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Research Report -
Exploratory Effect of Leadership, Strategic
Decision-Making, Workforce Competences
for Organizational Performance with the
3H Framework:
A Case Study of Fusion Bank in Hong Kong

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Abstract

This research report explores the impact of leadership, strategic decision-making, and workforce competencies on organizational performance through the lens of the 3H Framework, using Fusion Bank in Hong Kong as a case study. It begins with introducing the company's background and reviewing relevant literature, mainly focusing on the 3H Framework, which holistic encompasses the “Heart”, “Head”, and “Hand” components of organizational effectiveness. The methodology employed is qualitative, utilizing interpretive analysis to assess Fusion Bank's financial statements and strategic initiatives, particularly following the appointment of Mr. Jared Shu as CEO. The findings indicate significant improvements in the bank's performance, including a 69% reduction in losses and a 32% increase in customer deposits from 2022 to 2024, highlighting the effectiveness of the new leadership and strategic direction. This study provides valuable insights into how leadership and strategic frameworks can enhance organizational outcomes in the financial sector, emphasizing the importance of adaptability and innovation in a competitive market.

Keywords: 3H Framework, Heart, Head, Hand, Strategic Management

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1. Introduction

Business management is a multifaceted discipline that involves planning, organizing, leading, and controlling human, financial, physical, and informational resources within an organization to achieve specific goals and objectives. It encompasses various functions and areas, each contributing to the organization's effectiveness and efficiency. Effective business management can lead to the organization's success and sustain their business. Conversely, poor business management can result in financial losses and, in severe cases, jeopardize the business's viability or even lead to bankruptcy. These disciplines can be classified into three dimensions: people, organization, and competences.

This study explores the intricate relationship between these three dimensions to affect business performance using the 3H framework. It focuses on holistically considering effective strategic practices can lead to superior organizational performance. Through this exploratory study, we seek to contribute to the understanding of how these three constructs serve as a foundation for developing innovative business models that drive organizational performance and enhance overall organizational success.

1.1. Company Background

The study analyzes the business performance of Fusion Bank through these three dimensions of interaction. These holistic approaches facilitate the stakeholders' having a big picture for consideration.

Fusion Bank, a digital bank in Hong Kong, officially launched on December 21, 2020 (Fusionbank, 2020). It was established through a joint venture by prominent companies, including Tencent, the Hong Kong Stock Exchange, ICBC (Asia), Hillhouse Capital Group, and Adrian Cheng of New World Development (FusionBank, 2024a). With an initial capital of HKD 500 million, it is the least capitalized among the eight digital banks approved by the Hong Kong Monetary Authority (HKMA) in 2019 (HongKongMonetaryAuthority, 2024b). Fusion Bank's strong shareholder background provides solid capital support for its business development. These shareholders contribute not only financial backing but also expertise and market influence. Tencent's significant impact in social media and payments allows Fusion Bank to better integrate digital payment services.

The establishment of Fusion Bank is closely linked to changes in Hong Kong's financial market. As technology advances and digital transformation accelerates, traditional banking faces challenges from emerging fintech companies. The Hong Kong Monetary Authority began issuing digital bank licenses in 2019 to foster financial innovation and enhance market competitiveness. Fusion Bank aims to leverage technology to improve banking service efficiency and convenience, targeting a younger customer base.

As a digital bank, Fusion Bank delivers services primarily through the internet and mobile apps, eliminating the need for physical branches. This enables customers to conduct banking transactions anytime, anywhere. A notable feature is its direct integration with WeChat Pay HK, offering convenient payment and transfer options. Fusion Bank also introduces promotional activities, such as high-interest term deposits and exclusive loan offers, to attract new customers. Despite showing strong market potential initially, Fusion Bank faces several challenges. The digital banking model typically requires substantial upfront investment, particularly in IT system development. The bank experienced early losses due to intense market competition and the necessity of attracting a large customer base to achieve economies of scale. Additionally, Hong Kong's retail banking market is saturated, making it difficult for newcomers to quickly expand their market share.

In 2023, Fusion Bank experienced a significant leadership change by appointing a new CEO—Mr. Jared Shu (FusionBank, 2023a) succeeded Mr. Ari Zhou as part of a broader strategy to enhance its operations and market presence. After he was appointed, the bank established a strategic partnership with WeBank to leverage the strengths of both institutions in the fintech sector. The collaboration focuses on improving financial services for small and medium-sized enterprises (SMEs) in the Greater Bay Area (GBA), which includes Shenzhen and Hong Kong. By combining their services and technologies, Fusion Bank and WeBank seek to provide optimized and secure financial solutions, including online banking services such as deposits, currency exchange, fund investments, and remittances, explicitly addressing SMEs' challenges.

Looking ahead, Fusion Bank's growth potential remains significant. With the acceleration of digital trends, more consumers are inclined to use convenient digital banking services. Fusion Bank can leverage its robust shareholder support and technological advantages to expand its customer base and business scope. It is also exploring partnerships with other companies, such as offering electric vehicle loans in collaboration with Tesla (FusionBank, 2024d), which can attract specific customer segments and enhance brand recognition.

2. Literature Review

Several research theories for studying competitive advantage, such as resource-based view (RBV) and dynamic capabilities theory. These two foundational frameworks in strategic management provide valuable insights into how organizations achieve and sustain competitive advantage. The RBV posits that a firm's unique resources and capabilities, specifically those that are valuable, rare, inimitable, and organization (VRIO), are critical for creating a competitive edge (Ahmed *et al.*, 2018). This perspective encourages organizations to leverage their internal strengths, such as specialized knowledge, proprietary technologies, and substantial brand equity, to outperform rivals. In contrast, Dynamic Capabilities Theory extends the RBV by emphasizing the importance of an organization's ability to adapt, reconfigure, and innovate in response to rapidly changing market conditions (Banerjee, Farooq and Upadhyaya, 2018a). This theory asserts that firms must develop processes that enable them to sense opportunities, seize them, and transform their resource base to maintain relevance and competitiveness over time. These theories interplay between internal resource management and the need for agility in a dynamic business environment, highlighting the strategic importance of static and evolving capabilities in achieving long-term success.

Both RBV (Kaufman *et al.*, 2019; Barinua and Tambari, 2024) and dynamic capabilities theory (Kapoor and Aggarwal, 2020) focus on the organization's resource and product differentiation from its competitors but do not consider leader or workforce factors that affect the outcome. A new framework is needed that can provide a holistic management approach for addressing complicated situations in modern businesses worldwide.

2.1. 3H Framework

Yu, E. (2021) introduced a 3H framework, which is a conceptual model to provide a holistic management approach. At the core of the 3H framework is the intersection of 3 domains: “Heart”, “Head”, and “Hand”. Yu's central premise is that for organizations to thrive in today's complex and volatile business environment, leaders must cultivate a dynamic balance between these three critical elements.

2.1.1. Heart

“Heart” represents leadership, emotional intelligence, empathy, and values-driven that inspire and align employees.

Leadership is pivotal in business management, serving as the cornerstone for organizational success and effectiveness. Influential leaders set the organization's vision and strategic direction and inspire and motivate employees to align their efforts with their goals. They cultivate an environment of trust and collaboration, fostering open communication and encouraging team members to contribute their ideas and insights. This participative approach enhances employee engagement, ownership, and accountability, which is essential for driving performance and innovation (Mkheimer, 2018). Moreover, strong leadership is critical in navigating change and uncertainty, as leaders must be adept at making strategic decisions, resolving conflicts, and adapting to evolving market dynamics. By embodying the organization's values and culture, leaders influence their teams' behaviors and attitudes, ultimately shaping the organizational climate and performance. Effective leadership is instrumental in translating strategic objectives into actionable outcomes, ensuring that the organization survives and thrives in a competitive landscape (Berisha, Govori and Sejdija, 2024).

2.1.2. Head

“Head” encompasses analytical rigor, strategic foresight, strategic decision-making, systems-level thinking, and cognitive competencies.

Strategic management plays a crucial role in shaping organizational performance, particularly in the context of business models and revenue generation. A well-defined strategic management process enables organizations to formulate, implement, and evaluate strategies that align with their goals and market conditions. This alignment is essential for creating a robust business model that articulates how a company delivers value to its customers and captures revenue in competitive environments (Teece, 2018).

In recent years, the importance of strategic management has been underscored by the need for organizations to adapt to rapidly changing market dynamics, technological advancements, and shifting consumer preferences. Firms that effectively leverage strategic management practices are better positioned to innovate their business models, enhance operational efficiency, and drive revenue growth (Banerjee, Farooq and Upadhyaya, 2018b). For instance, studies have

shown that organizations that engage in proactive strategic planning tend to outperform their competitors by optimizing resource allocation and capitalizing on emerging opportunities (Ali, 2018). Moreover, integrating strategic management with business model innovation has been recognized as a vital driver of organizational performance. Organizations can continuously refine their business models to create new revenue streams, improve customer satisfaction, and enhance their competitive positioning (Zott & Amit, 2017). As firms navigate the complexities of the global marketplace, the ability to adapt their strategies and business models becomes increasingly critical for sustaining long-term performance and profitability (Höse, Süß and Götze, 2022).

2.1.3. Hand

“Hand” denotes the execution capabilities, innovative problem-solving, and adaptable implementation that transform insights into tangible results.

Workforce competences are a critical element in business management, significantly influencing an organization’s ability to achieve its strategic objectives and maintain a competitive advantage. A skilled and knowledgeable workforce enhances productivity, efficiency, and innovation, enabling organizations to respond effectively to market demands and challenges. Competent employees bring valuable expertise, creativity, and problem-solving abilities that drive operational excellence and foster a culture of continuous improvement. In a rapidly changing business environment, the ability to adapt and learn is paramount; thus, investing in employee development and training enhances individual capabilities and strengthens the overall organizational capacity to navigate change. A competent workforce is essential for executing strategic initiatives, delivering high-quality products and services, and ensuring long-term sustainability and growth in an increasingly competitive landscape.

2.1.4. Organizational Performance

Organizational performance (OP) refers to the ability of an organization to achieve its goals and objectives effectively and efficiently, measured through various indicators such as financial results, operational efficiency, employee satisfaction, and customer loyalty (Jaleha and Machuki, 2018). It encompasses both quantitative and qualitative aspects, including profitability, market share, productivity, and the overall impact of the organization on its

stakeholders and the broader community (Berberoglu, 2018). Effective organizational performance is often linked to the successful implementation of strategies, alignment of resources, and the ability to adapt to changing market conditions. Moreover, it reflects the organization's capacity for innovation, learning, and growth, indicating how well it navigates challenges and seizes opportunities in a competitive environment. In this study, OP is Fusion Bank to achieve the objectives effectively and effectively regarding financial results, adapt to changing market conditions, and implement strategies.

2.1.5. Conceptual framework

To understand this conceptual framework, firstly, classify the elements of each H. Secondly, conceptualize the relationship between the functional relationship of the H domains. The abbreviation below represents the relationship between a dependent variable and independent variables in 3H.

Fusion Bank's organizational performance (OP) serves as the dependent variable, determined by the leader's driving to integrate the independent variables: Hear (H1), Head (H2), and Hand (H3).

$$OP = f(H1 \cap H2 \cap H3)$$

OP = Organizational Performance

$\cap$ is defined as the intersection of each H domain; it is assumed that the degree of synthesis among the three H domains is a positive assumption and has a causal relationship with organizational performance.

H1 = Heart domain's constructs of this study: leadership styles, motivating and engaging people, leading, inspiring the employees

H2 = Head domain's constructs of this study: strategic decision-making, business model, organizational structure, and technology.

H3 = Hand domain's constructs of this study: operational/functional skills and abilities, employee's competences.

Ideally, 3H domains have equal weights, but each domain has different weights based on the nature of the study in practical situations. In this study, H2 is deemed significantly more important than H1 and H3, with H1 having a greater weight than H3. This emphasis is justified

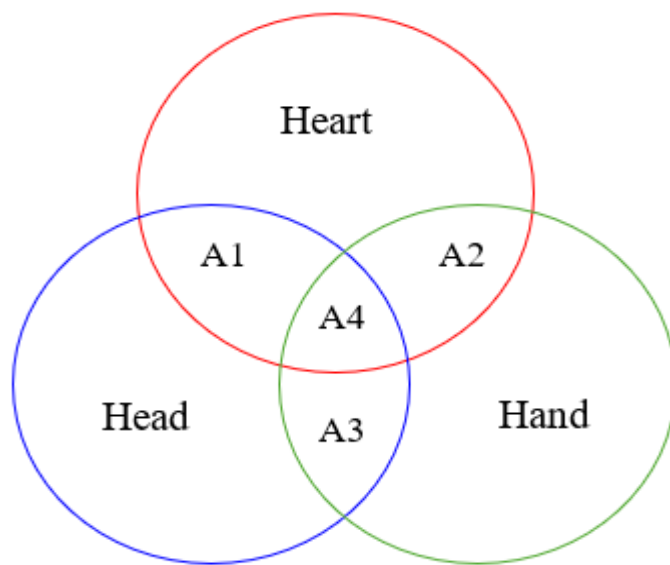
by the understanding that, despite Fusion Bank's strong leadership and competent workforce, a strategic misstep could lead the organization in the wrong direction, resulting in financial losses and missed market opportunities. Thus, strategic decision-making (H2) effectiveness is heavier weight to ensure overall organizational success. For determining relationship between 3H domains to affect the organizational performance, the below 4 assumptions are made:

Assumptions:

- A1: Effective leadership (H1) and proper strategic decision-making (H2) are in place, but lack of workforce competences (H3) to positively affect organizational performance. The algebraic expression represents as $H1 \cap H2 - H3$.
- A2: Effective leadership (H1) and proper workforce competences (H3) are in place, but lack of strategic decision-making (H2) to positively affect organizational performance. The algebraic expression represents as $H1 \cap H3 - H2$.
- A3: Proper strategic decision-making (H2) and workforce competences (H3) are in place, but lack of effective leadership (H1) to positively affect organizational performance. The algebraic expression represents as $H2 \cap H3 - H1$.
- A4: Integration of effective leadership (H1), proper strategic decision-making (H2), and workforce competences (H3) are necessary and sufficient conditions for effective and efficient organizational performance. The algebraic expression represents as $H1 \cap H2 \cap H3$.

Figure 2.1 illustrates the four assumptions that present the necessary and sufficient conditions for contributing to effective and efficient organizational performance.

Figure 2.1: 3H's Four Assumptions



Source: Yu, E. (2024)

In theory, “Heart”, “Head”, and “Hand” are interdependent elements crucial to organizational performance. However, they do not independently provide sufficient conditions for effective and efficient organizational performance (Yu, 2024). For instance, leadership, strategic decision-making, and workforce competences are interdependent elements that significantly influence organizational performance. Effective leadership is crucial for establishing a clear vision and fostering a culture that promotes collaboration and innovation. Leaders play a pivotal role in strategic decision-making by identifying opportunities, assessing risks, and aligning resources to achieve organizational goals. This strategic direction, in turn, relies heavily on the competences of the workforce; skilled and knowledgeable employees are essential for executing strategies effectively and adapting to changes in the business environment. When leaders empower their teams and encourage continuous learning and development, they enhance workforce competences, which leads to improved decision-making and execution. Conversely, a lack of alignment among these elements can hinder performance, as poor leadership may result in misguided strategies and an underqualified workforce. Thus, the dynamic interplay between leadership, strategic decision-making, and workforce competences is critical for fostering a high-performing organization capable of achieving sustainable competitive advantage.

3. Research Method

The primary strength of qualitative case study research is its ability to provide a rich and deep understanding of the investigation (Oranga and Matere, 2023). While quantitative methods certainly have their merits and applications in strategic management research, the inherent complexity and context-dependent nature of case studies lend themselves more readily to qualitative inquiry (Shareia, 2016). By their very nature, case studies often focus on a single or small number of organizations, allowing the researcher to delve deeply into the intricacies of their unique contexts, processes, and decision-making dynamics. The most appropriate methodological approach for case study research is qualitative.

Quantitative methods, on the other hand, tend to be better suited for testing pre-defined hypotheses, establishing statistical relationships, and generalizing findings across larger sample sizes (Saunders, Lewis and Thornhill, 2023). While these approaches can offer valuable insights, they may fail to capture the full complexity and characteristics inherent in case study research. The data is precise and measurable, but sometimes, it cannot fully account for the contextual factors and emergent themes that often shape organizational outcomes.

Moreover, case study research is often exploratory in nature, seeking to uncover new theoretical insights and generate novel conceptual frameworks (Collins and Stockton, 2018). This inductive, theory-building approach is more closely aligned with the strengths of qualitative methodologies, which allow for the exploration of causal mechanisms and the generation of rich, contextual explanations.

The exploration of this study for a 3H framework matches the nature of the qualitative method. Thus, this case study adopted a qualitative method for creating a descriptive case to analyze the content of Fusion's financial statements, press releases, and reliable sources, such as the Hong Kong Monetary Authority (HKMA), the Hong Kong Special Administrative Region (HKSAR), and online news. Interpretive analysis with a pragmatism approach was conducted to analyze the data and information from the source.

4. Analysis

In this study, Fusion Bank's management, financial statements, business products, and strategic partners were studied to interpret their organizational performance and apply the 3H framework to analyze business management, including leadership, strategic decision-making, and

workforce competences. Before conducting Fusion Bank's analysis, the industry and market analysis should be undertaken to understand the digital banking landscape in Hong Kong. Porter's 5-force conducts industry analysis, and the result can provide insight into interpreting Fusion Bank's business strategies and decision-making whether align with the external environment. Digital banking is evolving rapidly, influenced by technological advancements, regulatory changes, and shifting consumer preferences. Porter's 5-force provides a strategic lens to understand the competitive environment and dynamics influencing digital banks in this region (Th. Bruijl, 2018).

4.1. Porter's 5-Force Analysis

i. Threat of New Entrants

Regulatory Barriers: Hong Kong's regulatory environment poses significant challenges for new entrants. The Hong Kong Monetary Authority (HKMA) requires stringent compliance with financial regulations and security standards to obtain a banking license (HongKongMonetaryAuthority, 2022; HongKongMonetaryAuthority, 2024c), such as technology risk management (TM-G-1) and risk management of e-banking (TM-E-1). This ensures that only well-capitalized and technologically sound entities can enter the market, thereby reducing the risk of potential failures and protecting consumer interests.

Capital Requirements: Digital banking requires substantial initial capital investment. This includes developing advanced IT infrastructure, ensuring robust cybersecurity measures, and creating user-friendly digital platforms. Moreover, compliance with regulatory requirements further increases the financial burden on new entrants. As a result, only organizations with strong financial backing can afford to enter the market.

Economies of Scale: Established banks benefit from economies of scale that new entrants cannot immediately achieve. Larger customer bases allow these banks to spread costs over more users, reducing per-unit costs and enhancing profitability. This cost advantage makes it difficult for new players to compete on pricing and service offerings.

Brand and Trust: Trust is a cornerstone of the banking industry. Established banks with a proven track record have an advantage over new entrants. Building a brand that customers trust takes time and significant marketing investment. New entrants must demonstrate reliability, security, and customer-centric service to gain a foothold in the market.

ii. Bargaining Power of Suppliers

Technology Providers: Digital banks rely heavily on external technology vendors for essential services such as software development, cybersecurity solutions, and cloud infrastructure. A few key players dominate the market for these services, giving them significant bargaining power. Banks must negotiate favourable terms to maintain a competitive edge while ensuring they receive cutting-edge technology.

Data and Analytics: Access to high-quality data and analytics is crucial for digital banks to offer personalized services and enhance customer experience. Suppliers of data analytics tools and platforms hold considerable power, providing the resources necessary for banks to analyse customer behaviour, predict trends, and tailor services accordingly.

Talent Acquisition: The demand for skilled IT and fintech professionals is intense, particularly in a market like Hong Kong. Digital banks compete with other sectors for talent, driving up salaries and benefits. This high demand gives skilled employees significant negotiation leverage, impacting digital banks' cost structures.

iii. Bargaining Power of Buyers

Low Switching Costs: Customers in the digital banking sector face minimal switching costs. With most services accessible online or through mobile apps, customers can easily switch banks if they find better rates or services elsewhere. This ease of switching amplifies the power of buyers, forcing banks to innovate and improve their offerings to continuously retain customers.

Price Sensitivity: Digital banks often compete on pricing, offering lower fees and attractive interest rates to attract customers. This price competition makes customers highly sensitive to cost differences. Banks must balance offering competitive rates with maintaining profitability, a challenge that requires strategic pricing and cost management.

Demand for Innovation: Today's consumers expect seamless and innovative banking experiences. Features such as AI-driven insights, real-time notifications, and intuitive user interfaces are becoming standard expectations. To meet these demands, digital banks must

invest in continuous innovation and technology upgrades, further empowering customers to dictate the pace and direction of product development.

iv. Threat of Substitutes

Fintech Solutions: Non-bank fintech companies offer a range of financial services, from payments and loans to investment management, posing a significant threat to digital banks. These companies often provide more specialized services with innovative approaches, appealing to customers who value convenience and efficiency.

Traditional Banks: Although not direct substitutes, traditional banks with robust digital offerings can attract customers who prefer a combination of online and face-to-face interactions. These banks leverage their established reputations and customer relationships to compete effectively with digital-only banks.

v. Industry Rivalry

Intense Competition: Intense competition among digital-only banks, traditional banks with digital services, and fintech companies characterize the Hong Kong digital banking sector. This competitive environment drives innovation and pressures margins as banks strive to offer better services at lower costs.

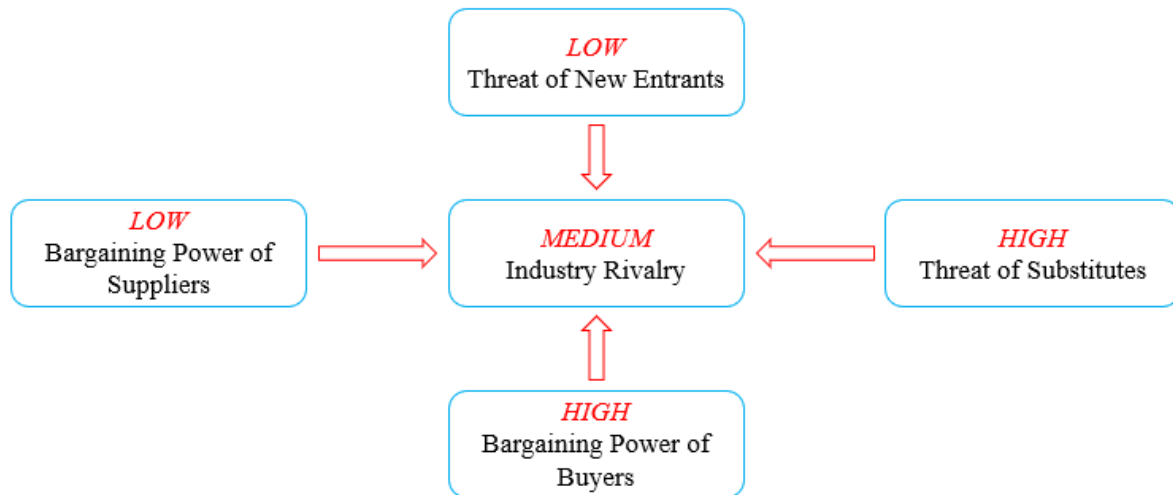
Differentiation Strategies: To stand out in a crowded market, digital banks are investing in differentiation strategies. These include offering unique features, superior customer service, and strategic partnerships with lifestyle brands and tech companies. Successful differentiation can lead to increased customer loyalty and market share.

Customer Loyalty Programs: Many digital banks implement loyalty programs to retain customers and encourage long-term relationships. These programs often include rewards for using bank services, discounts through partner merchants, and exclusive offers. Such programs enhance customer retention but require careful management to ensure they are cost-effective.

vi. 5-force Analysis Summary

The Hong Kong digital banking sector presents a dynamic and challenging environment shaped by significant competitive forces. Figure 4.1 shows the summary of the 5-forces analysis.

Figure 4.1: Result of 5-Forces Analysis



To stand out in a crowded market, Fusion Bank must leverage technological and practical strategies to overcome the challenges in the banking industry. According to the above analysis, Fusion Bank's plan should focus on technology investment or enhancement, product differentiation, and exploring new target customers.

4.2. 3H Analysis

Using 3H domains, we analyzed Fusion Bank's revenue and strategy to objectively determine what affected its organizational performance. The revenue from 2022 to 2024 implies their organizational performance. During this duration, Fusion Bank changed its chief executive officer (CEO) and senior management (FusionBank, 2023a). The leadership, business model, and direction were changed between these two CEOs. Analyzing Fusion Bank's organizational performance in different management groups is a creditable opportunity.

Mr. Jared Shu has been serving as the CEO of Fusion Bank since July 2023, and his leadership is already evident in the bank's financial performance. Figure 4.2 illustrates the bank's results from 2022 through the interim report for 2024, as provided by the Hong Kong Monetary Authority (2024a). A detailed interpretative analysis follows this overview.

Figure 4.2: Fusion Bank's Performance in 2022-2024



Under Mr. Shu's leadership over the past year, organizational performance has significantly improved. A comparison of the interim report for June 2024 with that of 2023 reveals noteworthy changes: the bank has successfully reduced its losses by 69%, and IT expenditures have decreased by 58%. These reductions indicate a more efficient allocation of resources and a strategic focus on cost management. Furthermore, the increase in customer deposits by 32% reflects growing trust and confidence among clients, which is crucial for the bank's long-term sustainability and growth. The below further analyzes Fusion Bank's performance from 3H perspectives.

4.2.1. Leadership

Mr. Jared Shu assumed the position of Executive Director and CEO at Fusion Bank in July 2023, succeeding Mr. Zhou Ming (FusionBank, 2023a). His extensive background encompasses senior roles at McKinsey and WeBank, China's pioneering digital bank, where he was instrumental in formulating strategic visions and development pathways.

Firstly, Mr. Jared Shu emphasizes that innovation-centric orientation in fintech serves as a powerful catalyst for growth, reshaping the landscape of financial services. In this context, he inspires his followers to revamp core banking systems (Mathias, 2024), recognizing that such transformations are essential for maintaining competitiveness in a rapidly evolving market.

Updating a bank's systems is not merely a technical challenge; it involves rethinking processes, embracing new technologies, and aligning the organization's culture with a forward-thinking mindset.

For any financial institution, this endeavor presents significant hurdles. It can be particularly daunting for chief executives managing the bank for a long time, as they may be entrenched in established practices and resistant to change. However, the challenge is even greater for a newly appointed CEO. Initiating such a comprehensive reform when stepping into a leadership role requires not only deep industry knowledge but also exceptional confidence and the ability to galvanize support from various stakeholders. A capable team is essential, as the complexity of updating systems necessitates collaboration across departments, including IT, operations, and compliance. Moreover, securing the backing of the board of directors is critical, as their support can provide the necessary resources and strategic alignment for the initiative.

Secondly, he focuses on individual and customer needs, so he customized the service and products for their target customers, such as SME's Business Instalment and Start-Up loans (FusionBank, 2024b), and dedicated the relationship manager for each SME company. He supports their customers' heart-to-heart and reciprocal behavior, goes side-by-side, and maintains long-term relationships. It influences the employees to become more engaged in their work in a customer-oriented manner.

According to the above analysis, Mr. Jared Shu has 4I's characteristics of transformational leadership (Moradi Korejan and Shahbazi, 2016), which are:

Idealized Influence - he exhibits a strong vision and mission, particularly in driving fintech and digital transformation. His background and experience set a strong example, inspiring the team to pursue innovation and excellence. His understanding of the industry's future fosters trust and respect among employees eagerly to follow his leadership.

Inspirational Motivation - he effectively motivates the team by providing a clear vision and goals. He encourages revamping the core banking system in the face of challenges, emphasizing teamwork and collective growth. This approach not only boosts morale but also drives business innovation and development.

Intellectual Stimulation - he encourages employees to offer new ideas and innovative solutions in the new core banking system, especially in fintech applications. His openness to new concepts fosters a culture of innovation, making employees feel valued for their

contributions. This intellectual stimulation enhances engagement and organizational adaptability.

Individualized Consideration - his philosophy supports customers heart-by-heart, such as through SME loans. It influences employees to become more engaged in their work and more customer-oriented.

Moradi Korejan, M. and Shahbazi, H. (2016) identified transformational leadership as an important role in organizational performance. Mr. Jared Shu exemplifies the qualities of an effective leader in this context. He is a strong role model, demonstrating commitment and resilience in facing challenges. His leadership style encourages a culture of creativity and innovation, empowering his followers to think outside the box and explore new solutions. By fostering an environment where new ideas can flourish, he not only drives the organization forward but also cultivates a workforce that is adaptable and ready to embrace change, ultimately positioning the bank for long-term success in the competitive fintech landscape.

H1. The heart factor is leadership, which can influence the beliefs and values of its followers.

4.2.2. Strategic Decision-Making

According to the results of the 5-force analysis, Fusion Bank should focus on differentiating its products and investing in or enhancing its technology to improve customer satisfaction with its banking services. By developing unique offerings that meet the specific needs of its customers, the bank can stand out in a competitive market. Additionally, upgrading technological capabilities will streamline operations and enhance the customer experience, making banking services more accessible and efficient. This dual approach fosters customer loyalty and positions Fusion Bank to respond effectively to market demands and competitive pressures. Investing in innovative technology can lead to improved service delivery, ultimately driving growth and establishing a stronger market presence.

After Mr. Jared Shu joined Fusion Bank, the institution initiated a comprehensive plan to transform its business operations. Firstly, the bank established a strategic partnership with WeBank Co., Ltd, the first digital bank in Mainland China, aiming to leverage advanced digital banking solutions and innovative practices. Fusion Bank anticipates that the effects of various economic stabilization measures implemented by Mainland China and Hong Kong

governments will become more pronounced in 2024. The ongoing integration within the Greater Bay Area (GBA) is expected to drive increased demand for financing, wealth management, and payment services among individuals and SMEs. In response, the bank has intensified its efforts to identify and explore new market expansion opportunities to navigate the complexities of the current macroeconomic environment effectively. To enhance its service delivery to personal customers and SMEs in Hong Kong and the GBA, Fusion Bank initiated a strategic upgrade that established a strategic partnership with WeBank in September 2023 (FusionBank, 2023b). This collaboration aims to foster innovative exchanges between Hong Kong and Shenzhen through technology sharing, which will enhance operational efficiency and support SMEs' business activities throughout the GBA. By leveraging WeBank's extensive business network in Mainland China, Fusion Bank seeks to create a more integrated and responsive financial ecosystem.

The bank's strategic vision is already yielding positive results as we move into 2024. HKSAR (2024) government has introduced several support measures designed to address the challenges faced by SMEs during economic restructuring, such as Principal Moratorium, Fund on Branding, Upgrading and Domestic Sales (the BUD Fund), and expand the scope of Cyberport's Digital Transformation Support Pilot Programme. These initiatives encourage SMEs to tap into the burgeoning e-commerce sales market in Mainland China, aligning with Fusion Bank's goals of facilitating growth and enhancing its market presence in the region, ultimately contributing to the overall economic vitality of the GBA.

Secondly, SMEs are the cornerstone of the Hong Kong economy. In 2023, Fusion Bank had the foresight to develop new business loan products, specifically designed to support SMEs, addressing a critical need in the community and fostering economic growth. As of June 2024, Hong Kong had approximately 360,000 SMEs in the region, accounting for over 98% of all business entities (Trade and Industry Department, 2024). Despite their significant contribution to the economy, HKGCC (2024) surveyed that SMEs face numerous challenges, including complex loan application processes, high borrowing costs, and economic uncertainty. Fusion Bank has already planned its products well for SMEs. In 2024, it launched two tailored loan products specifically designed to meet the diverse requirements of local SME businesses at various stages of growth for addressing their financing needs and improving cash flow.

These two tailored loan products feature unique characteristics that cater to the specific needs of SMEs (FusionBank, 2024b), making them more accessible. Notably, these products do not

require clients to submit financial statements or provide collateral, which can often hinder obtaining financing. Instead, applicants only need to present their operational history records and bank statements, streamlining the application process significantly. This approach not only reduces the administrative burden on SMEs but also enables them to secure the necessary funding more quickly and efficiently.

Thirdly, Fusion Bank forecasts the financial needs of the GBA. The bank pioneered collaborating with Mainland China government-related parties to join the Shenzhen-Hong Kong Cross-border Data Verification Platform, which verifies the credit of Mainland China's business owners.

Cross-border SMEs generally correlate highly with shareholders and the enterprises' credit. However, due to the lack of mutual exchange of credit information between the two places and the difference in credit standards, coupled with the absence of collateral in Hong Kong, this makes it very difficult for Mainland China SMEs obtain loans in Hong Kong. Fusion Bank collaborated with a licensed Mainland credit reference agency, Baihang Credit Services Corporation (FusionBank, 2024c), to complete the cross-border verification of self-carried credit information presented by the business owner, enabling these clients to apply for unsecured loans from the Bank and facilitate their overseas expansion.

The first loan is granted to a Hong Kong-incorporated cross-border logistics service provider. With the rapid growth of the cross-border logistics business, the client needs financing in both Hong Kong and U.S. dollars. However, due to the lack of collateral, such as properties in Hong Kong, securing loans from traditional banks has posed a challenge to the client. With Fusion Bank's global loan, the client has successfully obtained a bank loan in Hong Kong for the first time, supporting its overseas business expansion. Meanwhile, Fusion Bank is also successful in expanding its business globally.

By offering these tailored solutions, Fusion Bank aims to empower SMEs, helping them navigate financial challenges and ultimately contributing to the overall health and growth of the Hong Kong economy. This initiative reflects the bank's commitment to supporting local businesses and fostering regional economic resilience.

Lastly, Fusion Bank is actively pursuing a dual strategy to bolster its revenue and enhance operational efficiency. On the one hand, the bank is exploring new business opportunities to increase its income streams, while on the other hand, it is focused on reducing expenditures through technological advancements. A key component of this strategy involved a

comprehensive revamp of its core banking system, which significantly enhances system performance and improves credit risk analysis capabilities by integrating artificial intelligence.

In October 2024, Fusion Bank launched its next-generation core banking system, developed on the digital banking technology framework provided by its strategic partner (Mathias, 2024), WeBank. This innovative system delivers numerous benefits, including improved operational efficiency and the ability to respond swiftly to market changes. By streamlining operations, the new system not only reduces IT operating costs but also positions Fusion Bank to compete more effectively in the rapidly evolving financial landscape. This strategic initiative underscores the bank's commitment to leveraging technology for enhanced service delivery and operational excellence, ultimately supporting its growth objectives and reinforcing its competitive position in the market.

H2. The head factor is strategic decision-making, which aligns the industry analysis with building the business model.

4.2.3. Workforce Competences

Execution abilities are a critical factor in ensuring the success of a project within an organization (Yan, 2023). Even if the organization has strong leadership and well plans, the lack of proper execution or the inability of team members to carry out the plans effectively will ultimately lead to failure. Without the capability to translate plans into actionable outcomes, objectives cannot be met, resulting in failure to achieve organizational goals.

Mr. Jared Shu appointed a new chief finance officer (CFO) and chief technology officer (CTO) to support Fusion Bank's new strategies for developing SME loan products and revamping its core banking system.

The CFO is experienced in the innovation and optimization of financial products. He deeply understands the challenges SMEs face and can anticipate market needs. He has developed competitive financial products tailored for SMEs by leveraging the latest financial technology. These products were launched within a year to meet customer demands, effectively enhancing Fusion Bank's market competitiveness. In terms of risk management, he possesses extensive experience and expertise. During the development of financial products, he can comprehensively assess the risks associated with the products and implement effective risk

management strategies in advance. This ensures that Fusion Bank can achieve stable progress in its business development while minimizing potential losses from risks.

The CTO specializes in risk management, data analytics, and the application of financial technology. Fusion Bank's core banking system, including 150 subsystems, was successfully revamped in 10 months. Deloitte (2024) points out that the typical timeframe for a core banking system revamp, from planning to implementation and completion, ranges from a minimum of 24 months to as long as 54 months. Fusion Bank completed and rolled out the new core banking system in less than a year, highlighting the strong support behind the bank, the CTO's exceptional execution capabilities, and his ability to motivate the team. This reflects the team's alignment and trust in the bank's vision.

H3. The hand factor is workforce competences, which effectively and efficiently executes the strategic plan to achieve the goals.

4.2.4. 2H Versus 3H Analysis

For the above analysis, each H domain plays a unique role in management, much like a military campaign where generals, strategies, and soldiers are all indispensable. A renowned Chinese military strategist, Sun Tzu, emphasized the importance of military strategy to the state in his work, "The Art of War." The principles outlined in this text continue to influence many business leaders today, as the business environment shares similarities with warfare (Bhandari, 2018). The first chapter, "Laying Plans" highlights the significance of generals, strategies, and soldiers (Tzu, 2024).

In the case of Fusion Bank, the absence of Mr. Jared Shu's leadership would result in a loss of direction and vision for the organization, hindering its ability to overcome challenges (Perez, 2017). Without effective strategic decision-making concerning SME products, Mr. Shu and his team struggle to develop high-quality offerings that meet customer needs (Al-Yaqoobi, 2020). Furthermore, if the bank lacks the competencies of a CFO and a CTO to manage the system upgrade effectively, it would be unable to launch the tailored loan products and new systems on time. This highlights that neither leadership nor strategic decision-making alone can significantly enhance organizational performance; combining these factors is essential for success (Shet, Patil, and Chandawarkar, 2019). Leadership, strategic decision-making, and technical expertise are critical in driving the bank's objectives and ensuring its ability to adapt

to market demands. Thus, a holistic approach that integrates these components is vital for achieving optimal outcomes and fostering sustainable growth.

4.2.5. Summary of 3H Analysis

An analysis of the interconnectedness of the H domains within Fusion Bank and their collective impact on organizational performance. No single H domain can drive success independently; instead, their correlation with each other is crucial in navigating the complexities of the market. The analysis result can answer the assumptions in section 2.1.5 and are shown in Table 4.1.

Table 4.1: Result of Assumptions

No.	Assumptions	Result
A1:	Effective leadership (H1) and proper strategic decision-making (H2) are in place, but lack of workforce competence (H3) to positively affect organizational performance.	Support
A2:	Effective leadership (H1) and proper workforce competence (H3) are in place, but lack of strategic decision-making (H2) to positively affect organizational performance.	Support
A3:	Proper strategic decision-making (H2) and workforce competence (H3) are in place, but lack of effective leadership (H1) to positively affect organizational performance.	Support
A4:	Integration of effective leadership (H1), proper strategic decision-making (H2), and workforce competence (H3) are necessary and sufficient conditions for effective and efficient organizational performance.	Support

A holistic approach ensures all domains align towards shared goals, fostering collaboration and resource optimization. This adaptability enables the bank to innovate and maintain a competitive edge. Ultimately, Fusion Bank's effectiveness in achieving strategic objectives relies on integrating and leveraging its capabilities across all H domains rather than focusing on any one domain in isolation.

5. Discussion

Yu, E. (2021) has consistently demonstrated the potent impact of the 3H framework on organizational performance and sustainable competitive advantage. The Fusion Bank case has shown that leaders who can seamlessly integrate and leverage the “Heart”, “Head”, and “Hand” domains are better equipped to foster a culture of agility, resilience, and continuous improvement. Moreover, the framework has been lauded for its ability to transcend functional, promoting a holistic, collaborative, and purpose-driven approach to strategy formulation and execution.

Strukan, E., Nikolić, M. and Sefić, S. (2017) find that transformational leadership significantly positively impacts business performance. The leadership factor positively impacts financial performance through new product development, changes, and long-term planning. It claimed the correlations between leadership and business performance, but underlying is a new product and long-term planning to enhance their financial performance. The product team develops a new product that is a “Hand” domain element and translates organizational strategy to a long-term plan that is the “Head” domain element. Ultimately, the 3H framework's holistic analysis can comprehensively explain their study findings.

Another research from Popović, A. et al. (2018) studied technology's impact on business performance. The result demonstrates that big data analysis capabilities with organizational readiness factors positively impact business performance in manufacturing operations. The organizational readiness factors include applying technology strategy, top management support, and employee engagement. Those factors can be explained in the 3H framework. Big data analysis is the operational ability that is a proxy of the “Hand” domain. The application of technology strategy represents the “Head” domain. The “Head” domain is top management support and employee engagement, which is leadership's ability to influence and motivate the followers to achieve the goals.

The above two researches are consistent with our study. Even though their studies focus on a specific H domain, the actual success has integrated the factor of other 2H domains. Thus, the 3H framework can provide a holistic dimension to the organization for developing a comprehensive management approach.

6. Limitation

This study is grounded in Fusion Bank's financial statements, official website content, and other reputable sources. However, the author could not conduct personal interviews with the bank's senior management for primary data collection. While efforts were made to cross-check information from various reliable sources, there remains a possibility that some reported information may be biased. The absence of direct insights from key management personnel could limit the depth of understanding regarding specific strategic decisions and internal processes. Therefore, while the findings are based on a thorough review of available documentation, the potential for bias in secondary sources should be acknowledged, and future

research could benefit from direct engagement with Fusion Bank's leadership to enrich the analysis.

7. Conclusion

The 3H framework provides a more comprehensive explanation of the positive impact of Fusion Bank's organizational performance. As the business landscape continues to evolve, the relevance and impact of the 3H framework are only increasing. This pioneering model offers a compelling and practical roadmap for leaders to develop the multifaceted capabilities necessary to succeed in a competitive environment. By integrating the “Heart”, “Head”, and “Hand” domains, the framework emphasizes the importance of emotional intelligence, strategic decision-making, and operational execution, enabling organizations to respond effectively to market changes. Indeed, the 3H framework has established itself as a seminal contribution to strategic management, guiding leaders in fostering agility, resilience, and innovation within their organizations. Its holistic approach not only enhances understanding of organizational dynamics but also equips leaders with the tools needed to navigate complexities and drive sustainable growth.

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