

MANAGEMENT OF CHANGE IN THE BANKING SYSTEM

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Abstract: In 1981, partial liberalization of the banking industry, tough competition and unstable economy, drove to major changes at Bank of America Corporation. Between 1985-1987 the bank lost 1,8 billion \$ and First Interstate BankCorp threatened with hostile takeover; FED urged shareholders to recapitalize the bank. Through a very tough plan of changes management and clear target, Bank of America became one of the leaders in the financial world.

To reveal this potential for changes in the Romanian Banking System, this study includes a survey made on 4 banks, meaning more than 30% market share as assets and 10% as number of banks, with a sample of 9 employees per bank.

The results shows that the Romanian banker is a good changes anticipator, he detains the energy of changing but he is not so willing to change; he is an analyst as profile and the environment is encouraging the change.

JEL classification: G21, M12

Key words: change management, banking, financial and economical crisis

1. INTRODUCTION

The results of a survey organized at the end of last year in Credit Europe Bank (Romania) SA, on the issue of change management in our organization, with effort of DVP Mihai Ogradnic, make us to think about necessity of changing. There were collected 229 valid questionnaires, meaning a representative sample for the bank, both as number of respondents (around 15% out of total number of employees) and as structure. As a particularity, compared to the results of other similar studies, **in the present case, the aspects related to the organizational environment gathered higher scores compared to the ones related to the business environment, suggesting that the former ones should be a priority in the bank's effort to adapt to the new conditions.** The answers, in order of importance, are presented enclosed.

The bank could hinder change within the organization by:

1. Not encouraging a team effort,
2. Only providing verbal support for change,
3. Focusing only on profits, not people,
4. Not having a common goal shared throughout the company,
5. Allowing for conflicting departmental missions,
6. Not preparing employees soon enough for change,
7. Not eliminating the bureaucracy,

8. Not asking employees if there is a better way to do things,
9. Not recognizing where its greatest assets are,
10. Holding back information on where things are going; Not allowing for balancing work and family; Being slow to react in some competitive environments.

The bank could support change within the organization by:

1. Reducing bureaucracy,
2. Setting clear mandates and missions,
3. Supporting new ideas brought forth by employees,
4. Informing employees regarding change and communicating the effects of change,
5. Eliminating products that are no longer viable,
6. Paying more attention to the bottom line,
7. Providing career transition services,
8. Communicating the need for change,
9. Increasing internal training opportunities,
10. Providing updates of what the competition is doing; Providing customers with what they want; Divesting businesses that are not cost effective.

Organizational changes are necessary because of some reasons, as: threaten organizational survival or offer new opportunities for prosperity, offer possibilities to impose the rules of the economical game [4].

David A. Nedler and management professor Michael L. Tushman, described 2 criterias to classify the organizational changes.

According to possibilities of environment anticipation, they are anticipative or reactive; taking into consideration the magnitude of changing, they are incremental (minor) and strategical, which modify the form and direction of the company.

Combining the 2 criterias results 4 kind of organizational changes.

The most frequent, with low intensity and risk, **is tuning**, including japanesse idea “kaisen”, or continuous improvement, specific to the biggest car producer Toyota, improved in more than 20 years. “Our succes is the the best reason to change things”, declared Iwao Isamura-human resources manager. Toyota reshapes the organizational chart, refines the elegant production process and organizational culture and elaborate global strategy of this century.

As tuning, **adaptation** means changes, but as a reaction or pressure; for example, after the succes of aerodynamic car created by Ford, General Motors si Chrysler followed the model.

Reorientation, is planned and with high magnitudine. In 1981, partial liberalization of the banking industry, tough competition and unstable economy, drove to major changes at Bank America Corporation. Between 1985-1987 the bank lost 1,8 billion \$ and First Interstate BankCorp threatened with hostile takeover; FED urged shareholders to recapitalize the bank.

In the next years, through a management of changes program, Bank of America put the bases to become one of the biggest bank of the world.

They followed some steps: they brought brilliant management team and spread the message the company will survive only with every employee's effort; they revaluated all businesses, reorganized them and focused on profit creation; they administrated the affairs generating fast and pozitiv results; they communicated constant, consistent, trustful and credible inside and outside.

Supplementary, they focused on two strategic objective for restructuring the company. First was concentration on becoming the supplier of services for population and companies in Western US, meaning only a part of the country and of the services panel. The second was eliminating global banking and focusing on offering corporate services towards multinational organizations, governments and world financial institutions. Through a very tough plan of changes management and clear target, Bank of America became one of the leaders in the financial world [2].

Recreation is related with changes provoked by pressure of environment in which acts the company; for example, introduction of a product launched by competition, with a big impact, determines creation of a similar commodity not to loose market share; it is the most risky because it cannot be solid prepared.

2. METHODOLOGY

For making the research, as a method, was used the survey, one the 5 fundamental methods utilized in human-social sciences, through which it can be investigated the empirical universe.

The method is a general way to approach reality, the technics represent concrete forms of methods and the tools is the mean for capturing reality [5].

Briefly, the research was made inside the Romanian banking system, using a sample extracted from 4 commercial banks, representing 33% market share according to the level of total assets and 10% according to the total number of banks, utilising the information prvided by the National Bank of Romania (table no. 1):

Table no. 1. Commercial banks selected for researching human resources field

Bank	Total assets 31.12.2007	
	Milions lei	Market share (%)
BCR	59,693.5	23.8
Alpha Bank	12,844.6	5.1
Piraeus Bank	5,995.5	2.4
Credit Europe Bank	4,465.7	1.8

The reasearch was made at the level of an administrative unit, Prahova County, the county with the biggest number of inhabitants in Romania, in order to collect information from the same economical environment.

They were selected central branches of all 4 banks and a sample of 9 employees, representing the average number of employees/ branch (Figure no. 1):

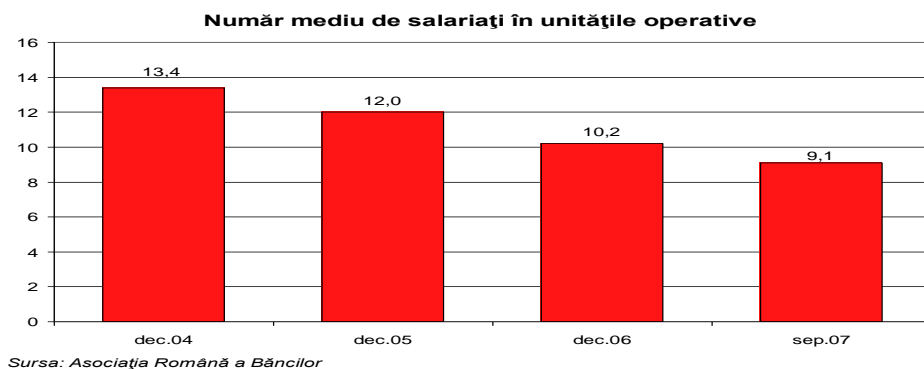


Figure no. 1. Average number of employees in a branch

Taking into consideration that the banks has tough rules and norms regarding human resources activities, generalized and uniforme at the level of every branch, it can be appreciated that the sampling allows obtaining relevant results. The sample included 36 bankers and represents 0,05% of total Romanian bankers. The research was made between August-October 2008, through interviews and questionnaires.

3. ANALYSES

For testing the potential changes of Romanian banking system, it was chosen the questionnaire of profesor Rex Bennett from University Madisson Wiscousin, “Competition management questionnaire” [1]. It offers possibility to test similar working condition, so that the environment not to represent a barriere in evolution, dynamism, but also, not to represent such a hostile domain to determine changes in any condition. Enclosed are presented the data collected, with a scale from 0 to 6 (the most unfavourable) and after that to briefly show the conclusions (Table no. 2):

TABLE no. 2. Competition management questionnaire

	ABK	CEB	BCR	PBK	Total
GAP 1: EMPATHY					
1. We regularly collect information about the needs of our customers.	1.40	2.60	1.13	1.13	1.56
2. We frequently use marketing research information that are collected about our customers.	2.30	1.70	1.50	2.00	1.88
3. We regularly collect information about the product and service quality expectations of our customers.	2.10	2.20	0.88	1.63	1.70
4. The managers in our bank frequently interact with customers.	1.60	1.00	0.50	0.50	0.90
1a. Average for Marketing Research sub-GAP (Add first 4 questions and divide by 4)					
	1.85	1.88	1.00	1.31	1.51

5. The customer-contact personnel in our bank frequently communicate with management.	1.30	1.10	0.38	1.00	0.94
6. Managers in our bank frequently seek suggestion about serving customers from customer-contact personnel.	1.40	1.20	1.00	1.75	1.34
7. The managers in our bank frequently have face-to-face interactions with customer-contact personnel.	0.80	0.90	1.00	1.88	1.14
8. The primary means of communication in our bank between customer-contact personnel and upper management is NOT memos or email.	2.30	1.00	0.63	2.00	1.48
1b. Average for Downsize communication sub-GAP (Add 4 questions (5-8) and divide by 4)	1.45	1.05	0.75	1.66	1.23
9. There are NOT too many levels of management between customer-contact personnel and top management in the bank.	3.00	3.70	4.63	1.38	3.18
1c. Too many levels of management (result of question 9)	3.00	3.70	4.63	1.38	3.18
10. The people who develop our advertising consult employees like me about the realism of promises made in our advertising.	3.20	4.60	3.75	3.75	3.83
11. I am almost always aware in advance of the promises made in our bank's advertising campaigns.	2.30	4.10	3.50	3.25	3.29
12. Employees like me interact with operations people to discuss the quality of products or and services the bank can deliver to its customers.	1.70	3.50	2.38	2.50	2.52
13. Our bank's policies on serving customers are consistent among the various offices and branches that serve customers.	1.70	3.30	2.38	1.50	2.22
1d. Horizontal communication (Add results of 4 questions (10-13) and divide by 4)	2.23	3.88	3.00	2.75	2.96
14. Our bank does NOT make promises we cannot keep in an effort to gain or keep customers.	0.60	3.10	0.75	2.13	1.64
1e. Overpromise (result of question 14)	0.60	3.10	0.75	2.13	1.64
GAP EMPATHY (add results of questions 1a, 1b, 1c, 1d, 1e and divide by 5)	1.83	2.72	2.03	1.84	2.10

GAP 2: SOLICITUDE					
15. Our bank does commit the necessary resources for high-quality service.	1.90	2.80	1.88	2.38	2.24
16. Our bank has internal programs for improving the quality of service offered to customers.	1.80	2.20	0.38	1.63	1.50
17. In our bank managers who improve quality of service are more likely to be rewarded than other managers.	2.20	2.40	0.88	3.13	2.15
18. Our bank emphasizes serving existing customers as much or more than it emphasizes selling to acquire new customers.	2.40	2.50	2.13	0.63	1.91
2a. Determination of management (add results of 4 questions (15-18) and divide by 4)	2.08	2.48	1.31	1.94	1.95
19. Our bank has a formal process of establishing targets regarding quality of services offered by every employee.	2.10	2.40	3.25	3.50	2.81
20. Our bank establishes targets regarding quality of services offered by every employee.	2.70	2.40	1.75	2.50	2.34
2b. Setting goals (add result of 2 questions (19-20) and divide by 2)	2.40	2.40	2.50	3.00	2.58
21. Our bank effectively uses technology to achieve high standards and consistency in serving customers.	1.80	2.10	1.25	3.38	2.13
22. Our bank has programs of improving operational process and to reach high standards of quality services.	1.90	2.10	1.63	2.63	2.06
2c. Task standardization (add results of 2 questions (21-22) and divide by 2)	1.85	2.10	1.44	3.00	2.10
23. Our bank has the necessary capabilities to meet customers requirements for products and service.	1.50	3.00	1.50	2.50	2.13
24. Our bank believes that giving customers the high level of service they really want will result in greater profits for the bank.	1.60	2.70	0.88	2.00	1.79
25. Our bank has the systems to deliver the level of products and service the customers demand.	2.10	2.40	1.88	2.38	2.19

2d. Perception of feasibility (add results of 3 questions (23-25) and divide by 3)	1.73	2.70	1.42	2.29	2.04
GAP SOLICITUDE (add results of questions 2a, 2b, 2c, 2d and divide by 4)	2.02	2.42	1.67	2.56	2.16
GAP 3: ASSURANCE					
26. I feel that I am part of a team in the bank.	0.40	2.10	0.38	0.88	0.94
27. Everyone in the bank contributes to a team effort in servicing customers.	1.30	3.00	1.00	1.75	1.76
28. I feel a sense of responsibility to help my fellow employees do their jobs well.	0.80	1.20	1.25	0.88	1.03
29. My fellow employees and I cooperate more often than we compete.	0.90	0.70	1.00	0.63	0.81
30. I feel that I am an important member of the bank.	1.80	2.50	1.13	2.00	1.86
3a. Team-work (add results of 5 questions (26-30) and divide by 5)	1.04	1.90	0.95	1.23	1.28
31. I feel comfortable in my job in the sense that I have the capability and training to perform the job well.	1.10	2.20	0.38	1.63	1.33
32. My bank hires people who are qualified to do their jobs.	2.60	3.10	1.00	2.63	2.33
3b. Average for Employee-Job Fit (add results of 2 questions (31-32) and divide by 2)	1.85	2.65	0.69	2.13	1.83
33. My bank gives me the tools, equipments, and technology that I need to do my job well.	1.20	1.90	1.38	1.50	1.49
3c. Job-technology fit (result of question 33)	1.20	1.90	1.38	1.50	1.49
34. I do NOT spend a lot of time in my job trying to resolve problems over which I have little control.	2.30	2.60	2.88	3.25	2.76
35. I have the freedom in my job to truly satisfy my customers needs.	2.60	3.10	2.38	1.75	2.46
36. I feel I have control over my job even though sometimes too many customers demand service at the same time.	1.60	1.60	1.63	1.00	1.46
37. That I sometimes have to depend on other employees in serving my customers does NOT cause job frustration at those times.	0.70	2.60	0.88	2.13	1.58

3d. Average for Perceived Control of Job (add results of 4 questions (34-37) and divide by 4).	1.80	2.48	1.94	2.03	2.06
38. My supervisor's appraisal of my job includes how well I interact with customers.	0.90	0.80	1.00	1.13	0.96
39. In the bank, making a special effort to serve customers well does result in more pay and/or recognition.	1.80	2.20	1.75	2.75	2.13
40. In the bank, employees who do the best job serving their customers are most likely to be rewarded (monetarily and non-monetarily) than other employees.	2.20	2.10	1.13	3.00	2.11
3e. Supervisory control (add result of 3 questions (38-40) and divide by 3)	1.63	1.70	1.29	2.29	1.30
41. The amount of paperwork in my job does NOT make it hard for me to effectively serve my customers.	1.30	2.00	1.25	2.63	1.79
42. The emphasis the bank places on selling to customers is NOT so much that it makes it difficult to serve existing customers properly.	1.00	1.10	0.75	0.88	0.93
43. What my customers want me to do and what management wants me to do are usually the same thing.	2.20	2.20	2.50	3.13	2.51
44. My bank and I have the same ideas about how my job should be performed.	1.40	3.30	1.63	3.50	2.46
3f. Roles conflict (add results of 4 questions (41-44) and divide by 4)	1.48	2.15	1.53	2.53	1.92
45. I receive a sufficient amount of information from management concerning what I am supposed to do in my job.	0.90	1.70	1.00	2.00	1.40
46. I almost always feel that I do understand the products/services offered by the bank.	1.00	1.80	1.00	0.88	1.17
47. I am able to keep up with changes in the bank that affect my job.	0.80	1.30	0.38	0.75	0.81
48. I feel that I have been well trained by my bank in how to interact effectively with customers.	1.50	1.30	0.75	2.25	1.45
49. I am sure which aspects of my job my supervisors will stress most in evaluating my performance.	1.70	1.10	1.38	1.00	1.29
3g. Ambiguity of roles (add results of 5 questions (45-49) and divide by 5)	1.18	1.44	0.90	1.38	1.22
GAP ASSURANCE (add results of questions 3a, 3b, 3c, 3d, 3e, 3f, 3g and divide by 7)	1.45	2.0	1.24	1.87	1.59

The meaning of all 3 GAPs is that as higher is the result, as defavourable is the environment of performing the activity.

The first Gap- Empathy, reflects the rate bank understands the customer, its needs, also the activities performed in this respect.

If in case of marketing research and communication from management, the results are remarkable, in case of peers communication and the fact the system promise more than achieve, there is lot to do.

The most unfavourable area is that of big organizational charts, where the multitude of managers, intermediary, regional, gives the impression of bireaucracy (Figure no. 2).

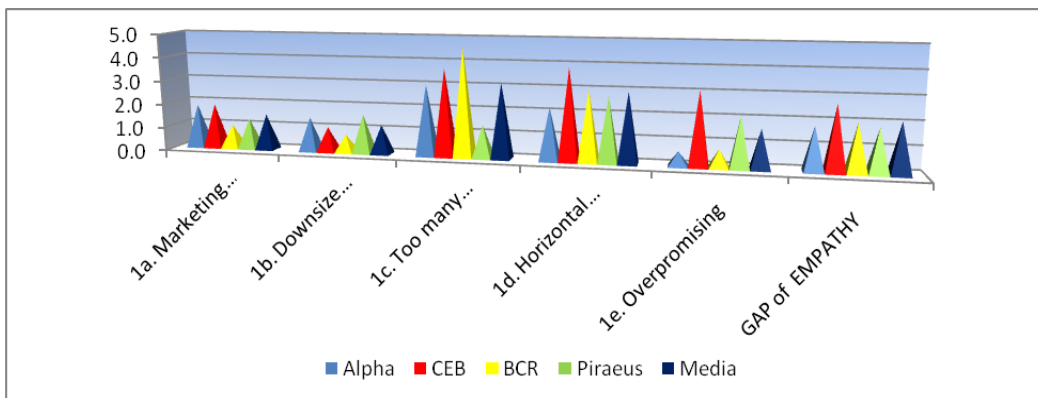


Figure no. 2. GAP 1-Empathy

The second GAP reflects availability of the bank to provide services and to meet needs of customers.

Indicators as management determination, task standardization and feasibility perception give the image of a modern system, with performing management.

There is a negative part, due to extensive evolution, that of establishing the tasks; there were in many cases unrealistic, even damaging to the system, as we can see at this moment (Figure no. 3).

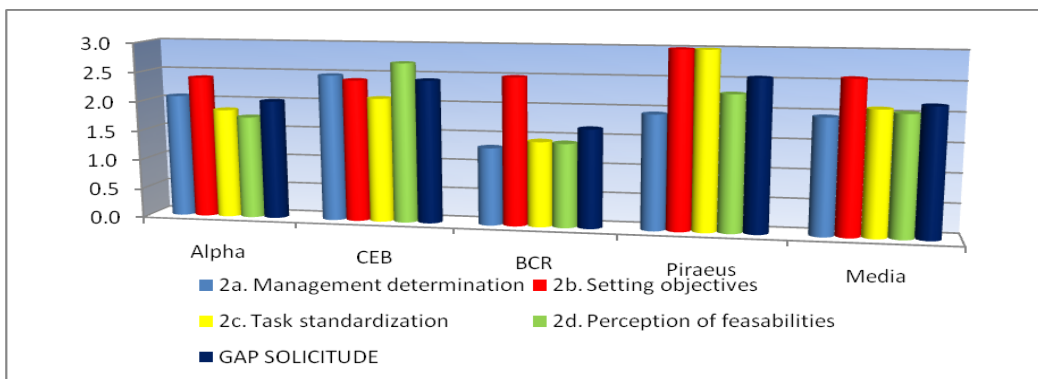


Figure no. 3. GAP 2-Solicitude

The 3-rd GAP-Assurance, presents the concrete action of the bank to satisfy the customers, besides understanding him and existence of performing management. The bankers understood they function as a team, they are appropriate for these jobs, they benefit by necessary technology and they have good job description. Unfortunately, the avalanche of customers, cost control pressure, determine perception that people are overwhelmed, sometimes things are out of control (Figure no. 4).

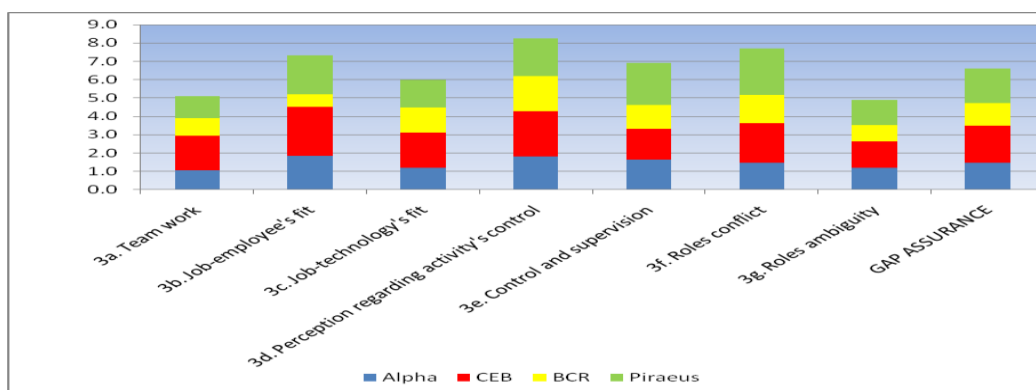


Figure no. 4. GAP 3-Assurance

4. CONCLUSIONS

This study is only an excerpt from a doctoral research regarding Romanian banking worker and the results confirms the hypothesis I started with. The broad results shows that the Romanian banker is a good anticipator of changes, he detains the energy of changing but he is not so willing to change; he is mainly an analyst as profile.

Regarding this part of the study, presented in the article, it offered possibility to test similar working condition in the Romanian Banking System and to demonstrate that the environment does not represent a barrier in evolution, dynamism, but the environment is encouraging the change.

According to the objectives assumed in such an enterprise, I consider putting a brick on foundation in researching banking field in Romania, being such a new and challenging domain of research.

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