THE CHANGE CONCEPT AND THE NEED FOR CHANGE IN THE ROMANIAN BANKING SYSTEM, IN THE AFTERMATH OF THE ACTUAL CRISIS

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Abstract: : Change is the essence of business development. In present, change is inevitable because it became a constant in our lives. Change is both an opportunity and a threat, it can be an incentive. The process of change can involve modifying raison d'être of an organization and its basic strategy or, change may refer only to a small review of minor activities. Thus, change should not be regarded as a negative process, degenerative, but as a means of evolution inevitably and positive, that leads to adaptation of the organization to the present and future reality, to ensure the success of any business.

JEL classification: M10, M21, G01,G21

Key words: change; need for change; banking system; risks; business model

1. INTRODUCTION

Change issue is a quasi-obsessive concern in the sociology of organizations, perhaps because of emphasis on bureaucratic rigidity or concrete problems faced constantly, both leaders of organizations, whether large or small, and responsible for administrative reforms.

2. CHANGE CONCEPT AND NEED FOR CHANGE – GENERAL CONSIDERATIONS

People can understand very different things through the concept of change.

The dictionary[1] defines change as "replacement by someone else or something else, change, transformation". Based on this definition, we can conclude, correctly, that change can be understood in various forms. We can use the word change as well when it comes to change daily - clean linen ourselves - as when we refer to the profound psychological changes that occur in adulthood.

According to Fred Nickols (2010), at a conceptual level, change is a matter of passing, the translation from a state A to a state A '. Moving from state A to A ', is usually obtained as a result of setting and achieving three goals: transform, reduce, and apply. Transformation is to identify differences between the two states. Reduction involves the ways to eliminate these differences. Finally, the application means just implementation of the methods identified above. According to Nickols also, change problem can be treated in terms of "how" - focus efforts on means - (how we find

[1] Dicționarul explicativ ilustrat al limbii române, Editura Arc&Gunivas, 2007

people more open to take on more responsibilities, be more creative), "what" - orientation towards the finality - (what we are trying to achieve, what kind of indicators we have for reporting success), "why" - finding ways to perform in what we do (why do what we do, why we do something in the way we do).

A similar sense we meet at Richard Newton (2009) too, who believes that there are many reasons why an organization wants to move from one state to another, and to do this must change. This change may be a large change that aims the raison d'être of an organization, or aims a minor revisions to a small activity.

Other authors (Burduş et. al., p.14) argue that change is the "*replacement, modification, conversion or transformation in form and / or content of an object, product, work, service, activity or process."* Change is a perceived evolution in time, between different states, natural or artificially induced .

The notion of change has aroused interest and was analyzed in many works in the economic, sociological, technical, political. Many specialists suggest, more or less clear, a certain sense that emerges from their area of scientific interest and that it uses in a specific context of their scientific approach : change - behavior (Kurt Lewin, 1947), change - excellence (Tom Peters, 1982), change – innovation (Rosabeth Moss Kanter, 1985), change - management (Gh Negoescu, 1999), change - organizational change (Richard Newton, 2009). A comparative study of these works allows us to observe that before the 1980s, the term “change” described all that was needed to be done differently in an organization. Thus, we find one of the first definition of this concept on Kurt Lewin who, at that time, considered change as a dynamic equilibrium of forces on the one hand, pressure on change, and on the other hand, causes a resistance to change.

Subsequently the 80s, as the change proliferate, many authors have begun to provide importance to differences noticed to various changes that organizations faced.

In an article published in 1986 in "Organization Development Practitioner", Linda Ackerman Anderson defines three types of changes that affect organizations: development change, transition change and transformational change(Anderson, Ackerman Anderson, pp.31-43). According to the author, development change represent the improvement of a skill, a method, an existing performance standard that, for some reason, does not meet the current and future needs. Metaphorically, Linda Ackerman Anderson called these changes, improvements "inside the box" because these are changes of some things already known or applied. The purpose of such changes is to strengthen or correct what already exists within an organization (increased sales, increased production, extension of the existing markets).

If the first type of change is the easiest way, the transition is more complex. This is the necessary response to significant changes in the environment or market requirements, made for success. Rather than simply improve what it is, the transitional changes replace, which is something else. To achieve the new desired state, organizations need to dismantle, to do away with the old way of work and to undergo a transition to implement this new state. In the category of transition can illustrate reorganizations, consolidations, creating new products, services, procedures that replace the old ones.

However, Beckhard and Harris (1987) are the first authors who define the notion of transitional change and make the difference between "old state", "new state" and "transition state". From the point view of the authors, the new state, which reaches an organization has undergone a change of transition, is a unique state, distinct from how the organization worked before and how will operate after implementing the change.

Linda Ackerman Anderson (2001) considers transformational change as the most complex type of change. In her opinion, transformation is the radical change from one state to another, so important that it requires a change of culture, behavior, way of thinking to successfully implement and sustain it over the time. This transformation requires a change in human consciousness that completely changes the way an organization and its employees see the world, their customers, and their work. New state resulting from the transformation is largely uncertain at the beginning of change process and appears as a product of the change effort itself.

As organizations, the world in general, evolve, the change concept gains other connotations, much deeper. Thus, Michael Jarrett (2011) identified four types of change: temporary change, progressive or procedural change, organizational restructuring and transformational and cultural change. Temporary change is the apparent change in which things appear that will change, but in the end nothing happens and this because the organization is not ready for change. Progressive change, similar concept with developmental change previously defined, involves minor improvements, which makes it quick and easy to implement, and the risk of failure is small as the benefits, too. Organizational restructuring is that kind of change aims the fundamental systems, structures and relationships in an organization. Transformational and cultural change is the most profound change whereas it redefines the strategy, the identity of an organization. Because this change involves the transformation and restructuring a system, an organization, the risk of failure is quite high (Jarrett, pp.13-17).

"Change can affect an entire organization at once or can focus on a limited part of the organization, such as a single team" (Newton, 2009, p.4), but should not be lost sight of an extremely important aspect, namely that a change in one area may require changes in other adjacent areas. For example, reorientation of banking institutions to a particular corporate customer segment requires development of specific products and services. Also changes in strategy, technology, structure, processes, always involves changes in people's behavior. For example, if we think of changing a computer applications at a bank, it will generate anxiety, reluctance on the part of employees, as long as they are no provide necessary training, after which they learn to use the new program and understand the benefits of this changes.

One of the important aspects in change process occurs when a manager feels the need to improve results, but subordinates do not feel the same need. Analyzing managerial behavior in past decades, can easily see how the managers have tried to push people to feel the need for change, creating feelings of fear, guilt, crisis or reward-punishment. But when these forces are set in motion the need is to deal with induced conditions, and not to change behavior to improve performance. It is easier to generate a need to change the results if the manager provides clear and accurate information about the need for change, allows others to get involved in planning the change, allows people to experience a form of reward for their involvement in change. We also meet an approach according to that people will start to change if the need is felt by a person who respects (Cornescu et.al., 2004). In other words, if employees know that important people in the organization support the idea of change, they will not be reluctant to the idea.

As Panaite Nica[2] sustain, "triggering a change process starts with awareness of change and continues with expression of desire for change, accumulation of necessary knowledge, skills training and consolidation of change". The awareness of the need for change is, first, that the organization to understand the importance of fast and efficient response to internal and external factors in order to achieve change, to understand the risk they assume if organizational change is not associated with change skills and, understanding business judgments, to act to change the culture, values and skills.

Even after starting the change process, is needed for maintaining appropriate behavior for change. Change context is that situation where it is necessary to cause a change in the organization. Management must recognize that change is needed, must be identified the change method and applied the chosen method to produce change.

According to John Kotter and Dan Cohen (2008, pp.25-41), when starts a change is necessary to start with formulating a vision. They associate this situation with one where you hit the road without knowing where you're headed. The same process of change can lead to a wrong direction, as long as from the beginning it does not know which road to take. Another step that works in authors` opinion is the one in which people involved in change process get valid evidence, from outside the organization, which demonstrates the need for change. In this way people's feelings are attained , that changes and the necessity increase, leading to the initiation of change.

It can be concluded that the need for change supports change. It is therefore very important to create a sense of necessity, so that people say "give him a beating" and change initiative have a better chance to start.

3. THE NEED FOR CHANGE IN ROMANIAN BANKING SYSTEM

The basic function of commercial banks is financial intermediation - to offer deposits on different maturities and to grant loans. Immediately after 1990, Romania was an area where there were no liquidity and bank was unable to grant loan. Uncertainties in the economy may lead banks to reduce their activity because they can not lend.

Like any economic activity, banking activity is risky too. The main risk a commercial bank assumes is loan default by borrowers. Significant increase in overdue and doubtful loans between 2007 and 2010 shows that banks did not calculated well this risk. Banks behavior seems to have been conduct on economies of scale, in the sense that the expansive growth in lending volume would have allowed the acceptance of bad loan losses. We can speak here of the adoption of a risky business model by banks, inadequate to concrete conditions in Romania, with strategies ranging mainly by volume (increase the loans volume, increase the number of customers, assets) and less on the qualitative issues (customer creditworthiness, cash flow projection analysis, business, internal and external economic environment, policy mix).

In this case, in order to restart growth cycle and credit, banks' business model must change. Most likely it will move from economies of scale model to one that provides a solid but gradual growth, based on a long-term relationship with customers. Banks will have to review and adapt their business model according to new risks arising from current national and international conditions.

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[2] The article was published in 2006 on www.marketmedia.ro and entitled "Organizational Change: necessity, desire, knowledge, skills”

Annual study "Banking Banana Skins"[3] , realized by the Centre for Financial Innovation (CSFI) in association with PricewaterhouseCoopers and conducted on banking risks, assessed and classified 30 of the main risks faced by banks in the current period of financial crisis.

Globally, respondents indicated that " banks politicization ", following the intervention of rescue and retrieval operations of the state, is the main threat to the financial situation of banks. It is however surprising that political decisions are perceived as risk while the banks found themselves in a position to be saved by the intervention of states. Many of the risks identified by this survey - such as "credit risk" – start from concern about the effects of the recession on the banking sector.

Credit risk is perceived as the main threat to the banking system by managers in Romania, according to the latest edition of the "Banking Banana Skins" survey.

The conclusions of "Banking Banana Skins 2010" study shows that the outlook for the banking system in Romania seem to be difficult to predict. It have been expressed fears about the fragility of the economy and the impact of bad loans and lower profitability on banks. Another concern relates to the fact that banks aversion to risk will delay economic recovery. Some respondents believe that if an extreme situation, the banking system will be supported by the government, others are concerned that this could affect banks' management responsibility.

The need for a more efficient risk management system is seen as urgent, with the development of additional regulations for the banking system to be better prepared to manage the new challenges posed by the crisis.

Other factors such as “quality of risk management”, “corporate governance” and “management reward” are also in the top of potential risks.

In this context the role of commercial banks in Romania should be obvious. They must demonstrate their commitment regarding the country's economic recovery, to fulfill its mission of corporate citizen.

4. CONCLUSIONS

Clear and deep perception of the need for change by managers of the change process is essential. Perception the need for change is important but not sufficient and should therefore be supported by a complex of effective activities of the managers. Therefore, one of the most important aspects is understanding by the organization's staff, managers and subordinates, the need for change. Organization's staff must be helped to understand that the current organizational structure should be adapted to new requirements posed by the new international situation. Understanding the need for change involves, moreover, the knowledge that conducting the management and execution processes with older structures in the new conditions leads inevitably, sooner or later, to critical situations for the organization. People engage in behavior change only when facing with a need for change, an emotional discomfort which decreases as the need is satisfied.

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[3] Series of studies CSFI "Banana Skins" provides periodic analysis of risk climate in the financial services sector. Besides banking studies, CSFI also conducted risk studies for the insurance and microfinance sector.

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