously that strategy is influenced by what other companies the Groups do, but it is not influenced by standards...it's more an approach of best practices... I work like that is, because I understand many of the companies are going to go compete. So I cannot share the strategy of one company with another, except on stuff that is of an non-competitive nature. • **G-B-1:** . I mean all strategy sessions, the IT guys are there. And the top IT guys...want to know more about what is, about how it is, what you are trying to achieve...at four 'o clock you are talking, and next morning at like eight 'o clock you have got the decision because everyone is sort of on the cell phone talking. I think that is where they are involved... everyone is in this together, there is no big hierarchy, no bureaucracy. So as a result the IT guys do get involved,...and come back and tell you what the solution is. • **G-B-2:** we don't do governance for governance issues. For example, we have got a new sort of business proposition that the teams are working on and they had a pilot, they built their business plan...Now it was tabled at the Exco and you know basically their three sort of reasons...{and} financial analysis...I am pretty happy that this governance...before we followed a pretty frigid

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		process...we don't rely on the, let's say the internal audit committee...We actually know it our responsibility. We actually know that all of the directors...can sort of advise at a very high level, give direction or whatever. But they can't really assist the more detailed level decisions... • **G-HR-1:** I don't believe in HR policies and procedures, that are centralized...Each profit centres must work out what is best for them...So what I say is that the company must be, our company is managed by values instead of policies and procedures... I don't believe in job humiliation systems, we don't have {them}. I don't believe in anything that smells like a bureaucracy. We believe that people...make up any contribution. • **G-IT-1:** What you'll find is when budget guys get around the table, they challenge each other, discuss the tough issues, say 'what should we do?...As they say 'how are we going to do it,' each guy will say 'well, this is how I can help.' • **G-IT-3:** We are not a company driven by committees, we don't have a lot of committee meetings. We don't believe in committees, if you want something not to happen then you start a committee. So we don't have governance committees and all that kind of stuff. That is not part of the way that we do business... So of course we do talk to one another. They {another BU} bought a call centre, we thought it very nice, we liked the functionality and then we went out and bought the same thing. So in a sense there is some affinity but it is not a focused like a committee looking affinity between the business units.
Loosely-coupled HR direction	• People in business units: train and re-train • Common administrative systems • Exco HR set expectations and consult; business units create and implement	• **G-HR-1:** I would say I facilitate the HR process and I act as a mentor to the HR professionals in the profit centres. And I would say I, what is the word, coordinate the HR process. I don't believe in HR policies and procedures, are centralised, the HR policies and procedures. Each profit centres must work out what is best for them and that culture must drive the process and not from speculations. So what I say is that the company must be, our company is managed by values instead of policies and procedures. We sell ourselves as resources {Use of employees-Leadership development} we have the internal consultants...we do coaching development, individual coaching and get our own {BU} people to do presentations, we use the internal skills and creativity to get things done...{HR

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		Administrative Systems} I make a clear difference between admin side and that is in my head, that is important you know that there must be an administration of these things, that is where there are payroll {common systems}. So when I talk HR I see development of people...But payroll lies in my head with the financial guys... • **G-M-1:** ...training, we identify training out of quality {checks for defects} and then we send them {employees}. • **G-HR-2:** For us in the customer service environment where we do a lot of our training, it is about knowing the systems that you are using. We have just converted across to 'Giraffe' systems...it has been a question of training them, skilling them up to use the system to optimal advantage...they must be multi-skilled enough to be able to deal with any requests that comes from a customer. So that for me is the one level where you need to focus your training on developing that multi-skill employee...we don't talk about training any longer, we talk about learning and development.
Embedded innovation: culturally and structurally	• Employees (fit to business) • Leadership style of people • Structured by business unit profit centres	• **G:-C-1:** I'd rather have duplication with lots of profits, than no duplication and the people deliver nothing... Let's say "Giraffe" Wealth decided on a new multi-media Call Centre...anybody else in the group can have it...So it's whatever makes business sense...can you imagine the implications if they did a bad job?...once it works everybody wants it, but it's once it works! • **G-HR-1:** ...we are also doing this in a typical "Giraffe" way...We want here also to do it differently, create energy in a process which I think we succeeded in most profit centres.... we believe in the debate...we believe in diversity...we believe that if you have a {homogeneous} group you don't have creativity. • **G-M-2:** Sometimes it has been good and sometimes it has not been as good, we also had our technology failures. You can ask XXX about Sapiens. Before the merger I think that is when we...had a strong technology focus to be at the leading edge. No Sapiens is leading edge. It did not work for us so, but luckily and I think that is where the {risk taking}culture again comes out on top, we realised quickly enough that is not going to work and we canned the process. But anyway the way we use workflow technology was definitely a first for South Africa we also had our technology failures.

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		• **G-HR-2:** And what the XXX Merchant Bank guys did was to breathe new life into {Giraffe} that was going nowhere. And they did this simply by saying what do we need to do differently...we don't want to follow the traditional rules, we don't want to do what everyone else has done, we want to find new and innovative ways of doing it. • **G-IT-1:** I would say that people here, are recognised by the fact that they get things done and they don't follow the well-worn path. So people who can get things achieved very quickly and very dynamically, are the people who are acknowledged in the business as being successful. So everybody is trying to outdo the next guy, and it's fine. You enjoy it. I mean it's exciting to actually leapfrog all the boundaries that you thought, all the obstacles that you thought you had around you...
IT aligned to business profit centre needs	• Business unit ownership of IT infrastructure and architecture • IT professionals; Business unit profit centres	• **G-M-1:** you will not find an IT strategy document, you will not find it...You will only find a business strategy document...And in the business strategy you talk about market, you talk about client and you talk about people and you talk about IT...The big thing ...is IT alignment, alignment with business. Now everybody say ja ja {yes} we are aligned, you are not aligned. What we do, when we pay their salaries, we evaluate them, the IT guy does not do that {task/job} ... this guy gets zero. • **G-C-1:** ...we don't have one huge IT Division, the IT belongs to any company. So "Giraffe" Life has its own IT Distribution Services, its own IT Administrative Services,...and so forth.... we don't have alignment problems the way we had before...The Heads of the Profit Centres...are responsible for IT in that company, so they cannot say "oh but it's the IT people who failed.'...when the IT man and the Business man are entrenched together, you find that alignment problems become significantly less. • **G-M-2:** they are self standing companies on their own really which have their own IT, their own financial resources, own broker, own client servers kind of systems...And you bring them into smaller businesses so that there is a common understanding of what the core objectives of the business, so the IT guy will understand as well what the requirements of the business is... so you get to a point where you don't need to physically write out a detailed spec if you give it to IT for example because now you read between the lines also, understanding the objectives. But it is a much more efficient process and you find often these days that an IT

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		guy will say where is the profit in this? ...And that is what we want actually, so that it is your business focus as opposed to just building IT systems... • **G-IT-1:** ... the whole approach here is, 'we're not prepared to spend a thing, unless the bottom line value is visible' So the IT investment is more an issue of, building an IT platform that is going to enable the business. And we definitely concentrate on that,...they need to produce the right tools to enable the business to succeed and if the business is not succeeding, IT bears part of the pain – not physically, but emotionally. • **G-IT-2:** The IT side is quite healthy because without the IT side there is no way the business can function. In the new world,...you need the technology in order to assist the individual as well...It's very much integrated...you need IT to assist you to be able to achieve the goals that you seek.
Business efficiency through automation	• Integrated customer databases post-merger • Integrated IT staff post-merger • Common server platform	• **G-M-1:** ...we converted all one point three million of "S Life." policy holders. There is just a cost saving on that, is about sixteen million per year from an IT point of view...{after placing on common server platform}.... it was a big shock as it was three times "Giraffe," the number of policies etc. So we put them together, we are now one hundred and eighteen million policy holders {integrated together}....
Channel flexibility to cost effectively deliver standard (yet customisable) products to high-, and middle-market customers	• Network of brokers, not agents or sales force • Standard, not custom products • Alliances with banks to extend reach to new customers • Rich data base for brokers MDS—document mgmt. system. • In-house consultants to serve 4000 selected brokers	• **G-B-1:** Yes I think what differentiates I mean "S Life" at the moment gets eighty eight percent of the business from its brokers...a bullet is a bullet is a bullet ok, ...there is not too much you can do to differentiate ...product is pretty standard ok. ...So the real question is how you can get to customers as cost efficiently as possible. So we have to address that because the top end of the market, those rich people...are going offshore, ...we have got to start looking at the middle market again...you can then not afford to do it with your expensive distribution channels. • **G-B-2:** they {Cheetah's distribution services} basically distribute our life products as well as our link products as well as our discovery health products. So they are a single interface of brokers... The other companies are now copying that... {We've got} a loyalty programme going for brokers... we have now got fantastic data on each and every broker. the brokers are the client and they have now got a client management system

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
	• Electronic distribution, not developed	• **G-M-1:** Our field force, we are big in brokers but it is the bank brokers. But we don't have agents itself, you know the big agency forces. "Cheetah" and "Buffalo" …eventually…are going to understand that is too costly to have those. • **G-M-2:** I think brokers like the way we operate and that is why when somebody else {competitors} kind of you know peeves them off a little bit…So we have had big growth, we get a big share of {Associate Bank} business, which obviously is difficult for {Cheetah} to kind of swallow.{ Associate bank.} • **G-IT-1:** So I think that because IT is the enabler, I mean…in an insurance company, IT is your production line. A new product is based on new rules for a computer {application}. A guy buys life insurance, but what he effectively buys is entry on your system.
Exploitation of IT-client-centric applications "developed in-house"; infrastructure through alliances	• Infrastructure • Applications (e.g., as work flow, database systems) • Alliances	• **G-M-1:** a service level agreement…I hate because that is the lowest level of service you can ever get. They are not going to do more than this because the whole thing is it is more like a partnership thing. So we believe we are very tough on service providers that don't provide…. I think we are so output driven … It actually creates the issue that our timeframes and the business partners timeframes are not always the same… So that is the only way…actually, you can {resolve this} is ask our {vendor} guys that live close to us…to understand more about us and I think…the IBM's they understand. • **G-M-2:** if you want to move fast because you are always as dependent on the outside party to make functionality available and that always tends to be down {not available}. But if it is an inside home grown system you understand the inter-links between all the systems… I think we understand what we can buy off the shelf or it does not change as quickly, like telephony systems for example, as long as the interfaces are cleaner…And it is also what parties you use, for example AWD is a system that is an automatic workflow distributor,… we bought it from a company in the U.S, called DST, and it was initially a system for the unit trust industry in the U.S. and now many life companies are using AWD just because of the way we started to use it in Giraffe in South Africa... whenever we have a business partner we should be able to do it on a hand shake and they should be able to deliver…And if we can be better we will expect our business partner to follow us in that..

Table D-3.1 : Synthesis of Critical Complementary Resource Combinations-Giraffe (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		• **G-C-1:** {Industry benchmarking} All you have to do is, you have to walk with your ears open,...talk to people in your industry and have a good strategic relationship with significant vendors, like IBM and Oracle and other market leaders. • **G-IT-2:** Quite important because we rely on them. We deal with IBM quite a lot because most of our important systems run on IBM platforms. • **G-IT-3:** But with third parties obviously like IBM but they are just suppliers for the infrastructure and systems...It is not a big thing in our company...All our software are developed in-house except for stuff like Lotus where we believe that you don't outsource your competitive edge, that is our philosophy.
Source: Author's Analysis of transcribed interviews		

Attributes of Sustainability: Social Complexity - Giraffe

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Empowerment/ egalitarianism: stories of employees making a difference	• **G-M-1:** it is very difficult to understand {impact} ...your self image...an example, S. R. was head of operations and {he was inundated with}...e-mail so he sent out the new rule on writing of interest {relevant to business}. This is the way that you do things etc and a small girl came to his office and his secretary tried to stop her, and said, "who wrote this shit?" She came into his office...and she said, "did you write this/", he said, "yes," she said, "how can write this, did you know that this is happening, you can't write this." You know what he did, he said he send it out again and said I am sorry I don't know everything that happens, this woman actually came over to say that I am stupid and this is how it should be done. That culture, it is tough. • **G-M-2:** I think maybe XXX once said...Giraffe is a place where...normal people can do extraordinary things... we all expect him {employee} to deliver extraordinary things.	**Impact on:** • Embedded innovation • Decentralised governance structure with emphasis on profitability • Loosely-coupled HR direction

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	• **G-B-2:** I would say our culture is you know we don't take ourselves seriously...but in a certain sense we also have healthy...disrespect... • **G-IT-1:** they're {senior leadership} all accessible. I mean, to give you an example: We had a session the other day, the MD of,--this is a large company, we're now the fourth largest Life Insurance in the country--the MD was having a discussion with a fairly junior guy, and he said he'd just bought himself a new car and he thinks we should have reserve parking bays. The junior guy, I don't even think he's a manager, he's an actuarial guy, but he's not in the management line...said to him, "But you can't do that, the culture of this organisation is that we don't have reserve parking bays, the culture of this organisation is no-one's better than anybody else." The MD ended up, after about a 40 minute discussion saying, 'you know what, you're right. Thank you, we won't do that.' Now you tell me another company of this size, where the MD is going to allow somebody to challenge him on an issue like that, never mind publicly at the end of the discussion, turn around and say 'no, you're right, thank you.' It doesn't happen. But that's the whole mentality here, it's about challenging the issue and doing the right thing. I mean that's why, I don't think "Buffalo" {a competitor} will come close.	**Enable:** • Employees to become more self-directed • Work in ad hoc teams to address issues and implement projects, rather than relying on processes **Challenge:** • Maintaining consistent leadership where "talk" matches "walk" • reinforcing cultural value that people make a difference through HR practice.
Recruit, retain, and recognise the "right" people	• **G-C-1:** When we merged with XXX...they had a strategic architecture team of 12 people. I spent a week trying to understand what these people do, and after a while I realised they are not doing anything. You know, they're talking between themselves and it's a nice theoretical discussion but it's not worth anything really to the business. You've got be involved with them {business}, you've got to understand their problems, experience the pain of their problems before you can work out a strategy. A strategy is not something that is removed from business, it is integral. A strategy is something that you put in place to transform a company. How can you do that if you don't understand the company?... If you only have technology IT people, you will find that they will always have new technology but they will not deliver much on the business side. And so you need them both {IT and business people}. It's not rocket science--you need smart people, you need them to understand the business, you need them to understand new technologies, you need to be able to	**Impact on:** • Embedded innovation • IT aligned to business profit centre needs • Decentralized governance structure with emphasis on profitability • Loosely-coupled HR direction • Exploitation of IT-client-centric applications "developed in-house"

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	be able to react to these things really quickly, you need, you know.... And it's all around attitude and the way we've work...it is all about culture and ethics, how our word is what we do and I suppose that's sort of what we must try and get more right. • **G-M-1:** it is people identify markets, people analyse data, not a system, people do that, people create products that you need, people create the perception out that the client service is excellent, nothing else. So the biggest asset that we have got is people. So we do things different for example, this project that I was talking about two and a half or eighteen months that we done it right, in taking sixty people with their wives, all expenses paid on a Caribbean cruise, it cost me three and a half million rand. So we do those kinds of things, they feel appreciated...we had a problem just after the first conversion so the guys worked overtime...then I bought flowers, all the IT guys that worked weekends, every second week, I get a list and then I bought flowers for their wives just to thank them...You cannot believe, that guy's productivity is even better after his wife has got the flowers.... he will make the deadline because it is not my deadline, it is his deadline...you need to be open and honest, there are no holy cows. Anybody can challenge anything, so if I make a decision for example now, I put sixty guys on a boat trip, there was three to four hundred that was involved in this project and they reckoned how did I get to the sixty, is it number of years, then I said I am just human I don't know. So this is what I have done. I never said that you are not an excellent but I am just saying that I have only got sixty places...I think the biggest thing is that you must never make people {feel} abused or you know that you pay them too little... my head of IT, W.P., yesterday had a phone call from ABSA that offered him two and a half milllion rand a year, head of IT ABSA. Three weeks ago Nedbank phoned him, one and a half million rand per annum, take all share options etc. I am paying him six hundred and eighty thousand ... • **G-HR-1:** ...if you ask me what type of employee, then I would say...but someone who is not interested ...that their company does some for him or her, so they must be prepared to take ownership for his or her future in the company... these days the sort of employees want to be challenged, they don't want to be just in a job, they want to feel like they have been	**Enable:** • clearly delineated criteria for success for employees • Closely linked recognition to success. • Highly visible acknowledgement of successful employees with "rich" reward schemes. **Constraint/Challenge**: • Long term sustainability of CRCs., i.e., scalability as firm grows • Alignment in HR approach on social complexity attributes—i.e., egalitarianism vs. elite recognition programs

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	developed, they want to feel like they have been stretched, that they can work with the people around them, the whole nature of work has changed. we have a transparent recognition programme,...it is a WOW programme, the programme is branded very well. we market very active and aggressively {among managers}, so that we get the nominations. So this year we have about a thousand nominations ...And then fifty people are chosen and go to a place like Mauritius... We believe we have chemistry here...there is a lot of pressure on us with the equity employment and I think we are rising to the occasion. I just went through one of our employment plans with the profit centres and I am impressed ...they sort of used this...in a typical 'Giraffe' way • **G-IT-1:** ...I mean if you can find your way out {a solution}, there's only admiration from the people around you, especially above you. • **G-HR-2:** They have got a very strong recognition programme which is called the WOW programme and that kind...And that kind of gets people excited because the prizes are quite lucrative. Last year they had a banquet for the top fifty people in the company and their spouses, of that fifty, twenty five were chosen and they went to Mauritius.. That is going now this year... MD's IT people, the folk who had gone through the merger successfully and they performed quite miraculous things with that merger...And my frustration with "Giraffe" is that the business leaders will say, people are important, they are most important asset, all that kind of bumpf that they put in, nonsense they put into mission statements and all of that kind of stuff. And yet when you really look at how much they spend on people, how much they invest in people, it is minimal... It is a very focused company, a highly profitable company, I think it is going to go places in the short to medium term. But the long term sustainabilities...is what worries me because there is not enough investment, there is not enough focus in people... people are commodities, you come you go, if you win some you lose some, no big deal. **G-M-2:** it is actually the way that we do business, the vibrancy of the place, the image that we project,... I think the most important is just the environment that we try to create because it draws a certain type of person to 'Giraffe'. And it is really, it is a subjective...if you want to write it down	

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	it is very difficult to do because it is lots of things. It is the lack of formal HR policy. For example {we have nothing} that could be seen as a corporate symbol like offices or parking...And so we always have a debate about that and when new people come in, it is sometimes difficult for them to grasp more or less what is the boundaries of their own decision making power. Some people overstep it because they just thought that it is freedom but total freedom and it is not that. It is understanding more or less where you are in this kind of glass bowl...But it requires maturity in an organisation to operate like that I think...from the people you have...it also took us seven or eight years to really get to this kind of culture...if you bring in new people ...it takes three to six months or whatever, depending on whether they come from an existing kind of hierarchical environment or university for example. And they either fit in or not....People either like it or they don't, there is not a lot of 'in-betweeners' in this culture.	.
Leadership: Flat structure with few senior leaders who are charismatic and directive	• **G-M-1:** If you look at the structure, let me show you how flat that is... So I have got the IT guy here and I have the client service guy here and I have the business analysts...then that is it.... then you have the people....So there is no, previously we had this is the middle management, then you had the section heads and you had all these things, we don't have them...{on decision making with IT} I just say, ' you are the guys that built this bloody system, I am not going to convert it, you are going to convert it.' So I am telling you I want this by the thirtieth of December and this is the way I want it and if you need more people you come and tell me and I will give you the money. You going to get them... • **G-IT-1:** I don't think 'Buffalo' {competitor} has got the management smartness, to do what we've done, nor the guts, to do what these guys are doing. I tell you the guys running this place, those three at the top, predominantly E., F. and D., those three are sharp cookies. They're prepared to follow through with the right thing and they have a blend of compassion as well. So it's not purely hard-headed, couldn't-care-about-you attitude.... {D.-MD} He's not an IT guy as such but he's got a knack to get into the essence of issues. And that's critical for me...It's actually amazing to watch him at work...because he always gets right down to the basic issue, and finds	**Impact on:** • Embedded innovation • IT aligned to profit centre needs • Decentralized governance structure with emphasis on profitability • Exploitation of IT-client-centric applications developed 'in house' **Enable:** • Rapid direction setting at senior leadership level • Healthy debate to determine options before making decisions

Table D-3.2 Summary of Attributes of Sustainability-Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	out what he wants to do, and makes a decision appropriately. • **G-IT-3:** I think... they {Sr. leadership} actually live the culture...C. {CIO}, for instance, technology is not a cost centre it is part of the success of the business...I would hate to work in a organisation where you would need three months to get a decision. • **G-HR-1:** Because if your leaders are democratic then you have a bureaucratic company. • **G-HR-2:** they have been brilliant business leaders. They have been prepared to challenge the paradigms, they have been prepared to break out the conventional ways of doing things... For example, the Automated Work Distributing system...they re-engineered the business, created flat structures and created teams where you picked up a call, you could actually deal with the query and give the customer the service on line, quick turn around time in other words. And that revolutionised the industry at the time it was introduced. And I think that has been characteristical of these guys, they are willing to ask questions, they are willing to challenge the paradigms, they are willing to be unconventional...that is the kind of quality that speaks of leadership... Now where I have a problem is around the people issue that they drive through things without a sufficient of a consultation process, without I think bringing people on board, without getting the buy-in from people. And that is fine, followers are prepared to follow for as long as they can see the value in it for them and a lot people have gotten rich in 'Giraffe' because of share options, they have gotten, ordinary staff have gotten huge incentive bonuses and that sort of thing from time to time and that is Ok. After a while those things no longer motivate... So I think they are good leaders in a sense that they are visionary, they can create a picture of what the future can look like and they will drive, ...and they are quite unashamed about saying that if you don't fit into that culture, they are quite happy to let you go... it is a self selection process. A lot of folk who don't like the type a personality approach will just self eject from the system	**Constraints/Challenges:** • Scalability as Giraffe expands • Charismatic leadership depends on "personality", not structure or process

Table D-3.2 Summary of Attributes of Sustainability: Social Complexity-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Informal working relationships requiring multi-skilled employees	• **G-C-1:** What we do share though {among BUs}, are strategic initiatives. So let's say Giraffe Wealth decided on a new multi-media Call Centre, they've done their homework. That homework can never be kept to themselves. So anybody else in the group can have it. And that's... what then normally happens, is that if the guys did a good job, the rest of the guys will follow you...If you have 1 group that has to do Call Centres for the group, can you imagine the implications if they did a bad job? Now you do it for 1 company, once it works everybody wants it, but it's once it works! I don't know of another company doing so many team building sessions...we do the profiling, we give one another feedback and we have fun. So we believe in South Africa, part of the culture now, is team building. ...we believe in the debate...we believe in diversity...{without a diverse} group you don't have creativity. • **G-IT-1:** So you don't have, the communication is more through the team than through levels of strategic to operational management... I'd say {IT is viewed} with respect...I'm not blowing my own trumpet here...I think that the business guys actually value the input of IT and the respect they give IT. There's obviously the odd tiff here and there, but I think, that's healthy, that's not an unhealthy situation. • **G-IT-3:** But now days you have cross function responsibilities, when a project came in and it actually affect the teams when in the older days you have people focus on a certain area and they could just go work. So you find a higher level of integration now days and I am sure...business processes are changing because of that.	**Impact on:** • Embedded innovation • IT alignment to business profit centre needs **Enable:** • Interactive cross-functional teams to work on a multi-task basis • All team members with common purpose, i.e., business needs **Challenges:** • Assuring common values are maintained throughout all profit centres. • Teamwork and sharing across business units continues as a senior management expectation.
Source: Author's analysis of the interview data		

Attributes of Sustainability: Uniqueness – Giraffe

Table D-4.3 Summary of Attributes of Sustainability: Uniqueness-Giraffe		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Project management: time boxing; Pilots for new initiatives	• **G-M-1:** Now at "Giraffe" you have a got a little bit of a cultural thing that if a project takes longer than six months we don't want to do it because if you look at a theory, a project consists of three things and these are the main reasons why all projects that I worked on, met {targets}. You have got the three axis--you have time, you have got cost the money, and you have got functionality or scope. Why does projects never come in under budget, in time etc, why?... one of the major things and the other things, they never fix time…so the whole way you are going to go out and package products and service together for a customer because we say products will not differentiate anymore. We have got the new Buffalo programme, we are going to build the exactly the same, it is easy, I can build that in five weeks… • **G-IT-1:** I think if you got a very bureaucratic IT department who are going to insist on following a development methodology with fifty thousand steps and two hundred reports and fourteen sign off committees, and all the rest, you would effectively strangle the delivery culture of the organisation… Well, at the moment we're running some pilots and I think for me to do is just see… I think a lot of people have jumped into the internet without knowing what they're doing, and why they're doing it. That's not Giraffe culture. Giraffe culture is to {pilot} systems before it has a right to exist…So what we're doing is running a pilot process at the moment, which will run for 6 months, at the end of which we'll have a look and see if the direction of that piece of business needs to be tailored to suit the results. And if it looks good then there'll be huge opportunity for investment...which is going to obviously help from a cost point of view and a service point of view. • **G-IT-3:** We believe that you must…help the IT people understand what is a business philosophy. I mean if you have a business area that is passionate about client service then you must get your IT people to believe in that as well. Otherwise you find them doing technology just for the sake of doing that but they don't really know why they are doing that. So they must understand the business drivers and I	**Impact on:** • Business efficiency through automation • Channel flexibility • Embedded innovation • IT aligned to business profit centre needs • Exploitation of IT-client centric applications developed 'in house' **Enable:** • Efficient deployment of IT resources • Rapid response to market needs; affords effective product "follower" strategy • Contained risk through using pilot deployment **Challenge** • Sharing both success and failed IT effort across business units

Table D-4.3 Summary of Attributes of Sustainability: Uniqueness-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
Merger integration: **- Speed** **- Learning**	believe possibly share in the profits of the company. • **G-M-1:** ...we have sold "S-One" {a subsidiary of the merged company "S-Life} to Cape Capitol Alliance six months ago. So the whole thing is making use of your strong points and play according to your strong points...the client focus and of cost effectiveness and the profits... We said... let us...focus on getting more income because you have got two big ships now and you can position them in different markets etc...we {decided to} take our pain up front...we said we need to put these two things {companies} on the same system and we decide which system is obviously the cheapest one, so we moved all the records from the mainframe to a {client-server platform}, we cut two hundred and sixty million out of the operational function per year as cost savings. The whole thing took us... twenty one months...the average time frame of getting a {a major comparable project completed}...is five years... We are very practical and we make a lot of mistakes as well but then we change it. I think we are good at implementing and executing and we believe that structure follows strategy..."S Life" was a company that made everything very difficult, when they designed things... we said listen we are going to do this in eighteen months and we will transfer everything, clients and the commission, workflow and all of it...{It} is going to be very difficult for them to change your ways because they {S Life} did it, you must see the documentation, it is brilliant, it is really good...we have learnt all of that...and they have learnt the speed from us. So I think that was a nice mix because they saw us a lot of cowboys when we went through this... • **G-IT-1:** No, I'm saying, coming out of "S Life," "S Life" had an attitude of doing the right thing. It didn't matter how long it took, as long as you analysed it to death and built the best {IT}structure, and got the best project plans and all the rest. Whereas Giraffe Life is in the business of implementation and in order to implement quickly and in order to implement work at a {fast} pace, you have to have very good people, who...take personal accountability, responsibility for what they do. And the reason why "Giraffe" has been year, after year, after year top choice of the brokers...it's because in fact, the people make sure it happens. No matter	**Impact on:** • Decentralized governance with emphasis on profitability • Efficiency through automation • IT aligned to profit centre needs **Enable:** • Merger efficiency savings on a quick turnaround basis • Creation of scalable infrastructure platform to incorporate "like" merged customer base. **Challenge:** • Merger candidate must be in the same business, same geography.

Table D-4.3 Summary of Attributes of Sustainability: Uniqueness-Giraffe (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRCs**
	what it takes... our main priority up until now has been to complete the merger...like the head of Daimler head, who said that, 'after examining 50 mergers, the most important thing was speed, speed, speed.' So, I think we've done the same thing. We've merged two systems and processes in 18 months, which is quite phenomenal for the size of the organisation. • **G-IT-3:** We like to deliver something every six months...like the merger with Southern Life, we broke it up into four or five phases and we implemented each one successfully. But we did understand the bigger picture before we started...Seven hundred people working till twelve 'o clock at night...We are also not afraid to implement the system and change it afterwards. We test it, we are happy that it is ninety percent correct means that we go with the system instead of spending another three months and make sure that is one hundred percent correct.	
Source: Author's Analysis of Interview Data		

APPENDIX D-4: INTERVIEW EVIDENCE FOR LEOPARD CASE

The following ten Complementary Resource Combinations were identified by interviewees in Leopard. The CRCs in bold are identified as "significant" to the strategic architecture of Leopard. These six "significant" CRCs are developed in greater detail in Table D-4.1.

- **Segmenting and tightening distribution capacity.**
- Innovating only in focused, well-established areas, related to core products and services (cross selling and product extension, i.e., value-added financial consulting services).
- **Enabling efficiencies through governance structures and measures that continuously seek alignment of IT functions with business needs.**
- **Developing human resource processes that enables a dynamic culture to support the business framework.**
- Enabling the sales process capability for seamlessly and efficiently interfacing the broker, client and the firm.
- **Building customer-led processing capability, through IT-enabled analysis, lead generation, and supporting of agents and brokers.**
- **Aligning of business processes and human resource processes, through appropriate structures.**
- **Designing IT infrastructural and automated business process efficiencies through widened, but structured, project management focus.**
- Measuring of IT-enablement success.
- **Using a risk-sharing, outsourcing partnership model, as opposed to only focusing on cost-saving and good deals.**

Critical Complementary Resource Combinations (CRCs) - Leopard

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard

CRC	Supporting Resources	Evidence-Interview Analysis
Enabling efficiencies through governance structures and measures that continuously seek alignment of IT functions with business needs	• Workflow and decision-support systems • Organisational structure shifted to empower business units • Co-training of business and IT people in the business units • CIO office and services created • Standardisation of middleware infrastructure • Group incentive scheme • Techstrat – IT and business committee	• **L-IT-2:** Ja {Yes}, we should be running research, which is basically group-wide research, across the group. Because we're establishing the function at the moment … what we're actually doing is more a relationship-building thing … To get everyone together, common view, common understanding … basically trying to find out what research the various business units are undertaking and then getting a consolidated view of that. • **L-C-2:** … we encourage everyone to innovate within the company. Anyone is entitled to innovate hopefully through our CIO services … now we must govern so that people don't spend too much money on issues and ideas that don't really allows it in our business strategy … You have to move towards it, or my intention is to move towards it, on a trust basis … on a confidence building basis. We are not going to ask the business to down tools and everything that they have been doing for the last couple of years, just because we happen to be in a centre – we need to add some value and hopefully they will continue to use our services. If they detect … what is considered reasonable, then one of these two forums either checks that, or I will use {it} as a vehicle to escalate my concern. They use a group incentive scheme that we implementing at the very moment as well and my whole idea here is now to get people to get focused and prioritise the key issues that will allow us to achieve our business strategies so that, in itself, (it} will also get … for making sure that people don't rush off and spend hundreds and thousands on research initiatives that don't support the overall strategy. • **L-IT-2:** And from a tactical view we're looking at our current middleware infrastructure, and we're standardising that and getting that sorted out to a more manageable state. I would say in the long run, if the company turned around and said, 'To implement the middleware architecture, it's going to cost us too much and just focus on the tactical side of things,' I think we will lose out at the end of the day. I think that those 4 or 5 key technologies that I discussed with you, like CRM, Call Centre, Data warehousing, if we don't show

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		we have that alliance in the business strategy and then we don't do anything about it, I think that we lose out on a lot of opportunities. As for me to turn around and tell you just exactly what I think that is, is too difficult for me at this stage. • **L-B-1:** … the way we used to do it at {Leopard} was that this is the product we are introducing, this is the date that it is going to be done, come hell or high water you fit it in. And invariably what happens while you are doing your last testing, they are still busy changing the spec … and then you sort of pre-scope what you want to do. So an example is that you are putting in a product, and as long as you can take on the new business you can collect the person's money, pay his commission and collect his premiums, we are fine. We just hope that nobody {client} dies, you have taken out his new policy the next month because the second phase is to put in the death processing … And that I think has always been along the wrong processing {path}. Now that we have split into these specialised business units, it is very much more bottom-line because so what if you have changed the spec, you needed to go out there with a product that was really good … that it had cost you a whole lot more was not too much of an issue, because we really would have spun the money. Now it is suddenly getting down to bottom-line, they're {business people} thinking through more carefully exactly what they want because every declaration of change that you have go through, in terms of what your product is changing or what your project is changing by, is going to cost you money and it is going to cost you time. • **L-C-1:** Now when we started out, we had an IT department where you had systems development- and the technology people all under one management stream. And as time went on, we found that business wasn't very happy with this situation because IT wasn't aligned with the business and, at that stage, IT was really dictating to the business what it should do. And then we changed the model, and put a lot of the systems development people into business because they had an idea of how technology could be used and they knew what technology was. Business was fairly illiterate from that point of view, they knew how to use the end-user device and how to

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		interface, but that was a limit of their exposure. having moved the systems people into business they started on all their own initiatives, but after a while we found out that didn't work out too well because business didn't know how to manage systems skills. And we were losing systems skills at the time because there was a big call for systems skills in the market place. So we were losing systems skills because these people were trying to manage systems people identical to the way they were handling clerks and those sort of issues … and people also felt they weren't at the leading-edge anymore because they were in a particular area, rather than being exposed to all the different … technologies. From there, eventually as time went on, those skills went back into systems but now business said, "We own systems but let's create a systems pool that will be managed by systems people who understand their culture, and we'll give them a business spec. and they'll develop that." And in the meantime information technology and operations – that's the infrastructural stuff, that remains secret. • **L-C-1:** So we went to Techstrat, which is the technology strategy committee, all business units are represented there, and we said "… guys, if we continue on token-ring ATM, we're into a hiding second to none. We recommend that we go with the bigger bit Ethernet route, and these are the reasons: it's simple technology, it's easy to manage, a lot of the network companies are concentrating on bigger bit Ethernet, all the investment is going in there, token-ring investments are dying down and it's not supported anymore" … so those were all the key issues that we looked at. Some time ago we took a strategic direction that {Windows} NT would be one of our strategic directions, so we started moving away from Netware because if one looks at the kind of money Microsoft is putting into research and development, and then also they were looking at broad architecture, they were hoping to replace everything. So we thought if we go the Microsoft route, we'd be able to integrate into a lot of other issues, which you couldn't do if you were into Netware because Netware really went out of that business. • **L-M-1:** … we have been ahead of the game, certainly as the industry, in terms of technology, we have adapted quickly … and what we would do is make sure that we stay there and as you say with

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		WAP coming along, in fact we already got guys saying how is it going to impact on us and how can we use it positively, what are the opportunities. • **L-C-2**: The CIO … the role that I play is … because I report to {the Executive Director of Financial Services} and I am still represented on the Executive Management Committee, which is chaired by {the Group Chief Executive} and we have a technology strategy committee {Techstrat}, which has got representation by all the business unit heads and that is a forum that tries to bring technology and business discussion together. Now that is basically an instrument {Techstrat}, which I {CIO} will be using to generate the market for the ideas and to raise concern about general matters pertaining to IT and our strategy. • **L-C-2:** In terms of the alignment in the last two years, {the Group Chief Executive} has been chairing or leading a group-wide strategising and planning process, and last year was the first time that systems people were invited to attend those strategy workshops – and we contributed directly to what is currently our strategy for the group. Hopefully in terms of alignment we are planning to do a professional study to basically use the words "tease out" … to really identify whether we do in fact have alignment or not, and from that to come up with some new action plans and to negotiate budget and all the work for next year.
Building customer-led processing capability, through IT-enabled analysis, lead generation, and supporting of agents and brokers	• Blackspot technology • Secure, web-enabled broker access • Electronic document management system • Customer base • Segmentation techniques • Datamart and datawarehouse • Network of brokers • Leopard consultancy	• **L-IT-2:** Instead of you running around with a laptop and a huge amount of software, with executable stuff on it, it's now all centralised through the Internet … so you … online, you actually say, do a service change or something like that … The customer {does the exchange}, it's what they're supposed to do … but they're dealing with a fairly complex infrastructure. That's where that whole {Blackspot} initiative can give us competitive advantage, you know. • **L-IT-1:** We try and get most things right when we put in a new product or something in motion … simply because we're not the sort of organisation that will patch up a process for two months with manual intervention. Um, simply

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		because if we have a very successful product … the manual intervention will just drown us … so we have to make sure that … er … there is adequate automated support … Actually, one of our other competitive advantages must of course relate to the technology implemented in our {Blackspot} system, and the level of automation that is provided to our administrative processes. That has been quite a focus of both the business and systems development areas for quite some time now, rather than saying, "We're going to do all of this stuff … just get a request in, and we'll process it manually,' – much like what happens on the {Cheetah} website. There is no automation behind it. Um, a person submits a request and it prints out paper at the back-end, which is then manually processed through their systems. That's not been our approach. We've had a high degree of focus on taking the process and automating it – as much of it as possible. This has obviously introduced a certain number of business risks in automating things … um, because there are business processes that exist now that no-one on the business-side knows what the heck is going on … The entire knowledge base is encapsulated within the system and the rules that are built into the system. There's a significant element of risk. • **L-IT-1:** Enormous, enormous efficiencies. If you look in our financial statements you'll probably notice … er, I can't unfortunately show you in this year's financial statements … that our cost ratio is significantly lower than our major competitors. In fact, it is one of the lower ones in the industry, and I attribute that to our very high degree of automation within our business processes. • **L-M-2:** What technology enables you to do is to launch products you could not have launched without the technology. I'll give you an example – our one pension product is a member-choice product … so at individual member level, at scheme level, at fund level, you can have complete flexible choice. Now without advanced systems and technology you could never have that product … it is still a nightmare to administer, so technology is giving you benefits. Okay, it is costing you a fortune. But, you can have a 2000 member scheme and each member has his own

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		pension fund effectively inside that fund, and his own flexibility and his own mix of benefits. Now technology allows you to get sexy like that. • **L-IT-1:** We've put all the IT processes in place that warns the agents that a particular contract is coming up for maturity. If there isn't an agent attached to the contract anymore, we assign that contract to the outbound call centre. So it's a far more proactive way of trying to retain the customers. If nothing happens at all, at least the customers will get documentation explaining what their options are at maturity … we're hoping that there will actually always be personal follow up … the person can just tick a box on a piece of paper and send it back to us which will see the contract rolled over or renewed in some way. So we're trying to make it easy for the person to leave their money with us. • **L-IT-1:** One of our other big initiatives we're looking at is … um, to stem the outflow of money on maturity of contracts and we have a project on the go at the moment … it's addressing exactly that. Because we lose a lot of money that just goes out of our company when a contract matures. We've really left it up to the individual agent to try and retain the money when the contract matures and … um, it … typically if you bought a contract 20 years ago there's a darn good chance that the agent you bought it from is no longer with us … And unless someone else comes and visits you and says, "Gee, you know it would be a really good idea if your contract, which is maturing, was re-invested in this particular way." In other words, we retain maturity proceeds within the organization … in fact it's not only the maturity proceeds, it's the proceeds on death. You know, typically, if you have a family situation where one of the partners dies, there is a large payout … Um, the other partner in the relationship needs some advice and some very serious advice, because most people who suddenly get a couple of million rand don't know what to do with it. So we've put … what I think is an excellent project, that we started a little while ago and it'll go live in a couple of months time … specifically aimed at retention of funds … Well, we've put all the IT processes in place that

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		warns the agents that a particular contract is coming up for maturity. If there isn't an agent attached to the contract anymore, we assign that contract to the outbound call centre. So it's a far more proactive way of trying to retain the customers. If nothing happens at all, at least the customers will get documentation explaining what their options are at maturity ... we're hoping that there will actually always be personal follow up ... the person can just tick a box on a piece of paper and send it back to us which will see the contract rolled over or renewed in some way. So we're trying to make it easy for the person to leave their money with us.
Aligning of business processes and human processes, through appropriate structures	• Strategic business training for HR consultants • HR technology systems • Joint strategic review committee • Multi-skilled teams • Competency and knowledge mapping	• **L-HR-1:** HR strategy has got to underpin and reinforce the business strategy. My key areas of delivery, as far as the HR strategy {is concerned}, is in the area of employment equity, leadership development, remuneration plan, and the fourth area is one that {has} not clearly been imposed and dictated to us from the business strategy ... but it is one that, in terms of my unpacking and understanding of the business strategy plus where I believe HR should be going in the future – I have developed, quite recently, but it has been signed off by the Executives ... and that is the utilisation and the leveraging of technology. • **L-HR-1:** ... need a more structured approach on how we assess and develop our people, because if we are going to empower ... you are going to empower across your organisation, you better make sure that your organisation is competent and able to handle all that evolutional authority that is coming its way. Your assessment models have got to be very good because then you have got to assess this delegation of authority, sharing of information ... before you were only assessed on bottom-line, or maybe a technical skill. Now, all of a sudden, it is how you work with different people, how you assume this greater authority. The teamwork, will be there ... absolutely. • **L-HR-1:** It is going to change, I mean we have philosophically made that decision already that we want to move towards flatter structures, broad-banded structures and team-based structures. So there are two key principles there,

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		and I am sure you are aware of both of these. The broad-banded structures, you move away from your traditional hierarchy, and you look at what competencies you require – and you link your remuneration to those competencies. The individual will now get paid in terms of how competent he is, and not just in terms of what position he holds in the hierarchy ... and then part and parcel of that is moving towards teams and multi-skill teams that can work together. Now Leopard has already made that decision ... • **L-HR-1:** The day-to-day management of the people, performance management stuff, leave records, leave scheduling all of that the line person can do. You have got an empowered knowledge worker who doesn't require quite the same level of instruction, so now the supervisors/managers/team leader starts assuming some of that old HR management type functions, in terms of the leave scheduling, the performance management administration, all those things. • **L-B-1:** We will hopefully land up with people who realise that they are not {currently} leaders because they ... are focused on that type ... more technical, I am the boss type ... And that {softer competencies} is totally foreign or alien to them and maybe they should be focusing on that ... but still use their skills, but focus on their {softer} skills. We may even identify some people who shouldn't even be in IT, and we can also identify that there are some people who at the moment are sitting behind the desk just as part of the team, programming, and they have the potential to become leaders and we develop them. So we will then become more dynamic, I suppose is the way to put it ... you have people who want to lead, who can lead and can take the teams from mediocre to really being successful ... the buzz word has been self-managed teams and things like that, {but} we need to have cross-functional teams more than self-managed teams. And with the cross-functional team there is not always a team leader or a project manager, it may evolve that three of those people all have leadership ability and by understanding how the team is made up in terms of how do they think, what is their personality profiles, you can understand that leadership is shared ...

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		• **L-HR-1:** There are systems galore, and information galore and data galore to help them do it. So you are going to need fewer HR practitioners at that technician-type level, and you are going to need a few high-level business consultants. And that is another way we are going to ultimately, I believe, leverage technology. • **L-B-1:** ... developing complete individuals now ... • **L-HR-1:** My golden rule is keep it as simple as possible ... don't let people complicate things too much because then it gets fudged, and then we don't know what we have to do, and the accountabilities and responsibilities go out of the window. • **L-HR-1:** It goes beyond buy-in. Buy-in is really right at the outset, it is your binding or your embedding that's more important. • **L-HR-1:** And there is an ongoing review, these things are never cast in concrete forever and a day. • **L-B-1:** We need to make sure that we provide the resources for any of the projects that support the business. We are very much a service area rather than ... you know, let's make a profit type area. We have to make sure that we are lean and mean, in terms of not having a whole lot of people just doing admin where we should be making sure that we provide value in the business. We also need to make sure from the resource point of view that, as we have system resources in the different business units, some of them are not neglected. You know that our policies and procedures are standard across the whole lot. When you look at the salary bands and do surveys that we take into account what has happened to those business units as well, and the time that is consistent across the whole lot. Mainly in terms of the business we need to make sure that if they need resources for project x to support business initiative number twenty seven that we can go out and get them as soon as we possibly can. • **L-HR-1:** So you look at that corporate strategy, you look at what the Board wants, and what the key strategic plans are on a corporate group level. But more importantly for us, is you look at what the business plans

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		are for the business units, in terms of them giving effect to that broad strategy. • **L-HR-1:** ...have a HR structure that puts HR people as close as possible to the business, that's the first thing. So I have an HR consultant ... for every single business unit and he has got to become a blood brother to that Managing Director. That in itself is not enough, one of the skills that I am trying to pass on is one of strategy facilitation where that HR consultant would become a strategic partner to that MD and he would take this group HR strategy in ... and there are various ways of structuring the process. He sits ...this is the HR consultant ...sits with that executive team in that business unit and goes through a very similar process. When they do a strategic review, for instance, saying, "This is where we are meant to be, these are our business plans, this is where we are now, why is there a gap, how are we going to address the gap?" He {HR consultant} immediately, he should be able to: (a) facilitate that, a new skill for this organisation but, (b) he must be able to ask the 7-S type organisational behaviour questions ... And if we have done our job correctly there should be a correlation, not a hundred percent, but there should be a correlation between what the business units are saying, when they're talking about putting in remedial steps to address this gap and they are going through the organisational HR type issues, there are going to be a whole lot of technical issues, technology-type things and he will then ask the seven S type questions. The bulk of the answers to those seven S questions, the twenty percent that they are going to give you eighty percent of the results should correlate with what we are saying ... must happen across the group. There is not going to be a hundred percent correlation because what one business unit needs to do is not going to correlate with what the rest of the group does. And all we can do from a group point of view, as far as the specific strategy is concerned, is something that applies to the entire group. In addition I am giving skills to the HR consultant to help them embed the group initiative, but also to help them solve whatever they need to do in the business unit that may be peculiar to that particular BU.

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Developing human resource processes that enable a dynamic culture to support the business framework	• Training (technical or functional, and softer skills) • Succession planning and implementation • Coaching & mentoring • Career pathing • Multi-skilling • Incentivisation • Empowerment • Committees (e.g., Techstrat, IT&O Board) • Goal-oriented culture • Human capital management model	• **L-HR-1:** I think that the key areas of our new human capital management is going to be in the area of empowerment, I suspect ... and this fits in nicely with your knowledge worker. You obviously have got to do those traditional HR management things, you have got to select the people properly, you have got to pay them well, you have got to incentivise them, so what really is going to be different is empowering. Which means giving them genuine responsibility, maybe giving them a high level of skill ... for him to be truly empowered he has got to have the competence to do it. So it is a high-level competence, but with that must come this delegation of authority and accountability ... And I think that is when people talk about empowerment, my definition is giving him the skills, the competence, but also giving him the authority and accountability to go and do it. • **L-HR-1:** All that he does is worry about how his people are, how is the team working, who is going on leave ... because he is an empowered knowledge worker – {as far as} technical {issues are concerned}, he can do it all already. • **L-C-1:** ... Having moved the systems people into business, they started on all their own initiatives ... but after a while we found out that didn't work out too well, because business didn't know how to manage systems skills. And we were losing systems skills, at the time, because there was a big call for systems skills in the marketplace. So we were losing systems skills because these people were trying to manage systems people identical to the way they were handling clerks and those sort of issues ... And people also felt they weren't at the leading-edge anymore, because they were in a particular area rather than being exposed to all the different technologies. From there, eventually as time went on, those skills went back into systems but now business said, 'We own systems but let's create a systems pool that will be managed by systems people who understand their culture, and we'll give them a business spec{ification} and they'll develop that." • **L-C-1:** Now up to that point, IT infrastructure was involved in developing the sort of capability that business wanted. But now that we started a systems side, that was reporting directly to business and infrastructure, that was supplying a service to business, the dynamics

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		changed dramatically now – because now the systems people wanted to become technologists … so they went out there and they developed a whole lot of prototypes and before we knew it, these prototypes had become productionised. It wasn't productionised in a sense that we would have liked it to have been productionised, but they brought a prototype in … they put some live business on it, and this just exploded. And we sat with a challenge in technology, where we had to try and get the stuff stable, try and put in other technologies that were more compatible with each other, because these guys did it purely from a business spec{ification} point of view … they had a prototype, but it wasn't robust enough for business. So you can see the dynamics changing all the time. But now what had happened was, because systems were part of business … they were owned by business … the technology guys, the infrastructure guys, were being sidelined almost. They develop anything and throw it across the fence. And what didn't perform, they'd point fingers. • **L-HR-1:** It links back again to that human capital management model I was talking about … how you select people, how you motivate them, develop them … but a key element to that is succession. And it actually helps in a strange way with retention as well, because if people know that there are clear plans on people succeeding the other leaders, it gives them a sense a comfort. They might be caught up directly in that succession model, which is great, but just from a psychology point of view there is nothing worse than an organisation {in which} things 'leak' … we have already lost one MD to {Giraffe}. Where are all these other MD's coming from? Are we going to be bringing people in from outside, or what happens if {our Group Chief Executive} leaves? And if they understand it – {that} there is a model, we've selected people carefully, we have other people coming through, if necessary … and we have got to show this to them. Well they did it with me … they went outside and brought someone in, and that demonstrates that management is thinking about succession and retention. But the succession I think {about} from a risk management point of view … this is an insurance company, and if they don't understand

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		risk management, then nobody is going to. They should understand the need to have a clearly articulated succession plan, and we {central HR} are busy working on that. Just as an element of the human capital model right now. But it is not just a plan, you don't want a name linked to a position … you then also have to have a comprehensive development plan, and it is a leadership plan. You don't even worry … I don't worry about the technical skills with that, it is all about leadership. What has he been exposed to and not exposed to, does he understand strategy, does he understand vision? You have got to assume that technically he's okay, if he is at that level {where} he can handle running a business unit or the entire group. I don't even worry at the leadership level about technical skills at all, it is all about leadership. • **L-HR-1:** The employees are quite keen on this competency-based pay because they think they can get paid more and more, not realising it is not as simple as that, they have actually got to be competent. They are going to be assessed like they have never been assessed before, before getting that pay. And then part and parcel of that is moving towards teams and multi-skilled teams that can work together. • **L-HR-1:** We started on incentivising the executives and senior management, and part of that in designing that incentivisation is just to ensure that everybody understands the strategic objectives and their business plans and to articulate those in some type of objective, output-based terminologies so that we can link good incentivisation to that. • **L-C-1:** We want to get rid of the annual bonus, sort of thing. And where you could earn one-twelfth of your salary in your bonus. Now you can earn probably 25-30% of your bonus in your salary, depending on your performance. • **L-B-1:** People going overseas … there is very little that you can do. But a lot of people have gone contracting, and for a lot of them they have found it impractical to earn a lot more money. What we try and do, we say to them: "Just be very careful in terms of when you go contracting", and I say to them: "Sit down and write down what is good and bad about not contracting, and what is good and bad about contracting. At the end of the day, your four lists will tell you what you want to do, but bear

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		in mind that if you go contracting you are basically putting your career on hold because nobody is going to hire you as a programmer and develop you into a project leader. They are paying you to write programmes so a lot ofpeople, after five years, want to go back into a permanent position – so be quite aware that your colleagues that started the programming with you, who stayed in the organisation, could be your boss. But just understand that. • **L-HR-1:** ... we have tried to build a matrix of which competencies, and which courses provide into which competencies. And not just looking at training, we are also trying to build up a library of books that people can use. • **L-B-1:** ... at the end of it they have a really good understanding of the {Leopard} systems, and they then go out into the environment that they are going to work in with a much a better foundation and understanding. • **L-B-1:** ... one of the challenges I find is ... the middle management team ... {they} are more the people below that are more willing to go through that change process. But we want to start at the top and lead by example ... And put in place role models ... from that will be the coaching and the mentoring, because again I don't believe that everybody can be a coach or a mentor. There may be some people that are not necessarily a leader, but have a very good bedside manner for what we want ... would work ... who can coach and mentor ... it is part of our employment equity plan ... because we definitely don't have the numbers of people within the group who can effectively coach or mentor as part of the fast tracking programme, not only for Black people but for everybody ... we need to retain our skills. • **L-B-1:** You know we can't {only} say let's bring in Blacks, and then you know the Whites and Indians and Coloureds decide: "Up yours, you are not looking after me". So we need to make sure that we grow everybody. • **L-B-1:** We also spend 2 days possibly on looking at stress management, understanding what stress, because the job is stressful. I spend a morning with them explaining our whole performance management system, and how we do performance appraisals and what we expect

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Using a risk-sharing outsourcing partnership model, as opposed to only focusing on cost-savings and good deals	• Multi-skilled teams • Service-level agreements • Negotiation skills • Alliances • Shared learning • Risk management • Bonuses and rewards	from them because: it is very much your performance and your career is in your hands, don't expect your boss to keep telling you must do this, you must do that, it is entirely up to you what you need to do. • **L-B-1:** Whereas, as you move further up, the coaching and mentoring is going to be more of a challenge. It becomes more focused on mentoring {to develop people's personal and interpersonal competencies and skills}. • **L-B-1:** We have just set up a nursery, where all the trainee people live. We just call it nursery internally ... We have developed a 3 month programme – they come in with the skills and the knowledge, but we now need to bring them into the {Leopard} culture. • **L-IT-2:** So one of the guiding principles would be, we will only build in-house solutions if we have to. So, if you look at the sort of obvious con {downside} of that, is that we're gonna have to maybe pay a lot of money to an external company. The obvious pro {advantage} to that is that the system is now developed, owned and managed/maintained by an external company, who've entered into a binding financial contract with us, to deliver certain services. So once we've established the drivers and the guiding principles, then we try to get a picture of what our current infrastructure and architecture is all about. Now we sort of know what the main drivers are and what our current infrastructure is ... we now try to establish a vision, or view, of what it should be like in the future. So we lay down sort of a business model. The business model is basically different applications, packing systems, connecting together, connecting to the middleware architecture bussed out to different channels, different customer interactions, different transactions, different physical ... • **L-C-1:** So you need cross-dimensional disciplines here. The network guys need to understand how that server environment works, the server environment guys need to understand the network. So what we've done since last year, is we're rotating people ... we've taken server people, put them into the network, taken network people, put them into the server environment and we're rotating people so they get every aspect of the IT business ... it's really what we call a learning

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		organisation, your classic learning organisation. So when a guy picks up a server, he realises the network capacity issues, the server issues, the router issues, that all these need to be taken into consideration because otherwise you're into a hiding second to none. And what I'm also doing, I'm looking at structuring the area, where the client-server guys, the {internal} guys who support the clients out there, they have network issues on a daily basis … The stuff I've outsourced is really the installation of PCs, because I can't control {it} – some months we'll have 300 PCs to install, other months 50, and so on. My agreement with my supplier is immaterial – all I want is a 2-day turnaround: "You charge me per PC, I want a 2-day turnaround" – that's what I want from an external supplier. That type {of work} I will outsource … but I want the service support guys to have a core competence within IT because it's larger than just going to fix up a PC. What the guys have to understand now is, how to fix a network, why am I not communicating with the network. You know it's totally around a person now. It's a person who understands networks, understands how the routers work, understands how the network works in detail, understands how the server that supports that client works. My next phase now is to combine the network infrastructure and planning guys, with the server infrastructure and planning guys and the server in device guys, all into one department. So there're no baddies now, now we're looking after process. I'm trying to get away from the silo mentality, this is what I support, that's what you support because what we end up with is 10 different silos, and it takes forever for a guy to understand what's causing the problem. Because each one is {saying}, "I understand NT", "You understand network", "You understand bigger-bit Ethernet' … You know, each one is in their little box and nobody's in a position to say, "Hey, there's a problem, let me fix it because I have the expertise to fix everything". • **L-C-2:** Leopard, in the past … has never really leveraged those relationships. They have always been very strong on closing how good the offer is. We always got good prices on just about every purchase, and there are very few

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		technology decisions that we have made where we've lost money … but the time has come for us to re-evaluate that strategy, and to see whether we can't engage the supplier in a different way. I would like them to share in some of the risks and certain people that has provided us with networks, where stability of our network {is important} … if it goes down, I don't only want to give the network specialists {a hard time} but, through the contract, also put some pressure on the supplier. So we are going to look at how we can share some of the risks. • **L-C-2:** In terms of campus we do have a strategic alliance with FDP, who is based in Boston – they basically provide us with the customisation of their package to suit most of our new business – on the individual business side – and most of our new business goes to campus these days … and all of our innovative solutions goes to campus … And so we outsource that development to a company called FDP in Boston. So, I would see them as a strategic alliance. Microsoft is still talking about acclimatising its ways of achieving that alliance, and at the present time we have struck a deal with Microsoft to build the systems for our e-commerce company … so I guess where this is leading to is situationally we have alliances that has never been on our agenda before, but we are going to start looking more and more to this to try and share the risks. • **L-C-2:** The way we are trying to remedy that problem right now is that there is an agreement that we all have a business analyst stream in the business and most people hopefully will bridge the gap between ourselves and the business – I am still in favour of being in business rather than being in systems because I think even now 40 – 50% of our IT resourcing are contractors … and as we introduce the new technologies or come up with new ideas in financial services it is going to be a huge amount of change over time … and lets say we want to start building banking systems in the future, or private banking perhaps – our resources in systems won't necessarily have those business skills … so we would like to then just bring in contractors of the best technical skills. So … it would be a bonus if we had systems people that understood the

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Segmenting and tightening distribution capacity	• Marketing research • Automation • Distribution process mapping • Distribution players (agents, call centre, franchise, brokers) • Interactive voice recognition • Internet and e-commerce • Bancassurance	business ... and it certainly helps us today – but more and more because people have moved in to the contracting arena ... And we have been quite successful in retaining our permanent staff over the last year, and we placed a high premium on that. • **L-IT-2:** ... for example, the data switch, Astute, allowing data exchange between financial services companies has allowed us to automate previously expensive manual enquiries. • **L-IT-1:** Also we're continuing down the track of ... um, cost efficiencies in terms of our processing ... So we'll be looking at more automation of our business processes and, of course, putting more of the business processes in the hands of the client ... it's, in other words, enabling the client to do what they want to do. So it's typically, a client would be able to log onto our website and do some of the simple changes to their contract or their information. Which of course has a big cost reduction ... If you've seen those graphs of where your costs go – an Internet transaction is that big {showing with his hands}, and IVR {interactive voice recognition} is that big {showing a larger gap/size with his hands}, a call centre one is that big {showing an even larger gap/size with his hands} and the piece of paper is about a mountain high. Yes, that's it. So we want to move our clients to the low cost, the low cost to us ... it's a channel. • **L-IT-2:** Instead of you running around with a laptop and a huge amount of software, with executable stuff on it, it's now all centralised through the Internet. So you go online, and you can do a service change or something like that. • **L-M-1:** ... the bread-and-butter stuff will be sold through e-commerce ... you know, your simple products your term insurance, your unit trusts. • **L-IT-1:** Now it's not always possible {to shift clients to solely using the Internet}, you have to give the client a choice because some people don't have PCs. • **L-IT-1:** You don't always just want to dispense with the non profitable customers – perhaps you want to analyse why they're not profitable and

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		then adopt strategies that turn them into profitable customers. Perhaps we sold them the wrong product, perhaps they've had a bad marketing experience or a bad service experience and er … they just don't want to do any more business. Now, obviously if you know, if you can start analysing some of the reasons why they're in that segment … there are a number of things you can do. First of all you can find out if there are ways of turning them into profitable clients and, of course, one of the other things is you can find out if there are intermediaries who are only passing us unprofitable clients … And then we would want to dispense with those intermediaries. • **L-M-1:** … from a distribution point of view, we will be looking for distribution offshore where we may again be the factory here but we will have distribution offshore … so they can sell our products offshore or sell offshore products, which we could administer here. So we are certainly looking much wider than in South Africa … because today, you have the offshore companies coming here and competing with you. This is going to be a very small market to just spend your whole life here … research goes hand in hand with what you are doing. Well one of the decisions we have got now … our strategic plan is, as I said, we are very strong in the high-income market. For high advice you can't get statistics, but we reckon we have got thirty percent of that market ok … {Leopard} Life has always worked up there. We say, "But hold on, there are other lucrative markets like your emerging markets," which we call the middle-income market and we are now looking for opportunities to get that market … because our current distribution channel don't allow us in that market … you must now create a new distribution channel for that middle-income market, which we are doing … We took a stake in {Leopard Bank} which does a lot of micro-lending … and that is a community you are getting to through the microlending. Now all those people borrowing will need some form of term assurance … you know, very simple to underwrite term assurance or funeral benefits, and we are very successful through that. Our relationship with {Bank Two}, through

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	Supporting Resources	Evidence-Interview Analysis
		bancassurance ... underwrites funeral policy ... they are writing, they wrote sixty-five thousand funeral benefit policies in like three months ... So when you get into the middle- income market you can't do it on a face-to-face basis, it has to be what we call workplace, where you get into groups or into particular organisations where they have the type of group client. • **L-IT-2:** E-Business, is as I mentioned channels, some new channels ... it applies back to issues like customer retention, call centre, servicing, excellence, reducing costs of operation. • **L-IT-1:** Some of the other things we're doing is we're expanding the functionality that we provide in our call centre ... because the call centre has proved to be a very good channel for us. We only put the call centre in place probably 2-3 years ago ... Previously people called in and they got transferred all around the company. I think ... that's come a long way to improving our customer service and our image in the marketplace, because we're focused on putting knowledgeable people in there {call centre} ... so think of it as a value-added call centre. You know it's not like calling up one of these places where the person only knows how to sell movie tickets ... those aren't value-added. The individuals within our call centre have a high degree of knowledge of our business and are able to assist our customers with information about their products, and what can be done with those products. Within Life, call centre people get one screen with total customer information on it ... we've managed to pull those together, although we have four backing master systems, three legacy ones plus the Compass system. We've managed to pool all the data together at a client level so we give the illusion of a customer-centric approach in the call centre, although our master systems don't ... our master systems are product-centric. • **L-IT-1** I think there's enormous opportunity in our current client base that is just totally un-worked. There are some clients being talked about at the moment...in terms of CRM and that type of stuff but we're not very good at utilising that. I think probably I would ... when we look at our major competitors ... when we decide to move on something, we probably move

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
Widened, but structured, project management focus	• Project management methodology • Co-training (executives, senior managers and low-level staff) • Research, business- and technological scanning • Business case and cost-benefit analysis	• **L-IT-2:** The long method follows the methodology to the letter … so you increase business, project definition, project plans, communication plan and progress reports along the line. But from a research point of view, I felt that that was maybe a bit too longwinded … You know in this day and age, where a new technology can appear on the radar and then before you can task it, it's maybe gone or it's changed or it's somewhere else. So we also introduced what we call a short research method, where you basically start with a business case, we have certain guiding principles – it's got to be below a certain budget … we accept that we may not be able to cover everything, but the whole mission is to {research} as quickly as possible, come to the table, with the position on paper, and get the various or relevant parties involved in a discussion on: "Should we be taking this any further, should we close it down, should we extend research, or have we got the stuff highlighting this?" … And what this has done, is that it's reduced the cost of research and it's increased the time to make, improved, not increased, improved the time to make decisions. I should say decreased the time to make decisions.
		• **L-IT-2:** For example, WAP technology, for me it's hopeless to go into a big 6 month exercise. So what we need to do is, go home, spend 3 or 4 weeks, and say: "This is what WAP is, these are the various components, estimated cost of implementing, and potential benefits to {Leopard} Life. You know, you don't need a 6 month research exercise to do it, there may be some grey areas, or some ambiguities, but I mean you just have to accept it or otherwise you'll just get bogged down in analysis. You don't go anywhere.
		• **L-B-1:** … there is an exam which people sit to get that, and you have to renew it every 10 years, or 7 years I think it is. It is recognised internationally and we are linked in with the Project Management Institute of South Africa, and part of the training is their project management certificate. You can just do one module, or you can do all 7 modules to get a certificate from a University in the States … We have about 30 people that will qualify probably

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		by the end of July-early August {2000} and have their certificate … some of the ingredients of good project management as: you must do good, upfront planning (which includes costing and scheduling), you must have clear goals regarding what your projects are doing, you need to know what you need to do, you need a team with the necessary skills to meet the project requirements, you need the support / sponsorship of executives, you need people with diverse project management skills in the right positions, you must ensure very good communication to all stakeholders, you must monitor the daily costing, and you must monitor the daily costing/scheduling progress. • **L-IT-2:** Our Project Problems Office have laid down a framework, and we've extracted the various elements and components and processes from that. There's a project management methodology, but we've got our own separate office, our deliverables, our outputs, and our processes are slightly different. And we have what we call a long method and a short method. • **L-B-1:** We have a Project Management Forum that we invite anybody who is interested, from programmer up to whoever to come along. We invariably have a guest speaker who will speak on some aspect of project management and use that as a platform for any questions and answers, any concerns, any special interest groups that may be needed to be set up in the short-term. • **L-C-2:** Business-as-usual includes the ongoing maintenance of existing systems. When they start up a new project, however, they should make a business case and we also now want to start checking that there is a cost-benefit realisation at the end of the project but we will not start any new projects unless we have been through this process. If we agree that it is mission critical and that we are going to incur the loss and there is a premium to be paid to change the infrastructure, then it is all done overtly. But if the project is part of other business to rewrite, let's say, a fortune of our commission system because they want to make it more flexible then they must come up with the business case as to why we should be doing it. • **L-B-1:** … one of the challenges we have had in terms of project management is that it has always been the workers that have gone and

Table D-4.1:Synthesis of Critical Complementary Resource Combinations-Leopard (Continued)		
CRC	**Supporting Resources**	**Evidence-Interview Analysis**
		done the training, and the powers that be paid lip {service} to it … What we have managed to achieve is a lot … with our training now, we have got a lot of executives to go on the first overview, you know project management principles, which covers everything in the finance area, so they speak a common language when we talk about your budgeted work and your actual work … and things like that, they all know exactly what we are talking about. We also exposing all the senior guys in systems to that … So that has been very exciting, very encouraging, we see that as a major competency development that people need to go about. What we have also done to encourage project management … it is one of the careers that basically evolved from nothing, you know now all of a sudden it is seen as you can make a career as a project manager. Not necessarily only in IT, I remember going to the project management {course} and half the people were non-IT.
Source: Author's Analysis of transcribed Interviews		

Attributes of Sustainability: Social Complexity – leopard

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
Knowledge-sharing culture that is trend-aware, and seeks synergies across functions & disciplines	• **L-B-1:** … now we are starting to look at research, where are we in terms of the market … you know surveys that have been done, are we on equal base to the market or better … sort of benchmarks. We are looking at things like you know what is happening out there to technology, what is happening out there in terms of leadership development, what are people doing in terms of competencies? • **L-B-1:** But it helps me to understand trends and where we are going. So if we need to start recruiting for an initiative that is going down that path, at least I am familiar with where we are going and what we need to do. So I need to be aware of what is happening in the technology side as well. Then on our side, specifically if there is changes in like SAP or	**Impact on:** • Dynamic culture enablement • Human and business process alignment • Risk-sharing, outsourcing partnership model • Alignment of IT functions with business needs **Enablers:** • Purposefully creating knowledge and learning culture • Benchmarking intelligence that allow technological prowess and first-mover advantages

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	PeopleSoft … you know HR software specifically … or we have become aware of new stuff, going to seminars and talking to people, we can then come and say, "Look this can help us" or "This is where we can go in terms of specifically HR business initiatives." Research conferences and seminars play big roles … you will probably find we have benefited from that, I mean the research and technical side we bring {are} quite wide. Research on HR side is just a new thing … it is new to all of us, but we have been to seminars … last year I went to a lot. It was a total new learning curve for me so I learnt a lot, I met a lot of people and it has been really good from that perspective. And now we are able to go out there and find things. The Intranet as well … we are using that in the firm now, you know our research going to see what papers are out there that Gartner may have put together, we are now trying reading Harvard Business Review … there is quite a few interesting articles in there, in terms of where people are going and what works and what has not worked. What has been encouraging is that people are not just reporting on the good things, they are reporting on the failures as well. People are not scared to say, "I did this, and it did not work." We have suddenly become a lot more aware of what sort of literature is out there … I have been to a book review, so they take a business book also an HR initiative in terms of how good is the book and sometimes they even have the author there to present his book, and that has been very interesting. And it also leads back, we are trying to build a library of all these different books and things like that ... And that is part of the whole learning culture … I have heard it around the place, it is a build up of a whole knowledge organisation if you like. • **L-IT-2:** I would say locally … it's a small IT market, especially for our guys who've say, come from the IBM Consulting. You know, they have established relationships right across overseas, people have been working	• Targeted recruitment aligned to current and future business- and technological needs • Retention because employees feel they are growing, and are expanding their personal networks • Leveraging individual learning for organisational benefit **Challenges:** • Managing social and professional networks individually, as opposed to corporately • Shifting employees from dominant task-orientation positions, to knowledge sharing behaviours **Constraints:** • No skills in approaching social/professional network analysis as a business process • Not moving individual knowledge to corporate knowledge assets

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	overseas, so we get to find out a little bit about what's going on … And you know, you establish a relationship with people outside and you know, at a function two years from now, you bump into them, you catch up. I think internationally it's even a bigger problem, trying to see how competitive you are compared to international companies, what they're doing, what their architectures are like, what their infrastructures are like … And then that's where the Gartner and ERwin come in, they at least do research on a worldwide basis and lay down for us what our best practice is in respect to business initiatives and technology initiatives. We used Gartner and ERwin fairly extensively for our middleware and our research, and we've been using them more and more for other research initiatives … even fairly simple things, like looking at some licence pricing, we got the guys from Gatner involved to say, "Internationally, how do these prices actually compare, are we being ripped off, what are we actually getting out of this, is there any issues or things we want to watch out for?" … Middleware, we sent them off to Gartner and to ERwin, so this is what we're thinking, can we have a review of this, give us an opinion and they get back to us and they give us feedback, which is great. • **L-B-1:** … we have to make sure that we are up to date with best practice and what is happening in the HR industry, as well as the IT industry, so that we can you know how to play the game/so we're are not left behind. • **L-IT-2:** With our major competitors, it's sometimes quite a hard thing to establish. I think generally if you look at that, you can see from the outwards the sort of things they're doing in the background … My general opinion was that we're quite far ahead of what other people are doing. They seem to be more stuck in a problem-solving, fire-fighting mode. But at least our function {Systems – Group Architecture & Research Services} is not to get involved, our function is to try and set a vision and set direction, and at least we've been given the gap at {Leopard} to do	

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	that. As far as competition is concerned, it's very difficult {to tell} … as part of this function, we've set up a technology watch, and a business watch to try and keep an eye on what various businesses are doing and what they're producing and reporting back, and then trying to watch various technologies and say whether those things can benefit {Leopard}. So if we see something like WAP coming on the horizon, {we write} just a short brief for the business, which is not technology speak, just to say: "This is WAP, and this is what it's about, potential areas of benefits are," and distribute that in the business.	
3-Tiered approach using Competence Mapping for the development of employee potential	• **L-M-2:** It is part of our key strategy. We need people who can make decisions for clients, people who can run the extra mile for someone … and we say the service you give to a client is only as good as the service you get from {Leopard}. So if you are feeling aggrieved, un-developed, un-recognised, you are not going to give good service. We {humans} are selfish, you know … the better we treat you, the better you will treat our customers – because we firmly believe there is a shared fate between your staff and your customers. If you go to a shop and the staff are bad mannered, rude, give you poor service, you can be sure that is the way they are treated. That's right. And they will never give good service. • **L-M-1:** … we believe one of our core competencies is the development of our people, the training we give them, our recruitment – for example {within marketing and sales} we only recruit graduates. • **L-M-2:** Do you know we have just sent our staff to Disneyworld. We sent a bunch of our staff. It was an incredible … the experience that they have come back with. So we are going to be sending more and more of our staff to Disney … and have you heard about our Blue Chip system? Blue chips reward programme? … anyone who sees someone doing something good, OK, for a customer, is allowed to recommend them to an	**Impact on:** • Dynamic culture enablement • Human and business process alignment • Segmented and tightened distribution capacity • Customer-led processing capability **Enablers:** • Creating an environment for stretching and developing people • Job fulfilment and personal development, both leads to retention (low turnover) of employees as well as heightened levels of client service • Employees take personal responsibility for building career • IT driving the firm and individuals to redefine roles and career paths • Trained in relationship building – with clients, and brokers (most importantly) • Rewarding employees for the right behaviours • Retention leads to less

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	awards committee … and we have lots of awards committees all over the company. And that awards committee awards, what we call blue chips tokens … go into a catalogue and {employees} can get a TV or a CD or a trip to Orlando, or whatever. So our staff are working for blue chips, the blue chips are recognition for good service and the ultimate combination of that is the trip to the Disney academy where they learn customer service. So it is a kind of token economy that we have introduced. But the whole idea is walk around, find someone doing something good and reward it. Reward positive behaviour. • **L-M-1:** The sales operation is your key to success … You can train them correctly … but without managing them they will go off the rails. And you can have great managers that have not trained them correctly, and they won't have the skills to actually go and make the sales … And over the years we have developed a training programme which has proved to us that you know if you bring in the right people, apply the training programme, they will be successful – and that recruitment is very important to gain. • **L-IT-1:** … my staff turnover rate has been about 5% - it's been unbelievably low … attributable to excellent management. We've focused on retention of staff, we've made it one of our key important things. We've known all along, because of the complexity of our systems it is the knowledge of the people, er, that is absolutely critical to us. • **L-M-1:** … unless the new recruit meets all the criteria in that lan-spec, we don't take him on. We do a few tests - the lan-spec that we have developed is over years of successful consultants. So we say: "We bring a guy in, he has got his attributes, then all things being equal he should succeed." There is no guarantee he will but he should succeed. But if he is missing those attributes, we won't even try with him, we will say no, he does not fit our lan-spec. Now we could be turning away good people, but that is the discipline that we have. That's why agencies are not that successful.	training, faster decision-making, embedding of knowledge, and lower overall costs • Placing people in the right jobs to match their competencies (competency mapping) • The calibre of peers employees get to work with • People-knowledge embedded in systems and processes **Challenges:** • Willingness and potential of employees to engage in continuous learning and career-upgrading • Erosion of relationships as sales people are shifted out of engagement positions with brokers (as a result of automation) • Rewards may be the reason for employees' changed behaviours, and not the business case • Employees may be "comfortable" in jobs, and unwilling to move (therefore seek to sabotage change management processes) • Calcification of ways of working if employees retained too long in certain job roles • Lack of senior management jobs in South Africa – so developing people to certain levels may leave them unmarketable (but tied to Leopard) **Constraint:** • The inability of employees to relate to the identified middle-market growth area (no plans for

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	• **L-M-2:** In fact, you can work anywhere in the world when you have been at {Leopard}, because you are working with the best people and you are getting the best training … once you have worked with us for 5 years, boy, you can do anything. And we have seen it, people leave us, they do very well. Half this country's top companies MD's were ex-{Leopard} people. • **L-M-1:** We place a great emphasis on the brokers being important to us, in other words what each of our {marketing and sales} people do is go out there and make the broker feel important to {Leopard}. It's easy to fall into a trap of being trained and putting down the broker because the broker may not have the same knowledge … the minute you undermine the broker as it were, people are not going to support that. • **L-IT-1:** Often my people {systems development employees} have a better understanding of the business than the business people themselves … with process automation there are processes that are not understood in the business at all. People just don't know what happens. The knowledge is now embodied in the systems. If you were to ask people how process XYZ works, and it's a fully automated process, you'd be lucky to find someone in the business who can tell you what happens. And I believe this is contributing significantly to the working relationship that we have with our business users, and to the success of the projects and the initiatives that we undertake. • **L-B-1:** Previously, you could think: "I am okay. I am filling in coding sheets or I am busy doing that," but now you don't need them. Customers phone in and talk, you don't need a coding sheet. If you phone into our call centre, and if it is less than R10 000-00, if you have not changed your bank details and want the money paid into your bank, then you can surrender your policy without talking to anybody, you can talk to the voice on the telephone and the money is in your bank account the next day. So, four years ago, you had all these clerks processing surrenders, now the telephone does it for you. Trying to get people to think bigger	changing employees level at that level) – multi-ethic composition of the middle-market requires transformation of both sales channels and employee profiles

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	than just that I am a programmer in Cobol, and that is where I want to stay. • **L-B-1:** We need to move our managers from being managers to leaders. That has been quite encouraging in the last few years in that the focus on people has become a high priority, still not where I would like to see it but very much … I think at the moment it has been very task- focused, that the task is everything that as long as you get the job done, people will then come second. And I believe that people should be at least at that level if not beforehand, because I am a firm believer that you manage the people your task will get done … I think you can go to extremes … you can be so people-focused that all you are worried about is keeping your people happy, and I think there needs to be good balance between that. But if you have people who are productive, who are stimulated, who know where they are going, know what the work is involved, then the task will get done because you then have a common goal, a common vision and something to achieve together. It is not easy for a lot of our managers … whereas before it has always been get the job done, I need you whether you have got a family or not, come in here and work twenty four hours a day and at the end of it if you have had a nervous breakdown or you resign that 's OK I have got the job done. It is very much now changing their whole focus. We have looked at some training initiatives, we have done some investigation but we have gone very much for a competency-based performance appraisal career development process and it has not just looked at the technical competencies, we have looked at some of the softer competencies and so the development of that … you know, some of the people are "poo pooing" it and saying, "Well, do we really need to know this, why should we look at creative thinking?" • **L-M-2: …** very difficult, huge competition, big competition for talent. In Johannesburg I mean, we rob people, they rob us … there is a huge battle for talent going on.	

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	{Buffalo} has got a very low rate of turnover in Cape Town, but you look at their branch offices in Johannesburg and you will see the turn over is much, much higher. There is also migration to the coast. There is a huge influx of low-skilled people into Gauteng, and an outflow of highly skilled people away from Gauteng ... today, you can work from anywhere. More and more you have to allow your staff to work in an environment where they want to work. So your investment team says, listen we want to be in Cape Town we don't want to be in Johannesburg, it does not really matter where you are, we are all going. • **L-B-1:** It is going to be the same as Darwin's theory of the hand evolving, I think it will take time ... we {L-B-1 and HR manager} ... went to a one-day seminar that looked at emotional intelligence and things like that, and it was very interesting in terms all it focused on there is you as an individual. That really looked at who you were. You know, at school it was always IQ ... and apparently there is something like a hundred and twenty six different levels {of intelligence} that they can measure, of which only seven or something measure IQ, the rest are all emotions. So you can be brilliantly skilled and so forth and in terms of emotion intelligence you are an absolute washout. And what came out of that is if you know yourself and where you are coming from, where you are going to, you can become a better leader. We wanted to developed that pull people rather than push people. It has very much been a push culture rather than a pull culture. • **L-B-1:** Technology has come a long way as well from a HR perspective in that you can store information on competencies and skills and at levels and you can even introduce I suppose deterioration or depreciation almost of skills. So we are moving towards that, it is not there but I think it will be great in terms of making the HR process a lot more streamlined and that information is just at your finger tips. So if we are looking for somebody on	

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	the project x and we need these skills, before we go external we can go in and key in the specifications and I know SAP can give you some sort of match in terms of this person matches your profile by thirty percent or ten percent. And you say well can we use this person do they have, are they trainable in and how much time have we got before we need the person or do we then have to go external and find more than a thirty percent match.	
Transformation of senior leadership from entrepreneurial leadership to shared leadership mindset	• **L-HR-1:** … this watershed, where we are now and the cultural change … and it is all about leadership at the end of the day. In terms of just having the vision … to say what you have done in the past, is no good in the future. We need to create BUs, we need to empower, we need to incentivise people. It doesn't take an HR guy to do that, it takes leadership in the traditional sense of the word … not management, it takes leadership to say this is what we need to do … there is the vision, here is the strategy ... But what organisations like this need now, and they have got it in the form of {the Group Chief Executive}, is a visionary leader. People need that to rally behind, otherwise they are not going to change and adapt going forward. Good management is just not enough anymore – we need that visionary leadership. • **L-B-1:** … the whole notion of the history of the company and the way the company has come along definitely has an impact on {Leopard} as an effective … I mean, it worked well when {the founder} started the company, which was wonderful. He was entrepreneurial, he had vision, he has still got vision, he is an incredible businessman. But it is very much, like insurance was, look long-term, invest in things that will give you a long-term return. In the last five years that has changed … you know people are not worried, I want return now, live a bit more dangerously. • **L-M-2:** … the company's history has held it back. It was a traditional, bureaucratic, hierarchical organisation, driven from the top by one man.	**Impact on:** • Human- and Business Process Alignment • Dynamic Culture Enablement • Alignment of IT functions with business needs **Enablers:** • Executive leaders role model participation of decision making that motivate sort-after behaviour (new ways of working) • Institutionalised multi-functional sharing environment (e.g., committees with broad representation) • Broader participation of all employees, making them co-responsible for creating the desired future • Identification of the possible leadership blockages in the firm • Shift to strategic focus, not only day-to-day operational view • People are given the clear signal from senior leadership that they matter (and are not insignificant), and can participate **Challenge:** • Succession pool of previously disadvantaged individuals • Corporate memory,

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	something to happen, it happened. But if he did not want it to happen, it didn't happen … and as he became more and more out of touch with the day-to-day aspects of the business, but failed to empower the executive at the same time, we had this huge period where nothing happened. • **L-B-1:** … senior leadership has been in command and control in the past – "You do as I say!" That is historical if you look at where the company has come from, it has always been like that. I think more so in recent years that everybody was little carbon copies of clones of the big boys twenty years ago. It is changing now … I think {the Group Chief Executive} is very much more, you know, wanting to be consultative. He is more people focused, and he has been saying things like, "You know, we need to get the job done, but people have to have fun." Heaven forbid ten years ago if you smiled, you did not have work to do. For some of the people to let go and move from that mound of control, to a more cooperative and consultative environment is very scary for some of them. But what {the Group Chief Executive} has done is slowly changing things … some of the people have retired, and he is bringing in new people, external people. {The new HR Director} is a refreshing introduction in terms of HR side of it … it is new blood, new ideas and that is the way it needs to be. The big thing, I think, from senior executives is that they need to lead by example … you need to work to something which is something that they have not had in the past. We are starting to see it now, they become more real. I mean {the Group Chief Executive} can be seen walking the floor, his predecessors you never saw. They would come in, walk to the lift, go up to the fourth floor and disappear into the ivory tower … and you know if you were leaving at the same time, you would see them drive out. Whereas {the Group Chief Executive} eats in the canteen downstairs, you see him on the escalators, you know he does not just take the lift down and go. So there is more visibility, there is more interaction and if they do have staff announcements or things like that or like the annual Christmas party,	embedded in processes and systems • Balancing the old and new ways of working in a way that is constructive for the firm (not just a step-change) • Strategic skills of current management pool • Majority of the same people working in the firm now, as before the shift in leadership style (can they unlearn their previous behaviours) • Employees not used to taking responsibility (speed of empowerment)

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	invariably you see executives there and everybody else in their groups. {The Group Chief Executive}circulated, he went and spoke to people he did not just stand talking to the executives. Obviously he did that too, but it was noticeable that he was going out and talking ... And for some of those other people, for them it is scary for them to start doing it. But they are starting to do it because they have seen the boss do it ... and if he can do it then they can, you know, there is a career lined that they need to go and do it as well. Some of them are totally out of their comfort zone, but they will either fit in or go. • **L-HR-1:** It is at a watershed, there is no doubt. I mean that in terms of the need for change. I think the organisation has grown since nineteen voetsack whenever it was, developed by a very strong charismatic entrepreneur who controlled everything very closely. It is a situation where it is a huge organisation, full of knowledge workers who all of a sudden cannot be managed in the same way. And the previous entrepreneur realised that, and this is why he left, I think ... it happened before my time, but I think one the reasons he exited was because he realised that it was a different organisation, that needed different people. So he appointed a different CEO and that CEO's job was to appoint a completely new executive team. So they have literally replaced the top twelve people in the organisation in months just about, twenty fours months or whatever ... not long ago, and that is a huge change for the organisation to go through. So the organisation now is poised ... I think, and the reason why I joined the organisation is because it is at the threshold of its next exciting era with a whole lot of changes necessary. And one of that is the culture change – where we have got to move from being very much task-orientated. They are not output-orientated, they all very busy or we, I mustn't say "they". We are all very busy doing things but it is not output-orientated, there is not a culture of delivery ... they will analyse things.	

Table D-4.2: Summary of Attributes of Sustainability: Social Complexity-Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	• **L-M-1:** We have got managers doing the day-to-day operations, but we should be looking three years {down the line} ... what the landscape will be like and how, we must be ready for it ... yes. And that is really being created by our (Group Chief Executive) – he is very good in that sense, he is a military man by background.	
Source: Author's Analysis of interview Data		

Attributes of Sustainability: Uniqueness – Leopard

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness -Leopard		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
Blackspot – a firm-wide transformational IT initiative	• **L-M-1:** ... for the first two or three years of that {Blackspot} system, we went through a lot of pain because people, brokers and agents were not skilled {in the technology-enabled process} and did not want to do administration {themselves} – so there was a whole new learning curve. So, especially on the broker side, and we had a lot of brokers, they said: "Hey, if you want us to do this work, we will go and support the other insurance companies who will do it for us through the branch network." • **L-C-1:** Let's go back a few years ago. We had decentralised branches throughout the country, they were linked to mainframe. If they wanted a tax certificate, at one stage we used to print it overnight, post it to them ... that was really not a neat solution. Then we decentralised, we gave them capability of printing it remotely. So, the client had a better service there ... but having all these infrastructures, all over the country, was costing us an absolute bomb. So we said, "Let's centralise." From a centralised situation, we decentralised, gave a better service but then we said we could give this service and centralise. So we got rid of this huge branch infrastructures and centralised.	**Impact On:** • Customer-led processing capability • Segmented and tightened distribution capacity • Alignment of IT functions with business needs • Human and business process alignment **Enablers:** • Affords effective product-leader strategy • 'Locking in' of brokers • Higher levels of efficiency and subsequent employee productivity • Lower total cost of ownership and operating costs (e.g., automation vs. paper-based, cutting out of branches) • Intrapreneurial culture enablement (particularly after first successes) • Better engagement of, and service to, clients • New ways of working enabled

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	What we also did was, we encouraged the people selling our business and our policy holders, who had a change of address or who had different bank details, {the ability} to update that online, or buy {Blackspot}, and we'd pay them for that because now we didn't have that infrastructure overhead. So we'd pay the broker to do that, or we'd pay the agent to do that sort of maintenance. But now, we've got a central Call Centre, which has access to all the information, and if you required any information, they'd work on their PC and that would automatically fax that information while they're busy with you, to your fax machine, if it was available, or you know, to whatever fax number you gave them. We'd fax that information through, and if they wanted an original tax certificate, that would be generated overnight or in the afternoon. That would automatically go into the post, to you as a client. So, the other issues… Call Centre, because we had this wealth of information coming into the Call Centre, and while you're servicing somebody, somebody's annuity's matured now and their policy's matured and they said, "Look here I'm phoning in, my policy's matured" – that gave us a sales opportunity there. So what these guys would do is get all the service requirements but then pass it on to somebody who's been trained in sales. And they'd say, "Look, you know all this money's coming in, we've got fantastic packages we can offer you now. Where're you now?" … so we're converting a maturity into a new sales opportunity. So you know those are the kinds of added benefits that's given. • **L-C-2:** The downside is that we have a maintenance mentality – we don't have a proven track record of those delivering new projects, building new systems from start … However, we have done one or two … {Blackspot} as one example and we do have one other successful one, but generally we have some trepidation when it comes to large projects.	• by technological and organisational redesign • Enabled needs-driven sales operation, as opposed to product-driven sales operation **Challenge:** • Huge investment (IT costs, training & retraining, business process redesign) – strain on capital and therefore restricts other possibilities/projects • Weaning brokers off initial reward for using the Blackspot solution • Speed of culture change • Dependency of the Blackspot solution • Older agents, not able or willing to retrain – but is 'carried' by the firm; agents given opportunities to set up own franchises • Difference of views between the marketing and business entities regarding the new ways of working

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	• **L-M-1:** I have been surprised that they {our competitors} have been so slow. Some of them have started on the front-end, but the actual servicing they have not got to … but it is a big investment hey. I think that is what has put a lot of the companies off, it is a big investment and it is a big risk … and we have made some mistakes along the way, you must not think that it went smoothly … when we started {Blackspot}, we actually instead of running the parallel of branches, cut the branches {out} … obviously we wanted to get a pay back on our systems as quick as possible … • **L-B-1:** … so technology has definitely made a big change to how we deal with clients, and it is going to change even more … whereas beforehand that information was confidentiality at the seams. They are starting to now branch out, anybody now can go into our Intranet and if you key in your password, it will give you non-critical information. So you can go see who your beneficiaries are, all that sort of information … and if there is something wrong, you can just hit the button and say please change it. So technology is helping people become more aware of what sort of information is available, how much leave is due. So you can check that online, whereas before you had to get a form … We are also moving to creating a more central depository, because at the moment all that information is kept by corporate HR, we {BUs} don't have access to that. But we will get a download on a monthly basis which we stick into our little Access database so that we have that information close at hand, rather than have to go to them …. obviously there is a priority level … • **L-M-1:** … well some cannot {use a laptop} because they are old hands at this and they are not at the computer stage, but the younger guys are very computer literate. • **L-B-1:** … it is easy to make a change, but what is it doing down the line because our systems are so integrated that you may make a change in the {Blackspot} capture system that messes up the financial systems that are credit in cash. You know and you	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	don't even think about it ...so it makes you think of the bigger picture, to look at the implications. • **L-IT-1:** Actually, one of our other competitive advantages must, of course, relate to the technology implemented in our {Blackspot} system, and the level of automation that is provided to ouradministrative processes. That has been quite a focus of both the business and systems development area for quite some time now. • **L-C-1: ...** {Blackspot's} becoming more and more of a strategic package. The only thing {is that in} this business, financial services analysis is where it's becoming a commodity. Like you know you have people selling {Brownspot} in the market. {Brownspot's} really your financial analysis, like if somebody comes to sell you an {insurance} package, they'll ask you: "Which policies do you have?" and they'll feed all that information into a PC which has {Brownspot} and it will do an analysis based on the number of children you've got, what your financial needs are going to be in the future. Now that's become very specialised in the marketplace. There's a guy, this {Brownspot} people, that's their business. They're putting all their resources into that business. {Cheetah's} a customer of theirs, {Buffalo's} a customer of theirs, everybody in the financial industry is a customer of theirs. Now we're saying: "That's costing us lots of money, do we want to compete against them?" And we say: "No". We're saying: "We want {Brownspot}, but we're going to integrate {Brownspot} into the rest of our {Blackspot} package because the financial portion of the business is commoditised. We can't compete with {Brownspot} because they're supplying 15 – 16 different organisations, and they're specialists at this, so let's buy that software, let's not try and recreate the wheel. Let's buy that, and integrate it with our capabilities, where we can differentiate." {Blackspot} is our means of differentiating.	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	• **L-M-1:** We are saying face-to-face selling will still be dominant, but will be technology-aided with like {Blackspot} … the bread and butter stuff will be sold through e-commerce, your simple products, your term assurance, your unit trusts. It is more sophisticated stuff where {Leopard} has positioned itself in the market – works the high-end of the market where you will need face-to-face selling. But yes, with e-commerce, we have developed a call centre here where we are selling direct on the telephone. • **L-M-1:** … so that is the needs analysis, then • all their client data now is stored on their computer and that is the beauty of this. You know in the old days, consultants would go and see Kurt and make some notes, fine ok, and go and file them away. Next time he sees Kurt, what do these papers mean and where the hell is the file. Now, he has it on his laptop. So Kurt phones in and says: "{consultant's name} you know we mentioned so and so 6 months ago, what was it we discussed" – he just pushes a button and there is all Kurt's details. So it is also a record system for consultants. So ok what I have explained so far Kurt is what we call a front-end … that is the front-end of {Blackspot}. • **L-C-1:** … we encouraged our policy holders who had a change of address, or who had different bank details, to update that online … we also encouraged the people selling our business to buy {Blackspot}, and we'd pay them for that {fee for doing the administration themselves} because now we didn't have that infrastructure overhead. • **L-C-2:** We used to have branches around the country doing servicing, and we have closed all of those down. We used to have a new business department at Head Office that used to do the administration, and we closed that down. • **L-M-1: …** if you don't have that relationship then people leave you very quickly, you know there is no loyalty in	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	business and brokers are being hounded all the time by all the insurance businesses – so you are never in a position where you can say that guy is really locked into us, except {Blackspot} does give us that advantage as well, because some have now got used to {Blackspot} and they want to deal with us because of the fact that all their data is there, and they can get access to it.	
Brand image based upon technological acumen that creates access to broad range of financial services	• **L-M-1:** And that is what all worldwide organisations try and do, they try and lock the client in and offer him all he needs for financial services … one-stop shopping. The challenge there, of course, is to make sure the client feels comfortable with that, because you have some overseas statistics and a big percentage of people saying, "But hold on, I don't want to be a one-stop shopper, because you can't give me the best of everything" .. but you have to create that, otherwise he will move. The minute he moves somewhere for something else, other organisations will be trying to get him onto their books, or their one-stop shopping. So it becomes a very competitive game in keeping the client, and that is why I said distribution is so important today because if you have got distribution with the client then you can sell all the products to him … but if you don't have the distribution, you {can} have all the products in the world, how do you get them to him? • **L-M-1:** … and {Bank Two} are very good at that. In terms of advertising because that is all that {Buffalo} is doing. My personal view is advertising just gives you awareness. So if I come and sell you a policy and I put in front of you, and you say, "Yes I have heard of {Buffalo}" … and that is where your return comes in … but there is no loyalty with that. If I {on the other hand} as a broker say, "Yes, there is {Buffalo} but here, {Leopard} is actually better, let me show you the price here" … you will say, "Fine, I will go with {Leopard}." I am not saying you should not advertise, you have got to advertise … but advertising does not get loyalty, it gets awareness … it {branding} has not been one of our core	**Impact On:** • Segmented and tightened distribution capacity • Customer-led processing capability • Alignment of IT functions with business needs • Risk-sharing, outsourcing partnership **Enablers:** • IT-enabled, broker-led approach to acquiring and retaining clients (trust and relationship of brokers appreciated more than advertising) • Better, and more seamless, customer relationship management – 'one-stop shop' concept • Leveraging of dual brands – both Leopard and Bank Two are seen as technological leaders, and their brands are linked to technology • Bancassurance allows market reach to broad range of financial services **Challenge:** • Integration, over time, of IT systems and business processes between Leopard and banking partners • Different organisational cultures (Leopard vs. banking partners) • Leopard employee lack of skills in

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	competencies, and we are now going into that … Now banks you can do that {advertise} because you are a young man in a study, ok, so you have got to bank … but young people don't come buy insurance. It does not mean that we have to stick to insurance, but we should be doing other things to get loyalty. In fact we had some partnership with {Bank Two} on that thing …That is how we try to get on the value thing … but certainly {Bank Two} does a fantastic job with those student loans … I mean {Bank Two} is a good example of the one-stop shop today and that is why {Leopard} is so important to them … • **L-M-1:** … Ok, we have seen our business move from life insurance to more and more investment, so we are no longer a life insurance. In fact … we have changed our name to the {Leopard} Group … but, we still do life insurance, but it's not all we do. So I would see the future of our business in financial {services} not life insurance, life insurance will be one of the products that we sell. And after saying that, I think there is still a lot of opportunities to do more insurance. It is interesting how the intermediaries or consultants, certainly the brokers, have moved more towards to investment than life insurance … {because} it is probably easier and secondly there has always been a stigma attached between life assurance salesman … I am talking five years now … I think there is opportunities to sell more life insurance but certainly we have got to be a keener player in terms of investment products. Just to digress for one second … in {Leopard Investments} … we have built up assets of R4.8 billion, selling just investment products … but we are still part of the life insurance company. We saw an opportunity, we started up this investment company up and that is what happened … Unit trusts, a creative type of policy, where it is shorter than five years, yes. {Leopard Investments} was selling investment short-term, whereas {Leopard} Life would sell investments longer term … what I am saying, financial services has got a tremendous	financial services across broad range of customer segments (other than insurance, and across different client groups) • The complexity of the risk-sharing relationship with outsourcing partners when they have to cover Leopard and bancassurance partners • No single brand and different marketing approaches – bank through advertising, and Leopard through broker trust and relationships **Constraint:** • Disparate visions/views between the CEO (move to full financial services firm) and Marketing Director (continue doing core insurance business)

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	future ahead of it. What you would do is be able to address all the markets … meaning innovative on the life insurance side as well. On all fronts … because people's needs don't change. When I say needs, I mean the same sort of products are required, they just become more up to date and they need more complex {products} because you use different vehicles … but at the end of the day people want to save for retirement, they want protection on death, they want to know that they are disabled, they want cover. Now those three things will always be there. • **L-IT-1:** … but the next step we've got to go to, from a business point of view, is to harness all that information coming into the Call Centre and to have better customer relation management software … so we can actually own the customer, and because … we're very closely tied up with {Bank Two} now. So we could, you know, try and say: "But this guy is not banking with {Bank Two}," and maybe approach the guy and say: "You know, we can give you banking facilities from {Leopard}, we can give you this sort of facility, we can give you a housing loan, we can give you car finance, we could sell you an insurance package, you know, we could give you discounted short-term insurance" … and offer a whole range of products rather than just selling insurance now, because there is a one-stop shop. And if you've got all that information on a database, you can have somebody managing these people … there are other lucrative markets like your emerging markets," which we call the middle-income market and we are now looking for opportunities to get that market … because our current distribution channel don't allow us in that market … you must now create a new distribution channel for that middle-income market, which we are doing … We took a stake in {Leopard Bank} which does a lot of micro-lending … and that is a community you are getting to through the microlending. Now all those people borrowing will need some form of term assurance … you know, very simple to	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	underwrite term assurance or funeral benefits, and we are very successful through that. Our relationship with {Bank Two}, through bancassurance … underwrites funeral policy … they are writing, they wrote sixty-five thousand funeral benefit policies in like three months… So when you get into the middle- income market you can't do it on a face-to-face basis, it has to be what we call workplace, where you get into groups or into particular organisations where they have the type of group client. • **L-M-2:** We decided that we have no expertise in the mass market. Therefore, the only way to get into the mass market is by taking shareholder companies that do. In other words, we are insuring our future by strategic acquisition, because we have no expertise … so, for example, our {Leopard Bank} deal … we gained access to the trade unions that they have access to. Through bancassurance, we gained access to … those customers that {Bank Two} has. Now we could never, in {Leopard} Life, ever be able to get those customers. So yes, we are broadening our marketing … Banking, homeloans, investments, unit trusts, specialised investments. You can look across all our businesses, we truly are … {a} financial services group in the broadest sense of the word.	
Creation of new cadre of business consultants with human capital responsibilities	• L-HR-1: … taking the business strategy and, this is important, as well as the business plans for the various business units because we cannot align only with very high-level corporate strategies … it is just too far removed, it is too distant. So you look at that corporate strategy, you look at what the Board {wants} and what the key strategic plans are on a corporate group level, you do. But more importantly for us, is you look at what the business plans are for the business units in terms of them giving effect to that broad strategy. • **L-C-2:** We have an HR operation which has got a specific interest in IT and systems personnel – and then we have a risk	**Impact On:** • Human and business processes alignment • Alignment of IT functions with business needs • Structured, project management focus • Dynamic culture enablement **Enablers:** • Peace of mind for the CIO that people are placed and developed appropriately, relating to IT current and future needs • High levels of alignment

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	management area which is used on a selective basis, and we actually complement our group internal audit operation and obviously work on an external auditor as well. • **L-B-1:** I am part of {the HR Director's} team in terms of looking at corporate strategy and I am also part of {the CIO's} team to look at system strategy and to make sure the HR ties into that. Whatever he {CIO} is doing strategically from an information systems point of view, we can provide the resources to do that. Another part of it, we have to make sure that we are up to date with best practice and what is happening in the HR industry as well as the IT industry, so that we can you play the game … so that we are not left behind … I think it is very much a partnership rather than that is HR and that is the business, we need to be seen you know growing together. With all the changes and in terms of legislation and employment equity and basic conditions of employment, we need to make sure that we are very up to date with those, and that the business stays in line with that, that we are not compromised in any way … So I see it very much as a partnership that we are involved in the discussions right from the beginning. • **L-B-1: …** And where we are now in terms of HR in the business or as part of {the CIO's} initiative, knowing what {the HR Director} is doing as a corporate initiative is good because then I can get that information to {the CIO's} level … well it is the same level, but into {the CIO's} area of expertise and focus to make sure that business is not going that way, or as a group going that way and we off at a tangent going this way. Getting it together. And also what has been good is the relationship we have built up with all the different businesses from recruitment to competency development … you know out in the big wide world, so we still are aware of what is happening and what is new there … • **L-HR-1: …** the role of the HR practitioner is to provide strategic advice and	between business units and HR initiatives higher levels of respect and trust between business managers and • new business (HR) consultants • Relevant unpacking of corporate strategy • Lower business risk as high levels of matches (and appropriate bridges) between human and business processes • More 'connected' business (HR) consultants, since they're involved in decision-making bodies and committees • Readies firm for faster reaction times when new trends emerge **Challenge:** • To find a significant number of individuals who can play this new role (Do they want to? Can they – skills?) • Lack of peer group or community-of practice for new styled business (HR) consultants in the rest of the industry • Friction with 'old styled HR' and central HR employees (seem to be siding with BUs) • History of disrespect for central HR and 'old-styled HR' personnel by business management

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	guidance … to be business consultants. The day-to-day management of the people, performance management stuff, leave records, leave scheduling, all of that … the line person can do. You have got an empowered knowledge worker who doesn't require quite the same level of instruction … so now the supervisors/managers/team leader starts assuming some of that old HR management-type role, in terms of the leave scheduling, the performance management administration, all those things. They start doing it themselves, and why they can do it is because they are also empowered by technology to have access to a range of information and systems to help them to do it … so they don't need this bright spark HR practitioner there to tell them what to do. There are systems galore and information galore and data galore to help them do it. So we are going to need fewer HR practitioners at that technician-type level, and we are going to need a few high-level business consultants. And that is another way we are going to ultimately, I believe, leverage technology. • **L-C-2:** In terms of people, the only way I can leverage this is by having a centralised HR area … but with all the business-HR consultants and systems developers placed in the business … and hopefully … we can make sure that we get good HR practices that will certainly be remunerating the schemes {new initiatives} and making sure that we are providing the right training from the centre. In the last year we spent an enormous amount of money on project management {training}, so we're trying to build up the competence of our project managers and we spent quite a bit of money as well on introducing new methods and new planning tools … And the challenge would be to try and leverage the expertise in the centre and convince the people in the business unit that this is a good thing to do. • **L-IT-1:** the support we get from central HR is so bad that we've created our own HR function … we don't rely on central	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	HR for anything of significance, simply because they are so poor at providing us with support. We do all our own market surveys of salaries. In fact, the only thing central HR does for us is they pay the salaries and they administer the leave forms and they even do that badly. They are prime candidates for outsourcing, they are so bad … The only value I get from those guys is in terms of the salary slips that they dish out once a month, and obviously the tax and associated things that go with that … and they provide us with an IR service and you've got to tread so carefully with IR issues that they've got a couple of IR lawyers that give us advice on that sort of stuff. But other than that, in our business unit, we have a business-focused HR guy … You'll get much better information on the HR issues relating to our division from him than you will from get from anyone in central HR. In fact central HR can tell you nothing about our HR functions because we don't trust them with them • **L-B-1:** Technology has come a long way as well from a HR perspective, in that you can store information on competencies and skills … and at levels and you can even introduce, I suppose, deterioration or depreciation almost of skills … great in terms of making the HR process a lot more streamlined and that information is just at your finger tips. So if we are looking for somebody on project x and we need these skills, before we go external we can go in and key in the specifications, and I know SAP can give you some sort of match in terms of this person matches your profile by thirty percent or ten percent. And you say, "Well, can we use this person do they have …, are they trainable in …, and how much time have we got before we need the person or do we then have to go external and find more than a thirty percent match?" … I came out of the systems areas before HR … far more useful than if I were a pure HR person, because I got to understand how the business works. Before I went into HR, I worked at UBS for nine years on the admin and marketing side … so, in a way, I	

Table D-4.3: Summary of Attributes of Sustainability: Uniqueness –Leopard (Continued)		
Sustainability Attributes	**Evidence**	**Impact on Key CRC(s)**
	have been through the whole process. That helped when I came into systems to understand where the business was coming from … because I had sat at the clerks desk … I had been a paper shuffler for a couple of years. And then the came systems … now, I think anybody who has gone through a systems experience, or worked in systems, has a thought process {that} goes from beginning to end … rather than had I sat at this desk and that is my in basket, I shuffle it and I put it into the out basket. You know maybe that is the simplistic analogy or something like that but systemsyou need to know: 'What do you want?' and 'What do I need to do to give you the end result?' • **L-B-1:** Being HR within a tech environment and being part of the strategy committee, technology initiatives are discussed there. There is a technology committee as well, and I don't go to that because that is very much the bits and nuts out of it … but the minutes are distributed to the strategy committee. So there is awareness there, and from that I read them to make sure that if there is anything that we need to resource here or we need to {do} something, a lot of that research will be done by {L-IT-2} and his people. But it helps me to understand trends and where we are going, so if we need to start recruiting for an initiative that is going down that path, at least I am familiar with where we are going and what we need to do … So I need to be aware of what is happening in the technology side. Then on our side specifically, if there is changes in like SAP or PeopleSoft, you know HR software specifically, or we have become aware of new stuff going to seminars and talking to people, we can then come and say look this can help us or this is where we can go in terms of specifically HR business initiatives.	
Source: Author's Analysis of interview Data		

APPENDIX E: FINANCIAL SUMMARY AND ORGANISATIONAL STRUCTURE FOR EACH CASE

E.1 Buffalo Case

E.1.1 Financial Summary

Financial results for Buffalo (Table E-1.1) as well as the other SA assurance firms (in subsequent case analyses) have been included for the following reasons:

- To establish a performance context for each firm.
- To provide a sense of scope, i.e., size and scale of each firm.
- To understand, to the extent possible, the role of IT in the business, by determining how it impacts both the investment and performance parameters of a business.

The constructs for reporting financial performance varied from firm to firm. This meant that creating a set of comparable results among the firms was challenging at best. In addition, this research looked upon financial performance as only one indicator of competitive effectiveness, and the time spent on financial analysis was limited to looking at published information or information provided by interviewees. Therefore, this researcher did not pursue the techniques used by financial analysts to seek appropriate industry benchmark ratios and other financial indicators that gauge overall future earnings and value potential of various firms within a specific industry. When creating a financial view of each firm, this researcher used the following guidelines:

- Historical data showing a five year pattern were gathered to provide year-on-year improvement trends. Even when some data were not available (N/A) for specific years, enough data were available to provide trend indicators.
- High-level financials indicating profitability, number of employees (staff costs), and any expense ratios to gauge efficiency. Measures such as assets under management and annual premium equivalent (APE) were used as indicators of market growth.

- The selection of measures started with the premise of maintaining internal consistency within the assurance entity, and, if not possible, to use measures that maintained internal consistency at the "parent" or holding firm level. Inter-firm comparability, therefore, was a secondary priority to within-firm, internal consistency.

From a efficiency perspective, Buffalo SA has not made any significant efficiency improvements that have resulted in major cost reductions, especially in staffing levels.

Table E-1.1 Summary of Financial Performance

Area	1999	2000	2001	2002	2003
• SA Group Profits before tax (R Mil.)	6,627	8,668	9,536	9,016	6769
• Life Assurance	3,964	4,892	4,915	5.414	5,322
--% Life Insurance Operations	58.9%	56.4	51.5	60.0%	78.6%
• Total Operating Expenses	NA	NA	3,954	4,257	4689
--Staff Costs (Excl. Mktg./Sales Remuneration)	NA	NA	1,215	1,400	1,643
• Number Avg. Monthly Employees (Buffalo SA)	NA	10,892	11,563	11,414	11,347
• Funds Under Management (R Bil.)	NA	253	261	257	299
• Annual Premium Equivalent-APE (R Mil.)*	2,625	3,040	3,142	3,705	3,329
--% Individual-Retail	79.1%	73.4%	78.5%	72.1%	75.7%
• Capital Adequacy Ratio (CAR)	3.0	3.0	2.7	2.2	2.4

*APE is calculated by taking reoccurring premium levels and adding 10% of the new premium levels in a given year. Because of the high level of premium churn as policy holders either cash in or cancel policies, Buffalo SA feels APE gives a "more realistic" indicator of premium growth

Source: Author, using Annual Reports (PLC and OMSA) 2000-03; Reports to Investment Analysts (PLC) 2001-3; Social Responsibility/Corporate Citizen Report (OMSA) 2001-2

South African profit before tax data was summarised at the Buffalo group level which included Life Assurance, Banking, and Investment operations. Life Assurance represented over half of the profits for the group and showed an average 5% improvement over the five years, with the year 2003 showing a 2% decline. As reported by Buffalo Plc, the Life Assurance operations were impacted by changes in accounting, as well as a weak start in the first half of 2003 in the Individual Life business; however, there was a significant improvement (approximately 11%)

during the last half of the year over the previous 2002 results. The group profit picture in 2003 posted an overall decline of over 40% from the high-level performance achieved in 2001. Buffalo Plc attributed this to the continuing poor performance of its Banking operations; the 2003 results were characterized as "disappointing."

In fact, a benchmarking study commissioned in 1999 by Buffalo SA, using a major consulting company, indicated that the firm had the highest cost to premium ratio in the SA life assurance industry. Although investing in IT, much of these investments have been designed to:

- Improve customer response levels by integrating call centre platforms;
- Provide a substantial web-based interface to brokers, agents, and clients; and
- Create new, leading edge products for the SA market.

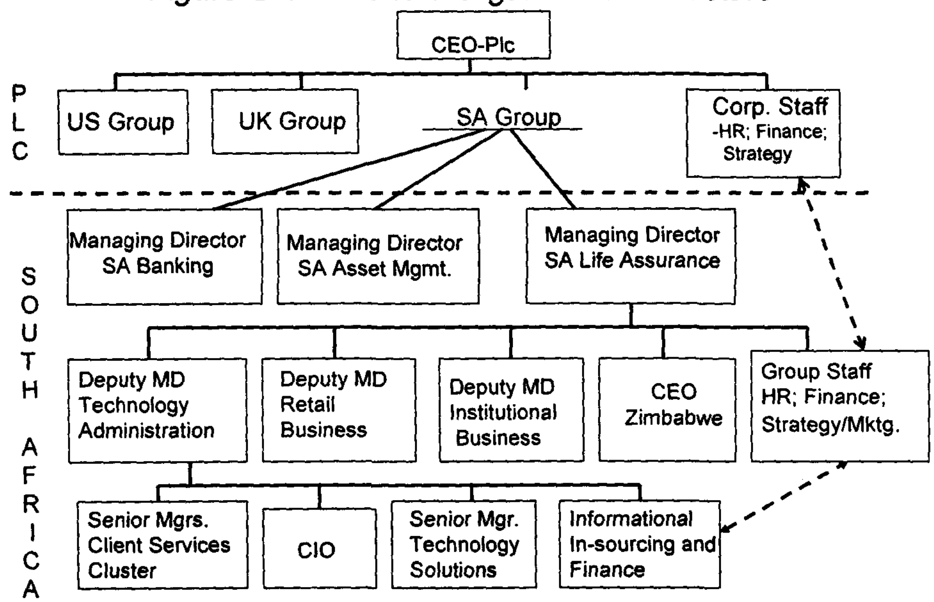
Buffalo SA's commitment to its employees as "stakeholders" in the business, as reflected in its Social Responsibility Report, has caused the firm to be highly sensitive to large reductions in its workforce, especially in light of the South African government's policy to create more jobs and the lacklustre performance of the Group's banking sector that has caused a significant loss of jobs.

In what is considered a very competitive market, Buffalo SA has been able to maintain its dominant presence in the industry through its marketing acumen of creating leading-edge products, maintaining a highly ubiquitous distribution network, and carefully managing its brand to preserve its image of being a responsible South African firm with a "balanced" view of its commitments to employees, shareowners, customers, and its South African communities. As a result, its "bread and butter" individual retail premium business has continued to grow at about 4% per year as indicated by the annual premium equivalent (APE) indicators. However, the results in 2003 show a downturn in revenues as shown in the APE results. The funds under management, which indicates the size of policies and investments entrusted to Buffalo by its clients, has held above the R250 Billon level. The capital adequacy levels (CAR) represents a government statutory requirement to provide a "safety net" for policyholders (Symeonidis, 2001); it means that any insurance firm must maintain adequate near cash asset reserves. Buffalo SA must balance the demand of shareowners for capital efficiency, and therefore, a lower CAR ratio to that of policyholders who want protection of their insurance, fixed or guaranteed income policies. Giraffe, as will be seen in subsequent case analysis, has led the way in finding ways to reduce the CAR reserve, while maintaining a sound balance sheet structure through reducing the policy products with fixed guarantees and by using re-insurers to help share some the long-term risk. As a result, Buffalo SA and other insurance firms are moving toward the "2.0 times" statutory limit for their CAR cover.

E.1.2 Organisation Structure

Buffalo's organisation structure (Figure E-1.1), with emphasis on its South African group, is a highly "traditional" organisation structural design, with layered levels organised by geographic and financial services functions (i.e., banking, asset management, and insurance). The Plc level, located in London, represents a holding company structure to which all of the worldwide groups report. There are no geographic group heads. Each MD located in the respective geographies reports directly to the CEO of Buffalo Plc. Within the South African Group, the SA Life Assurance organisation is highlighted because it is the entity that was the focus of this research.

Figure E-1.1: Buffalo Organisation Structure



Source: Website; Annual Reports; Interviewees

There are two additional characteristics of Buffalo's organisation worth noting. First, the multi-layered staff groups seem to characterise Buffalo's organisation. There appears to be a dotted-line relationship among the functional staff groups, especially finance. For example, the capital intensity of the IT organisation requires fiscal responsibilities at the "MD" level to assure appropriate reporting of capitalised equipment and software, as shown in Buffalo's annual reports. Second, a formal, centralised IT organisation has been developed within Buffalo SA to provide services both internally to the insurance client markets entities in SA, but also to like insurance entities in other geographies within the Plc family. Both SA banking and SA insurance have either developed in-house IT capabilities, or have invested in smaller outsourced software firms to ensure that these capabilities are available to support client services, distribution channels, and product development. As discussed in the Part 2 introduction, South Africa is experiencing a "brain drain" of talent, especially in IT, of potential employees who are either migrating abroad or working for outsourcing firms as contractors or employees. Within the IT group, the support is organised around client-service business units. In addition, documents provided by Buffalo SA interviewees show that the CIO office is responsible for overall architecture and IT strategy, while Technology

Solutions has the role of supporting the Programme Office functions, shared services, and within-group support of shared services.

E.2 Cheetah Case

E.2.1 Financial Summary

The Cheetah Group prides itself in its financial reporting, and has been recognised by the investment analyst community[150]. As shown in Table E-2.1, Cheetah's operating profit has continued to show steady growth over the past five years. In the 2003 Annual Report, Cheetah Life represented 53% of the assets under management. The concern from a revenue perspective has been the poor performance of the Life Business in obtaining new revenues.

Table E-2.1: Summary of Financial Performance-Cheetah

Area	1999	2000	2001	2002	2003
• Operating Profit -Pre-Tax (R mil.)	1,237	1,656	2,092	2,149	2,405
• Total New Business (R mil.)	25,810	37,700	36,581	32,257	38,786
--% Long Term Life of New Business*	68.8%	60.4%	57.1%	68.6%	34.8%
• % Administrative Cost Ratio	29.8%	32.3%	35.2%	34.7%	33.6%
• % Operating Group Margin	17.9%	16.5%	18.4%	16.9%	17.5%
• Number Employees (excluding marketing sales)	11,373	11,505	11,246	11,537	11,515
• Fund/Assets Under Management (R mil.)	215,924	224,911	256,396	245,953	282,568
• Annual Premium Equivalent-APE (R mil.)**	1,820	2,477	2,204	2,179	1,729
• Capital Adequacy Ratio (CAR)	2.7	2.5	2.8	1.7	2.2

*Includes only the Long Term Insurance portion of the Life Business Cluster
**APE is equal to new recurring premiums (excluding indexed growth premiums) plus 10%of single premiums
Source: Author, using Annual Reports 1999-2003; Interim Investor Reports (2002 and 2003)

[150] In 2000, Cheetah won the overall award for the best financial reporting and communication from the Investment Analysts Society of South Africa.

This was shown as a dramatic impact to the Average Premium Equivalent (APE) measure which showed gradual erosion since 2000, with a dramatic fall off in 2003 – a cumulated 30.1% drop off. In addition, insurance as a "bread and butter" product line has averaged 62.6% of the total new business from 1999 through 2002; in 2003, the percent of new business from life insurance dropped to 34.8%. In the 2003 Annual Report, the Life Business cluster attributes this to an event driven phenomenon of radically re-engineering the business – part of the "back-to-basics" strategy – reducing expenses by R 250 million. This effort caused a 26% in new business; however, with the re-engineering initiative completed by year end 2003, initial indications were that new business was again starting to increase with Cheetah's sales channels.

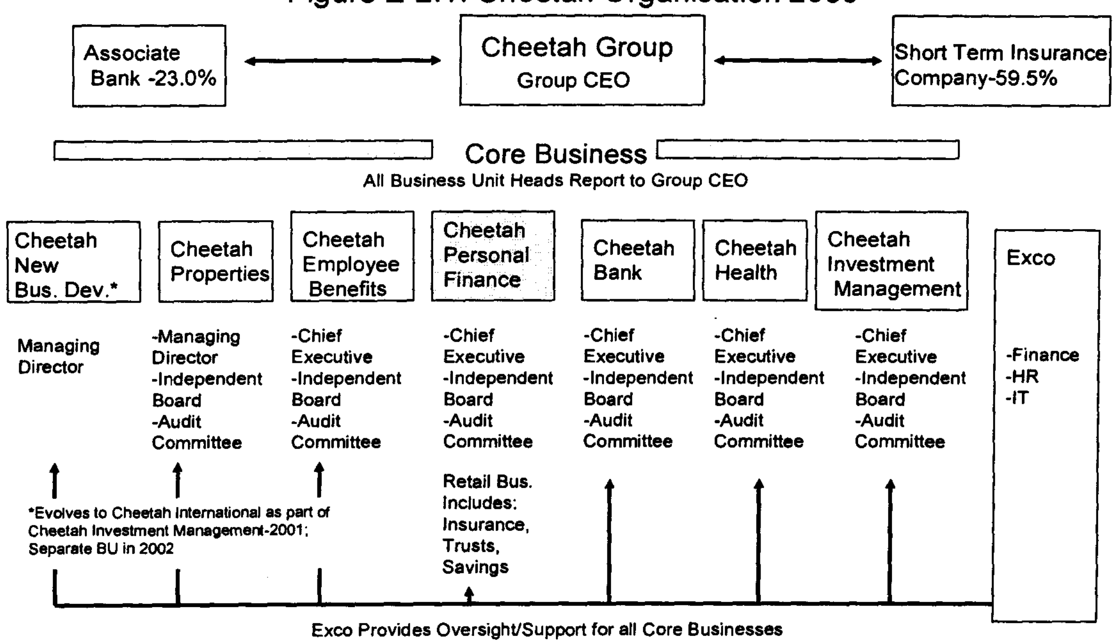
Over the five year period, in spite of a drop off of insurance new sales, the fund assets under management has continued to grow. A significant portion of this growth has been attributed to the success of Cheetah's trust products. In addition, Cheetah has consistently reported both its administrative cost and its margin ratios. Its strategy to drive client wealth is supported by the fact that Cheetah sees it a vitally important that clients know that their investment funds are being well-guarded and are not going to support large administrative overhead costs. As a result, Cheetah and its business clusters have developed an efficiency discipline that has kept costs in line support its revenue streams. Even as revenues have grown, Cheetah has kept the number of its workforce within a variance of less than 2% over the five year period.

Like all of the major assurance firms within the SA industry, Cheetah has lowered the CAR ratio below 3.0 which increases client risk but improves the usage of capital (Symeonidis, 2001). However, the cover in 2002 dropped significantly below the five year average of 2.4. In its 2003 Annual Report, the improvement in the CAR ratio was highlighted, indicating an improvement in coverage. With Cheetah known for its fixed guaranteed interest products, analysts would expect the CAR ratio to be slightly higher than those with more risk-based products (Symeonidis, 2001).

E.2.2 Organisation Structure

During the past five years, Cheetah has gone through significant organisational structure changes. For this reason, two views of the organisation – one in 2000 and another 20003 are discussed in this section. After demutualisation in 1998, Cheetah established its commitment to establish an autonomous business unit structure. The 2000 organisation structure is depicted in Figure E-2.1. The firm set up seven core business entities as primary business units. Interviewees indicated that Divisions organised as small business units were also established five largest entities (minus Cheetah Properties and Cheetah New Business Development).

Figure E-2.1: Cheetah Organisation 2000

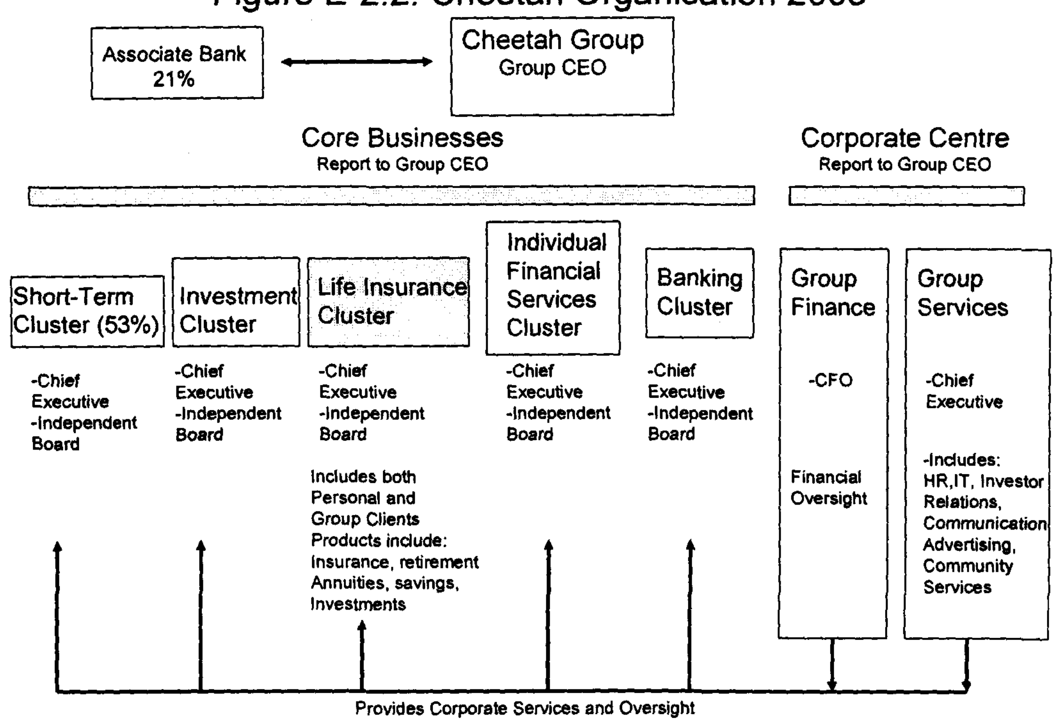


Source: Website; Annual Reports (1999-2002); Interviewees

Through its Annual Report and its press releases, Cheetah had set two expectations that it would eventually: (1) consider expanding its bancassurance footprint by acquiring the Associate Bank in which it had a 23% share; and (2) expand its operations overseas significantly as its competitor Buffalo had done. To this end, Cheetah established a new business unit to study the global insurance market opportunities. This particular entity evolved as a separate entity in 2002. Cheetah's vision was to create a "federated" rather than a fully "decentralised" structure. A federated structure is designed to capture the advantages of decentralisation, while still keeping some corporate oversight role; federated structures, although ideal, are very difficult to run effectively unless processes are in place for tight strategic integration.[151]

The evolution of Cheetah's organisation is shown in Figure E-2.2. In 2003, Cheetah initiated a "back to basics" strategy that, among other things, created a more streamlined, focused organisation. It established a new structure with five business clusters (see Figure E-2.2). The banking cluster underwent as significant downsizing effort cutting nearly half of its business, especially the property group which was into real estate rather than financial services.

Figure E-2.2: Cheetah Organisation 2003



Source: Website; Annual Report-2003

[151] In large organisations, decentralisation can potentially create a more nimble, market focused organisation; however, the strategic connectivity is often lacking at the group level. Hodgkinson (1996) has observed this in large organisations, cautioning on the need for strong strategic integration to make a federal structure work effectively. Decentralised organisations tend to exercise more financial control.

The firm announced to the investment community that it would not be acquiring the Associated Bank, but instead established a cooperation agreement with the firm. In addition, in its 2003 Annual Report, Cheetah declared that it had delegated to each business cluster the responsibility for establishing an international presence that fit the strategy of each cluster.

The Cheetah Group continued to maintain its commitment to establishing autonomous units with separate boards; however, fiduciary responsibility, including risk management, were shared rather than delegated to the business units. The firm was more decentralised with tight corporate financial control established at the Group level. In addition, the firm continued to streamline its corporate staffs through better clarification of roles at the group services level. Looking at the Transformation Report for 2003, the role of the Corporate Services was much more geared toward interface with external stakeholders and oversight rather than service provision to the business units. Unlike its counterparts, Cheetah's organisational structure has been extremely fluid over the past five years. The implications of this constant change will be discussed under the analysis sections of this research.

E.3 Giraffe Case

E.3.1 Financial Summary

Prior to the merger in 1998 with Life Company, Giraffe had developed a reputation among the investment analyst community of being one of the two most highly efficient firms. From 1992 through 1997, its management cost-to-premium income ratio had improved by over 60%, while other competitors either made modest or non-sustained improvement[152]. With the acquisition of Life Company, Giraffe's management cost-to-premium income significantly eroded, going from about 4.5 to 5.0% to 14.4% in 1998; however, within a year, Giraffe again began to reap the benefits of efficiencies through integrating processes and restructuring distribution channels. As shown in Table E-3.1, much of the initial gains in efficiency were accomplished through a reduction of 30% of the workforce. Since the merger, Giraffe's profit performance has continued to improve, and it has delivered a compounded growth in profits of 21% from 1999 through 2003;

[152] This information was obtained from proprietary documents from one of Giraffe's competitors.

however, much of this growth occurred between 1999 and 2001. Between 2002 and 2003, profits rose from R834m to R855m or 2.5% (see Table E.-3.1). As stated in its annual 2003 annual report, even in what was described as "a difficult insurance market," Giraffe was still able to deliver a year-on-year profit growth.

Table E-3.1: Summary of Financial Performance-Giraffe

Area	1998 Merger	1999	2000	2001	2002	2003
• Group Profits after tax (R mil) --% Insurance Operations	234 47.4%	405 50.6%	620 52.7%	772 55.3	834 58.6	855 65.6%
• Total Expenses					1174	973
• Number Employees	4650	3270	*	*	*	*
• Group Assets Under Mgmt./Administration (R mil)	98,937	114,341	145,937	182,928	190,562	186,447
• Funds received from Clients (Rmil.)	25,034	32,628	34,461	32,751	35,848	30,307
• Capital Adequacy Ratio (CAR)						2.1

Sources: Annual Reports; LOA data, and other Industry sources
*Reported at Group Level Only

Over the past five years, Giraffe has restructured its market as well, with life-based insurance products representing a greater share of its profit-base than health or asset management profit streams.

Insurance has moved from contributing half (50.1%) to nearly two thirds (65.6%) to the profit bottom-line. In addition to merger and efficiency improvements, its market growth in terms of the assets under management and administration has also grown modestly until 2002 – however, between 2002 and 2003, Giraffe experienced a negative growth of 2%. Although some of this decrease can be explained as an accounting adjustment, due to a transfer of a Giraffe subsidiary to its parent, some of the decrease was also due to a decline in funds received from clients. Looking at the funds received from clients, the results show a 16% decrease year over year from 2002 to

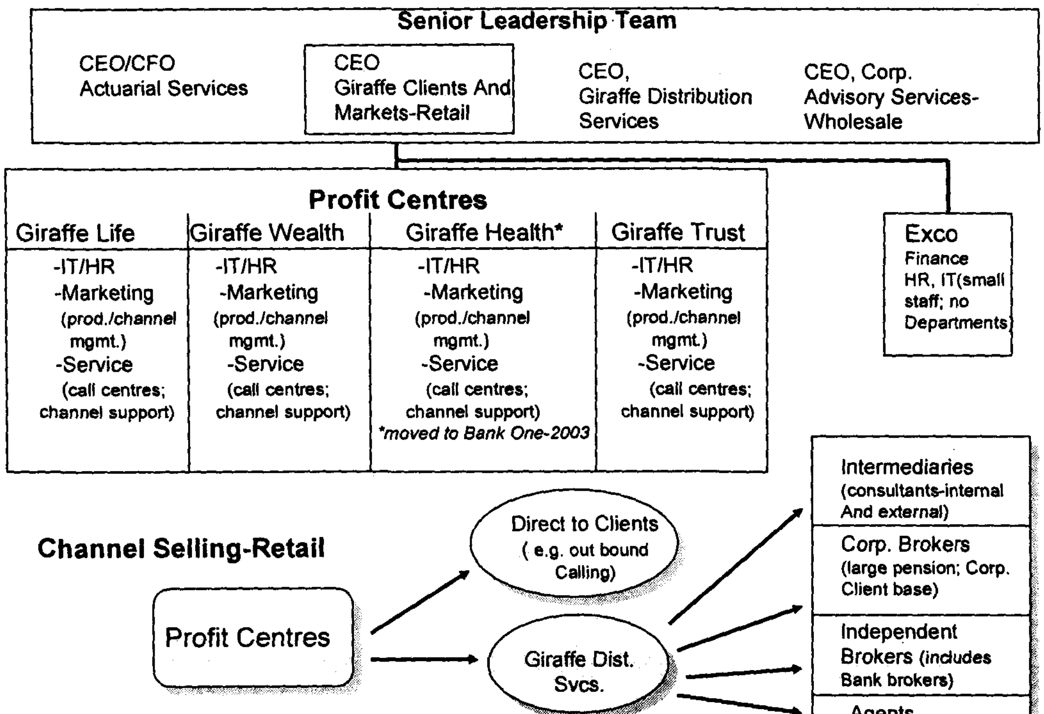
2003. Much of this decline was due to poor performance in the unit trust profit centres. The insurance operations continued to deliver a strong performance according to statements made in the 2003 annual report.

E.3.2 Organisation Structure

Giraffe's structure reflects its philosophy of maintaining a flat, "no frills" egalitarian organisation as part of generating an entrepreneurial environment. The senior leadership team acts as a unit with all CEOs from Giraffe reporting to Bank One. Figure E-3.1 depicts a high level view of the organization structure, focusing on the retail CEO group where the research participants were located. Giraffe's retail organisational structure represents its strategic direction of creating highly-focused profit centres, in which employees are empowered to work as team members to achieve their goals. These profit centres are supported by a centralised distribution services organisation. Profit centres are therefore organised by market segments and products, and both the development and management of products reside with the profit centres.

One of the unique features of Giraffe's organisational structure is the centralised distribution services organisation that supports both the retail and wholesale groups. As shown in Figure E-3.1, the retail profit centres can sell direct to individual policy holders or through channels – the largest of which is the independent broker channel. Giraffe sells almost exclusively through brokers – as of 2000, nearly 95% of its business came from broker networks, either independent or bank intermediaries, with direct sales and agents representing the remaining 5%. To keep from alienating its broker networks, the direct sales also provided some compensation to brokers.

Figure E-3.1: Giraffe Organisation-Retail Services



Source: Annual Reports; Interviewees; Other Documents

Internal-, as well as industry documents, indicate that the reasons for this particular channel strategy were to:

- *Minimise channel conflict* by using a clearing house approach; for both the retail and wholesale groups.
- *Integrate market segment and channel strategies.* Brokers tend to sell to the high-end and middle-markets; with Giraffe's stated targets of the high-end and middle-markets, using brokers creates marketplace alignment.
- *Maximise efficiency* by providing "one face" to the channels and also making as much of the selling costs as variable. With agents as employees, costs tend to be fixed. With pressure on margins in the high-income market segment, cost structure becomes a crucial factor for long-term success.

- *Extend the opportunities for cross-selling of products* to both the corporate (wholesale) and emerging middle-income markets. For example, Giraffe is currently using its in-bank brokers to sell simple insurance products to middle-market customers.

Although a dominant channel strategy is highly efficient, it has the disadvantage of putting organic growth of insurance products into a broker channel that may, in the long run, prove not to be as productive as expected. In fact, in the 2003 Annual Report, Giraffe indicated that they had established a Black African franchise agency program to sell insurance into the emerging middle-market.

The organisation chart also highlights the Giraffe Retail organisation – the target of this research. Figure E-3.1 indicates where IT personnel are placed within the organisation, since the research focus is on resource-based theory with the perspective of understanding the role of IT as a strategic enabler to the firm. Most of the interviewees were associated with profit centres. However, both the IT and HR managers at the Exco level were also included as participants. A major reason was the unique structure in which these Exco functional managers had virtually no staff, and it was important to understand their roles *vis-a-vis* the profit centres.

E.4 Leopard Case

E.4.1 Financial Summary

A five year financial performance profile is shown in Table E-4.1. Although not as large as Buffalo, Leopard has been able to post significant post tax profits. Leopard Group's workforce, including its sales force, represents about half of Buffalo's workforce for its primary personal financial services group in South Africa. As did all of the South African firms analysed in this study, Leopard posted a downturn in its earnings for 2003. It described 2003 in its preliminary annual report as "challenging."

Table E-4.1: Summary of Financial Performance-Leopard					
Area	**1999**	**2000**	**2001**	**2002**	**2003****
Profit After Tax (Rm)	11439.6	13567.3	1545.9	1068	949.1a
Total New Business (Rm)	7874.3	965.8	9819.1	11300.6	11667.0
Management Expenses (Rm)	1048.8	1205.8	1712.9	1690.9	NA
Total Staff (incl. Sales)	5189	5819	6293	5549	NA
New Business Index (APE)*	2191.2	2645.8	2943.6	3634.2	3807.8
Capital Adequacy Ratio (CAR)	7.7	5.7	3.5	3.0	2.6
Source: Annual Reports 1999-2002; Preliminary Reports 2002-2003; Analyst Presentation 2004 *Business index equivalent to annual Premium Equivalent of recurring revenues plus 10% of single premiums **Preliminary Results					

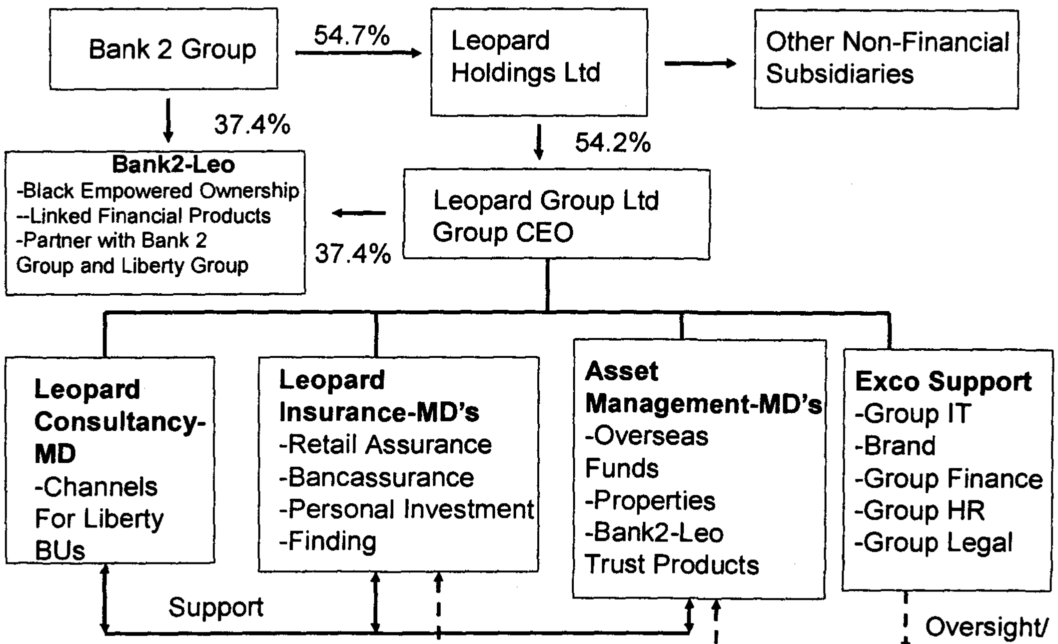
In spite of a tough year, Leopard Group's performance in terms of its new sales – shown in its Annual Premium Equivalent Business Index – has shown a steady increase of the past five years. In its 2004 presentation to the investor community on 2003's results, Leopard's CEO indicated that the firm had initiated several "cost containment" measures designed to streamline its operations without jeopardising its sales momentum. Although management costs were not available for 2003, it seems that Leopard has been trimming its costs since 2002.

From a capital management perspective, Leopard has made a concerted effort to reduce its Capital Adequacy Ratio (CAR). Because its product line is far more risk-based, rather than guaranteed return-based, it has chosen to reduce the cover of its client assets to closer to the SA government statutory limit of 2.0.

E.4.2 Organisation Structure

In 1999, the founding father of Leopard retired. At that time, Leopard and its part owner Bank Two used the opportunity to simplify the structure of the Leopard Group. Figure E-4.1 depicts the reconfigured organisational structure. The only significant change since this structure was put in place was the creation of three-way ownership of Bank2-Leo subsidiary between Bank 2, Leopard, and a Black empowered development firm.

Figure E-4.1: Organisation Structure-Leopard



Source: Website; Annual Reports

The ownership arrangements of the Leopard Group were designed to create a financial services firm whose relationships with its partner Bank Two could enable it to extend its market reach into market segments other than the high-end retail segments which was its traditional target market. Unlike Bank One that owns Giraffe, Bank Two, with its 54% ownership in Leopard, does not provide strategic oversight for the firm. It is totally run as a separate entity, listed on the JSE. At the time of the re-organisation, the Leopard Group was organised in two major operational clusters – Insurance and Asset Management – with decentralised BUs. In its 1999 Annual Report, Leopard indicated it had: "... *transformed its previously centralised structure into a decentralised, flatter and more entrepreneurial business unit structure. This has lead to an increase in proactive decision-making, flexibility, responsiveness and initiative in support of aggressive business development and growth.*"

These separate BUs were established as divisions of the firm headed by a MD. There was a clear focus on product-driven strategies within each of the BUs. These BUs have been organised into two business clusters – insurance and asset management. In order to preserve a common customer interface for the "product BU factories," the Consultancy channel organisation was set up as a separate entity reporting directly to the CEO; it had dotted line responsibilities to the BUs.

Although it created a "flattened" organisational structure, the Leopard Group still maintained strong Exco functions for both support and oversight of the BUs. The firm saw the need, even at extra cost to the corporate centre, to create a centralised corporate IT capability (with a Group CIO in the Executive Team), a corporate marketing/brand management capability (with a Group Marketing Director in the Executive Team), and a corporate HR capability (with a Group HR Director). Leopard Group realised that these centralised functions were essential for competing, and staying ahead, in the industry. Even though there was central methodological input, standards and frameworks, the BU's were responsible for their own delivery of IT solutions and had to manage this on business terms, BU's were responsible for their own HR delivery linked to the business strategy, etc. This independence, apparently, gave the BUs more speed and flexibility, which in the long run saved on costs. Interviewees indicated:

> **L-HR-1:** HR is a group corporate function. We are structured on a semi-decentralised basis, so I have a group responsibility but within the various business units there are decentralised HR functions with their appropriate level of responsibility ... but I provide an overall strategic coordinating role as far as the HR activities and HR strategies are concerned.
>
> **L-IT-2:** IT Facilities is being considered as a separate business unit. Each BU also has its own IT/IS department. This has initially increased costs, but allows BU's speed and flexibility.

The roles between the Exco functional entities and the BUs evolved over three years between 1999 and 2001. This was most apparent in the IT function. At the time the BU structure was established, a centralised Corporate IT division was headed by a Chief Technologist, and an applications-focused manager headed up the Systems division – this led to confusion, lags in decision-making, disparity in supply (between IT and Systems people) of resources to BUs. It was, therefore, decided to do away with this structure, and create a Chief Information Officer

(CIO) role to represent the integrated Group perspective with BU and technology perspectives represented, and reconciled through the Executive IT Committee. As in the case of IT, governance committees were also established for corporate functions with major BU interface responsibilities; these included finance, HR, and marketing/brand management.

APPENDIX F: SUPPORTING EVIDENCE FOR CROSS-CASE COMPARISIONS

This appendix contains the supporting evidence and summary analysis that supports the cross-analysis in Chapter 8.

F.1 Supporting Cross Comparison of Competitive Coherence

Table F-1.1: Levels of Competitive Coherence Related To Core Capabilities				
Levels of Coherence	Buffalo	Cheetah	Giraffe	Leopard
Coherent	• Evidence suggests that Buffalo has infused its internal processes and corporate initiatives with optimising the interests of its stakeholders • Distribution channels are ubiquitous, with more agents and brokers than nearest competitor • Both document and interview evidence confirm Buffalo's institutionalisation of values, especially "integrity" and "passion" for excellent customer service. Value system also supported by a vertical governance structure, with emphasis on reporting and control	• A main value driver of the business is that employees are focused on client service and establishing long-term relationships with customers • Good strategy coherence between employee empowerment and autonomous BUs. Also, black empowerment compelling Cheetah to address its hiring and development policies to include more black people • Cheetah Group and its BUs are committed to a its philosophy of full inclusion, sharing the benefits of wealth creation with all South Africans	• Being number four in the SA insurance industry, profit as a key value that drives all aspects of Giraffe's business is consistent, including the provision of excellent service. Profit discipline has caused Giraffe to not be product- or marketplace leaders, but "fast followers"; it underlies its philosophy of not being everything to everybody • IT highly instrumental in achieving cost effectiveness, and complements IT investment driven by business value • Giraffe's retail business is focused on high- and middle-income markets, which is consistent with its other strategic initiatives	• Leopard has demonstrated, over the years, that it is leading-edge as far as product innovation was concerned. It was an embedded value within the company, and business and technological processes were geared to support that strategy • Niche player previously, and internal skills, business experience and processes, as well as distribution channel players aligned behind providing "best in class" service to high-end market • Evidence suggests that Leopard has been proactive, through its Foundation initiatives, in addressing the transformation needs in South Africa – and is visible in the market, in doing so
Mostly Coherent	• Buffalo SA has done some acquisitions; however, emphasis is on market alliances and marketing activities supporting organic growth. Currently, core capabilities complement those of Plc • Plc view is to technology sharing, with emphasis on standardisation and efficiency. SA group	• As stewards of client funds, Cheetah Group maintains a discipline. However, focus on cost may create a short term mindset	• Because "people matter," employees are encouraged to take risks; IT project management practices are designed to contain risk, yet maximise efficiency, creativity, and market effectiveness. Do not have a robust set of processes to sustain innovation, as firm grows	• The new business model, with one focus area on knowledge sharing was fully implemented, with closer alignment between the business and HR (so recruitment, retention and development were aligned to business and IT needs). However, networking was not treated formally as a business process • Bancassurance initiatives were

	perspective is to drive leading-edge product and development channel development			working well (even as profit streams from these partnerships were quite low), and Leopard was fully committed to driving further synergies. Differing views held by executive leadership about future direction
Partly Coherent	• Employees feel "part" of the decision-making process. However, the size of the firm makes implementation of vision difficult; Senior leaders manage rather than lead; employees do not "always get it right" with respect to client service commitments	• The intent of decentralisation is to move decision making closer to the market. However, lack of integration, especially in IT, may create unnecessary duplication.	• Employees are acknowledged as the basis upon which service excellence is delivered, and are recognised for their self-initiative, risk-taking, and team working. However, "individual" performance recognition demotivates team knowledge sharing and egalitarianism • Organisational structure built on a foundation of profit centres supports spirit of entrepreneurialism. It's charismatic leadership and people matter values are consistent with an entrepreneurial spirit. However, there are questions as to the long- term viability of an entrepreneurial context that is personality dependent. It is also unclear if this type of entrepreneuralism is scalable as Giraffe grows	• Full IT enablement of distribution channels, but (as stated above) its product houses were not as yet fully integrated. Its product houses (vested in BUs) were generally not integrated, although the initiation process was initiated and had early success in certain BUs in 2002
Not Coherent		• Strategy may create a proliferation of acquisitions that bring value to BUs with very little synergy to the Group Level		

Source: Author's analysis

F.2 Evidence Supporting Bottom-Up View Comparison of Four Firms

F.2.1 Organisational Readiness Framework Questionnaire

Employees from the four firms represented in this study were asked to fill out the following questionnaire before focus group meetings were conducted.

Organisational Readiness Framework Questionnaire

Areas			Courtship	Adolescence	Prime	Zenith	Aristocracy	Early Bureaucracy		Questions to be asked to reveal information
Organisational Alignment	People management aligned with organisational strategy	**Good**							**Poor**	Do most employees have some understanding of organisational strategy (group strategy)?
	People participation in designing organisational strategy	**Yes**							**No**	Do most staff get the opportunity to input into the organisational strategy (group strategy)?
	HR strategy aligned with business unit or divisional organisational strategy	**Yes**							**No**	Are HR objectives in alignment with, and supported by, the existing business unit or divisional strategy?
	Understanding of business unit or divisional objectives	**Yes**							**No**	Do staff understand the business unit or division's objectives?

	Understanding of personal role in achieving organisation's objectives	**Yes**							**No**	Do staff understand their role in making those objectives manifest themselves in the workplace?
Areas			**Courtship**	**Adolescence**	**Prime**	**Zenith**	**Aristocracy**	**Early Bureaucracy**		**Questions to be asked to reveal information**
Organisational Structure	Hierarchical organisation	**Low**							**High**	Are there more than four levels of management within your business unit or division? Four will indicate a median level, less than four is low, and more than four is high.
Areas			**Courtship**	**Adolescence**	**Prime**	**Zenith**	**Aristocracy**	**Early Bureaucracy**		**Questions to be asked to reveal information**
Staff Rewards and Diversity	Soft incentives	**Many**							**Few**	How many non-financial incentives do your business unit / division use? (leave, flexible work hours, educare centres, sent on courses not related to work issues, being able to work from home, etc.)
	Hard incentives	**Many**							**Few**	What financial incentives do your BU / division use? (bonuses, 13th cheques, overseas trips, investing money on behalf of employee, etc.)
	Reward basis	**Team**							**Indiv.**	Are rewards based on team- or individual performance, or both? Both would be a median level.
	Staff diversity	**High**							**Low**	Do the staff-mix bear some resemblance to the population mix in the area?
	Staff retention	**High**							**Low**	Is there a higher than normal turnover of staff? (leaving the business unit or division, or leaving the industry)
	Marginalisation of minority groups?	**Low**							**High**	Are minority groups (no's within the firm) marginalised within the business unit / division?

Areas			Courtship	Adolescence	Prime	Zenith	Aristocracy	Early Bureaucracy		Questions to be asked to reveal information
Learning Style	Formal mentorship	**Yes**							**No**	Does learning occur through formal mentorship relationships and programmes ?
	Formal coaching	**Yes**							**No**	Does learning take place through formal coaching programmes?
	Formal training	**Yes**							**No**	Are there formal training opportunities within the organisation?
	Regular formal training	**High**							**Low**	How regular are the formal training opportunities?
	Informal peer assistance	**Yes**							**No**	Does informal learning occur through peer assistance?
	Informal discussions	**Yes**							**No**	Does informal learning take place through informal discussions?
	IT literacy	**High**							**Low**	What is the level of computer literacy of most people within your business unit or division?
	Shared learning	**High**							**Low**	What is the level to which learning and knowledge is formally shared within your business unit / division?
	Benchmarking	**Yes**							**No**	Does formal benchmarking take place for learning about trends and best practices?

Areas			Courtship	Adolescence	Prime	Zenith	Aristocracy	Early Bureaucracy		Questions to be asked to reveal information
Trust, Information and Commitment	Organisational trust levels	**High**							**Low**	What is your level of trust with regard to the organisation?
	Team trust levels	**Yes**							**No**	Do you fully trust the team you work with?
	Leadership trust levels	**High**							**Low**	What is your level of trust, as far as the leadership of the organisation (corporate leadership) is concerned?
	Information and trust	**Yes**							**No**	Do people look to each other for assistance with information?
	Sharing of information	**Yes**							**No**	Do people, in your BU or division, share information freely?
	Senior management commitment to developing	**High**							**Low**	What are the levels of commitment on the part of senior management (BU or divisional) as far as the development of their employees are

	other people									concerned?
	Senior management commitment to developing personal people management skills	High							Low	What are the levels of commitment by senior management to developing their own personal, people management skills?

Employees were sent an explanatory note with the questionnaire, which also set out a detailed description of Adizes (1999) theory of organisational lifecycles.

F.2.2 Summary of the Data from Questionnaires

From the above "Organisational Readiness Framework" questionnaires, a weighted ranking was developed for each item by firm. The results are shown below by category. As a word of caution, these data are not "statistically reliable." However, the data represent an "approximation" of what employees felt about each firm.

Organisational Alignment

FIRM		Role Clarity	Employee Involvement in Decision-Making	Employee Involvement in Setting Direction	HR-Business Strategy Alignment	General Understanding of Firm Strategy		BEST CATEGORY IN EACH FIRM (1=High, 3=Medium; 5=Low)
Buffalo (B)	High	1	4	3	3	3	Low	14 (RC)
Cheetah (C)	High	3	5	4	3	3	Low	18 (RC/EI/UFS)
Leopard (L)	High	4	2	3	1	2	Low	12 (HR-BA)
Giraffe (G)	High	1	2	3	5	1	Low	12 (RC/UFS)
BEST IN CLASS OUT OF THE FOUR FIRMS		B/G	G/L	B/L G	L	G		
WORST IN CLASS OUT OF THE FOUR FIRMS		L	C	C	G	B/C		

Bureaucratic Stability

FIRM		Transparency and Engagement of Clients	Shared Leadership	Intra-departmental Team Work	Inter-departmental Team Work	Employee Participation in Decision-Making Structures	Risk-Taking & Experimentation	Levels of Virtual Work		BEST CATEGORY IN EACH FIRM (1=High, 3=Medium; 5=Low)
Buffalo (B)	High	2	3	2	1	4	3	2	Low	17 (IDTW)
Cheetah (C)	High	2	4	4	1	4	5	3	Low	23 (IDTW)
Leopard (L)	High	4	1	4	1	2	2	4	Low	18 (SL/IDTW)
Giraffe (G)	High	4	4	3	1	1	1	4	Low	18 (IDTW/EPDM) (RT)
BEST IN CLASS OUT OF THE FOUR FIRMS		B/C	L	B	All	G	G	B		
WORST IN CLASS OUT OF THE FOUR FIRMS		L/G	C/G	C/L	-	B/C	C	L/G		

Staff Rewards and Diversity

FIRM		Gender & Ethnic Mix Resemble Geographic Pop.	Usage of Individual Rewards	Usage of Team-Based Rewards	Usage of 'Soft' Incentives	Usage of 'Hard' Incentives		BEST CATEGORY IN EACH FIRM (1=High, 3-Medium; 5=Low)
Buffalo (B)	High	1	3	2	1	2	Low	9 (GEM/SI)
Cheetah (C)	High	2	2	3	4	2	Low	13 (GEM/IR/HI)
Leopard (L)	High	2	3	1	1	2	Low	9 (TBR/SI)
Giraffe (G)	High	5	1	4	5	1	Low	16 (IR/HI)
BEST IN CLASS OUT OF THE FOUR FIRMS		B	G	L	B/L	G		
WORST IN CLASS OUT OF THE FOUR FIRMS		G	B/L	G	G	B/C L		

Learning Style

FIRM		Benchmarking	Informal Learning	Overall Technical Literacy	Formal Training Provided for Everyone	Coaching Provided for Everyone	Mentoring Provided for Everyone		BEST CATEGORY IN EACH FIRM (1=High, 3=Medium; 5=Low)
Buffalo (B)	Good	2	2	1	1	2	1	Poor	9 (TL/FT/M)
Cheetah (C)	Good	4	2	2	2	4	1	Poor	15 (M)
Leopard (L)	Good	1	1	2	1	1	1	Poor	7 (B/IL/FT/C/M)
Giraffe (G)	Good	5	1	2	4	3	4	Poor	19 (IL)
BEST IN CLASS OUT OF THE FOUR FIRMS		L	G/L	B	L/B	L	B/C L		
WORST IN CLASS OUT OF THE FOUR FIRMS		G	B/C	C/L G	G	C	G		

Trust, Information and Commitment

FRIM		Information Sharing	Organisational Trust Levels	Trust of Leadership	Team Trust Levels	Senior Mngmt Commitment to People Development		BEST CATEGORY IN EACH FIRM (1=High, 3=Medium; 5=Low)
Buffalo (B)	Good	5	2	4	1	2	Poor	14 (TT)
Cheetah (C)	Good	4	3	4	1	3	Poor	15 (TT)
Leopard (L)	Good	1	3	1	1	1	Poor	7 (IS/LT/TT/CPD)
Giraffe (G)	Good	2	1	1	1	5	Poor	10 (OT/LT/TT)
BEST IN CLASS OUT OF THE FOUR FIRMS		L	G	L/G	All	L		
WORST IN CLASS OUT OF THE FOUR FIRMS		B	C/L	B/C	-	G		

F.3 IT Cross Comparative Summaries Among Four Firms

Table F-3.1: Cross Comparison of IT Initiatives that Promote CRCs

Levels of Coherence	Buffalo	Cheetah	Giraffe	Leopard
Internal IT Group Support Service Applications	• Efficiency in reducing staff costs in areas such as HR and Finance, employees expected to be self-sufficient with little "hand-holding" • Knowledge management: Just-in-time learning facilitation • Collaborative teaming: email helps facilitate meeting scheduling; information sharing	• Focus on efficiency and benefits of internal systems to reduced staff costs. • Supports collaborative teaming across BUs to support enterprise workflow, document management, enterprise calendaring	• Collaboration: Communication; Efficiency; Governance	• Back-office support to support automation and efficiency. • IT also used to capture internal information and measurement in HR and Finance. • Enabled collaborative interaction among employee teams.
Customer Service Interface Capability supporting a full range of distribution channels	• Common "look and feel" with seamless transaction: i.e., minimal handoffs of customers. • Sustain full channel access to customers with channel capabilities matching customer need by market segment. • Business value more than efficiency the primary driver	• Call Centre development and consolidation allowed closure of small Cheetah offices • CRM system designed for efficiency	• Efficient data storage and transaction processing. Integration for broker channel support. • Effective client interface and cross-selling	• Promoted channel efficiency and access through fully-integrated sales processes with IT capabilities • Robust tools provided to distribution channels to support complex product sales, portfolio management, and yield performance of various investment options
Product Life Cycle & Market Management: Brand and Product Development supporting all targeted retail market segments	• Reliable and flexible customer/broker/agent access to Products • Support Buffalo's brand image as a leading-edge, trustworthy business.	• Provide easier access to Cheetah by channel agents and brokers. • Electronic Web portal also designed to support Cheetah image of trustworthy, "client wealth creating" firm.	• Efficiency	• Robust product development with full customisation to client needs • Product functionality built upon research and mining of customer data (enabling cross-selling)
Supplier Chain Management	• Business value and efficiency	• Outsourcing used to enhance business value and efficiency	• Efficiency	• Efficiency and reliability

Alliance/Partnerships	• Creating and sustaining business value	• Outsource firms viewed as service providers, not partners	• Extending client interface and accessibility	• Efficiency and reliability; risk management
New Technology Systems (market support e-commerce and wireless mobile systems)		• Developing capability to connect clients to their portfolios using anywhere, anytime access	• Extend client interface. Potential efficiency	• Mobile assess designed for anywhere, anytime broker and client access

Source: Author's analysis

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