Organisational Barriers in Offering E-Banking

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ABSTRACT

This article examines and discusses the issues identified as organisational barriers to e-banking by examining the e-banking implementation strategies of two well established UK banks. The purpose of the study is to develop a deeper understanding of the organisational issues that have come across while implementing e-banking strategies. This research employs a case study research strategy. The organisational barriers that emerged from the study are contrasted against those identified in the literature. The measures and strategies adopted by the two banks to mitigate the relevant issues are also discussed. Our study reveals the presence of the following barriers: lack of integration of related systems, a culture of achieving only the short-term targets, lack of understanding and knowledge about e-commerce, lack of product differentiation and categorisation, lack of understanding of customers, difficulties in personalisation of products, limited research and development, lack of e-commerce promotion within the organisation, technology taking precedence over business process change, and website design and operational functionality. [Article copies are available for purchase from InfoSci-on-Demand.com]

Keywords: Case Study; E-Banking; E-Commerce; Qualitative Analysis; Virtual Bank

INTRODUCTION

The financial services sector around the globe, especially in the US, UK and Europe, is increasingly relying on electronic distribution channels (Cantoni and Rossignoli, 2000; Liao and Cheung, 2003). E-banking is increasingly being used as a channel of distribution for banking products and services (Dewan and Seidmann, 2001), primarily to increase profits and reduce operational costs (Southard and Siau, 2004). The use of Internet for e-banking has been predicted to become a basic requirement of operation rather than just a source of competitive sustainable advantage for the banking organisations (Bradley and Kate, 2003). A number of virtual banks have also emerged e.g. Egg in the UK who provide their services via the Internet and telephone only and do not use or need a physical branch network. However, in spite
of these developments, transition to advanced and pervasive use of e-banking is marked with many challenges and barriers that need to be addressed. This study examines and discusses such issues, identified as organisational barriers to e-banking, by examining the implementation strategies adopted at two well established banks in the UK.

The demand for e-banking is growing (Yang, et al., 2007). Therefore, there is an increasing need to implement and extend such services: moving from basic to more sophisticated and advanced functionality. According to Internet Advertising Bureau, IAB (2005) 29.3 million people in UK use the Internet and nearly 13.3 million of them conduct Internet banking. This growth trend can be seen by comparing similar statistics from previous years. Over the years, numbers of customers using e-services has increased from 3.5 million in the year 2000 to 7.8 million in 2002 (BBC, 2003).

**CURRENT RESEARCH**

Although various aspects of banking business have been studied for a long time, the literature with respect to the provision of e-banking began to appear in the mid-1990s (Devlin, 1995; Yan and Paradi, 1998). In subsequent years, researchers explored e-banking from many aspects (Liao and Cheung, 2002; Youssfzai et al. 2003 & 2005; King and Liou, 2004). Despite the progress of research in e-banking, there is a distinct lack of case studies reporting the experiences of organisations with respect to the implementation of e-banking strategies (Shah, 2002). Research in e-banking from the point of view of inherent issues and barriers, has not been covered as adequately as some of the other areas of e-banking (Rotchanakitumnuai and Speece, 2003). This relatively inadequate coverage on e-banking from the barriers perspective, poses problems for organisations in the financial sector, as they do not have enough examples to learn from others experiences. Consequently, they find it difficult to properly plan and successfully deliver e-banking services. This creates a need for research in e-banking from a barriers point of view. This research aims to meet this need.

In the current study, we have taken a case study approach where we looked at two medium sized UK banks (which we will refer to as Bank-A and Bank-B for confidentiality reasons) who were, at the time of our research, in the process of implementing e-commerce strategies and had already established e-banking channels. In this article, we are primarily concerned with the experience of e-banking at banks A and B with respect to the problems they discovered when implementing e-banking. The aim is two fold: 1) to develop a deeper understanding of the organisational issues, as faced by these banks when implementing their e-banking strategies and 2) to learn about the measures and strategies adopted, if any, by these banks to mitigate these issues. Fulfilment of the above aims may perhaps aid other banking organisations, encountering similar e-banking barriers, to maximise opportunities to be gained out of e-banking by better managing these barriers. Our research has largely restricted itself to the organisational view of the issues. It was focused on organisational internal problems only and thus external issues (e.g. political, economical or governmental issues in the environment) are not covered.

In the following section, we provide an overview of e-banking and discuss some generic barriers to its growth. We then introduce the financial institutions we studied in the current research, and detail our method of research. The analysis of results section is devoted to a discussion of the inherent problems of offering e-banking services from the viewpoint of the organisations in question. Finally, the last section concludes with an overall assessment and suggestions for future research.
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