

Change Management in a Dynamic Economic Environment

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Abstract

The general purpose of the article is the development of scientific knowledge through the analysis of the changes produced at the level of institutions in the banking sector, with the main objective being the identification of ways to improve the management of change, especially that specific to banking institutions. The research methodology has both a fundamental component, which regroups the set of theoretical and empirical activities that aim to produce new knowledge about phenomena and processes, as well as the formulation of conceptual models and theories, as well as an application component, in order to use scientific knowledge for improving the activities of banking institutions and increasing their capacity to adapt to change. The article has both a fundamental component, which regroups the set of theoretical and empirical activities that aim to produce new knowledge about phenomena and processes, as well as an applied component, in order to use scientific knowledge to improve the activities of banking institutions and increasing their capacity to adapt to change. The general purpose of the article is the development of scientific knowledge through the analysis of the changes produced at the level of institutions in the banking sector, with the main objective being the identification of ways to improve the management of change, especially that specific to banking institutions. The article shows particular importance to the fact that through production it could produce a positive change in the attitude towards change at the individual level as well as at the group or organization level and a better understanding of the need to improve change management.

Keywords: change, management, organization, change capacity

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Introduction

The evolution of the concept of change was under the influence of the transformations that took place over time. Thus, social, economic or technological revolutions led to the emergence of new concepts and approaches regarding organizational change.

The study of change represents a problematic section, with a wide audience in the history of knowledge. The change is found in the texture of most areas of interest in the social sciences: economics, sociology, political science, anthropology, psychology, etc.

The pace of change has increased in recent decades, the pressures of the external environment, corroborated with the influences of internal factors, produce rapid transformations and their effects are found in all aspects of political, social and economic life (Burnes, 2017).

The ability to cope with change is one of the most useful traits of employees or organizations. This is a sine-qua-non condition for an organization to demonstrate its competitiveness and achieve high and sustainable performances. Transformations regarding the dynamics of global markets, technological progress, customer preferences for differentiated products and services, increasingly strong competition, etc. directly and inevitably affects the organizational environment (Nicholls, 2022).

The managers of the moment must prepare for the future and for this they must know that they can count on the best strategic weapon of the information age: the organization specialized in change. It anticipates, creates and reacts effectively to change (Brisson-Banks, 2017).

Managers who can embed change capability into daily operations and who empower their staff to act as change agents are less likely to be taken by surprise or encounter resistance from their employees. To some extent, they won't need to incite revolutions in order to accomplish their objectives. They will have the option of choosing a path between the two equally risky extremes of rejection (too little change) and radical transformation (too much change). The change capacity of an organization rests on the three fundamental pillars of change: *the cooperative behavior of employees, the flexible organizational structure and the managerial system that promotes change* (Holt et al, 2017).

In our opinion, no organization can develop if it does not want and does not manage to adapt to market conditions. That is why a careful analysis of the organization's capacity to change and the identification of tools for its construction and development must be carried out. We believe that this fact will also lead to an increase in the efficiency of change management.

A certain degree of resistance to change is inevitable and, we believe, even welcome in some cases, but measures must be taken to reduce it. At the top management level, this fact can be achieved by: increasing the level of acceptance of the fact that change is necessary, developing the plan for its implementation and analyzing the possible results both in the short term and in the medium or long term.

1. Review of the scientific literature

The specialized literature presents certain models that try to evaluate how ready an organization is for change, however, as stated by Bennebroek et al. (2013) *unlike the readiness of individuals for change, that of organizations has not yet been the subject of in-depth theoretical research or empirical studies.*

The viewpoints of theorists and practitioners regarding the concept of organizational change may also differ depending on the experiences that specialists have had in managing change. According to Jarrett (2011) change can mean different things, depending on the position towards it of the one who defines it. For some it may mean keeping or losing their job, while for an executive it may mean increasing profits, reducing costs or saving the business (Smith, 2014).

Cameron and Green (2019) consider that *it is important to differentiate the concept of "readiness for change, which represents the ability to implement a specific change, from that of change capacity, which means the ability of an organization to change not just once, but as a normal course of events, in response to anticipating internal and external transformations.*

The capacity to adapt to future changes must be developed and encouraged by using all the opportunities that arise from past and present changes (Kotter, 2021). Although the expression *adaptation to change*" is frequently used, most of the time organizations and their members are not fully aware of what it means and the implications it has (Jones et al., 2015).

The most important challenge for managers is to actually produce change and not to realize the need for it. In order to have positive results following the implementation of change management, sufficient attention must be paid to the question *how could change management be effective if the organization is not ready for change?* (Ashmarina and Khasaev, 2015).

Why do some companies manage to successfully implement an impressive number of change initiatives, while others fail in such projects? What is the difference between organizations that succeed in implementing change and those that do not? (Hayes, 2021). The ability of the company to react to changes in the external environment, which reflects the attitude and fundamental internal capabilities, as well as their dynamics, makes a difference (Babalâc, 2013).

Middle-level management should place particular emphasis on how the change affects the organization's members, on open and honest communication with those affected by the change, and on employee participation in the change process (Karen, 2021). The implementation of the change itself is simply one aspect of change management; efforts taken to accommodate the change are also necessary. An organization's ability to adapt is something that is established and developed over time with the participation of all of its members. The respective actions consider the following (Holt et al., 2017):

- ✓ adapting the structure of the organization to the new elements introduced;

- ✓ rethinking the strategy from the new perspective of change;
- ✓ readjustment of the management systems of the organization, respectively the informational, decision-making system, etc.;
- ✓ promoting a management style that not only favors change, but also attracts the members of the organization towards change and towards the manifestation of their creative potential.

In the current economic context, managers are increasingly faced with the problem of learning, of preparing for change, this implies (Brisson-Banks, 2017):

- ✓ clarity of objectives at all organizational levels;
- ✓ action planning and the participation of managers and specialists to solve the problems in mind;
- ✓ empowering employees to support change initiatives;
- ✓ evaluating performances and providing answers;
- ✓ capitalizing on the ideas of the entire staff of the organization;
- ✓ awareness of the fact that change is a learning process.

Obtaining positive or negative results of the change initiatives is determined by the attention given to the human resources involved in the change process (Lena, 2015). According to Jones et al. (2015), an organizational culture that values learning, innovation, and taking calculated risks helps organizations be adaptable to change. The significance of adaptable organizational policies, the contribution of organizational atmosphere to change, and prior positive experiences that can spur availability to support organizational transformations are also underlined.

2. Research methodology

The objective of the research is to contribute to the advancement of scientific knowledge by analyzing the changes occurring in banking institutions and identifying effective strategies for managing change. The focus is on exploring ways to enhance change management practices within the banking sector and drive improvements in organizational processes and outcomes.

The specific objectives of the research were:

- analysis of organizational changes from a procedural and typological aspect;
- determining the kinds of changes that the members of the analyzed organizations believe are imperatively necessary for the organizations in which they work;
- determining the coordinates required for the creation of a successful strategy for the change's implementation;

The sampling method chosen is stratified sampling, namely stratified proportional sampling. In this way, representativeness in terms of sample structure was fully ensured. Sampling was based on subject availability. The target group for the realization of my research approach is the members of banking institutions in Romania.

As part of the research, we used the questionnaire to collect information about the experience and perception of employees in the banking sector:

- the need to produce changes in the respective institutions;
- the factors that influence the appearance and management of these processes;
- the causes that determine the resistance to change and the methods of reducing it;
- the importance of the direct involvement of employees in making changes in banking institutions;
- the strengths and weaknesses of change management.

Thus, the questions of the questionnaire were formulated in accordance with the mentioned objectives. The questionnaire was structured in such a way as to lead to the obtaining of relevant, correct and complete information in order to identify methods for improving change management. In developing the questionnaire, in developing the questionnaire, we paid special attention both to the general rules recommended by the theory for creating questionnaires, as well as to those aimed at the form of presentation: the formulation of questions, their sequence, the balance between closed and open questions.

Thus, for the preparation of the questionnaire we considered the following aspects:

- the complete content of the questions, the presentation of all the information necessary to describe the investigated subject;
- clarity of questions, avoiding possible confusion;
- the intelligibility of the questions, the explanation of the terms used, which we thought could create confusion, right from the beginning of the questionnaire;
- the simplicity and timeliness of the questions to facilitate obtaining answers faster and reducing the non-response rate (for formulating the answers it is not necessary for the respondents to check previous data and information);
- the logical sequence of questions and their grouping according to the objectives pursued.

The questions included in the questionnaire were of two types: closed questions, with pre-coded answer options, dichotomous (yes/no type) or multiple (with Likert-type ordinal scale, in 5 steps with the following meanings: 1 = total disagreement, 2 = partial disagreement, 3 = undecided, 4 = partial agreement, 5 = total agreement) and open questions.

In order to apply the questionnaire, we contacted the directors of 10 banks in Romania to whom we presented the objectives of the research and the questionnaire. In the case of 3 of these banks, it was not possible to apply the questionnaire because the necessary approval was not obtained. In the other 7 banks, the questionnaire was administered to 150 people, managers and non-managers. Among the respondents, 62% were women and 38% men, 98.3% have higher education (of which 58.3% postgraduate studies and 40% university studies) and 1.7% have high school education, 24% are managers and 76 % do not hold management positions. Most of the respondents, namely 65%, have more than 5 years of experience in the organization where they currently work, while the percentage of those who have experience between 1 and 5 years is 25%. The number of those who have been working for a short time in the analyzed institutions is relatively small, they represent 10% of the total number of respondents.

128 questionnaires were completed and returned, of which 120 were valid, coming as follows: Investment bank – 50%, Savings Bank – 4%, Business bank – 2%, Commercial bank – 15%, Retail bank – 2%, Leasing bank – 6%, Mortgage credit bank – 21%.

3. Research results

We acknowledge that a significant number of people working for financial institutions have done so for a considerable amount of time, assuring relevance in terms of the level of comprehension of the critical changes and their implementation by the pertinent institutions.

The questionnaire's initial questions were designed to examine how Romanian financial institution employees perceived organizational changes and their capacity to adapt to them. The majority of respondents (55%) agree with the statement "I think I adapt quite easily to major changes" completely, and 33% agree with it partially, indicating that they believe they have a high capacity for change adaptation.

We believe that it should be mentioned that none of the respondents expressed their total disagreement, and 7% expressed their partial disagreement. 5% of the respondents were undecided on this aspect (Figure no. 1).

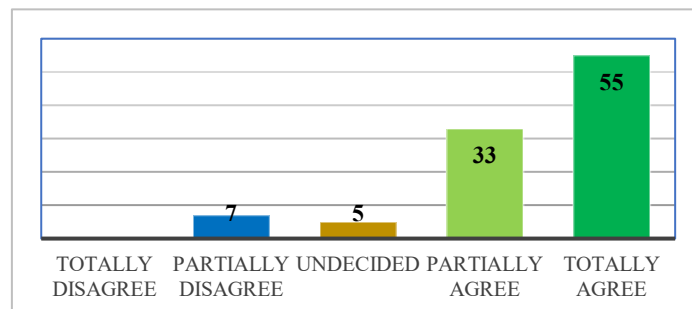


Figure no. 1. Employees easily adapt to major changes

Source: made by the authors

We can consider that the study participants want changes in the institutions where they work because more than 75% appreciate that any change is welcome in the current economic context (Figure no. 2).

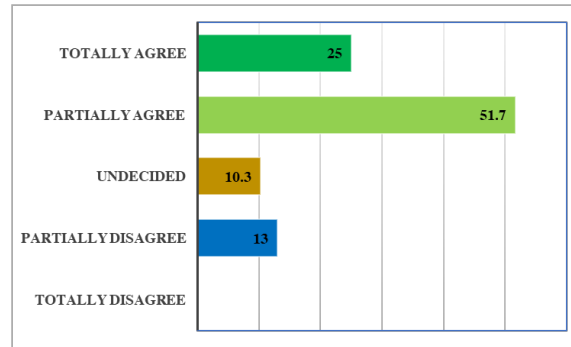


Figure no. 2. Any change is welcome

Source: made by the authors

The statement "If the management of the organization proposes a change plan, I will mobilize to put it into practice" received a substantial majority of yes votes (Figure 3). This demonstrates that staff members are ready to support the suggestions made for change by the organization's administration.

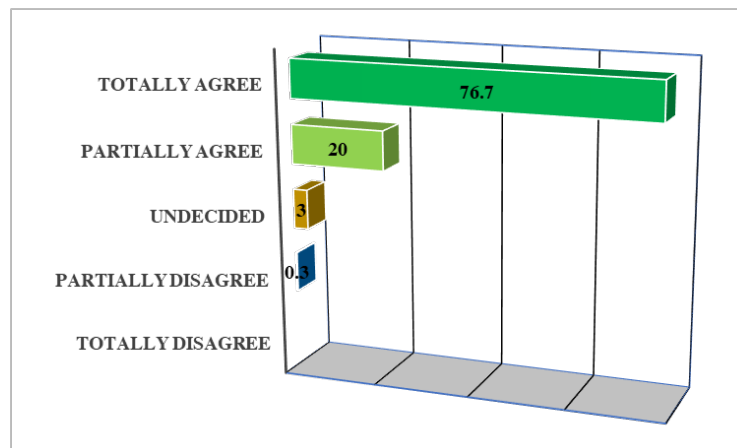


Figure no. 3. Employees will mobilize for the implementation of the change plans proposed by the management of the organization

Source: made by the authors

Following the answers given by the participants in the survey, we have identified a number of factors that can contribute to the acceptance and effective implementation of organizational changes. These include:

- improvement of working conditions;
- salary increase;
- promotion to a higher hierarchical step;
- increasing the professional qualification.

Another way to ensure the success of the implementation of the organizational change can be represented by the participation of employees in courses regarding the modification of the way in which they relate to the transformations within the organization.

From Figure 4 we observe that an overwhelming majority of employees (91.7%) consider that a major priority in the development of an effective change strategy is the stimulation of innovative employees. None of the respondents rejects the idea that there is a direct link between innovation and organizational change and that effective changes can occur much more easily if the institution motivates its employees to be creative and have new development ideas.

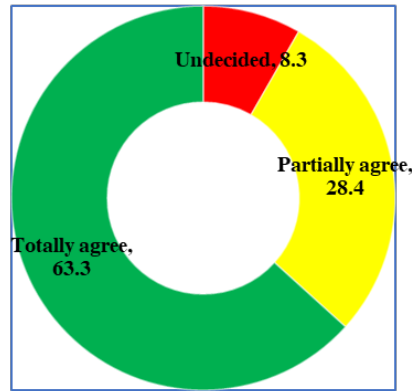


Figure no. 4. Stimulating employees who come up with new ideas or who try to change something for the better is a way to achieve real change

Source: made by the authors

As part of the research, we also sought to identify the obstacles encountered by the change within banking institutions, in the opinion of their members. Contrary to expectations, the number of those who do not know the most significant obstacles in making changes in banking institutions was relatively high. Among the answers given by the respondents, we considered those presented in Table 1 as the most important.

Table no. 1. Obstacles to change in banking institutions

the mentality of the new management that does not know the reality on the ground	the average age of the employees in one of the analyzed banks is high (55 years) in the conditions where the profile market is dominated by electronic communications and rapid legislative changes
ineffective communication	the lack of suitable products for the market
inadequate legislation	poor organization of the institution
the leadership style of top managers	approvals to be obtained from the parent bank
there is no real vision of the client-bank partnership	the resistance to evolution of some employees
human resource, employee mentality	low level of risk taking
the dynamic competition of the profile market	the relationship between the branch and some agencies

Source: made by the authors

4. Discussions

Employees in banking institutions need to adapt easily to major changes, as it is crucial to stay up-to-date and provide high-quality services. These changes may involve restructuring departments, changes in policies and procedures, and adapting to a new organizational culture. To succeed in the new structure and maintain their level of performance, employees must be flexible and open to change. The adaptability of employees to major changes plays a crucial role in the success of banking institutions. Employees must be open and receptive to new technologies and work methods. Changes brought about by the introduction of new technologies in the banking sector, such as online and mobile banking, process automation and artificial intelligence, can lead to increased efficiency and better and more personalized customer service.

Also, legislative changes and financial regulations may require banking institutions to adjust their policies and procedures to comply with the new requirements. Employees must be aware of these changes and apply them appropriately in their daily activities. In addition, the need to meet customer expectations is another important factor driving changes in banking institutions. Today, banking customers expect personalised, fast and affordable services. Employees must be prepared to respond to these needs and provide innovative solutions that improve the customer experience and build strong relationships with them.

The answers given by the study participants allowed us to identify some conditions considered to be necessary for the successful implementation of the organizational change process:

- ✓ the clear formulation of new objectives;

- ✓ reallocation of responsibilities in accordance with the attributions of the employment position and the salary;
- ✓ accurately establishing the tasks for each employee affected by the change;
- ✓ closer collaboration between managers and subordinates.

According to the results presented, employees know that, in the institutions where they work, changes aimed at:

- ✓ improving the management style of managers;
- ✓ promoting a better economic strategy;
- ✓ developing a more effective marketing strategy for the sale of products and services from the banks' portfolios.

We believe that it is not possible to ensure the implementation of change without encountering increased resistance to it if the employees involved do not know the necessity of producing the change, the stages of the transformation process but, above all, the proposed and expected objectives. Employees who come up with new ideas and voice their opinion about potential improvements bring an element of innovation and creativity to the banking institution. These fresh ideas can help identify better solutions, develop innovative products and services, and find effective ways to address existing challenges. Stimulating and appreciating employees who try to change things for the better helps to increase their motivation and engagement at work. When employees feel that their ideas and efforts are valued and supported, they will feel more motivated to continue to contribute ideas and actively engage in the change process.

Conclusions

The banking system in Romania, under the influence of the economic-financial crisis and the changes in the strategies and objectives of the parent banks in the countries of origin, has registered a series of restructuring processes that are still taking place today and whose effects will be manifested in the long term, especially in terms of its competitiveness and ability to satisfy the requirements of banking institutions' clients. In the current context of economic pressure and the evolution of the social and political environment, organizational change is becoming an increasingly important priority. Organizations are experiencing greater and more frequent changes in today's economic climate. The ever-changing marketplace, increasingly dynamic workforce, and technological advances have created an environment where change is becoming *business as usual* for organizations.

Change is a continuous process, and many changes occur without organizations being able to intervene. Changes can sometimes generate only a slight adjustment from a functional and structural point of view or, on the contrary, they can lead to a major redesign and reorganization of the organization.

In an organization, regardless of its field of activity, change can concern strategy, vision, structure, policies, budget, products and services, suppliers and customers, costs and prices, resources, technologies, etc. All these elements determine competitiveness and organizational performance, being influenced by both the external and internal environment of the organization.

Change is a complex process that can have negative outcomes as well as positive outcomes, and as a result we need to consider the available evidence so that the process is as efficient as possible. In this environment, organizations are beginning to recognize the importance of building competence for rapid and successful change.

The changes produced in recent years within the banking institutions in Romania have materialized in the following forms:

- ✓ changes of mid-level and even top managers;
- ✓ changes in business strategies;
- ✓ acquisition of the bank by another bank;
- ✓ change of shareholders;
- ✓ modification of the organizational structure;
- ✓ changing the targeted customer segment;
- ✓ changing the tasks specific to the positions;
- ✓ personnel restructuring;
- ✓ resizing the network of banking units.

Most of the employees of the analyzed banks (70%) declared that they are familiar with the term "change management", but only 48.3% appreciate that methods and tools specific to this concept are applied in the institutions where they work. At the same time, however, 83.4% of respondents declare that change management has an important and very important role in the institutions they belong to and that it is carried out "on the basis of change strategies and coherent action plans" (50%).

Contrary to the expectations at the beginning of the scientific approach, the strengths of the management are known to very few of the employees of the analyzed banking institutions. Specifically, 70% of the respondents stated that they do not know them or that they prefer not to comment and 7% of them said that there are no strong points of change management in the institutions where they work.

In order for an organization to be prepared for changes, its employees must show flexibility towards new elements that appear. Adaptability to change in organizations as a whole is built over time and with difficulty, but managers can use different methods of facilitation. The way in which a bank's employees are trained and motivated contributes to the creation of their commitment to the transformation processes undergone by the institution.

The research carried out also has some limitations, but we appreciate that they do not significantly influence the fulfillment of the established objectives, nor the conclusions obtained:

- ✓ the relatively small number of analyzed banking units due to the refusal of the management of some banks to allow the application of questionnaires among their employees;
- ✓ the condition imposed by the analyzed banking institutions that their names should not be made public;
- ✓ the subjectivity of the respondents directly affected by the changes that took place in the analyzed banking institutions;
- ✓ the reluctance to complete the open questions, which determined a lower rate of response to those questions;

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