EUROPEAN ACADEMIC RESEARCH
Vol. III, Issue 4/ July 2015

Impact Factor: 3.4546 (UIF)
DRJI Value: 5.9 (B+)

ISSN 2286-4822
www.euacademic.org

Effects of organizational changes in a banking institution (Case study *Bank for Business-BPB*)

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Abstract:

Significant organizational change is one of the most difficult strategies to implement, because change itself is frightening and demanding. But organizations cannot afford not to change, as the world around us is in constant move and rapid change. Factually change is part of people's life and a continuous process. Therefore for organization change is a mean for identifying new and better ways of doing things and adapting to the external and internal transforms, with an aim of improving the quality and efficiency of services.

Companies must serve customers better, must become advantageous to succeed and to stay competitive.

This process is usually driven by leaders and change agents. Enormous literature has been written in organization change, its meaning, factors contributing, ways to manage it and desired outcomes.

The below paper will aim to shed a light on the organizational change as one of the key issues in management today. It will aim to point that change is unavoidable. However it should be implemented properly and managed effectively through understanding of the variables at play and employing appropriate means to address resistance elements.

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The last decade of the twentieth century and subsequent years, are otherwise qualified as "epoch of chaos", "decades of technology", "the time of surprises" or even "epoch of uncertainty". (Llaci; 2009).

These surprises and uncertainties include globalization, the rapid pace of technological innovation, continuous change of roles and activities in organizations. This period brought the end of employment for life, and other economic changes, political, social different sides of the globe.

Key words: organizational change, bank, resistance, decision making, communication

Introduction

Change is considered an important element of success in today's business world. To remain competitive in the market, which more and more is becoming more aggressive, you have to have a positive approach to change. Taking a proactive approach, in a process of change, it is the only option for the future, both for organizations and for individuals.

Whether an organization will survive in the market depends largely on the fact that the direction in which that organization is based, said in other words, the fate of the organization depends solely on changing its strategy. There is no doubt that for an organization change is the way, perhaps the only, to remain competitive with growth and development prerequisites. As for the possibility of giving individuals the changes it can be used for improvement and advancement in career and his personal life individual.

Change is inevitable in a rapidly expanding world. It occurs for many reasons including increases or decreases in funding; employing new technology; better cost management, offering improved services for clients, becoming competitive in the market, or just responding to the external environment and factors. Therefore a key "managerial challenge is how to transform the organizational culture to promote organizational change in order to survive the turbulent economic environment and implement successful strategies to adapt to the new market demands" (Szamosi et al., 2005, p.167).

The financial institution we are going to consider in this paper has undergone the process of change too, and it managed modify its structure and processes. In the initial phase the bank has identified the main difficulties that the management considered were hindering the work of the organization. During the years business environment became competitive, thus imposing the need of reviewing the business models, the decision making processes, the interdepartmental or branches cooperation in order o increase the efficiency and meet client's expectations.

The results from different sources including external focus groups, internal questionnaires, customer satisfactions surveys, proved that the bank was in many aspects too centralized, relatively rigid and bureaucratic. The need to transform such a structure is recapped by Marques (2007) who notes that organizations with a hierarchical and rigid culture exclude learning possibilities.

Moreover because of the vertical structure of the organization, silo thinking was governing the work, and cooperation and the team spirit was lacking. According to Piderit (2000) organizations by "adopting flatter, more agile structures and more empowering, team-oriented cultures" (p. 783) should respond to the change.

In order to change this environment, the bank initiated the organizational change program aiming to reach three main goals: increase staff loyalty and performance, empower and delegate decision making authority to front line staff and increase cooperation within the organization. Through analyzing literature on organizational change, reactions to change i.e. resistance and communication as the most powerful tool in driving change forward, this essay will strive to critically look at the implemented processes in the bank.

In the same measure should be careful that new change impacts, such as: technological innovations, new competitors, and other factors affecting the market, to harmonize with the strategy of achieving the mission and vision of the organization. Each organization will face the challenge of change, therefore, it all depends on how much are we prepared to make the changes planned or they will do it ad hoc.

“I'm not interested in maintaining the status quo, I want to overthrow it,” has rightly stated Niccolo Machiaveli.

Changes often are disturbing and bring obstacles getting paid time and energy and material and human resources. Given these consequences it often happens to people to avoid changes.

This part will specifically elaborate on resistance to change, its concept and meaning, factors associated with it and the role of the change agent in addressing resistance. The last decade of the twentieth century and subsequent years, are otherwise qualified as “era of chaos”, “decades of technology”, “the time of surprises” or even “era of uncertainty.” (Llaci; 2009).

These surprises and uncertainties include globalization, the rapid pace of technological innovation, continuous change of roles and activities in organizations. This period brought the end of employment for life, and other economic changes, political, social different sides of the globe.

Therefore, to survive these major changes taking place, organizations should make the planning of change, as a proactive approach, trying to predict the future, all this in order for the organization to adapt to changes possible and to be effective. It is also a pivotal moment of making the amendment of those individuals, managers and leaders who have the necessary authority to implement them. But in such cases, of course, that the main task falls on the managers who have to feel the need for these changes essential and inevitable, acting strongly in their realism.

Literature review

Organizational change has been a topic for discussion over decades. Various authors have studied the issue aiming to provide for a comprehensive picture of the need for change in today's world. Many of them refer to change as a part of our daily life, something that is unavoidable and influences all individuals and organizations (Ollerhead, 2008; Chonko et al., 2006; Szamosi and Duxbury, 2002).

The question arises what is organizational change and why it is needed. Ford et al (2008) utilize the Mintzeberg and Waters (1985) to describe change as a situation that "interrupts normal patterns of organization and calls for participants to enact new patterns, involving an interplay of emergent processes that can be highly ambiguous" (p.363). Several sources cite Lewin's definition who notes that: "change consists of three stages: unfreezing (creating a felt need for change), changing (attitudinal and behavior changes) and refreezing (institutionalizing and reinforcing the attitudinal and behavioral changes) (Mathews, 2009; Chew and Choo, 2008). Other writers including Marino (2007), Bedingham (2004), Mento et al. (2002), indicate that change is transforming the current state and they talk about change thus summarizing that organizational change encompasses management of the new business processes or old but reformed ones, organization of the internal structure to support implementation and cultural changes within an organization.

Even if no study questions the need for change, all authors stress its challenging nature and recognize its demanding characteristics. Piderit (2000) highlights that the need for change has become essential in the past decade despite the fact that it is a timeless challenge. Derby (2006) outlines change as a tough activity which has a good end goal, but as a process it brings interruption and disorder. And we can stress that this is the least desired outcome, as changes are usually driven to what employees might even consciously agree are a good means to move things forward in the business. Needless to express is the fact that organizations are faced with the contest of successful implementation of required changes. Therefore it is not just the question of initiating change, what matters is effective management of change (Chew and Choo, 2008). Chew and Choo observe that if organization change is not implemented properly its consequences are high, not for individuals but for the organization itself.

Not only change is a part of environment we live and work, so is resistance to change. Organizations trying to implement a change, should expect to encounter some resistance from within the organization. Resistance to change is a normal reaction from people who were used to certain way of doing things. Authors discussing challenges of organizational change, agree that the key problem is resistance to it (Chonko et al., 2006; Szamosi and Duxbury, 2005; Piderit, 2000).

They elaborate on resistance from a number of perspectives. Piderit(2000) stresses Davidson (1993) who argues that "resistance has come to include anything and everything that workers do which managers do not want them to do, and that workers do not do that managers wish them to do" (p.785). This interesting view is matched by Stebel (1996), cited in Szamosi and Duxbury (2005) who suggests different way of looking at the change by the managers and employees, as the first view change as a way to strengthen the business and progress in career whereas the latter see change as disturbing, interfering and upsetting the balance. The point of the employees is elaborated by Yemm (2007) who reinforces the thought that the difficulty in change process is the fact that change is perceived as a threat and negative outcome by "people further down the organization" (p.41).

Hence no matter the nature of the business of the company or its size, the main challenge in change is the fear of people, their resistance, reaction and sabotage. Chonko et al. (2006) by providing thoughts from Waldron (2005), Dent and Goldberg (1999), Kaplan (1997), observe that resistance is linked with the lack of knowledge of people, lack of believes in change processes, concern for job security and perceived loss of pay.

From people's perspective O'Brien (2008) points that the “change is a bad thing, something to be avoided--even feared” (p.138). He notes that the underestimation of the people’s reaction to change by the executives can impede completion of the project. During organizational change employees are often in turmoil, fearing loss of employment security and loss of loyalty to seemingly uncaring employers.

In today's business environment there is only one constant permanence of these changes. One of the main postulates in the organization shows that,, if you stay, lose ". Static models are management almost impossible and destined to failure because, if the organization does not change then, without any doubt, it eliminates its competition. Hence there of organization required to constantly make changes, select the form that best suits her own. (Krasniqi, S., PhDC, 2013).

Sherman and Garland (2007) analyze resistance from three points: as a cognitive, emotional and behavioral state. Through looking at various authors they conclude that these three states co-exist and affect each other. On the other hand Szamosi and Duxbury (2005) point to the three factors associated with resistance to change: psychological, sociological and organizational. They consider studies of Rowe (1996) and spot that resistance is a defensive strategy which is used by people as part of protection. Further they take into account Judson (1993) explanations that resistance is the underlying tension” between organization's need for change and an employee's personal need for maintaining a sense of security and structure noting that when these basic needs are threatened by a change, feelings may become negative and resistance may occur" (p.23).

Nevertheless analyses and studies on resistance also provide advices on how to overcome it. As elaborated below the successful implementation of organization changes can only occur through ensuring support of employers. Many companies chose instead to develop strategies of managing resistance rather than aim to gain the support of work force. However understanding the conditions encouraging individual readiness for organizational change, instead of focusing on resistance to change, can be useful for designing and implementing effective interventions. Szamosi and Duxbury (2002) provide analysis of authors who have contributed to the change literature and point that all of them "have placed great importance on human factors as being critical to the ultimate success of an organization's change efforts" (p.184).

Human asset in the change literature is labeled as change agent. Chonko et al. (2006) give this definition: "a change agent is a person who generates a change initiative by researching, planning, finding a champion and carefully seeking volunteers to be part of the team"(p.52). This picture is completed by the Chew and Choo (2008) observe that the central role of change agents is in organizing human resources, earning and maintaining respect of management and people.

Thus the role of the change agents can be highlighted as fundamental, especially because organizations are aware that they "tend to be very good at planning and orchestrating the technical and structural aspects of change, but poor at guiding and supporting the human side – the personal reorientation associated with change" (Demers et al,1996, cited in Bennett and Durkin, 2000, p.129)

Managing change is a difficult task management, the aggravating factor is the fact that these changes should be completed in a shorter term within the framework of preliminary data. In these types of processes, we encounter cases of resistance of managers creating lower level, mainly those who do not possess the skills required to perform specific tasks. Studies show that almost 70% of change initiatives fail. (Kotter, 1996, Beer & Nohra: 2000).

Resistance to change is defined as employees, response to treatment they receive in the process of change, and to control the managers ", (Coettze & Stanza: 2007, fq.76) People do not resist change as much as the resist the fact that they are excluded from the process of change. To build an effective plan to change managers need to know and understand better what the reasons that people oppose changes are.

The most common ways that managers use to abating the people's resistance changes are: (1) Education and communication, (2) Participation and inclusion, (3) Facilitate and support, (4) Negotiation, (5) manipulation and cooptation, (6) tightening or liabilities (open and hidden) (Llaci: 2006, Kume, 2007).

But care should be taken during the change to be realized careful, planned, coordinated, and not be frequent, because,, as much as things change they remain the same, " said Renaissance philosophy, N. Machiavelli. (Mislav A.Omazic, 2005, f.99)

Piderit (2000) gives a very good conclusion related to resistance that should be taken into consideration by managers who want to successfully work with the resistance, when she says that managers need to conceptualize “employees' responses to proposed organizational changes as multidimensional attitudes” (p.789), as in this way they would be able to have a “richer view of the ways in which employees may respond to change” (p.789). Therefore we can point that successful management of organizational change means that managers and leaders should understand how to best deal with the individuals within the institution undergoing change (Szamosi and Duxbury, 2005). Georgeta (2008) emphasis that imposed changes are always looked with fear and distrust, but successful change leaders understand the people who are affected by change and their needs.

Steps managers can take to overcome resistance are elaborated by Kirkpatrick (1985), cited in Sherman and Garland (2007) who note that managers should take "actions to address the emotional, cognitive, and behavioral states, and provide for empathy and support to those engaged in the change, communicate the reason for the change as part of reducing fears and limit rumors, and involve in the planning all those affected by change" (p.55).

Literature captures best practices that can help to overcome resistance to changes including: regular communication with employees through employing various channels, such as detailed explanations to everyone to understand how the new way of working will make their own jobs better or easier; provide trainings and/or seminars, workshops, team building exercises etc. Lines (2004) research the effect of staff participation in the strategic change management process. In this journal he investigates whether employee participation in strategic change management has positive consequences for decision quality, affective responses to change and the success of strategic change implementation. The findings of Lines (2004) research show a strong positive relationship between participation, goal achievement and organizational commitment. He concludes that employee participation is an important factor when striving for a successful strategic organizational change. His analysis is reinforced by Chonko et al. (2006) and Piderit (2000). The first notes that successful organizational adaptation is increasingly reliant on generating employee support and enthusiasm for proposed changes, rather than merely overcoming resistance. Whereas the later agree that when people are involved in the process change is a successful story and resistance becomes a minor problem.

Increased competition in the markets, globalization, the reduction of barriers to entry in some markets as a result of the internet and electronic business, the need to respond quickly to customer needs, mergers and acquisitions, technological innovation, reorganization, or half sales fall market etc. are some of the factors that promote change. (Victor & Franckeiss: 2002; Cao and etc.: 2003 Clegg & Walsh's: 2004, Stanleigh: 2008)

Victor & Franckeiss, 2002, p.36 define change management as "a process through the cycle of the desired future can be defined and achieved by leaving enough freedom and flexibility to respond to the circumstances of the case when they occur ".

All these writing prove that the greater employee involvement in the strategic change process increases the overall organizational trust between management and employee. It makes sense that the greater involvement results in a decrease in resistance by employee, an increase in commitment, and a greater likelihood of achieving a successful strategic organizational change. Sherman and Garland (2007) suggest that resistance to change could be reduced if through effectively communicating the need for change.

Hence apart from employee involvement, communication is another curial tool that is mentioned in the literature. Communicating with people who will be affected to inform them what is happening and why is paramount and is a way of reducing resistance. Resistance may be reduced by talking with employees, explaining in depth reasons for change and asking for their support. This way of communication raises awareness of change and support for it, thus even unpopular changes will be implemented (Petrescu, 2010).

By considering different authors, Szamosi and Duxbury (2005) give a complete picture on utilizing communication as a tool to manage resistance. They remark that effective communication is critical to the success of all organization initiatives, and that the use of personal level communication decreases resistance. They further underline that qualitative and quantitative information and tailored messages should be developed in communicating information on change. Their observation is enriched by Derby (2006) stating: "change is seldom easy, but managers can make a difference by communicating reasons, respecting values, attending to emotions, and providing as much information as possible" (p.13). Georgeta (2008) adds the element of capacity building in suggesting "combining communication and training". An interesting suggestion is linked with the idea that open communications results in growth of individuals and their excitement for change (Christian, 2010).

On a final note the negative of the lack of communication is pointed by Marques (2007) whose work focuses on the denied of information and its impact to people's realization for their work purpose. He confirms what we will observe below in terms of not proper communication and its impact in the implementation of the change program in the bank.

The organization's decision to undertake changes is highly confirmed by the above review. As we can take notice of the above literature the ability to successfully act in response to change – both as individuals and organizations – marks the ability to ensure that we or the company stay abreast in the world we live in or competitive for the latter case (Derby, 2006). Despite the question marks related to this decision and the timing for the change program, this essay confirms that change is necessary and mandatory for organizations if they want to grow. Or to better straightforwardly put it by make use of the great Charles Darwin who once said, "It isn't the strongest of the species that survive, nor the most intelligent, but the one most responsive to change"(Darwin, cited in Ollerhead, 2008, p.32).

Practical application of theory

However the organization has started the program without previous experience in implementing such programs. Although an external consultant was engaged to support such change program, after analyzing the literature related to change, gaps can be identified in the manner in which the organization carried this program.

First and foremost, the need for change was not transmitted to all organization levels; therefore the resistance for such changes was present throughout its implementation.

The management board took time to discuss with the first level managers about this idea; however they did not pay attention to how these changes were conveyed to other levels and how this will affect staff. Thinking that "bye in" will happen over a short period was a wrong assumption that governed the decisions taken at the very start of the program.

Secondly, number of people engaged in driving changes forward was limited, including the change agents. As noted corporate change will be successful where all staff including board, managers and when they involved all staff (Bedingham, 2004). Human resources play a key role in realizing change results, therefore the organization should have paid more attention to engaging staff from all levels into the program execution. This becomes more demanding when dealing with people and departments affected by change. Asking them to implement changes is not enough. And in our case study certain staff resisted change due to inappropriate involvement and engagement.

Thirdly, when it comes to communication it is obvious that this was not handled appropriately too. The frequency of information sharing with staff was less then what is stressed above. People were asked to express their concerns and needs throughout the workshops but it took ages to receive feedback. Changes were implemented but hardly communicated. Or the communication was so formal that nobody paid any attention to it. Instead of using information as encouragement for employees to take an innovative and participative approach to organizational change (Lee et al., 2000) the organization failed to appropriately utilize this tool.

Finally, people in key departments lost authority and were not aware of the benefits of the change. Other took additional responsibilities, i.e. branches were not properly trained to take additional responsibilities. Despite the fact that they liked the final goal of the change, they feared additional responsibilities. Therefore targeting their education and capacity was not used as a method in managing staff resistance (O'Brien, 2008).

Key role in the implementation of changes to the Bank for Business (BpB) carry bank leaders, since they are willing to face the consequences, director of bank know the new conditions of operation and expressed the readiness of taking action, not very well received, with the aim of achieving the objectives and clarity of vision. The leaders of the bank obligation are to ensure transparency, proper communication, and consistency in implementation as well as sincerity in the way of addressing any planned change.

When implementing changes important role has the motivation, identification of benefits and benefits to bank staff will have after the implementation of changes. If changes will have negative consequences for a category of staff, shall be provided to be good information to enable communication with staff on the need for change, the objectives laid down, the changes that need to occur, the involvement required of them as and the bank's plans for the future. In these circumstances, the main reason is to ensure that staff has a future at the bank and that the future is consistent with their personal goals.

The financial institution that we have as a case study, used process of change including structural changes, cutting costs, process changes and cultural changes. Initially, the bank has identified the main difficulties which management considered as obstacles to the organization, while during recent years ask businesses in the industry environment has become highly competitive.

This has imposed needs reviewing business models, decision making, and coordination between departments or business units in order to increase efficiency by focusing on fulfilling the expectations of Customer. Information gathered from various sources: internal questionnaires, customer satisfaction polls have, have proven that the bank has been centralized leadership, fairly rigid and bureaucratic in decision making. The need to make such a transformation in the structure has concluded and Marques (2007), which emphasized that "organizations with a rigid hierarchy and culture exclude the possibility of learning".

Key role in achieving success in the implementation of changes is the bank's way of implementing those changes. The Bank has consistently cultivated the culture of adapting to changes thus ensuring consistency and continuity of the business in a very tough competition. This is achieved by making the right planning, even taking into account the risks of unplanned, and involving all stakeholders early in the planning process, the division of responsibilities and assignment of "Milestones" in order to assess progress in terms of certain.

Continuous communication to increase the effect of changes, potential obstacles, the individual and collective performance is essential in achieving the desired success. A regular and transparent communication prevents misunderstandings opportunities, prevents possible obstacles to ensure that all parties are aware of the right to progress.

Bank for Business (BpB) another factor is the motivation of the staff, the need for the adoption of amendments to be as easy and acceptable to them. This is achieved by building a benefits scheme, which are directly related to the success of the Bank, respectively expectations for change initiatives. During these changes, the Bank has been proved that when expectations of people are in the same line with the bank's expectations, success has not been forthcoming. The Bank has built performance measurement schemes, which on one hand is precious and stimulates good performance, in the other hand are taking the right steps to reduce the impact of poorly performing individuals.

The Bank for Business (BpB) is operating in a highly competitive and dynamic environment, is an immediate need for organizations to strengthen the spirit of continuous change, encourage staff, that unstoppable work on improving processes, increasing service levels and stimulating innovative ideas. Methodology KAIZEN (continuous improvement) is a platform that aims to force modelled on the bank in order for staff to set up and suggest changes where they see fit, proposals to be considered and applied at the moment ensure that the changes will bring benefits to the institution.

Conclusion

No doubt that the implementation of changes is a very complex operation. Just as was done during the review of the literature description, change management skills better not only desirable, they are necessary to achieve vital improvements of Bank. If the Bank wants to offer high level services to clients, it must ensure that the changes are part of it.

To be a successful change must have a compelling and sustainable reason why this is happening. Therefore, it requires a clear vision for the future of a coherent shared with a communication plan how the bank will get there. Including all very interested parties on the path of change is an imperative.

The Board of Directors of the Bank for Business (BpB) believes strongly that successful changes are based on the principles outlined in the following:

- Effective leadership and experience;

- Good communication with a comprehensive culture;
- A broad cooperation internal and external;
- Establishment of teams for change; and
- A proven process of change and governance structure.

Communication/Consistent targeting of all organizational departments: Organizational leaders must engage in regular communication through regular monthly meetings, internal leaflets, brochures and newsletter. Ensuring that all affected staff members are informed is what organizational change management is all about. It is about 'selling' the change through communication to the affected audience within the organization. Moreover throughout the project, messages should be based upon achievements and key milestones as part of jointly celebrating successes.

Consultation/Staff involvement in the process: Senior leadership must play an active role in ensuring staff involvement from all levels into the process. People involved directly in providing services to clients must participate actively in implementing change. Moreover they need to be ensured that their voice is heard and their suggestions taken on board.

Capacity building/Change must be institutionalized by providing staff with the capabilities and opportunities to grow and built their carriers within the institution: Organizations and specifically management should create a sustainable foundation for implementing change by focusing attention in the capacity building of the human resources. This needs to entail not only training changes that will be implemented in the organization but also targeted programs where new skills they need to carry out their roles. This approach will eliminate the "fear" from new responsibilities.

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