

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Evaluating the Effect of Change Management on Organizational Growth in Service Industries: A Case Study of Peace Microfinance Bank in Nigeria

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Abstract:

The purpose of this study is to evaluate the effect of change management on organizational growth in service industries, Peace microfinance bank is used in this case study. Descriptive survey research design was used in this case analysis. An interview was also conducted. The population targeted was 15 management staff of peace microfinance bank, 12 responded to the survey. Purposive sampling techniques were used in selection of the respondents due to their designations. The data was collected by the use of structured questionnaire which contained 19 closed ended questions. We found that critical to the success of the change process are awareness to why change is needed and the level of urgency attached to it, top management commitment, level of team work, communication, participation and feed backs given to top management and lower staff. Moving forward we recommend for PMFB to focus on addressing resistance to change by getting all the management staff to commit fully to the change initiative. This will enable them influence other lower staff members to imbibe in the change. Being able to involve every individual in the change process can reduce resistance and enhance the quality of the change management.

Keywords: Change management, leadership, management, organizational growth

1. Introduction

We must be familiar with the phrase change is constant and universal. It's a constant across all business environment and industry. Many organizations are occasionally faced with internal and external challenges that force them to adjust or change (Burnes, 2004). Changes are initiated to help improve effectiveness or to help organizations adapt to external changes. It creates opportunity for growth and better performance only when the aims of changes proposed are met. An organization implements or undergoes change because of the need to respond to customers demand on product quality or mode of service delivery, human resource needs (new functions), production systems (new product) etc. changes occur in response to other forces such as social needs, technology, economic, ecological and political environment. Competition, market and cost are also inclusive to the forces that drive change.

Today it is safe to say that organizational change has now become a constant experience and today's organizational competitiveness is linked to how the organization responds to and manage those changes. Change management is an aspect of management that has been analyzed by several academics, some authors have developed theories in respect to how to go about with managing change but work done on this area is still insignificant compared to the rate at which change is occurring in organizations around the globe. Several academics have deduced that this has contributed to why most change initiatives haven't been so successful. Burnes (2004) place unsuccessful change at about 60 percent while Kotter (2008) places it at 70 percent. Judging from the time frame, there has been an increase in failure of change management implementation.

An effective change management practice systematically organizes all individual to directly influence employee attitude and behavior in a way that leads business to achieve its competitive strategy according to Huang (as cited in Olajide, 2014). Micro finance banking environment is changing drastically and organizations that intend to remain relevant and competitive should be able to embody change. Organizational change is characterized by the slow or rapid adoption or introducing of new organizing and working policy or status quo. The microfinance bank (MFB) is a sector in which the management and employees require a close relation in order to keep advancing. As a result of the close interaction needed for the success of the day to day operations, any change that may occur, most especially internally needs to be well managed, if not the organization will be impacted negatively. Peace microfinance bank (PMFB) is a firm/organization in MFB sector that has attempted to enforce managerial change over the years in order to improve performance and service delivery. Within this study we will be evaluating how managerial change has impacted the organization and how this change was managed.

1.1. Statement of the Problem

The microfinance bank (MFB) is a segment of the finance institute that's fundamental to the society because of its impact to the citizens with low income power. Although they work like banks, its finance methods follow a philosophy rooted on the goals of alleviating the plight of the poor and others that are deprived from accessing banking services and facilities as a result of their economic power, education, financial status and lack of adequate collateral for conventional bank loan. It is fundamental for serious economic development most especially in a country like Nigeria. With that said, firms in this industry needs to stay competitive and flexible enough to react quickly and adapt to change, be it technological, customer relation or leadership/managerial change.

Many of these firms have gone under for not effectively managing changes that occurred over the years in the industry and their organizations due to lack of a standard framework and change management skills and strategy. It is on the basis of unplanned changes and turnarounds in the microfinance banking sector that this study is embarked on in other to unveil the hidden reality of how purposeful managerial change can affect the industry.

1.2. Research Objectives

The general purpose of this study is to evaluate the effect of change management on organizational growth in service industries, with peace microfinance bank as a case study. This guides us to highlight the following specific objective:

- To identify factors affecting effective adoption of change in the organization.
- To examine the level of management control over change.
- To appraise the impact of change management on the organizational growth.

1.3. Research Questions

- How does the organization adapt to change in management?
- How is management able to control the effect of change?
- What is the relationship between change management and organizational growth?

2. Literature Review

Change concept came to the fore after World War one in the shape of human relations, building on the workforce administration concepts that had been adopted to manage masses of workers in the war production efforts. Human relations provided some insight into how employees might be managed to increase productivity. Drucker (as cited in Nyaungwa, Linganiso & Karodia, 2015) noted that this frame of reference became better known through the Hawthorne studies conducted by Elton Mayo in the late 1920s. Axelrod (2001) highlighted previous studies conducted by Kurt Lewin during World War II and unveiled how permitting inputs from employees added to favorable reception of changes with the added value of increased productivity.

Change is an externally driven process, focusing on how organizations greet and adapt to their environment to increase their legitimacy and chances for survival (Powell & Dimaggio, 1983; Aldrich, 1999). Past research has generally placed change as either Evolutionary or Revolutionary.

- Evolutionary change occurs naturally, nothing drastic or sudden (George & Jones, 2012). These changes happen gradually in an attempt to adjust and improve in order to be well position for an anticipated change in the environment.
- Revolutionary change occurs as a result of operational, structural and in some cases leadership changes (George & Jones, 2012). It's a dramatic, rapid, broad change that occurs as a way of re-engineering effectiveness of an organization. It's safe to say it happens in reaction to change.
- Recent theorists have further divided the above into the following typologies;
- Reactive change occurs when an organization experiences some external or a serious internal operational and managerial problems or conflict. A reactive change is initiated in reaction to the problems; this change is characterized with pressure from external forces.
- Proactive change one the other hand is an approach to change which involves making changes in an organization without having experienced any problems yet. Organizations anticipate the need for change which helps put them in a better position and avoid future distress.

2.1. Change Management

Burnes (2000) depicted that change is a multi-level cross-organizational process that unveils a disorganized and incompetent trend over a period of time and comprises a series of interlocking projects. He also considered organizational change management as a continuous process of experiment and adaptation intended to match an organization's capabilities to the needs of a volatile environment. Burnes (2004) like many other scholars asserted that change is an ever-present feature of organizational life both at the operational and strategic managerial level. Last few decades have exposed organizations to a series of changes in the global environment according to Ghoshal (as cited in Todnem, 2005). It is very visible that change is occurring at a much faster and greater pace in the current business environment (Balogun & Hailey 2004; Burnes 2004), workforce changes, increasingly competitive environment (David, 2006), technological advancement and innovations. In other for firms to stay successful and gain competitive advantage in today's highly volatile economic and continuously evolving business environment, change needs to be properly managed.

Kotter (1996) encouraged executives to transform businesses systematically and rationally. Necessity has made it imperative for managers to acquire managerial skills and strategies needed for change management. According to Kotter (as cited in Olajide 2014), for change management to be initiated effectively a strong coalition of managers need to team up with the workforce. The workforce arm of change management is equally as important as the change itself because it's what determines whether the change holds up or fails. If appropriate planning is not accredited to the workforce the change process is bound to be a Sisyphean and knacker task.

Change management should focus on the people impacted by the change. It is on the importance placed on the workforce as an important force of change execution the Price Water House Coopers (PWC) developed ten guiding principles for organizational change management (Neilson, Kvinge, Aguirre & Tipping, 2004). They are;

- Address the human side of change management
- Change starts at the top and begins on day one
- Real change happens at the bottom
- Confront reality, demonstrate faith and craft a vision
- Create ownership, not just Buy-In
- Practice targeted over-communication
- Explicitly address culture and attack the cultural center
- Assess the cultural landscape early
- Prepare for the unexpected
- Speak to the individual as well as to the institution

2.1.1. Managers

Employees' behavior in the work place is highly influenced by managers/leaders this is why they are an important agency of change and its management. For change management to occur managers have to be the first to embrace it even if other employees don't want it. Today managers are no longer expected to just solve problems and issue directive, they are expected to ask questions with and outside their organizational environment, enhance possibilities, chart and propose new course of actions. In other words, although top leadership is critical, leadership support from managers throughout the organization is highly needed for a change to be successfully implemented (Kotter 1995). Organizations need managers with leadership qualities and passionate about making change and impacting company's growth. Such effective leadership behaviors will help build and maintain momentum for change initiatives and actively managing hindrances and employees' resistance to change.

2.1.2. Resistance to Change

Resistance occurs when individuals feel threatened by the action that's about happen. Not everyone is comfortable with change, so fear of the unknown can cause employees to be reluctant to welcome new ways of doing things. It is important for management to ensure that everyone is aware of company's objectives and the change process for better integration and transition to the new equilibrium in order to enhance organizational growth.

2.1.3. Organizational Growth

A change in size represents growth or decline, so if there happens to be an increasing or upward change in the size of an organization, this signifies growth. Organizational growth can be measured with various criteria like number of employees, level of job satisfaction, market share, sales, assets; stock price etc. change that can lead to substantial growth needs dedicated, driven and high quality leaders that can demonstrate commitment to its success, according to Stanleigh (as cited in Atieno, 2017). How an organization performs or grows during and after change is highly dependent on the kind of leaders, managers or administrators. As earlier mentioned, Kotter (as cited in Olajide 2014), for change management to be initiated effectively a strong coalition of managers need to team up with the workforce. Without this it is close to impossible to get work done or even put a plan in place. Other growth/performance indications will be employees understanding of the need for change, the change process and the initiative to embody the change for the purpose of better performance.

2.2. Theoretical Review

The model that's most significant in underpinning this study is John Kotter's eight-step linear model (1995), which originated from the need for change to be tackled from a strategic level. Leadership plays a very important role in the actualization of Kotter's (1995) model which includes; establishing a sense of urgency, forming a powerful coalition of managers/change agents/stakeholders, creating a vision, communicating the vision, empowering others to act on the vision, planning for and creating short-term wins, consolidating improvements and still producing more changes and finally institutionalizing new approaches.

This model has proven to be relevant to this study because it depicts the reality of how change process requires a deep understanding of organizations' resources such as staff, structure, systems and culture because these are some major change blockers or sources of resistance. Past studies have shown that change failures occur because the means of facilitating proposed change are usually not change ready as a result of poor engagement or lack of understanding of the need for change, process and expected end result. "For successful change implementation, workers should be properly trained on change programmes and should be educated on the reasons for change" (Olajide, 2014).

According to Ndahoro, Skukla and Oduor (2015) change processes have failed due to lack of stakeholders' involvements. A team is needed because one person can't manage change alone. This also goes to support an earlier mention, Kotter (as cited in Olajide 2014), for change management to be initiated effectively a strong coalition of managers need to team up with the workforce

2.3. Empirical Review

Few empirical studies were undertaken relating to change management in Nigerian organizations. For instance, in a study aimed at examining the effect of change management on organizational performance in the telecommunication industry Olajide (2014), used Airtel Lagos, Nigeria for empirical insight, and the study was carried out and revealed the following. The study's target populations were 1000 Airtel employees in some Lagos state outlets and headquarter, and a sample size of 300 formed the respondents. Stratified and simple random sampling techniques were used to select respondents. Descriptive statistics was used to analyze data and scientific packages for social scientists (SPSS) were the instrument employed for this analysis. Questionnaires with closed ended five-point Likert scale was used to gather the data analyzed. The findings of the study showed that change in management significantly affects employees' performance, therefore for change to succeed the human aspect to change management must be successfully addressed in order to avoid resistance to change. He came to the conclusion that in order to have a successful change process participative style of management such as training employees on change process. He believed this will foster a quick and smooth adoption of the change.

However, there are other similar studies undertaken in other countries, for instance a study aimed at investigating the effects of change management on performance of government institutions was conducted in Rwanda. Ndahiro, Shukla and Oduor (2015), used quantitative and qualitative research design approach, population of the study comprised of 134 staff of Rwanda revenue authority (RRA) employed in divisions that are closely related to the area of research such as institutional planning, IT, Tax department and executive office. Sample size of 100 respondents calculated on the base of Solvin's method was used; primary information was gathered with the use of questionnaires while secondary data was gathered from RRA records of financial statements, textbooks and website. Data collected was processed and analyzed with the aid of data coding, editing and tabulation. The findings of the study showed that RRA had staff monitored and evaluated after change was initiated. The management had monitoring and evaluation policy that shows how the performance improved after initiating the change. The four years change process was embraced by most employees because it was well planned and implemented at a strategic level which also impacted the overall organization. Nyaungwa, Liganiso and Karodia (2014) assessed the impact of change management on the performance of Zimra region 1 in Zimbabwe, the target population was Zamra region 1 domestic Taxes employees and the sample size was 85 employees. Data collected from the survey was analyzed using SPSS package. The findings showed that they lacked teamwork during the change process which coursed it to derail. There was poor communication which led to more commitment from employees and resistance to change. Zimra's change management process failed to engage employees effectively which lead to a disappointing change experience. To manage change they concluded that the factors influencing effective management of change where awareness that change is needed, promoting team work, and full commitment from top management, change communication, change participation and change motivation.

Kotter (2008), reached the conclusion that the best way to initiate change is by communication and participation. Organizational growth is influenced by the multiplicity of workforce and change cannot be successful if communication is hindered. Employees need to know performance information in terms of current situation, what is ideal and target for the future. Many authors have stress resistance as the major factor for change management failures.

3. Methodology

This study was carried out at peace microfinance bank, head office which is located in Abuja, Nigeria. Descriptive survey research design will be used in this case analysis. An interview will also be conducted. The population targeted was 15 management staff of peace microfinance bank. 12 responded to the study, comprising of management and heads of departments. Purposive sampling techniques was used in selection the respondents due to their designations. The data was collected by the use of structured questionnaire with contained 19 closed ended questions.

3.1. Data Analysis

Descriptive statistics was used in analyzing the primary data that was gathered using a 5-scale Likert's questionnaire. Data collected was analyzed using the group percentage distribution on the survey monkey.

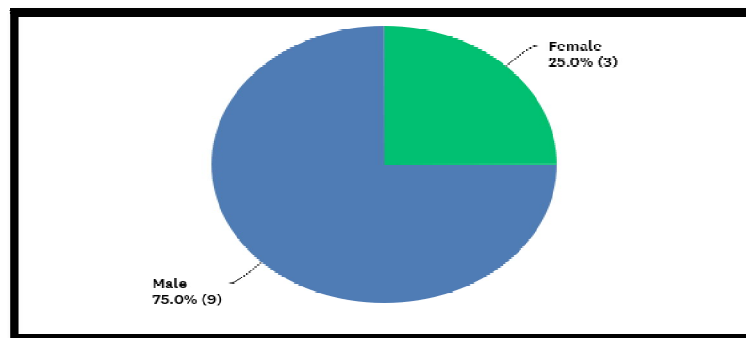


Figure 1: Gender of Respondents

The Bio-Data Shows That Majority If the Respondents Where Male at 75% While the Female Respondent Where At 25%)

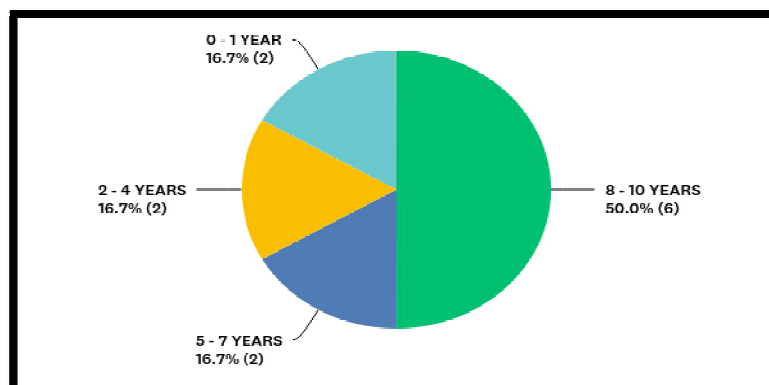


Figure 2: Work Experience with the Organization

The result above shows that 50% of the respondents have been in the company for over 8years, 16.7% respondents have been working with PMFB for over 5years and less than 7years, another 16.7% respondents have been in the company for about 2-4 years while the remain 16.7% have worked for less than one year. Considering that approximately 83% of the respondents have spent a valuable amount of time in the organization, between 2-10 years, they should be able to give substantial information on how changes have affected them with the organization)

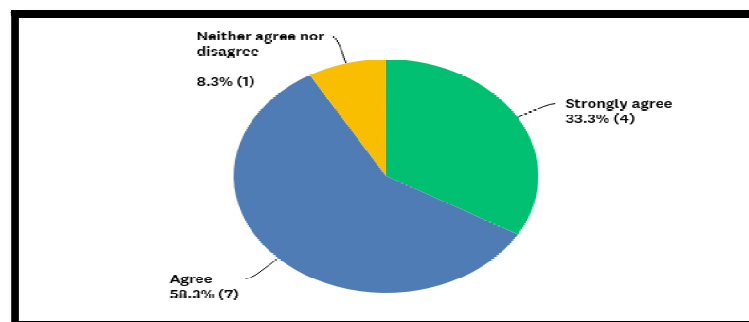


Figure 3: Change Awareness

There are logical reasons for change which are visible and the goals are transparent: results show that 33.3%, 58.3% and 8.3% of the respondents strongly agree, agree and neither agree nor disagree respectively. According to Kotter (1996) the need to establish a sense of urgency is step one due to the need for individuals to first of all be aware of the change and understand why is necessary so they can commit themselves to the process. According to figure 3 over 90% agree to the need for change)

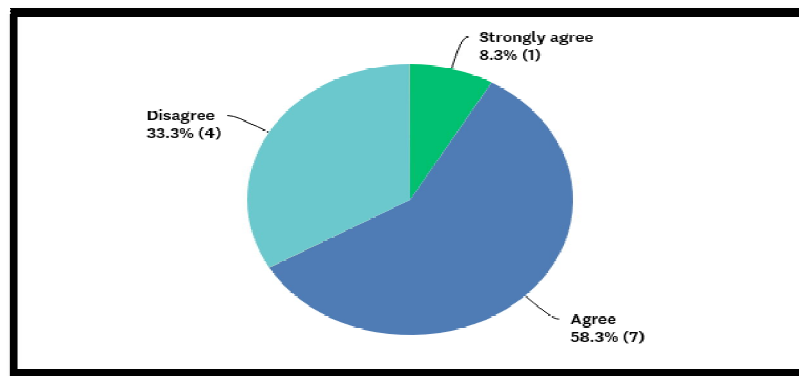


Figure 4: Communication

The change process was communicated in a manner that made it easy to understand and implement: result shows that 8.3%, 58.3% and 33.3% of the respondents strongly agree, agree and disagree respectively. This indicated although more individuals understood the need for change less understood the process through which it was to be achieved)

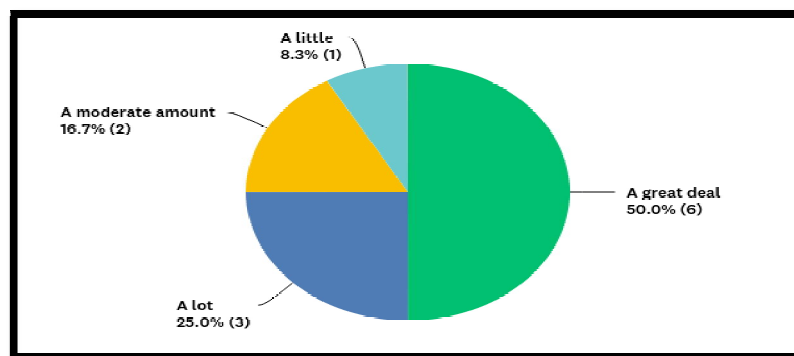


Figure 5: Level of Top Management Commitment

I am fully committed and eager to see the final outcome of this change initiative: the result shows that 75% are fully committed and 25% are not so committed. Kotter's step two which is building a team that will help push the agenda and address resistance has not been fully achieved. This can significantly impact the change processes negatively)

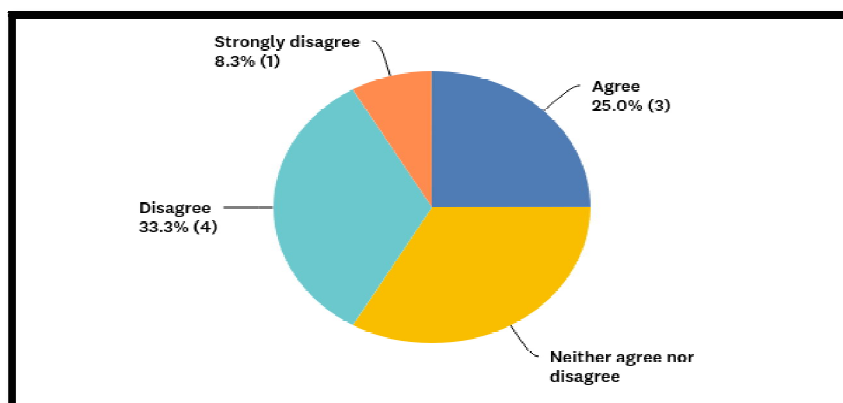


Figure 6: Resistance to Change

The direction of the implementation is influenced by resistance: result shows that 25% of the respondents agree, 33% disagree and 8% strongly disagree. The outcome of this result can be traced back to the effect of the level of top management commitment)

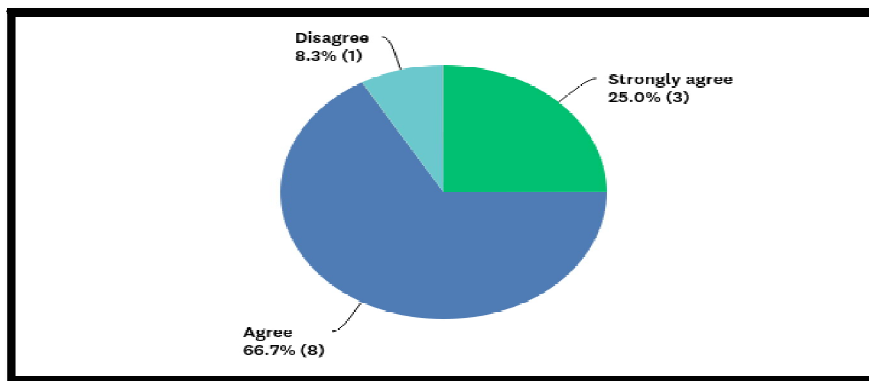


Figure 7: The Recent Changes Have Improved Workplace Performance

This result reveals that 25%, 67% and 8% respondents strongly agree, agree and disagree respectively that the change initiative will improve workplace performance. This means that 92% believe that change will help in improving job performance which could bring growth to the organization)

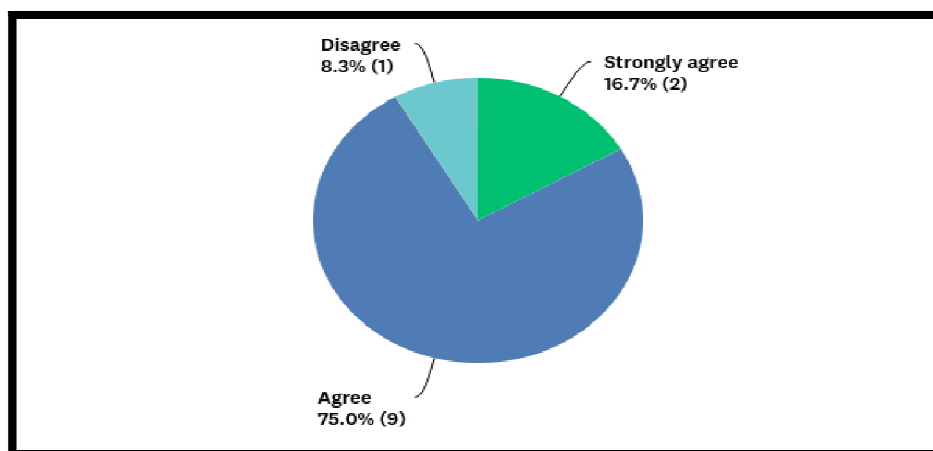


Figure 8: The Changes We Have Experienced in PMFB Have Positioned Us for Better Growth

The above figure also shows that 91.7% of respondents believe the change have positioned the organization for better growth experience. While 8.3% which represents one respondent disagree)

4. Discussion of Findings

During the assessment of effectiveness of the change management in Peace Micro finance bank, several factors where unveiled to be the reason why the company seems to be heading towards the right direction if correction are made before continuing. According to Nyaungwa, Linganiso and Karodia (2014), critical to the success of the change process are awareness to why change is needed and the level of urgency attached to it, top management commitment, level of team work, communication, participation and feed backs given to top management and lower staff and motivation to keep going.

Literature stresses the importance of establishing the need for change, its urgency and persuasively communicating it continuously throughout the process of exchange with all workforces. A collective of 8.3% and 58.3% respondents strongly agreed and agreed respectively to the fact that change was communicated to them in a manner the was transparent and process was understood. For awareness 33.3% and 58.3% respondents strongly agreed and agreed respectively that there are logical reasons for change which are visible and the need for change appreciated. The finding indicates that communication was still lacking, not all management staff was fully committed to the change management process hence the presence of resistance. This does not support Ndahiro, Shukla and Oduor (2015) study which clearly proved that full management commitment is needed for monitoring and evaluation of policies that are used measuring the success of the change processes.

The managing director noted that there is a level of politics involved in change hence the reason why there is need to develop and build support from major organizational members. As mentioned earlier Kotter (1996) in his 8 step model highlighted the importance of forming a powerful coalition of managers to work with the most resistance people. The MD also noted it's beneficial for channels of resistance to be known now they are at the early stages because it discloses problems that can be resolved before moving forward. One of the guiding principles of Kotter's (1995) model is to resolved issues to come up at any stage before moving to the next one because unresolved challenges can cause change to be unsuccessful. To assess the impact of change in PMFB organizational growth, findings showed that 25% and 66.7%

respondents strongly agreed and agreed respectively that the recent changes have improved workplace performance while 75% agree that the changes being experienced in PMFB have positioned them for better growth.

5. Conclusion and Recommendations

As mentioned earlier Axelrod (2001) highlighted previous studies conducted by Kurt Lewin during World War II and revealed how allowing inputs from employees added to acceptance of the changes with a bonus of increased productivity. Change is now a continuous phenomenon in our daily life and business environment too, that is why it is necessary for organizations to learn how best to continuously managing the process. From findings the following recommendation will positively affect the adoption of change in the organization, improve management control and overall organizational growth.

- The organization should get all the management staff to commit fully to the change initiative and understand the process, this will enable them influence other lower staff members to imbibe in the change. Being able to involve every individual in the change process can reduce resistance and enhance the quality of the change management.
- Coaching and trainings can help create greater awareness and improve performance. The service of an internal change manager can be employed to work hand-in-hand with management, design trainings that can enhance default areas.

6. Areas for Further Research

There is need for further research to reach a wider scoop of the microfinance bank; involving other branches and more employees from different levels in the company so we can get more data for further analysis.

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