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A Study of the Change Management and Challenges in a Bank

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Abstract

The dilemma faced by many businesses today is managing strategic change initiatives efficiently and effectively. Arguably, managing changes simultaneously poses great challenges to organisational success in terms of the desired change. The purpose of this paper is to discuss the driving and resisting forces that occurred during a transitional programme in a Malaysian bank. Issues in the implementation process include change initiatives and the challenges that were faced. Qualitative data indicated that while the implementation process and efforts were genuine, they were fraught with various technical and HR problems, and it was found that change efforts lacked integration and attention to human issues. Change efforts mainly focused on business and cost driven initiatives. This observation suggests that organisational leaders should give careful attention to how each activity can be designed and well integrated when planning and implementing organisational change. The paper discusses the implications of these finding on HR policies and practices in financial institutions.

Introduction

Change is inevitable and ubiquitous in a rapidly expanding world. These landscapes of many external forces make it most difficult for organisational survival and prosperity. Indeed, the major dilemma faced by businesses today is managing strategic change initiatives efficiently and effectively (Graetz, Rimmer, Lawrence & Smith 2002). And according to Ulrich (1997), a primary difference between organisations that succeed and those that fail is the ability to respond to the pace of change. In other words, organisations need to monitor and scan their external environments, anticipate, and adapt timely to continual change (Marquardt 1996). A salient contention by Pettigrew, Woodman and Cameron (2001), is the relative lateness of anticipation and adaptation ability of firms, and their inability to recognise the change in bases of competition that may have changed in their business environment can be a key attribute explaining a loss of competitive performance.

In addition to the inability to recognise change, it is no longer sufficient to adjust one change to compensate another. Arguably, organisations will have to handle all the challenges of change simultaneously (Brown & Harvey 2006). These challenges of changes, at the organisational level, have elevated the importance of managing change and in particular, the managing of employees' change experiences. This is because massive change has an impact on all facets of organisational members as it can create new dimensions of greater uncertainty (Brown & Harvey 2006). Hence, it is very important to ensure good coordination, strong leadership, and clear communication while managing various changes simultaneously.

There are three major trends that shape change. Specifically, the three trends are (a) the heightened competition brought about by globalisation, (b) information technology, and (c) managerial innovation. Globalisation is changing the economy and markets in which organisations operate. And there has been an increase in the e-business sector that is changing how work is distributed and performed with the use of information and communication technology (ICT). Moreover, managerial innovation becomes more important as a form of response to both competition and information technology trends (Brown & Harvey 2006).

A significant example of how the reshaping of managerial values, work practices and business notions onset with less domestic restrictions and trade barriers to embrace international competition is afforded by the accession of Malaysia as a member of the World Trade Organisation in the 1990s. The exposure to the competitive edge of foreign organisations compelled Malaysian domestic organisations to evolve a new corporate strategy in response to changes in the cross national managerial work related values (Baron & Besanko 2001).

Many articles and books have been written about how change management can be approached. Nevertheless, the field of organisational change is far from mature in understanding the dynamics and effects of time, process, discontinuity, and context (Pettigrew, et al. 2001). Moreover, little is written about implementation process and issues in highly regulated contexts such as the banking context (Nightingale & Poll 2000, Baron & Besanko 2001). Technical change in service industries is an underrepresented area, despite its importance in employment and innovation (Nightingale & Poll 2000). Further, empirical studies seeking to link change to organisational performance are rare (Pettigrew, et al. 2001). Partly, the rarity is due to the difficulty in producing convincing evidence. This study contributes to change management by reinforcing existing literature that stress the significant human factor in change management.

This study set out to study and analyse the change management and implementation process of a bank in Malaysia (hereinafter referred as Bank A) using the qualitative method. The paper focuses on driving forces that prompted Bank A to change its corporate strategy, which in the late 1990s underwent major changes in its business approach. The Bank A corporate strategy shifted to a customer focused strategy with the transition to a more efficient technological system and business arrangements that underpinned a regime of competitive products and services.

A primary aim of this study was to contribute to an understanding of organisational change and the effect of human factors on a change management programme in the context of the banking industry. Firstly, the existing literature on organisational change is reviewed. Next, using a combination of frameworks for analysing change processes, this paper discusses the driving forces that created the pressures on Bank A to embrace a programme of change. The implementation and change efforts will be highlighted, and this is followed by an investigation into the challenges and resisting forces to change that were faced by Bank A in the implementation process. The findings are discussed with implications for Human Resource (HR) policies and practices in financial institutions.

Literature Review

The earliest effort to understand the process of change comes from the work of Kurt Lewin (1947). In the course of his research, Lewin (1947) made two observations. First, change initiatives encountered strong resistance, even when there was general agreement on the goals of the initiatives. Second, even initiatives that appeared to overcome resistance and were successfully implemented were often short lived, with the system returning to its previous state in a matter of months (Ancona, Kochan, Scully, Van Maanen & Westney 2005).

These observations led Lewin (1947) to see organisations as highly resistant to change due to the human nature of organisations (such as behaviour, habits, group norms) and because of organisational inertia. Using the thermodynamic metaphor of unfreezing-change-refreezing matter, Lewin perceived the change process as a series of discrete episodes. The inertia for transition to a different state is created by a force field, which assumes the organisation is always in the state of quasi equilibrium. The force field consists of forces that exert pressures for change (i.e. internal environment such as social structures and processes including interest groups, communication networks, and the external environment), and other forces that create counterbalancing forces for stability (resisting forces). According to Lewin (1947), successful organisational change must first disrupt the equilibrium process (unfreezing) before the change initiatives begin, and then create a new equilibrium state that maintains the new condition (refreezing).

Lewin's (1947) research also revealed that unfreezing is more successful if it is directed to reducing the forces that block change (resisting forces), rather than increasing the forces for change. In other words, increasing pressures for change often generate countervailing resistance, at both the individual and organisational levels, and this increases the level of anxiety and tension in the organisation. Removing or mitigating resisting forces can often be more effective in unfreezing an organisation and opening the way for change initiatives. Understandably, research into change implementation process primarily draws from early work of Lewin's (1947) change model. Indeed, researchers such as Judson (1991), Kotter (1995), Galpin (1996), and Armenakis, Harris and Feild (1999) have described various models of change building on Lewin's (1947) change model.

As scholars differ in their beliefs about the concept of change a number of different streams have arisen. For example, Tichy and Devanna (1986, 1990) identified the three distinct stages in the sequencing of organisational change by using the metaphor of the theatre to focus attention on the role of the change leader. The evolving role of the transformational leader is explained in three acts.

- Act I: Recognising the need for revitalisation (creating a felt need for change, overcoming political and cultural resistance to change),
- Act II: Creating a new vision (diagnosing the problem, creating a motivating vision, mobilising

commitment), and
- Act III: Institutionalising change.

Another change model is the evolutionary model of variation-selection-retention (Hannan & Freeman 1989, Aldrich 1999). Change is approached using an evolutionary biology model. Organisations are perceived to have frequent variations that are usually local and short lived unless selected for investigation. Hence, efforts to solve problems generate innovations with selective or limited spread because the selection regime signals out the various variations as shaped by systemic forces such as the general component of the external environment (i.e. economic, social, technological). Occasionally, a local innovation is retained after successful selection and testing elsewhere in the organisation. The evolutionary approach highlights the need for organisations to develop a capability for increasing the level of local initiative in problem solving and experimentation (increasing variations). It is also to develop systems for identifying and disseminating the most successful initiatives (modifying the selection regime away from selecting) for stability toward selecting for innovation (Ancona, et al. 2005).

Increasing levels of global competition as well as fervent changes in business environments have heightened organisational revitalisation. One institutional practice that has been adopted to improve competitive advantage is organisational learning. Peter Senge (1992) introduces the concept of the learning organisation that translates the abstract models of evolutionary perspective into more specific organisational terms. In contrast to Lewin's (1947) planned change model, the learning organisation approach is a change process aimed at assisting the development and use of knowledge to build capacity for continuous change and learning. This strategy is a form of collective learning that is necessary for sustainable change. The learning organisation approach advocates 'starting small' with a small pilot team whose members share a recognition that a particular problem cannot be fixed easily because it is symptomatic of deeper issues. Senge and his colleagues (1999) organise formal change in three stages: initiating the change effort, sustaining it, and redesigning and rethinking the larger system so that the learning from the pilot project is diffused to the rest of the organisation. These social scientists assert that there should be continuous renewal efforts in a change strategy

Change strategies have always proved to be a challenge for management. To ascertain success of any change strategies, the management team must be open and alert to all forms of resistance as well as development, supported by an indepth understanding of the culture and operational processes of an organisation. Given that strategic change does not move in a logical sequence of event (Pettigrew & Whipp 1991), management will frequently face ambiguity, as they explore the amalgam of economic, personal and political imperatives.

Table 1 shows the major similarities across different researchers in the stages of organisational change efforts. Most of the researchers advocate that there are mainly three identifiable stages on change models. Lewin's (1947) model shares close similarities with that of Tichy and Devanna (1986) in which the first stage represents a stage in which people or the organisation encounter forces that inform the need for change. The second stage is a transition period, while the third and last stage is the refreezing stage. However, the Tichy and Devanna (1986) change model primarily focuses on the role of individual leader and transformational leadership. Aldrich's (1999) model is consistent with Lewin's (1947) in the second and third stage of change model. Unlike Lewin's (1947) model of change, the Senge and colleagues (1999) three stage model starts with the second stage of Lewin's (1947) model and focuses primarily on the development and use of knowledge for continuous change and learning.

Table 1 Stage models of organisational change

Author	**Focus areas of change**	**Change models**		
Lewin (1947)	Process	Unfreezing	Change	Refreezing
Tichy and Devanna (1986)	Role of individual leader	Act I	Act II	Act III
	Transformational leadership	Awakening	Mobilising	Reinforcing
Aldrich (1999)	Role of systemic forces	Variation	Selection	Retention
Senge, et al. (1999)	Process	Initiating	Sustaining	Redesigning and rethinking
	Role of pilot teams			

According to Wiebe and Gordon-Biddle (2002) almost all of the varying approaches to organisational change have been developed along Lewin's basic, temporal logic of change process. The model of change by Lewin (1947) has been widely employed by a large number of researchers (Judson 1991, Kotter 1995, Galpin 1996, Armenakis, et al. 1999) to build and describe new models of change. Given the focus of the current study is a change management process that attempts to investigate the driving forces, implementation process and resistance to change, Lewin's (1947) model of change is deemed most appropriate. This model of change focuses on implementing change as a process, and it discusses a relative more complete process of change as compared to the other models reviewed in this study. Moreover, Lewin (1947) has developed force field analysis to complement his three step model of change, which has also been widely adopted by researchers. Given the similarities, different focus and shortcomings of various models of change, it was decided that Lewin's three stage model is a highly appropriate conceptual framework for research analysis in qualitative studies on change management.

METHODOLOGY

Site and Participants

Bank A is the site of the current study under a three year change exercise administered by an external consulting firm. Bank A, a locally owned bank in Malaysia has extensive market coverage and a strong local presence. The bank was driven by heightened competition as a consequence of globalisation, information technology and managerial innovation trends to pursue change. It has been operating in the Malaysian financial sector since the 1970s, and has a network of approximately 82 branches nationwide, with total assets of approximately RM26.23 million in 2007. The bank serves both retail and corporate customers and provides credit cards, personal loans, mortgages and deposit services (current, savings and fixed deposits) in retail banking whilst offering corporations, institutional clients and small, medium sized enterprises services in corporate banking.

The study of Bank A was based on the change management programme that was undertaken at headquarter and local banking outlets. Approximately 20 per cent of employees that were involved and affected in the change management were randomly selected as respondents in the three year period. These 200 respondents represented employees at the branch level, training sessions and the newly created centralised unit. The majority of the pool of respondents represented middle management employees (80 per cent). Specifically, they were from user acceptance test team, product users, project leaders, as well as trainers from branches and centralised unit. Some of them actively participated in technical and weekly review meetings. A total of 60 per cent of the respondents have worked in the bank between five and 15 years at the point of the study. A total of 30 per cent of the respondents have more than 15 years of tenure while the remaining 10 per cent of the respondents have less than five years of tenure.

Procedure

The primary sources of data comprised semi structured interviews, a feedback survey and observations. The source of data came from the interviews held with randomly selected lower and middle level employees of Bank A in technical and weekly review meetings. The data gathered through a feedback survey was also partly utilised for this study. Five external consultants who were directly engaged in the change management programme administered the interviews and feedback survey. Weekly observation by five external consultants was also considered in understanding and analysing the change programme in Bank A. The consultants were also engaged in the centralised unit and skill training at the operational level when requested to introduce ICT.

Measures

Semi structured interviews that were mainly designed for the assessment of Bank A's change programme, were employed to capture perceived operational changes of employees. The interviews start with general questions that then lead to more specific research issues (Zikmund 2000). The questionnaire is presented as Appendix 1. The interviews were designed to inquire about the motivation of Bank A underlying the change management programme, namely, the internal and external driving forces. Such inquiry at the initial and intermediary stages of change programme specifically, stages of testing and implementation of system, assisted the study to assess the understanding level among lower and middle managers of the need for the change in Bank A. Respondents were also asked to elaborate on the change management programme and implementation process in these stages. The bulk of the interviews then focused on the participants' perceptions of the challenges faced and resisting forces of change in the implementation process. Drawing respondents' interpretations of positive and negative outcomes that had resulted from the implementation was useful. Respondents' interpretations were then analysed together with observations from the external consultants.

Analysis

The data collected by interviews is rich and sufficient for force field analysis of the current study, particularly in discussing external and internal driving forces of the change programme. Force field analysis is a method for analysing qualitative data in the study of organisational change. This method organises information pertaining to change management into forces for change and forces for resisting change (Cummings & Worley 2005). It is derived from Lewin's (1947) three step model of change.

The results from the interviews were manually recorded. The verbatim expressions of the interviewed participants were analysed using content analytic procedures. This method attempts to summarise comments, issues or attitudes of respondents into meaningful categories or emerging themes (Cummings & Worley 2005). Information from the interviews was condensed and elucidated with relevant descriptive knowledge of the authors. In many cases the interviews helped illuminate, and clarify some of the recorded data and observations. Study data are presented in Table 2 to Table 5, inclusive in the results section to show the expected and actual outcomes. The context of the Tables is structured according to specific and interrelated issues highlighted by the respondents in relation to the change implementation programme. For confidentiality reasons it is not possible to offer direct quotations from respondents in this paper. The primary data were also supplemented by a range of documentation including financial reports, memos, minutes of meetings, internal reports, newsletters, and information circulation to employees involved in the change management programme.

Results

Change Programme and Initiatives

In response to the social change and economic and trade development, Bank A began to undertake proactive measures to strengthen its corporate credibility. One of the early change attempts was process reorganisation of its internal operations via ICT (*Bank Negara Malaysia* 2004) within one year. Bank A's consumer banking activities evolved from a highly decentralised set of operations within individual branches to a more tightly focused operation supported by process reorganisation that involved centralisation of common processing activities. Bank A identified core and non core business processes for streamlining. A part of the change initiatives was the elimination of non core processes or outsourcing of back office activities to create a leaner operation at the branch level. An integrated banking solution (henceforth referred to as Financial Information System or FIS) was deployed to replace the old system, which was an elaborate software system that offered enhanced features and functionality that enabled users to respond more effectively to market demands. The system enabled users to design more flexible customer oriented products and services.

FIS enabled automation of operational work process of Bank A at the branch level. Moreover, selected loan processing and operational activities could be centralised. The shift away form administrative work and processes via automation and centralisation enabled branch employees to exert concerted efforts on personalised services, which appeared to be more rewarding market segments. The expansion of personalised services was further facilitated by the integrated customer profile system under FIS. Such technological change would hopefully enable Bank A to compete more effectively in terms of customer service, cross selling and development of innovative products and services. Some examples of customer service included combined account statements, sweep facilities and automated service charging. These potential benefits of FIS were communicated to organisational members via bulletin.

A total change of the system use in any organisation would also demand changes in processes, procedures and policies (Hall 2002). The adoption of FIS, which integrates information within Bank A and across functional boundaries, had significant implications for the redesign of organisational work processes, and hence, required a change in many activities. Bank A redesigned work to account for the task interdependencies required to fit FIS. Beckhard and Harris (1977) stressed the importance of temporary structural means in facilitating a transition exercise to the desired future state to ensure effective change initiatives. Bank A set up a team to outline all the changes required in hardware and software, and introduced an integrated user acceptance test plan to examine the capabilities of the various functions of FIS to meet both current requirements and future needs of the bank.

With the centralisation and automation of selected core activities, Bank A restructured its HR by introducing training and work relocation or transfer for affected employees to undertake new duties in the centralised unit. Besides facilitating transition to new work, these change initiatives were also intended to reduce employees' perceived insecurity of their employment. Employees in the centralised unit were expected to acquire data entry skills to 'feed' FIS with customer profiles in the system conversion exercise. Bank A provided training for the conversion of manual databases of depositors and borrowers into an electronic database. Other training sessions were to equip 'front liners' and technical support employees with the ability to troubleshoot minor impending problems that may arise. In addition, bank wide exercises were initiated where all branches and divisions (i.e. branches, centralised support groups, computer operations unit and management) participated in running simulation tests to identify any technical problem of new policies and procedures under the FIS operating environment. Such employee participation also helped to develop familiarity of systems before FIS was fully implemented across all branch operations. The various training sessions were part of Bank A's plan to remove resisting forces.

Organisations may convey credible positive expectations in generating motivation for the change (Eden 1986, Cooperrider 1990). When members expect success they are likely to develop greater commitment to the change process. Moreover, any proposed change would be more readily accepted if it promises to give benefits. The HR department of Bank A introduced employee participation to unfreeze and reduce resisting forces, with the belief the strategy would encourage employees to embrace change, and reduce their frustration and resistance to change. The HR department involved employees in the redesign of job and tasks, and conducted interviews with employees to identify their areas of interest in work to enable a suitable match of employee skills and interests with future work possibilities.

Force Field Analysis: External Driving Forces for Change

Driving forces are anything that increases the inclination of an organisation and its people to implement a proposed change programme. They vary in intensity, ultimately creating the need for a change programme or energise its initiation (Bishop 2001, Covington 2002). Like most of the organisations in the Asia Pacific region, Bank A was hard hit by the economic crisis in 1997 as many domestic businesses and organisations faced difficulties in repayment of loans in view of increasing interest rates and the unstable Ringgit – the currency denomination for Malaysia. Thus, the economic crisis had an adverse effect on Bank A's issue of survival. A majority of the middle managers identified globalisation as one of the driving forces for change in Bank A. The government intention to consolidate 58 financial institutions into 10 anchor banks had to be instituted (Kawai 2000). The liberalisation of the long protected financial market in Malaysia under the General Agreement on Trade and Services (Bank Negara Malaysia 2001) became the second driving force in the general environment. A review of corporate bulletins revealed that Bank A believed that this massive change brought about by globalisation was unavoidable.

A further force driving the management of change of Bank A was the changing customer or market needs and lifestyles. Almost all managers shared the same view that increasing customer complaints and customer demands for new products and services signalled a need for strategic action. The result of a 2003 national survey (Bank Negara Malaysia 2004) reinforced the urgent need for banks to improve customer relationships and particularly to address numerous changing needs of customers, and according to the survey results there was a reduced demand for conventional banking products and services. The survey findings showed customers expected efficient, innovative and value added financial products and services (e.g., personalised advisory services) while young middle to high income individuals were a growing customer segment that preferred the convenience of ATMs and electronic banking. (*Bank Negara Malaysia* 2004). The survey results revealed that there was a growing urgency for financial institutions to skilfully manage knowledge centres and customer databases to ensure service excellence.

The introduction of sophisticated online banking products and services by foreign banks that often were equipped with advanced technology brought new meaning to Malaysian banking activities. The availability of one stop financial portals and the ease and convenience of electronic banking had enabled consumers to be connected online to manage their own transactions. Stiff competition from foreign banks was another driving force for change. The rapid advancement of technology of rivals also strongly highlighted the inefficiency and poor integration of the historical Malaysian banking system that relied heavily on labour intensive work processes. For instance, direct marketing, credit history, risk management, and segmentation based product pricing could now all be managed online for the first time.

Force Field Analysis: Internal Driving Forces for Change

Besides the external driving forces internal driving forces were also creating increasing tension on Bank A. Recognised among the internal driving forces were flawed information systems, hierarchical and rigid work practices, less attractive products and services, and a call from within the organisation for a new organisational customer focused culture. According to the external consultants engaged in the change management, the old information systems of Bank A did not have sufficient storage to accommodate the current and the future needs of Bank A. The systems were technologically inferior to those deployed by foreign banking rivals. These limitations resulted in various non value added activities that consequently, created mass manual records to maintain, and resulted in ineffective and inefficient processing and turnaround times given the proneness of these outdated information systems to human error and fraud vulnerabilities. All these negative impacts had caused Bank A to lose valuable customers.

One of the internal restrictive driving forces in Bank A was its hierarchical and rigid work practices that included reporting structures and work processes. Bank A introduced reporting structures and organised work cogent with old information systems, but ideally, structural design should be designed to fit current technology, the external environment, organisation size and endorse a strategy to achieve organisational effectiveness (Waddell, et al. 2004). However, the adjustment to the inferior technology generated inherent problems such as duplication of work and largely manual oriented processes. The recognition by Bank A of the importance of innovative products (Bank Negara Malaysia 2004) was another internal driving force for organisational development. The old information system limited product offering to conventional banking products and services and created unnecessary work processes that impeded the introduction of innovative products and services that were important for fostering a customer focused culture.

Challenges and Resisting Forces to Change

The analysis of the change management process of the Bank A revealed that the challenging issues that represent resisting forces to change were often the soft issues such as social, cultural and human issues across different managerial levels and functional boundaries. These significant issues emerged in the implementation stage, in the centralised unit, within branch operations, during the new product launch, across technical training, and were embedded in the HR relocation, interview and organisational performance activities.

The change efforts in Bank A revamped the conventional banking system and operations by introducing FIS. A study of the weekly reports and memos in the third year of the project implementation revealed several inadequacies of the FIS. For instance, the implementation of FIS was delayed despite having undergone three years of rapid testing to perform at a level that was acceptable to Bank A and this led to budgetary issues, so it was not possible to fully customise FIS to the current and future needs of Bank A. Testing of both existing and new services presented great challenges. For example, the stability of the system was erratic. The study of the change programme revealed that FIS failed to meet the ideal level of milestones (e.g. project completion in one year, excellent customer service, innovative products and services) that Bank A had set and many of the benefits from change lagged behind its implementation schedule by three to six months. Work processes in Bank A were reorganised as a direct outcome of information management provided by ICT. However, Bank A set a tight timeline for such a massive exercise. Some interdependent activities encountered delay and did not meet the set phases and deadlines whilst other activities experienced technical failure. A large number of the middle managers perceived that the testing phase was optimistically short as the bank was business and cost driven. Table 2 illustrates key expectations and disbenefits of the introduced FIS.

Table 2 Expected performance and problems encountered in the implementation stage of FIS

Expected performance of FIS	**Problems encountered**
Automation capabilities with less human error	FIS was not customised successfully
Customer focus, enhance profit	Stability of system was erratic
Efficient and effective	Exceeded budget
Enhanced features, functionality and capacity Centralisation to avoid duplication	Did not meet the set phases and deadlines
Branches can focus on customer service and cross selling	Role of centralised unit were unclear
Less operating layers, efficient and effective	Additional paperwork
	Employees felt insecure

FIS was installed to create efficiency and effectiveness by reducing work processes and enabling the banking transactions to be processed with much lesser human intervention or interaction. Thus, the implementation of FIS implied that a large number of employees, particularly those who attended to paper filing and unnecessary work processes became redundant. In the effort to redesign work to fit the FIS, Bank A redistributed manpower by transferring redundant employees to a centralised unit, and these personnel had to embrace their new job designs that were very different from their skills. Some respondents at the centralised unit commented that they experienced stress when newly hired staff who were inexperienced made data entry errors. A large number of them felt insecure about their future and difficult to adapt when the role of the centralised unit was seemingly ambiguous. Apparently, the role of the centralised unit was not clearly outlined or communicated. Indeed, efforts to communicate the role of centralised unit in the change programme were not visible from the newsletter, bulletin, and memos.

Review meetings revealed that the problems and delays at the centralised unit eventually led to more processing delays at the branch operations. Respondents from both lower and middle management experienced higher levels of anxiety because of the unintended inefficiencies that caused further administrative work and more manual ‘follow up’. Some commented that it was tiresome to manage the unexpected inefficiency. Observation by consultants informed that this confusing work environment had apparently affected employees’ work commitment and support to the change programme.

FIS was introduced to increase the efficiency and effectiveness of Bank A's banking operation and avoid duplication of work at branch level. This it was hoped would result in excellent customer service. However, operating branches received customer complaints ranging from inaccurate bank statements to long rectification period of such mistakes. According to some branch managers, these problems were frequently testing the capabilities and patience of operational staff in managing customer frustrations over many technical problems. Operational staff voiced that they were overloaded with various tasks. In addition, operational staff frequently had to troubleshoot technical problems that surfaced and had to be managed through temporary solutions. Many of the staff have expressed that they experienced stress and burnout. A summary of the expected performance and problems encountered in branch operations is given.

Expected performance of FIS	Problems encountered
Centralisation to avoid duplication of work	Processing delay due to troubleshooting
Excellent customer service	Additional paperwork
Less operating layers	Manual follow up
Efficient and effective	Increase anxieties, stress and burnout
Internal transfer or relocation to support FIS at centralised unit	Increase in customer complaint (e.g. long waiting period to resolve problem, inaccurate statements and balances)
	Operational staff were not trained on managing glitches

Bank A planned to introduce innovative products and services with the added functionality and capability of FIS. Many new and innovative products and services were developed. However, a large number of the new products and services were never launched in the market, which revolved around the failure of technical testing and functionality during the testing phase. The unsuccessful introduction of FIS at the branch level reinforced the interpretation among the Product Marketing and Development team that the FIS were not a good software solution. An account of these main issues is shown as Table 3.

Table 3 Expected performance and problems encountered in new product launch

Expected performance of FIS	Problems encountered
Flexible with many new features	Could not launch new products due to some failure at testing stage
Ability to maintain a customer database to support cross selling and profiling	Existing resources redirected to troubleshooting problems arose with existing problems

Bank A recognised that in implementing FIS the existing workforce needed reskilling. Therefore, training programmes were incorporated as a large part of the change efforts, but from the data gathered in the review meetings and interviews, trainees perceived the technical training sessions (that were organised by the HR department) were relatively simple and insufficient. The trainees interpreted the inability of the testing team to anticipate potential technical problems throughout the testing phase as a lack of experience of the trainers and the inability of trainers during the technical training to suggest solutions on how to manage the peculiarity of technical problems further reinforced the negative perceptions of the respondents. Many of the trainees voiced that their confidence towards the functionality of FIS and the feasibility of the change programme were negatively affected while some of the trainees who were operational staff attributed their poor 'trouble shooting skill' at the operational level to the inability of trainers to envision and provide suggestion to some queries on the peculiarity and severity of rising technical problems. Such unresolved or unidentified technical problems eventually affected the quality of the system and the technical training. Moreover, the technical problems still could not be resolved even when the system was operationalised bank wide at the branch level, which left branch operations in a state of confusion with increased anxieties. Consequently, operational staff frequently had to develop temporary solutions even though a minority of them was aware that some of these temporary solutions had negative impacts on the efficiency and effectiveness of the operational activities. Customer service suffered when the different temporary solutions across branches created inconsistencies. For instance, different service requirements at individual branches rendered inconsistent service experience to customers. In Table 4 an account of these salient dimensions is shown to reveal the dysfunctional effects outweighed the intended benefits of the technological training.

Table 4 Expected performance and problems encountered in technical training

Expected performance	**Problems encountered**
Reskilling using 'train the trainer' approach	Targeted at wrong groups for reskilling
Coaching at bank wide level	Testing team lacked sufficient experience to anticipate potential technical problems
Cost effective	Unresolved queries and technical problems
	Operational staff were not trained on managing technical problems
	Operational staff lacked confidence in FIS
	Confusion and anxiety
	Inconsistency of temporary solutions
	Inconsistency in service experience

Organisational change often implies a different allocation of already scarce resources (Brown & Harvey 2006). One of the training programmes in Bank A adopted a 'train the trainer' method to efficiently manage the massive training required in a cost effective manner. In the 'train the trainer' approach, selected key managerial employees were to be trained to eventually assume the role of coaches to drive change at the operational level. However, when the FIS was run at branch level nation wide, it was realised that the HR could not manage the system at the branch level.

The most serious challenge in change programmes today is that the constantly changing environment must deal with people's resistance to change. Most advocates of change assume that support will be imminent because the objectives for change are worthwhile, but sometimes this does not happen (Brown & Harvey 2006). As one of the group of stakeholders of the bank, a large number of the employees began to display their dissatisfaction and resistance towards the change programme. Various frustrations arose from the lack of clear guidelines, disappointment with the new job designs as well as the operational and system engineering problems. Data gathered from interviews revealed that the HR department was hardly involved and it seemed that respondents had little impression of the HR department's participation in the change programme. A large number of the respondents expressed similar views that there was a lack of support in managing employee emotions and frustrations led to the resignation of a large number of project leaders. The frequent change of project leaders forced project members to adapt to a new management style as project members tended to refuse work, request transfers and displayed their grievances in public. Many staff were demoralised and resigned, resulting in high turnover. Nevertheless, a minority of the project leaders and members could articulate positive aspect of the change programme, but those that remained in Bank A had slowly withdrawn their support and commitment for the change programme. Furthermore, with the new organisation structure (i.e. centralised units, new job design and a more customer focused branch), employees were given the false impression that all employees would be deployed and retrained in their new areas of interest with a clear career path. This organisational notion was introduced with the intention of assuring employees of their promising future with Bank A and to gain their trust and full commitment in supporting the change programme. Although this organisational perspective embarked with a genuine intention, Bank A could only assign a minority group of employees to work on tasks that were of their stated interests. Consequently, a large number of employees were disappointed with the arrangement but had to accept some other form of training to prepare for their new role or work. The expected performance and problems encountered is summarised for convenience.

Clear career path	Staff were transferred to areas where they did not have competencies
Match employees skills with interest	Lack of clear career path
Reduce resistance to change	Only a minority group of employees benefited from the interview and matching exercise

Employee participation and support to change management programme	Staff turnover and low employee morale

Another stakeholder group that was unsatisfied with Bank A's organisational performance, was the shareholders. Table 5 presents the unfavourable organisational performance after the change management effort. With a drop in profit before tax of approximately eight per cent in 1998, and a loss of margin of above 10 per cent during the research period, shareholders raised their concerns. The bank reported a loss margin of above 50 per cent that necessitated an injection of capital by its shareholders (Goh 2005). The financial ratios (profit margin, asset utilisation, return on equity) also showed a decreasing trend. A financial report explained the drop of 22 per cent was attributed to lower interest income and higher overhead expenses as a result of information technology development and retraining of human resources. Shareholders criticised the poor progress and performance of information technology development given its huge investment.

Table 5 Expected performance and problems encountered in organisational performance

Expected performance of FIS	**Problems encountered**
Automation capabilities with less human error	Drop in profit
Customer focus	Loss of margin led to injection of capital
Efficient and effective	Decreasing financial ratios
Enhance profit	High overhead expenses
	Concerns among shareholders

Overall, Bank A demonstrated genuine efforts in the change programmes. But, the implementation process and efforts had substantial and various problems. It was understood that change efforts by Bank A mainly focused on business and cost driven initiatives such as conversion to a new information system, reallocation of redundant HR and education training. The HR department contributed little to the change management in addressing the social and psychological needs of the employees while clear communication in a coordinated manner was not visible. Support of middle management as change agents and shared vision was also greatly lacking, and collectively these issues eventually led to confusion and internal tensions that delayed the achievement of many of the intended objectives that underpinned the change programme.

Discussion

Organisations today face a major challenge in managing change effectively. The cost of failure is high when organisations fail to change in ways necessary for survival. However, the most serious challenge in change programmes today is how to deal with people's resistance to change. Most advocates of change assume that support will be imminent because the objectives for change are worthwhile, but sometimes this does not happen (Brown & Harvey 2006). Instead, organisations can motivate change by creating a readiness for change among organisation members that will help them to address resistance to change (Conger, Spreitzer & Lawler 1999). In most cases, the severity and complexity of change compounds the challenges faced by managers, frequently testing the capabilities of the organisational members. Managers may initiate corrective actions that often affect patterns of work or values, and consequently, meet with resistance. Unless members prepare themselves emotionally for change the sheer speed with which change occurs can be overwhelming (Brown & Harvey 2006).

The economic crisis of 1997 was the main external driving force in Bank A's involvement in change initiatives. The liberalisation of Malaysia's financial market (*Bank Negara Malaysia* 2001) and changing customer/market needs and lifestyles also forced Bank A to embrace change. Customers expected innovative, value added financial products and services (e.g. personalised advisory services) as well as electronic banking. Moreover, the heightened competition by foreign banks in Malaysia had a significant influence on Bank A's strategic decision to install the introduction of FIS, which was believed would bring potential benefits to strengthen the bank's competitive edge.

Severe communication breakdown and a lack of coordination in the process of change management in Bank A could be identified as some of the main causes of change difficulties. With the rapid speed of change and additional roles that lacked much needed role clarity from HR department, key managerial employees at the operational level were unaware of the training arrangement that required their participation in the 'train the trainer' sessions. Too many staff knew little about the coaching concept, the system and the technical training for FIS. Consequently, the coaching expected at branch level did not materialise. This is due to the fact that the trainees-cum-coaches who attended training were not the intended key managerial employees. Apparently, trainees who were sent to attend the 'train the trainer' sessions were lower level and 'frontline' employees who were not able to fully understand the functionality of the system at the operational level. If the training objectives had been clearer and the intended participants had been better informed, the system and technical training could have avoided many of the consequential problems.

Further investigation revealed that the HR department had little involvement in the change management although training was a large part of the change programme. Some middle managers perceived that the HR department was reluctant to play an active role in the change programme. According to a small number of middle managers the HR department would be indifferent about issues arising from the change programme or would redirect enquiries about the change programme to other parties. The reason for such a limited role of the HR department was not clear. To a large degree, the content of the training programmes was delegated to an external change agent, but the technical experts seemed to lack skills in managing large organisational projects or change programmes.

Technical experts claimed that the limited managerial authority constrained their ability to obtain necessary information in the bank. They argued that the errors in the training initiative could have been avoided. It seems that the mistakes at system and technical training could be partly attributed by the poor integration of changes in information, competence and authority that required simultaneous implementation. Casson (1997) has asserted that there should be greater emphasis on the role of intermediation in defining the fundamental role of the organisation as the process of intermediation is dependent upon the gathering, management and dissemination of various types of information. Technical experts that play an intermediary role in the change management of Bank A should have been given sufficient authority to gather and manage various types of information.

Bank A was not able to integrate change efforts at every unit and level in a cohesive manner although the change efforts ran concurrently. It seems that the HR department managed redistribution of work with a lack of interaction with line managers. The HR department attempted to redesign jobs in meaningful ways as a form of motivation to enrich existing employees' work experience, but the contributions were largely perceived by employees as a mismatch of incumbent skills with job requirements. Moreover, hiring of inexperienced temporary staff at the centralised unit led to data entry errors for customer profiling exercise and negatively affected the emotions of long serving employees.

Change efforts have always faced resistance (Pettigrew & Whipp 1991). Resistance to change is a signal that something is not working in the implementation of the change programme. The signals include delays and inefficiencies, failure to produce anticipated results, or even efforts to sabotage the change programme. A large number of project members in Bank A tended to refuse work and display grievances in public, which are behaviours displaying and resistance to change. Despite the awareness towards the potential benefits of the change programme, project members and operational staff perceived change efforts to pose threats to routines in work practices and leadership styles. Many expressed in the interviews that they felt comfortable doing familiar work.

Organisational change may adversely affect people's competencies, worth, and coping abilities. Any proposed change would be more readily accepted if it promises to benefit those who are involved. Bank A attempted to reduce the resistance to change by giving employees a higher comfort level about the feasibility of the new work design that affected them, however, the unsuccessful job enlargement and enrichment initiatives of the HR department dampened employee expectations. Although Bank A encouraged employee to be involved in the HR initiatives a failure to reassign most of the employees to their areas of interest left employees disillusioned about the participation effort and their future in Bank A. Indeed, Bank A should have been careful not to over promise. The key to achieving these positive affects is to communicate realistic, positive expectations about the organisational changes (Eden 1986, Szamosi & Duxbury 2002).

When the change programme was introduced, Bank A focused most of its resources and efforts in a system conversion exercise, manpower reallocation, new product development, centralisation, and efficiency and simplification of work processes. Employees perceived that Bank A neglected their social and psychological needs, and some viewed that the change efforts were mainly business and cost driven. Observation of the change process could only identify limited organisational efforts that addressed such personal need while change efforts demand a great deal of empathy and support, understanding the situation from another's perspective. When people feel that those responsible for change are genuinely interested in their feelings and perceptions, they are likely to be less defensive and more willing to share their concerns and fears. This also provides basis for joint problem solving that is essential to ensure success in a change programme (Cummings & Worley 2005).

To address the social and psychological needs of employees, Bank A needed to communicate the reasons for change. As advocated by change management experts (Lewin 1947, Beckhard & Harris 1977), top management should involve key managerial employees to strive to create a state of dissatisfaction with the status quo. Initial resistance to change is bound to arise, and it is only by making staff realise the necessity of letting go the status quo that change programmes can be truly effective. In order to create this state of dissatisfaction, it was essential for Bank A to sensitise the organisation to the forces for change particularly the external forces (Cummings & Worley 2005). Bank A could have made employees more sensitive to pressures for change by encouraging key managerial employees to introduce the role of devil's advocates (Cosier & Schwenk 1990). Bank A could have looked beyond local competition and standards and considered benchmarking foreign banks. The use of external standards of performance, such as foreign competitors' progress as benchmarks where comparable industry numbers are used to judge performance (Walleck, O'Halloran & Leader 1991) can also reinforce the need for change among employees.

At a personal level change can arouse considerable anxiety about letting go of the known and moving to an uncertain future (Cox 1996, Neck 1996). People may be unsure whether their existing skills and contributions will be valued in the future, or have significant questions about whether they can learn to function effectively and achieve benefits in the new situation. Among the many attributes of the FIS is the automation of many manual processes. Employees tended to perceive the introduction of the FIS as a threat to job security and change to the much familiarised job description. As part of the manual work had been replaced by informational technology, employees in Bank A feared the management might reduce wages or benefits, or even assign greater job demands. The HR department may have introduced stress management workshops to assist employees in the transition period.

There was a lack of structural mechanisms to disseminate or receive feedback at every stage of the change process. Information concerning the change programme should be provided to all organisation members, as the lack of reliable information will lead to rumours and uncertainty (Cummings & Worley 2005, Brown & Harvey 2006). Bank A is likely to have benefited by creating a shared vision (driven from the top management) so as to provide a purpose for change and the desired future state to define the core activities in a planned change programme. Moreover, an interactive channel of communication to give and receive feedback on various change initiatives and emotions is likely to have accrued advantages. For instance, people may offer different perspectives and insightful ideas that can actually improve upon the original plan, and employees involved in the change process will also be more likely to understand and hear important messages.

Due to the ambiguous nature of the organisational transition change agents play important roles in the change programmes. Changes agents should be people who have the power to mobilise resources to promote change, have the respect of existing leadership and change advocates, and hold the interpersonal and political skills to guide the change process. Absence of support from the middle management was also a contributing factor (Casson 1997, Balogun 2003). The formulation of strategies at the planning stage neglected the potential intermediary roles that key managerial employees can contribute. Interview findings indicated that middle managers at the operational level could articulate a positive side of the change programme. Although middle managers in general expressed their support at the initial phase of change process, they did not see themselves as change agents. It is believed that Bank A's failure to recognise the strategic potential of the middle managers in the change process had been overlooked. Bank A mainly deployed middle managers in the change management to respond to organisation's instructions and technical concern while the inclusion of middle managers as leaders and change agents can assist in gaining political support, and thus, decreases the strength of the restraining forces, while increasing the strength of the driving forces (Beckhard & Harris 1977, Weisbord 1987, Beckhard & Pritchard 1991, Collins & Porras 1994, Conger, et al. 1999, Dent & Goldberg 1999).

Bank A's plan to introduce innovative products and services also experienced delay due to system problems in the FIS. A large number of the new products and services failed to function properly during testing the phase given the poor understanding of FIS characteristics and its inherent system errors. The poor understanding could be partly interpreted as the lack of sharing of expertise across functional departments. This is speculated given the absence of teams or some form of structures that facilitate exchange of expertise and sharing. Attention to concerns raised by the Product Marketing and Development team was not prompt. Bank A might have demonstrated more support by promptly providing technical expertise to investigate and troubleshoot system problems before exploiting FIS's flexibility in product design and packaging. Such support would have some positive effects on reducing resistance to launch new products by the Product Marketing and Development team. The resistance was in part from the technical issues, poor integration of changes in information, lack of competence and minimal authority that required simultaneous implementation. A cross functional team might have better facilitated overall understanding of each functional department's role and the concern's so as to develop cooperative efforts. Such technical team could also brief the Product Marketing and Development team on the characteristics of FIS that potentially affect new product design. Such efforts can assist in decreasing the strength of the restraining forces and concurrently increasing the strength of the driving forces (Judson 1991).

It is no longer sufficient to adjust one change to compensate another. In fact, organisations will have to handle all the challenges of change simultaneously, which requires good coordination, strong leadership, and clear communication. The various problems and resistance observed in Bank A were partly due to the poor integration of changes in information, lack of competence and minimal authority that required simultaneous implementation. The implications are that various change programmes and efforts exist at different part of organisations and various levels and functional departments are encouraged to cooperate and to carefully analyse the change programme so as to create both vertical and horizontal integration of change efforts. Therefore, organisational leaders must give careful attention to each activity when planning and implementing organisational change.

Conclusion

Organisations today face the dilemma of managing strategic change initiatives efficiently and effectively. Change is unavoidable in a rapidly expanding world that makes it challenging for any organisations not to respond for their survival and prosperity. This study analysed the change management and implementation process of a bank in Malaysia. Specifically, the study analysed the driving forces faced by the bank as well as its change strategy and challenges encountered in the change management process. Driven by competition brought about by globalisation, information technology and managerial innovation, Bank A attempted to fit its operations and systems to a customer focused strategy. The study results revealed that the change management efforts were associated with various technical and HR problems. The findings also revealed that change efforts lacked integration and mainly focused on business and cost driven initiatives.

When the changes are on a larger scale and involve many individuals and subunits such as the ones encountered by Bank A, it is a challenge to manage change simultaneously across functional and managerial levels. One important implication is to understand and ensure that various change programmes and efforts exist at different parts of an organisation. Various organisational levels and functional departments are encouraged to cooperate and carefully analyse the change programme in order to create both vertical and horizontal integration of change efforts. Therefore, organisational leaders must give careful attention to each activity and the necessary integration when planning and implementing organisational change.

Change requires time and consideration of cultural resistance. This is particularly relevant to the highly regulated banking industry, which had minimal changes in Malaysia before the 1997 economic crisis. In general, jobs in the banking industry were perceived by the local society as highly secure with a stable career progression. However, the rapid pace of change in the banking industry that was driven by various driving forces, had a significant impact on banking operations and the role of the HR department. Alignment between the role of the HR department and implementation of a change programme is vital for the envisaged benefits to take place. For example, hiring of experienced staff is crucial and the HR department might have rewarded those who demonstrated the ability to accept relocation and perform well in new roles and responsibilities. Additionally, incentives that closely reflect the rewarding of desirable behaviours that can contribute to the objectives of change programmes can influence employee behaviours to exert concerted efforts. For instance, ability to accept relocation or transfer may be given priority for future promotion decisions. These efforts can assist in decreasing the strength of the restraining forces, to encourage internalisation of new job design, and work processes and training. Finally, a HR department may consider engaging technical experts and key managerial employees as change agents.

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Appendix 1

Semistructured Interview Questions

1. What are the benefits of the change management programme?
    1. Would you describe the benefits at the strategic level?
    2. Would you describe the benefits at the operational level?
2. What are some of the driving forces for introducing change management programme in your Bank?
3. How does your Bank introduce a change management programme?
    1. What are some of the initiatives in the change management programme?
    2. Would you describe how the initiatives were implemented?
    3. Were there any departments, operations or human resources affected by the change management programme?
4. How were departments, operations or human resources affected?
    1. What are the initiatives that your Bank has taken to manage affected departments, operations or human resources?
    2. Could you observe resistance to change among those affected by the change management

programme?

3. Would you describe the challenges faced in change initiatives of the change management programme?
4. Are there any specific agenda where you feel could be better improved or managed?