

CHANGE MANAGEMENT OF BANKING INDUSTRY

Nu Nu Lwin¹ & Poe Su Nandar²

ABSTRACT

This paper aims to study how local private banks in Myanmar manage and handle their change management programs in order to successfully implant the desired cultural, systems, policies and structures in their organizations. The interview results provide an insight view on forces that are driving the change, areas of concerns and approaches in implementing change. The results of the study highlight the forces that drive change outweigh the forces that that restrain change. The more intense competition in the industry makes the local banks endeavor harder than before to maintain their current market share which makes them sense the need for change in the organization. The study recommends the management teams to create more supportive environment, to listen to the employees' emotions and problems in the workplace, and thereby, to speed up the pace of change through mutual respect between the managerial level and operational-level employees which help managers implant the desired change in their organizations.

Keywords: change management, resistance, Force Field analysis

I. INTRODUCTION

Change nowadays has become synonymous with standard business practice and organizations needs to change in order to remain competitive. In order to keep up, they have to be successful in implementing changes which is a great challenge to most organizations. In the process of change, every organization has to deal with certain levels of resistance. Banking industry is one of the essential sectors in a nation's economy. Since Myanmar has opened to Foreign Direct Investment (FDI) in 2012, foreign banks entered into Myanmar market and started their operations as allowed by the Central bank. This made local banks to struggle harder than before to survive and retain their existing customers. Therefore, in order to maintain their competitive advantage and market share, implementing change is the important agenda for local banks in Myanmar.

There are many factors that triggers change in an organization internally or externally. Common forces of change in an organization include

¹ Professor & Head, Dr. Management Studies Deaprtment, Yangon University of Economics

² MBA II-48, MBA 21st Batch (2015-2017), Yangon University of Economics

culture, system, technology, competition and customers. Some or all of the factors act as triggers of change in the banking.

In implementing change, management team meet with resistance more or less even when the employees know the change will bring good opportunities and benefits to them. Knowing how to overcome resistance to change is a vital part of any change management plan.

This study is designed to analyze the three main areas of change management, namely driving forces of change, restraining forces to change and ways to reduce restraining forces. Accordingly, three objectives are specified to analyze the change management of the banking industry in Myanmar. These are:

1. To identify the forces of change in banking sector in Myanmar
2. To analyze the reasons of employees' resistance to change
3. To observe how the banks manage to minimize these resistances

This study is divided into three parts. Firstly, the factors that trigger change and/or make the management teams sense the need for change in their organizations is identified. Then, reasons of employees' resistance to change when the management teams implant the desired change plan is analyzed. Finally, the approaches and ways the management teams conduct to minimize or reduce those restraining forces towards change plans are observed.

II. RESEARCH METHODOLOGY

In this study, forces of change together with employees' resistance to change are analyzed and then the ways management teams conduct to minimize those resistances are observed. According to the statistics of Central Bank of Myanmar, there are altogether 24 private banks in Myanmar. Among them, three local banks are selected to observe their change management for this study by using purposive sampling method. The selected banks have relatively a great number of branches with high customer recognition and are still in their change process. As respondents, 45 managers from middle and top-level management and 200 employees from non-managerial level are chosen from selected three private banks by using quota sampling method.

Both primary and secondary data are used. As primary data, the forces of change and resistance to change are collected through in-depth interviews and focus group discussions with selected managers and employees during the period of June to July 2017. Secondary data is collected from reports of

the Central Bank of Myanmar, each bank's reports and websites, research papers, text books and reference books. Other sources of data for this study include relevant text books, internet websites, published notes, international thesis, dissertation papers and previous research papers.

The analysis of the study focuses on change management process of local private banks in Myanmar and exclude those of foreign banks due to the reason that they are relatively new and in initiating stage of establishment in Myanmar. Thus, the implication of this study pertains to the findings of the analysis on change management process of local private banks in Myanmar.

III. LITERATURE REVIEW

Under the context of continuously changing global business environment, change management is the most important agenda for business. Without change, businesses would lose their competitive edge and fail to meet the ever-changing needs of customers. Businesses must learn to inspire, implement and manage change in effective ways to achieve lasting benefits.

Change management is the process, tools and techniques to manage the people side of change to achieve a required business outcome. In the change management, the change recipient's trust and willingness to change are key factors for a successful change process in one hand, resistance to change of recipients is main thing the management must conquer to be able to complete the change process on the other hand.

Among a number of change management theories, Kurt Lewin's Force Field Analysis is a powerful strategic tool used to understand what's needed for change in both corporate and personal environments. Model of change in force field analysis is designed to weigh the driving and restraining forces that affect change in organizations. Driving forces are those seeking change. Resisting (restraining) forces are those seeking to maintain the status quo. The goal for the driving force is to gain equilibrium, or a balance of power. Resisting forces control the status quo, while driving forces seek change. (Lewin, 1997)

Previous Study of Change Management in Banking Sector

The empirical analysis of the study focused on the most relevant issues in change management and how banks implement changes in the most efficient way possible and also how can change be managed. Piirainen (2017) conducted the study on digitalization of the financial sector and change management of a bank in Finland. The study focused on the effects of

digitalization as one of the major influencers of change in the financial and banking sector. The factors studied in this study are: factors relevant change and change management, how change is managed, how the financial and banking sector is changing due to the digitalization and how the rapidly changing and digitalizing financial and banking world can be managed efficiently. The study pointed out there is lack of training, issues in the communication about change and employees' burdensome during the change process. To overcome those problems, management team is recommended to build more profound communication between management and workforce, and activating workforce as active participants in the change process.

IV. EMPIRICAL STUDY

To study the change management of private banks in Myanmar, the analyze is conducted based on selected three private banks: Ayeyarwady Bank, United Amara Banks and Global treasure Bank which have relatively a great number of branches with high customer recognition and are still in their change process.

In this study, forces that triggers change in the local banks, restraining forces to change and approaches to implementing change while reducing those restraining forces have been analyzed.

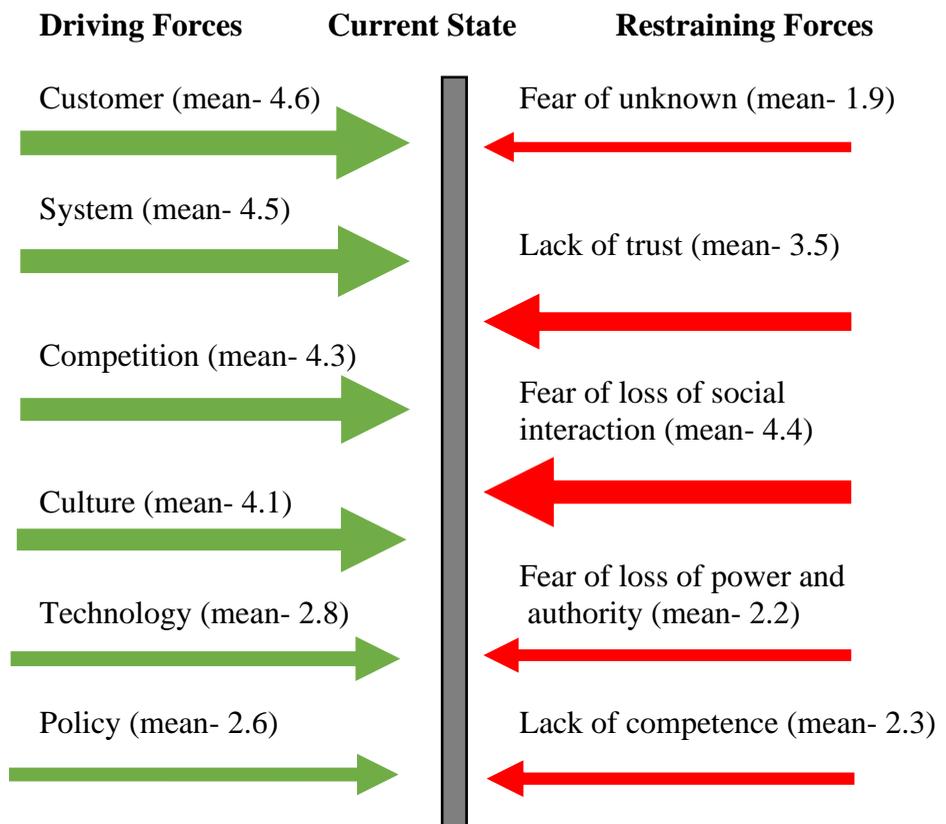
Analysis of Driving Forces and Restraining Forces

Figure-1 unveils the mean values from the analysis of these factors on need for change and restraining forces. These forces are analyzed with the arrows of different width according to their values. As shown in figure-1, the most significant driving forces are customer, system, competition and culture that makes the organizations sense the need for change. The remaining two forces, technology and policy, are not too strong as the organizations in the Myanmar's Banking Industry. The most primary driving force of change to the local banks is customer since customers nowadays demand more innovative products and services from the banks and maintaining customers become more difficult than before while they can easily switch to other banks' services if they are not satisfied with the bank's service anymore.

System, competition and culture are among the strongest driving forces that trigger change in the local banks. With the rapid change in external and internal environments of the local banks, organizations' system and culture become out-of-date quickly and changes are needed to make in these

aspects of the local banks. Even some personnel in the managerial level think that their organization is weak in decentralized decision-making system and still have old-fashioned belief that makes the organization less flexible. Being less flexible to changes in the external and internal environments of their organizations makes the local banks more difficult to maintain their competitive positions and also their customers. Increasing numbers of banks and financial institutions in Myanmar's Banking Sector makes competition more intense and management teams of the local banks admit that they have to endeavor a lot to get more market share in the industry.

Figure 1: Force-Field Analysis of Driving Forces and Restraining Forces



Source: Developed based on Survey Data (2017)

Among the five restraining forces of employees' resistance to change, fear of loss of social interaction and lack of trust in the management team are

noticeably the strongest. The most primary restraining force, fear of loss of social interaction, is also result of inherited culture of Myanmar people. Being collectivism, Myanmar people maintain their social relationship at any cost. Therefore, employees do resist the change when their close colleagues and majority of the employees resist change. In their opinion, being part of their current social groups and maintaining their friendly relationship are more important than being participated in the change program and gain benefits. Lack of trust, which is not too strong as a survey result, is also a factor to pay attention since some employees think management level lack participation in the change process they initiate. In spite of the benefits of change when the plan become successful, unfair and biased decisions sometimes made by the managerial level lead to lack of trust in managerial level. However, restraining forces are relatively weaker compared to the driving forces of change.

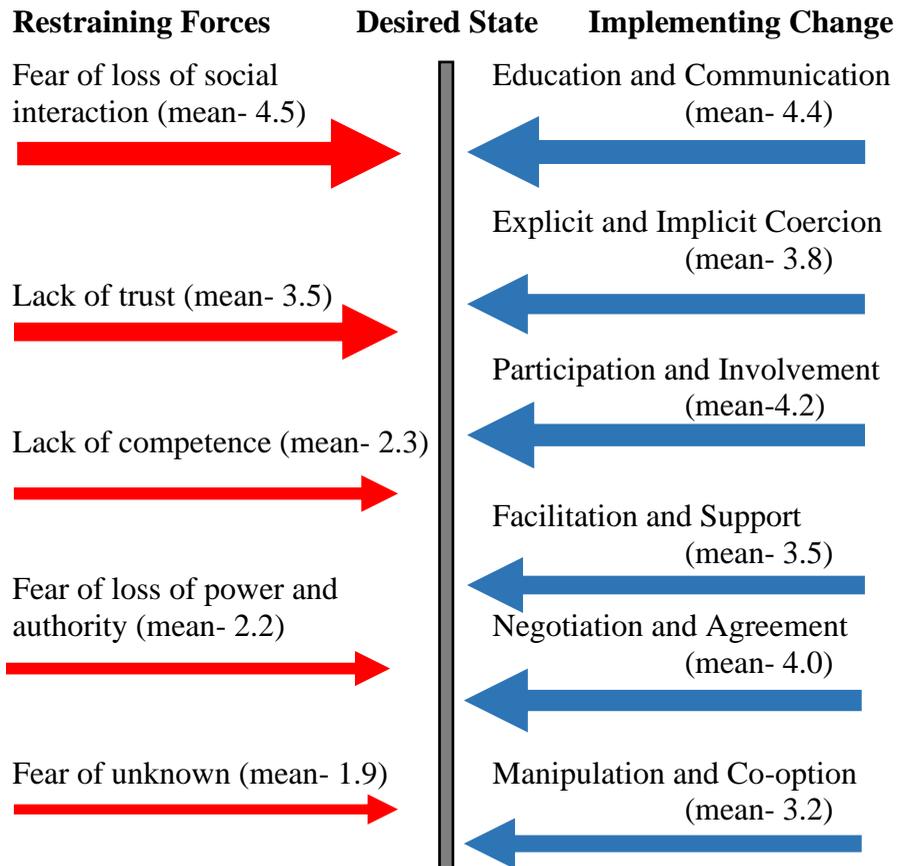
Analysis of Restraining Forces and Implementing Change

The mean values of restraining forces and approaches for implementing change are presented in Figure-2 with arrows according to their level of severity and level of acceptance by the managers in the local banks. Despite the weaker restraining forces compared to driving forces, managerial level comes up with prepared plan ahead the employees' resistance to minimize the potential restraining force that hinder the change plan.

The figure shows that the most accepted approach to minimize the resistance to change is education and communication. It highlights that managers in the local banks educate and communicate employees about change process and benefits of change to understand and participate in change plan actively. That approach requires much effort and time but if this approach works well, it can make many groups of employees participate in change process. Managers often apply a blend of this approach together with explicit and implicit coercion approach. They give employees time to understand the change however to those who still resist even after education and communication they essentially force them to accept a change by explicitly or implicitly threatening them (with the loss of jobs, promotion possibilities, and so forth) or by actually firing or transferring them.

In addition, participation and involvement is the second most popular approach among the managers in the local banks. In this approach, potential resisters who hold significantly high power are assigned to some aspects of the change process to make them understand and own the change process.

Figure 2: Force-Field Analysis of Restraining Forces and Implementing Change



Source: Developed based on Survey Data (2017)

This analysis shows the importance of driving forces, severity of restraining forces and most accepted approaches in implementing change in the local banks. Major driving forces make the local banks sense the need for change because change can move their organizations from the current state to a more profitable and competitive situation. By imposing change in their organizations, they will be able to react changes in their external and internal environment more quickly and remain competitive in the industry. Still, there are some significant restraining forces but managers have structured and well-planned approaches to cope with these resistances and successfully implement change in their organizations

Issues in Change Management

Face-to-face interviews with some of the employees from both managerial and operational level discover that some employees have low level of trust and respect in the decisions of the management team because the management team give unrealistic promises and all they do is exaggerating and manipulating the information just to threaten the employees. In addition, some employees think that management team lacks participation and involvement in the change process together with the employees from other levels. The interview also unveils the fact that the second and third common ways, participation and involvement, and negotiation and agreement, are done in a bias manner. They also stated that there is some bias in the selection of person to participate in the change process and also in the negotiation and agreement approach, the management team choose and give incentives to the employees whom know personally. Those condition causes employees to concern over the success of the change and results in the lack of trust in the management team. Moreover, this also cause to form political groups among the employees and tension between these small group leads to the fear of loss of social interaction which become the most significant restraining force.

V. CONCLUSION

The driving forces are relatively stronger than the restraining forces and there are apparently more powerful approaches to implement change compared to the restraining forces. The findings show that the most primary reason of driving forces is changing demographics and preferences of the customers. Thus, keeping in touch with customers and updating service performance in accordance with customers' suggestions would help the banks become more flexible to the changes in their internal and external environments.

Moreover, the management team should give decentralized decision-making power to some extent to the employees from lower level management and operational level. By doing so, employees can be able to offer more flexible services and solve customers' complaints faster. In this way, they can raise their customer satisfaction and maintain their market share.

The majority of the employees in the local banks admitted they resist change because their colleagues do so, while some other groups of employees resist change since they have low level of trust in the management team. Both of these restraining forces can be minimized by relaxing their anxiety with

supportive manners. Listening to employees' emotions and thoughts can reduce resistance to change and empowering employees to contribute in change can also raise the level of trust in the management team. Praising them as effective contributors in the organization is also recommended since it is also a supportive way to improve employees' motivation to contribute in the change process. For another way, management should conduct to reduce employees' tension by creating friendly environment between managerial level and operational level. Providing recreation center like gymnasium in the organization let all level of staff keep in touch and talk freely each other. This can reduce employees' stress and understand opinions of management regarding change which lead the employees accept and support the change.

From managerial perspectives, they mostly communicate and educate the employees about the need for change and benefits of change before they start the change process. They also let employees participate in some aspects of the change process in order to let them own the change. Despite those approaches, managerial levels should engage more programs to create a supportive environment like giving training for the skills needed and conducting some social activities in the workplace to reduce employees' anxiety and tension. Moreover, it is recommended for the managerial level to show trust and respect on the operational level employees by listening to their advices and problems carefully to get more trust in the managerial level. Showing interest and taking care of employees' problem in their daily workplace make can promote employee recognition.

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