

## **“A Human Pat on the Coin, Does it all to Set Roar?”**

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***Abstract:** Stiff competition in the financial sector has forced financial institutions to relook at their way of conducting their business. Industrial Bank\*, which has been the leading financial player in Malaysia for more than 50 years had to relook at its business model as it was beginning to lose its market share and its customers. The customers' perception of the bank had deteriorated and in the External Customer Engagement Survey conducted among its customers in 2008, the bank was rated the 17th out of 18 banks in terms of customer service. In 2008, the bank's CEO was replaced by a new leader . This new leader brought a different kind of leadership style into the bank. Moreover, at the time of the new CEO steering the helm of leadership in Industrial Bank, the market was going through merger and acquisition exercise and was in the midst of acquiring stakes at three countries namely Indonesia, Pakistan and Vietnam. Bank Negara has also relaxed the rules for Foreign financial service provider especially Islamic banks to open more branches in Malaysia. The slow economic pace also had an effect on the bank. Hence the new leader had to relook at the previous strategies implemented and implement some new change management strategies to address this problem before its existing customers move to other financial institutions for their financial needs and the customer service of the banks further decline. This case study looks at the transformation journey and change management strategies incorporated from 2008.*

***Key Terms:** Banking Sector, change management strategies, customer service, humanizing financial service*

### **1. INTRODUCTION**

The highly competitive financial banking system under the liberalization and deregulated environment has provided a stiff challenge among local banks especially with the entrance of foreign banks namely Islamic banks which have been given opportunities to expand their number of branches. Expansion by local banks in other countries within the ASEAN and other Asia market also shifted the financial market scenario. Globalization and the internet have also massively changed the way business is conducted by financial institutions i.e. banks via the web. Banks that have

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previously focused on the financial needs (traditional business) of customers are now looking at other options and strategies to cater to the customer ever evolving needs (Karjaluto, 2002). The internet has revolutionized the paradigm to the market for consumer goods and services (Sto, Slettermeasand Jacobsen, 2004). The changing business environment also paved way for fundamental shifts with more banks aggressively pushing their products and services to customers. As a result of the high competitive operating environment, banks have seen the net margin interest erode. Moreover with the expansion of borderless transaction by the banking sector, customers were free to perform their transactions without actually going to the branches. Customers, who are more sophisticated in this kind of environment, normally are skewed to banks which are aggressive in acquiring customers even if there were offering differentiated products and services. One of the challenges faced by many organizations is building and maintaining customer satisfaction especially in the service sectors

In order to provide a holistic customer experience, Industrial Bank in 2010 consolidated its subsidiaries under a single umbrella called Industrial Bank. It also realigned the Group's operations into three business pillars under a new structure called the 'House of Industrial Bank', i.e. Community Financial focusing on retail financial services to SME and Consumer portfolio, Global Wholesale banking, serving the corporate, commercial and non-retail banking and insurance and Takaful (President and CEO's speech Industrial Bank Annual Report 2010).

## **2. THE NEW HOUSE OF INDUSTRIAL BANK**

This new structure was incorporated to spearhead greater cross border cooperation and strategize cross selling of products and services. The shared aspiration for the transformation journey adopted by Industrial Bank for the entire organization to move forward as one is reflected in their transformation program tagline "Our Industrial Bank, our Prospect".

However, this new structure, had its fair share of set-backs as the workforce were from diverse educational backgrounds, geographical locations, vision, mission and different work cultures. The aspiration to drive the shared transformation journey had to be carefully implemented as the consolidated Group was made up of subsidiaries that had been operating as single entities for a long period. Even Industrial Bank's culture as the parent bank which has operated for more than 48 years had undergone a transformation due to mergers and acquisition.

After 50 years of being the leading local bank in Malaysia, Industrial Bank's customers who were selected in the External Customer Engagement Survey (ECES) conducted by Towers Watson in 2008 had indicated that Industrial Bank's service was ranked as the 17<sup>th</sup> out of 18 banks. Management realized it was crucial to win back its customers vote and embarked on a transformation journey to regain Industrial Bank strength as the leading service provider. The new CEO took a bold stand to embark

on the transformation journey for Industrial Bank by humanizing financial services. The humanizing of financial services in Industrial Bank can be analyzed based on the transformation journey of ‘Lead, Execute, Attain, Progress’ (LEAP 30), the rebranding exercise, the clear vision and mission statement enforced across all Industrial Bank and the change in the service culture of the sales force and employees.

### **3. PROFILE OF THE COMPANY**

Industrial Bank commenced operations almost 50 years back. It is the premier bank in Malaysia that has maintained its leadership role for over five decades (Annual Report 2012) The objective of Industrial Bank at the time of incorporation was to support the development of the independent Malaya by financing the economy growth and providing modern banking facilities to its customers. Over the decades, its banking facilities as well as product and sales offering have expanded tremendously both to support local as well as Malaysian venturing abroad for trade and investment. It has achieved many first in the Malaysian banking scenario, being one of the major Malaysian brands and one of the leading banking groups in the region. It has the largest market capitalization of USD 22 billion on Bursa Malaysia with total assets of USD 135 billion and a net profit of USD15 billion (Industrial Bank Annual Report, 2012).

Industrial Bank has branches in Malaysia, Singapore and other financial centers in London, New York, Hong Kong and Bahrain. Its major operating subsidiaries are Industrial and Commercial Investment Bank Berhad, Industrial and Commercial Bank Islamic Berhad and Industrial and Commercial Insurance Berhad while also having associate companies in Pakistan and in Vietnam – (Industrial Bank Annual Report, 2012).

In 2008, there was a change in leadership at Industrial Bank and this brought changes to the organization. The new leader brought along changes in the vision and aspiration of the group to reaffirm its position as Malaysian undisputed leader and to move from being a country player in beyond Malaysia as the country’s regional financial service leader by 2015. A transformation journey LEAP 30 (Lead, Execute, Attain, Progress) was crafted to change the business model and this was implemented in two horizons i.e.

- 1. Wave 1 (2009-2010)** – to create momentum which targeted in delivering higher Profit Before Tax, building project execution and centralized transformation team, as key drivers for 30 initiatives cutting across all areas The first wave covers consumer, enterprise, investment and Islamic banking, insurance, international business, operations and human capital development.
- 2. Wave 2 (2010-2015)** – Sector driven initiatives which are framed and owned by the organization. The sectors were entrusted as the key change drivers and this initiative are supported by the transformation team.

The transformation journey brought about changes in the working culture and business model of the organization. During this period of transformation, Industrial Bank also successfully brought to completion the regional acquisition in Indonesia, Vietnam and Pakistan (Industrial Bank Annual Report, 2010).

Industrial Bank's mission is to humanize financial services across Asia. Its commitment pledge is to provide financial services to people at fair terms and pricing as well as being the heart of the community (Industrial Bank Annual Report, 2010). This journey of achieving its vision and mission is aligned with its founding objective of enriching the lives of stockholders and channels economic progress and growth of the communities it serves.

Industrial Bank's vision and mission statement are strongly supported by the redefined core values stands for CSPEC :

- **Collective Consciousness** – Work together as a team based on mutual respect and dignity.
- **Strong Integrity** – Honest, professional and ethical in all our dealings.
- **Passionate on Development** – Passionate about constant improvement and innovation.
- **Excellence and Efficiency** – Committed to delivering outstanding performance and superior service
- **Customer Relationship Building** – Continuously build long-term and mutually beneficial partnerships

The CSPEC value acts as a beacon to guide Industrial Bank employees on how doing their business as well as deal with stakeholders by creating greater cohesiveness, a strong sense of belonging and pride in the organization and is reflected in the way employee contributes to the community. In reinforcing its commitment and promise to employees, Industrial Bank evaluates its workplace practices to be aligned with these values. The voices of the employees are obtained via annual Employee Engagement Survey (Industrial Bank Annual Report, 2009).

Today, Industrial Bank offers an array of financial services including commercial banking, stock broking, insurance and Takaful, trustee services, asset management, offshore banking as well as Islamic banking. It has established a network of over 2,200 offices in 20 countries worldwide, with 47,000 employees serve its 22 million customers (Industrial Bank Annual Report, 2012).

Industrial Bank recorded earnings with profit after tax of RM5.74 billion and minority interest, a growth of 17.6% from net fund based income and fee based income supported by improved cost efficiency while the international PBT grew by 30.2%. Industrial Bank Malaysia, Singapore and Indonesia were the highest contributor of 91.2% of the total group PBT which were highly driven by the economic fundamental and domestic growth including consumer spending and infrastructure investment (Industrial Bank Annual Report, 2012).

#### **4. LITERATURE REVIEW**

Change process goals generally are both internally and externally oriented. Internally oriented goals focus on improving efficiency, saving costs and business process redesign while externally oriented changes are focused on improving customer orientation, competitive position or addressing new legislations.

To date, there are literatures highlighting an organization that had undergone changes. Many organizational change programs were perceived as being successful at the initial stage but the long-term success has been elusive (Nadine and Persaud, 2003). The findings also indicate only one third of total quality management and engineering programs met their planned goals (Carr, 1996; Porras and Robertson, 1992). According to Kotter and Cohen (2002), the reason for failure in change efforts is due to lack of urgency while Block (2001) perceives it as contracting against the right issues. It is important to ensure that the implementation of change has been strategically assessed and planned for a favorable outcome.

Past studies have interestingly indicated that the outcome or results of change processes often differ from that planned. An overlap of projects that have been carried out simultaneously can dilute the focus of the employees in the organization, hence causing the outcome to be different from the one planned. Employee engagement is often listed as the core for a successful implementation and change management initiatives. Schmidst & Jackson (2005) stressed the importance of communication in organizational change as it is where engagement, ownership and empowerment are built. Leaders should be able to communicate and navigate the opposition faced with balancing the short and long term focus while striving to increase productivity and lowering cost. They have to be consistent to secure individual engagement by holding on to the company's vision and balancing the needs of employees, stakeholders and customers for successful organizational change.

This finding is also supported Price and Chahal (2005) who in their six-step process, list communication and workforce engagement as important. Guy & Beauman (2005) indicated that effective change management initiative is sustainable if the organization is able to identify resistance, inefficiency, have knowledge on best approaches to alleviate the issue, set clear steps for the change process, facilitate the process required, build and maintain relationship with the employee that are impacted by the change initiative. They further stated that the leaders' ability to communicate effectively and to clarify change directions would enable them to build trust and achieve collaboration from the employees. Jimmieson, et.al., (2004) also in their longitudinal study of change related information and change related self efficacy in organizational change, found the importance of communication in bringing positive change from employees. Saks (2006) commented that communication is the paramount for employee involvement in change management.

There is limited empirical evidence that provides a holistic view on the implements strategies and more often than not it focuses on the top down approach (Lewis & Seibold, 1998). In addition, the frameworks used by many experts in the field of organizational change to analyze and explain why change in organizations is so complicated usually focus on a single explanation or perspective and neglect or ignore other aspect of the change. Many research findings look at organizational change from the macro (organizational) change rather than the effect on the individual change i.e. strategic adoption of the environment and processes and procedures used to implement the changes. In actual fact, the key element of change depends very much on the attitude and the behavior of the individual affected by the change (Herold, Fedor and Caldwell, 2002).

Chawla and Kelloway (2004) conducted a study of 164 employees to determine the variables that predicted an individual's commitment to an organizational change. Their results highlight that job security and clear communication were direct or indirect predictors of trust and openness. This finding was consistent with the findings by Guy and Beaman (2005) on effective change management and the importance of employee engagement. Based on the human resource perspective, there are many factors that affect the relationship between members, the role they play in the change process, their position in the organization and the change strategy implemented. Werkman, Boonstra, & Kloot (2004), commented that the theoretical explanations on the failure to change from one or more perspectives of organizational characters or people is insufficient to explain organizational change. The characteristic of change management is coherent to the total internal and external factors that influence it.

Change management in an organization is normally initiated by management in the higher hierarchy i.e. CEO, top management or members of the board. Based on their decision, the change management process is implemented with the aspiration to obtain the predictable outcome. However, organization members at the lower hierarchy i.e. employees are not given clear expectations on what and how is the expected change required. Not knowing the change expected from them, they would most likely choose to flow with the tide of change or resist these changes. There is a tendency for people not wanting to change unless they have a clear direction on what is there for them. In order to change a culture, structure or process can produce negative results if it is not planned and managed well. Goodman & Rousseau (2004) believe that a successful organizational change can occur when there is a multilevel motivation system, problem solving mechanism and a mechanism to ensure coordination of the change effort horizontally as well as vertically.

Most of the contemporary findings suggest a discrepancy between members of higher management's espoused theories, the actions they claim to be taking, and their theories in use, or their real actions (Argyris and Schön, 1996). Besides, change apparently does not (fully) lie in senior management control, organization members

do not passively accept changes but change processes are characterized by multiple meanings (Balogun and Johnson, 2004), and these multiple meanings are influenced by the chosen change approach. Change approach, as well as what change leads to influences organization members’ daily work, especially in political and skeptical organizations, and therefore influences organization’s members’ attitude toward the change (Lau and Woodman, 1995).

Elizur and Guttman (1976) commented that attitude towards change consist of a person’s cognitions about change, affective reactions to change and behavioral tendency towards change. Pederit (2000) supported this by stating that the employee’s response to an organizational change can range from strong positive attitude to strong negative attitude i.e. change can be received with excitement or fear and anger. Positive attitude was found to be important for an organizational goal in succeeding in a change program (Eby *et al.*, 2000; Martin, 1998; Kotter, 1996; Gilmore and Barnett, 1992 as cited in in Vakola and Nikolaou, 2005). According to Beer and Nohria (2000), 70% of change initiatives fail.

Social support and employee adjustment from literature review indicate that supportive workplace was correlated to employees effort to cope with stress in organizational change. Individuals with high levels of support experience better social and mental health during stressful life events (Cartwright and Cooper, 2002). Supportive and positive work relationship assists individuals to cope with organizational change. Relevant training and updated information further reduce the anxiety or fear to organizational change.

Orientation to the limitations, platforms, difficulties encountered by most researchers described above, the change management process designed has to incorporate different stakeholder perspectives and interest in the organization.

## 5. METHODOLOGY

A case study research was used as it provides a clear understanding of an issue and this is relevant to add in-depth strength to the findings of previous research. It focuses on a limited number of variables and events and conditions and their relationship while providing a better understanding of complex issues. The quantitative approach using secondary data was used to identify the cause and effect relationship of the transformation and the characteristics of the internal (employees) and external customers affected by the transformation exercise of Industrial Bank via the *Employee Engagement Survey (EES)*, *Internal Customer Engagement Survey (ICES)* and *External Customer Engagement Survey (ECES)* conducted by a 3<sup>rd</sup> party vendor Towers Watson/Towers Perrin from 2006 till 2012.

The EES and ICES surveys were sent to the employees via email while the ECES engagement survey was conducted via telephone calls. The target sample size varied over the years as more respondents were invited to participate due to the expansion and globalization of Industrial Bank. The survey was conducted on a yearly basis.

From an objective point of view, any change process (e.g. transformation, merger, acquisition) must create synergy impact that creates shareholders wealth. In theory, under perfect competition market, the success or failure to create synergy can be measured using selective financial indicators such as the share price, revenue earning per share, profit, interest costs, paid-up capital, borrowing, Return on Equity (ROE), and Return On Sales (ROS-%).

The trend of change would be examined from 2006 to 2012, from the pre implementation of the transformation journey of Industrial Bank which was gathered over a period of 6 years. We are also able to compare different entity i.e. internal and external customers undergoing changes due to different forces of change and determine whether both entities were experiencing the same trend or pattern over time.

## **6. SAMPLE SIZE**

### **Employees Engagement Survey (EES)**

All employees from the Industrial Bank Group were required to answer the survey questionnaires which were sent to them via email by Tower Watson/Tower Perrins.

### **Internal Customer Engagement Satisfaction (ICES)**

Random selected respondents from the various department were required to rate their peers from other department. The questionnaires were similar for all departments except the Department's name was incorporated in the questionnaires. The selected respondents received their survey questionnaires via email. The minimum sample size for each department was 40 respondents and they were given a month to respond.

### **External Customer Engagement Survey (ECES)**

The survey was conducted via telephone calls and the sample of questionnaires. The customers were selected on a simple random sampling basis based on their base branch. The numbers of customers selected were increased on a yearly basis based on the increase in customer portfolio and the subsidiaries of Industrial Bank. 2010 onwards customers were also selected from Auto finance, Investment and insurance who were part of the Industrial Bank Group. Each interview over the phone took approximately 30 Minutes. The finding from the survey was obtained from Industrial Bank Annual Report.

## **7. FORMULATE THE PROBLEM**

In 2008, Industrial Bank when through a few changes in its landscape with the changing of the Chief Executive Officer (CEO) and 3 major acquisitions in South East



Asian region (Indonesia, Pakistan and Vietnam) and had to undergo a fund raising exercise to complete the acquisition of the 3 banks. The operating environment also encountered a global slowdown mix as robust domestic demand moderated due to weakening exports, domestic uncertainties and higher fuel and commodity prices. Industrial Bank's business trajectory growth remained constant at 12% per annum since 2003 in terms of asset and profit after tax leveraging on its vast network throughout the country. However, during this period fundamental shift in the banking industry with mergers and acquisitions, banks have become more aggressive in pushing products and services. Customers on the other hand have become more sophisticated and affluent in their choice of product and services due to the expansion of internet banking and would rather go for banks who are aggressive in marketing their products no matter how differentiated their products and services may be. Hence, Industrial Bank cannot lie on its laurel but needed to embark on a holistic performance improvement by realigning operations, processes and talent management.

The new CEO formed a transformation team to revisit the business strategies and realign the 30 identified initiatives to significantly improve revenue growth of selected customer segment and enhance capital cost efficiency of the Group. The 30 initiatives rolled out was monitored and tracked consistently to ensure continuous innovation and change in the current practice. The launch of the transformation program saw emphasis on human development and strengthening of a performance culture. Top priority was employed on the talent pool and customer centricity in all areas of customer service. Priority was also given to Technology enhancement to improve efficiency in the turnaround time at the branches and improve sales, i.e. adoption of CRM capabilities of Consumer Financial Services.

Moreover with the merger and acquisition, there was a combination of work culture brought in by the employees from other banks into an Industrial Bank. There was a great internal challenge to get the whole team to realign their work culture, work processes and brand positioning to Industrial Bank and adopt a workforce culture across the whole Industrial Bank Group. The Employee Engagement Survey (EES) which was used by Industrial Bank to gauge the employee engagement level in areas such as leadership, and managerial effectiveness, culture and values, career planning, workplace, communication, rewards and recognition, performance management, customer Centricity and other work related issues with the bank was only at 76% in 2006 and dropped to 72% (Industrial Bank Annual Report 2008). The major focus then was to integrate via internal branding campaign "Our Industrial Bank Our Prospect" to align the mindset, culture and team spirit among the different organization to act as one.

## **8. STATEMENT OF THE PROBLEM**

The change of leadership at Industrial Bank saw the previous Transactional leader replaced by a Transformational leader who pursued many changes in the

organization. Upon helming the leadership in Industrial Bank, the new leader implemented many strategic initiatives to accelerate the growth and performance culture of its diverse workforce who were made of of existing Industrial Bankers, merge employee as well as employees from the subsidiaries. The CEO was dedicated to building a stronger society through continuous improvement in the human resource policy. Three cluster teams have been established to review and analyze customer service gaps and recommend solutions. People cluster team looked at hiring and training front liners, product cluster teams would review product offering and conduct focus group to gauge customers feedback and the process team would look at the shortest lead time to develop and launch the product. A Customer Feedback department was set up to handle customer complaints and ensure faster response time to customers.

Compensation policies were constantly evaluated to ensure that they are competitive in the market and fair to retain the employees and also talent management has been incorporated to retain top talent pools in the bank. However, with these initiatives mooted, the results from the EES, ECES and ICES did not show much improvement at the early stages. The ECES score was 29% in 2008 and went up to 34% in 2010 while the EES scored went down 76% in 2006 to 72% in 2008 (Industrial Bank Annual Report, 2008). The low results at the initial stage of implementation made the management further revisit the reason for the low perception of the internal and external customers and launch further initiatives to change the customer's perception. Among the reason for the low rating from the external customer in the ECES scores were the lack of product knowledge among the employees, no product differentiation and the high turnaround time for problem resolution. The ICES scores increased only marginally because the internal customers were unhappy with the system or IT solutions and the knowledge of the supporting departments. The EES scores highlighted the need for better efficiency and excellence and relationship building among the internal employees.

## **9. FINDINGS**

The ECES results grew only marginally from 2008 to 2012. The ECES results below indicated that although there were many initiatives launched by Industrial Bank to serve the customers by providing them innovative product and services, the customers were still not fully satisfied with the progress made by the bank and still expected more changes. Based on the feedbacks obtained from the survey, the customers realized there were changes the bank was implementing to better serve the customers. However, the backbone for the success of the change management the employee was not fully equipped with product knowledge to address the customer concern. The employee changes were not parallel to the changes being made in the organization.

Among the feedback obtained from the ECES, most of the customers mentioned that the employees were courteous when greeting the customers but they were

unable to advise the customers on the different products or resolve customer issues. Most of the sales force were only well versed in their own product domain but did not have much knowledge of other areas. The response time for the branches on customers' queries and the feedback obtained from the branches was very slow. Branches escalated the customer queries to Head Office and the support obtained from the other department at Head Office Level were also slow thus affecting their response time to their customers. This is aligned with the finding of the ICES where inter/intra department stated that the response from supporting department was slow as only some people knew about the specific product. Knowledge management is a key factor that needs to be addressed.

#### **10. RESULTS ON EES SCORING 2006-2012**

Knowledge management is important for organization undergoing change as it provides explicit systematic management of intellectual capital and organizational knowledge which can be shared and distributed to all relevant parties with the intention of improving the organization and the people in them. An organization can store data and information in a central or electronic environment to be referred as a knowledge base organization normally uses the knowledge base to turn tacit knowledge to explicit knowledge (Groff & Jones, 2003). Only then will humanizing financial service delight the customers as all employees have knowledge which can be shared with the customers.

There is a dip in the results for the EES survey in 2008 during the transformation period. Employees were not engaged with the organization due to the different working culture. However, with the realignment of the vision and core values, employees started getting engaged in the organization. Ability to manage employee's expectation and clear direction cascaded, manage to manifest better results from 2009 onwards.

Customer Relationship Management (CRM) capabilities were extended to the branches in Industrial Bank in 2008 to improve the profitability of the customers via excellent and efficient customer service. However, the acceptance rate among employee was low and only 10% of the leads were acted upon. This low acceptance was due to the characteristic of the people in the various departments including the branches that did not have the necessary skill or were reluctant to embrace the new way of doing business. The findings of the ICES indicate that the departments were not satisfied with the use of technology to improve efficiency and effectiveness.

Peppard and Ward (1999) in their study on 3 organizations clearly identified that there was a disconnection between the various business units and IT. Business units must be provided relevant training on the system so they can understand the need to adapt to the new system. However, this transformation journey saw improvement in the performance of the bank.

## **11. DISCUSSION**

The major problem faced by Industrial Bank was the adaptability of the employees for the change that had been made to the organization. Most of the strategies implemented were fast moving and headed by the transformation team. There was a very little buy-in from the employees who were already facing challenges due to the economic turmoil, change in work culture and the change in leadership style. Change that is going to be implemented needs to be understood and managed in a way that people can adapt to it. Clear understanding of why change needs to be carried out must be understood by the people affected by the change and involvement of the people at the early stages is crucial. Face-to-face communication or email communication with the updates needs to be carried out regularly. Line managers can also be roped in to clarify the changes to the affected parties. Responsibility to manage change lies in the management and the need to facilitate and enable change by assisting the employee understand the aim, reasons and ways to react to the change. It is important for the new CEO to cascade the reason for the decision to make changes and the new changes that are implemented needs to be consistently communicated to the stakeholders.

The Management should increase the communication process with the changes being incorporated to the branches and provide the flexibility for an open communication between people of all levels. Clear communication of the changes and proper cascading through the multi channels and EXCO engagement with the employees can assist them to understand the reason for the change and what is in store for them. Regional roadshow and EXCO engagement should be conducted by the employees so they have a clear direction on what is in store for them. A supportive workplace would be important to assist employees to cope with the stress of organizational change. Cross functional integration between individuals, business process and information from two or more departments that have separate functional areas are brought together to complete a task. Cross functional integrations benefits employees at the individual level as they will embrace and commit to the organizational change when their job entails multitasking and is cross functional as it breaks down barrier between departments and boost employee commitment during change initiatives.

Changes in the existing business model with new procedures and technologies can be minimized by applying effective training to strengthen employees' commitment to change. Training helps the individual identify his role throughout the implementation and sets the scene on how to achieve the organizational goal with other colleagues. Training assists employees overcome knowledge assimilation and become more committed to change. Relevant training on the system and product knowledge needs to be provided to the sales people before implementing the changes. Employees need to feel they have sufficient knowledge and are well trained during the change process so they can reduce their fear and anxiety and resistance to

change. Any changes made to organization which has been in operation for more than 50 years needs to be transformed gradually. It is quite difficult to expect the employees to change overnight with their modus operandi. Systematic and well planned execution which can be done in small phases, reduces the anxiety and resistance by the employees. The deployment plan which is carried out in phases (pilot phases) also allows flexibility to address gaps encountered by employees and process. Success stories from these phases can be shared with the various stakeholders to get their buy-in on how the implementation at their entities can bring better results.

The more employees identify with their organization, the better their willingness to accept organizational change. The organization's commitment to build good working relationship is very important. Handling conflicts, building supportive working relationship and effective communication can contribute to the formulation of positive attitude to change and the success of the change program. Changes on the workload need to be planned carefully in order to create a well-structured work environment and a well-structured work schedule.

Proper and regular communication ensures all stakeholders are aligned under the vision, the progress and the consequences of the intended change. Managers and employees must effectively institutionalize and embed changes. New policies and innovations must be incorporated into their daily routines. The employee must learn to routinize the behavior in a short term while leaders must institutionalize them over the long haul by modifying formal structures, procedures so that new patterns of behavior displace the old ones.

Findings from surveys clearly indicate the reason for the failure of the change process. Management needs to be open to hearing the obstacles, feedback and gaps on the findings of the survey and draw up action plans to address the gaps. Empowerment of teams to look at the area of concern and find solutions to address the gaps would assist the employees to know that their feedback is appreciated and the management is really concerned about their well-being.

The Management team that champions the cause for change must provide support and commitment to the change plan. The change plan should be pushed through by maintaining consistent momentum and provide enough resources and emotional support to his employees. Bottom up participatory must also be encouraged by delegating decision making to middle management and granting front liners greater discretion to implement changes. Rewarding employee for the suggestion or innovation that can assist to accelerate the change as a sign that their voice is heard. A combination of top level participation and low level participation can bring about successful implementation of change i.e. ideas and feedback from all levels can be obtained during and after implementation of a new products and services.

Sufficient resources for change must be provided. In order to carry our change successfully, some resources may be required to handle a host of activities including

the development of new processes or strategy for implementation, incorporating relevant training to employees, reorganizing the various processes and addressing administrative issues. Failure to address the resource issues can see the implementation process stalled and may even hinder the success of the organizational change.

## 12. RECOMMENDATION

It would be a good idea to reframe Kotter's 8 stages of change management in the Industrial Bank environment as the interest of various stakeholders are taken into consideration. According to Kotter (2002), the results of the success or failure of change management in an organization can be observed in the first 5 years (earliest wins).

The 8 Kotter stage (Kotter & Cohen, 2002) that should be established for a change management to be successful are :

- **Increase urgency:** The CEO should be transparent and communicate the reason that the organization needs to change. Many challenges and the direction the bank is implementing should be communicated internally and line managers must be held responsible to cascade these changes that need to be done to their subordinates. The employees need to understand the challenges of the market place and fierce competition that could affect their performance. By getting the various stakeholders (internal as well as external) to support this transformation journey, it can drive the urgency to embrace the desired transformation.
- **Build the guiding team:** The CEO needs the support of the Management team and influential people in the organization including union leaders both of the officers as well as the clerical to form a team to create the right momentum and urgency to drive the change. The team members should also be selected from the various departments and different level of hierarchy when organizing change.
- **Get the vision right:** Build the vision that is to be achieved at the end and communicate this vision and the direction to achieve it with the employees on a regular basis either through action or communications. The strategy to drive your organization needs to be crafted in alignment to the targeted end result. Industrial Bank had realigned its vision with its globalization and regionalization plan.
- **Communicate for buy-in:** Ensure regular communication on the vision and reinforce at all chances available. The leader needs to walk the talk in his actions and demonstrate that he means what he implemented and address the concerns raised by his people. Taking time to address the concern of the employee through engagement session and morning huddles, build a trust relationship with the organization.

- **Empower others to act on the vision:** The structure for change needs to be designed and implemented with careful monitoring on concerns or gaps. Addressing the gaps immediately and give empowerment to employee to achieve the vision by providing constructive feedback and support. Successful implementation and success needs to be shared with the employees so they know that the vision can be achieved.
- **Create short term wins:** Create short term targets as well as long term target and share the "wins". The short term target should be easy to achieve as a motivation and to get buy-in from employees to strive for bigger long term targets. This will also reduce critiques.
- **Consolidate Improvement and produce more changes:** Even when there are small wins, the organization still needs to pursue the end results and look for areas of improvement. Survey feedback should be looked at and the gaps identified needs to be addressed. The quick wins success provides avenue to ride on what when right and needs improvement while failure can show areas that need improvements. Pursue goals on the build up momentum and bring in fresh ideas and leaders to continuously improve.
- **Institutionalize approach in the corporate culture-** The CSPECvalue should made at the DNA of the organization to ensure continuous changes in every aspect of your organization Leaders play an important role in pursuing the change momentum and this must be cascaded to all employees whether they are new to the organization or existing employee. These values must also be embedded into new hiring and clear succession plans must be planned and executed via Talent Management.

### 13. IMPLEMENTATION

Based on the Kotter's 8 stage change management, it is important for the leaders to build the momentum among the employee to embrace the changes. The initiatives that need to be implemented to address the internal challenge are a series of management workshop, cascading sessions, leadership training and identification of Brand Champions at each level to align the mind-set, culture and team spirit to act as one. The people Transformation Program needs to be enhanced to strengthen the employee's capabilities, functional skill and ensure the talent management platform manages to serve to materialize the objectives. It is also necessary to identify talents and provide the right reward for an accelerated progress.

A Service Quality Department has formed to support the customer transformation initiatives and ensure best in class and consistent service to the customers. The initiatives to be implemented are:

1. **Project Harry Porter** – Product knowledge training for front liners at the branches on operational as well as knowledge of core products. Refresher

courses also need to be conducted periodically and conduct product knowledge quiz, product knowledge competition among zones and regions. Mystery shopping also can be conducted on a quarterly basis to ensure the product knowledge is at the fingertips of the branch.

2. **Improve problem resolution** – To improve the end-to-end problem as a differentiation and ensure there is ZERO tolerance for bad customer service. Service Quality needs to collaborate and synergies with branches, credit cards department, the Automated Teller Department and virtual banking ensure consistent delivery of quality assurance and monitor the Service Level Agreement performance bank wide.
3. Improve the Average Waiting Time at the Branches-Delight customers by providing customers with the shortest time of not more than 2 minutes for a single transaction and 5 minutes for multiple transactions.
4. Talent grooming- Develop talents within the organization by conducting Innovative ideas on a monthly basis. Employees who design new ideas to improve the customer service or new products that would be suitable to grab the market would be pitted on a monthly basis among each other and rewarded with the cash incentives.
5. Human Resource Department. Group Human Capital also needs to humanize management and put emphasis on the development of employees to ensure the sustainability of the transformation in the Group while fostering a value-based high performance culture. All employees need to be provided sufficient training to equip them for the transformation journey.

#### 14. CONCLUSION

Industrial Bank's transformation journey which is undergoing change must ensure that they do not fall into the pitfalls which can come post the transformation period. The management team also must ensure that there is transfer of skill between the employees for sustainability in the long run. The success of a change management transformation which runs on the Kotter's 8 stage model must maintain their sense of urgency and put employees or people as their main focus. The change can only be successful if the people on board and new comers are aligned to the corporate vision.

Leader who drives the transformation must also be people oriented. They must take the time to obtain feedback and handle the resistance that may come with the implementation of changes. A good leader would be able to actively involve the employees all through the change process to garner their support especially those that are impacted by the change. The leader has to manage the change by taking control, motivating and inspiring and establishing direction and aligning people. He has to have the ability to form and create a team of leaders to assist to inspire other employees to get involved in the transformation at all levels. It is good to set inspiring



goals to motivate an organic change within the organization. Key players who are motivated by these inspiring goals can act as a catalyst for change. These goals should include long and short term goals. Achieving short term goals can inspire towards achieving goals and the goals must be kept simple and built as part of the new DNA of the organization.

Good and frequent communication is crucial. The communication must be a two way interaction. The leader must be willing to listen and respond to feedback from the down liners as well as give good directions to them. This will assist the organization to discover things that need to be changed and the resistance brewing from the down liners. Successful direction between top down and bottom up involvement will enhance the opportunity to succeed. A good leader does not rely on a group of people or consultant to bring changes to the organization.

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