

The Role and Necessity of Change Management in Organizations: Investing CRM as an Effective System to Manage Customer Relations

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Abstract

This paper summarizes the arguments and counterarguments within the scientific discussion on the issue of change management characteristics in organizations. The main purpose of the research is to find out and discuss the role of change management in organizations, the main change management models, the benefits of investing CRM in a banking system that will change the way of work. A systematization of literary sources on the issue of change management presents some models steps of change management in organization. It indicates the importance of change management in today's fast-moving world. Investigation of the topic proves that change management may help organizations become more effective customer-oriented. Analysis in the paper is carried out in the following logical sequence: literature review shows some examples of international experience of the discussed topic; also, the experience of CRM investing is discussed in one of the Armenian banks. Methodological tools of the research methods were analysis and synthesis, surveys. The paper presents the results of an empirical study, which shows that there are some transactions for which people prefer going to the bank. Certain services tend to go online, for example, to request account information or transfer money between accounts. The trend is that customers are moving more and more to online platforms. It was due to the introduction of the latest IT technologies in the banking system; also, during Covid-19, people preferred to do transactions online. The results show that it is necessary to use CRM tools to manage customer relationships throughout a customer life cycle, including marketing, sales, digital marketing, and customer service interactions. We suggest using CRM tools in banks to identify customers' needs as much as possible to build a stable and long-lasting bank-customer relationship. The results of the research can be helpful for banks to improve their experience, invest in CRM systems and do better change management.

Keywords: Change Management, Models, Human and Digital Channels, Customer Relationship Management, Banks, COVID-19.

JEL Classification: O3, M15.

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Introduction

Changes are inevitable in real life, as well as in organizations. Nowadays, the world is moving fast, and it is necessary to make some changes to survive and be competitive in the market. The external factors influence organizations as well. Changes may be in legislation, international markets, technologies, economic situation, political situation, societies, etc. These external forces may lead to changes in the internal environment. The aim of the article is to discuss the role of change management in organizations, the main models, the benefits of investing CRM in a banking system. For this purpose, we have analyzed customers'

channel preferences and how they affect customers' engagement with their bank in one of the Armenian banks. CRM has many advantages; it helps banks manage customers and better understand their needs to provide the right and quick solutions to their problems.

Literature Review

Managing change is a multi-disciplinary activity. Those responsible for doing changes must possess a wide range of skills: communication, negotiation and influencing, planning and control and other skills (Paton & McCalman, 2008: 40). Change management enables employees to adopt a change to realize business objectives. It is the bridge between solutions and results and is fundamentally about people and our collective role of transforming change into successful outcomes for our organizations. Change management is the application of some tools and processes to manage the people side of change from the current state to a new and future state which will ensure the achievement of the desired results of the change (Hiatt & Creasey, 2012).

According to Garvin and Roberto (2005), change is hard, as many people are unwilling to change their habits. What worked before is good; if there is no dire threat, workers will continue doing what they do. According to them, the managers must persuade people that the organization is ill, and radical and crucial changes are needed to survive. According to Kegan and Lahey (2001), refusing to accept changes does not mean opposition also it is not a result of inertia. Instead, even as they are dedicated to change, many people ignorantly apply productive energy towards a not-seen competing commitment. "Competing commitment" may be presented as a psychological dynamic and till leaders try to understand how it works and how to overcome it, they can do nothing with employees who are considered to be change-resistant.

ADKAR Model describes the whole process of individual change in following steps:

- Awareness of the necessity to change,
- Desire to take part in and support the change,
- Knowledge about how to change,
- Ability to apply new skills and behaviors,
- Reinforcement to keep the change in place (Hiatt & Creasey, 2012).

Change Management Plan does not define what must be changed. It identifies the tactics to manage the risk factors of change management; creates the infrastructure of change management; integrates with the technical plan (Graham, 2005).

Based on Prosci's research in change management over seven separate studies with more than 2600 organizations, the most effective change management process consists of three phases: Phase 1 – Preparing for change, Phase 2 – Managing change, Phase 3 – Reinforcing change. Firstly, a change management strategy should be defined. A significant, radical change to a large, "change-resistant" organization will entail more project risk and require more change management. Conversely, a small change to a single department or group will require less change management and fewer activities. The initial assessment tells the depth and breadth of the change management effort (Hiatt & Creasey, 2012).

According to Hayes (2018), the key steps in the change process are to recognize the necessity of changing and starting the change process, to diagnose what needs to be changed and formulate a vision of a preferred future state, to plan how to intervene to achieve the desired change, to implement plans and monitor progress, to assist the change, to manage the issues of people, and learning. According to Kotter (2012), there are eight steps for transforming the organization. They include creating a sense of urgency, creating a strong leading coalition, establishing a vision, communicating it; motivating others to follow the vision; planning short-term wins; integrating upgrades, creating still more change; committing new approaches. He also mentions the main errors in change management: not making a great enough feeling of urgency; not establishing a strong enough guiding coalition; not having a good a vision; not declining issues to the new idea; not planning for systematically and creating very short-term wins; announcing victory too soon, not tying up changes in the culture of corporation's (Kotter, 2007).

Meyerson's (2001) research shows that companies change in two ways: radical action and evolutionary adaptations. Beer and Nohria (2000) discuss two theories. Theory E is considered a change based on the economic value, while theory O is based on organizational capacity. According to Lewin (1951), the change process requires three steps: unfreeze, move, and refreeze. The unfreezing process may be done by showing new information that reveals the current inadequacies or by reducing the power of current values. Moving means developing new values and behaviors by internalization, recognition, or changes in structure. The final step is stabilizing the change at a new state called refreezing. Changes in organizational culture

structure often do this (Lunenburg, 2010). Ben Harris (1975) created a model of five stages for managing changes. He states that these steps come in sequential order, often overlapping. These phases are Planning and Initiation; Momentum; Problems; Turning Point; Termination (Lunenburg, 2010). Michael Fullan (2011) presents another model of the change process. According to him, these seven themes should be examined when attempting to do a change. They are:

- Change is Learning,
- Change is a Journey, and Not a Blueprint,
- Problems Are Our Friends,
- Change Is Resource-Hungry,
- Change Requires the Power to Manage It,
- Change is Systematic,
- All Large-Scale Change Is Implemented Locally (Lunenburg, 2010).

Methodology

The article applies quantitative and qualitative methods. It explores the relevant literature change management models analyzes customers' channel preferences and how they affect their bank engagement. For this purpose, the methods of surveys were used in X bank. Also, analysis and synthesis were used.

Discussion

Our days, the traditional tools of change management are obsolete. While companies have been thinking about using digital apps to improve their businesses, digital tools to drive and accelerate internal change has received far less research. In any case, new digital tools can make change more multi-content and continuous for both the people experiencing it and those who make it. Digital change tools appear at the right time. Advanced technology solutions help companies achieve and maintain a competitive advantage in their industry. Companies need to deliver fast results and steady growth in today's increasingly competitive environment. They must adapt and change to a groundbreaking extent: managers must respond more quickly to opportunities and threats, leaders need to make decisions faster, frontline employees need to be more accommodating and cooperative.

No organization can afford to stand still. Mastering the art of rapid change is now a competitive advantage. For many of them, the five-year strategic plan is a thing of the past. Companies that can set priorities to implement new processes faster than their competitors in this rapidly evolving and dynamic environment will gain a competitive advantage. There are always new challenges better ways to do everything. Organizational change management involves any systematic approach to improving the organization's goals, procedures, and strategies from the current unwanted situation to better future performance. At the same time, it leads to allowing and helping the people at the organization to accept and adapt to this transition. The digitization of the following five areas can help make internal change efforts more effective and sustainable (Ewenstein et al., 2015).

- **Get timely feedback.** Feedback processes are designed to provide timely information when the recipient can act best on it. Timely feedback allows recipients to adjust and make some changes to their behavior to see how those adjustments affect their performance.
- **Customize the experience.** Personalization is the filtering of information that relates to the user and shows each individual's role and contribution to a larger group goal.
- **Create compassion, community and common goal.** Sometimes communities involved in change efforts are physically distant from each other. When the colleagues can share and see all the information related to a task, including updates and informal information, it may generate a great deal of corporate stimulation.
- **Show progress.** Change is like turning a ship upside down: people on the other side see the change, but those behind it may not notice it. Digital change tools help report progress to see what is happening in real time. This type of communication makes the change more urgent and real, which creates a stimulus that can help the organization reach a turning point where a new way of doing things becomes.
- **Avoid hierarchy.** Direct connections between people in an organization allow to bypass complex hierarchical relations and reduce the time required to complete tasks. Avoiding hierarchy will enable employees to share valuable information get help and advice from people they respect and trust.

Failure in digital transformation projects almost always comes down to a lack of preparation and the wrong strategy. Whether we want to introduce new technologies, improve customer service, streamline business

processes, a consistent change management process can help facilitate change. They say the more effectively we apply change management, the more successful a project is. Let us discuss Prosci's benchmarking studies. The study is based on getting answers to 4 questions:

- What was the overall effectiveness of the change management program?
- How far has the project achieved its goals?
- How well was the project on schedule?
- How much was the project on the budget?

Based on the analysis of responses, the author correlated the data of the final question on the effectiveness of change management with the three measures of success: achieve the goals, stay on budget, stay on schedule. And what is the result? Change is complex and heavy. So, engaging people early, carrying out the process, and constantly adapting for improvement is key to success.

Let us discuss the correlations: The data points show who have achieved or exceeded their goals in each category of change management effectiveness. The below figures show how the effectiveness of change management is related to the achievement of the project goals.



Figure 1. Correlation with Meeting Objectives

Source: Prosci Best Practices in Change Management, 2018

According to the data in Figure 1, 93% achieved or exceeded their goals who had excellent change management plans, 77% of those with good change management plans have exceeded/achieved their goals, and 43% of those with fair change management programs have exceeded/achieved their goals, 15% with poor change management programs met or exceeded objectives. Figure 2 shows the correlation between change management effectiveness and the ability to stay on/ahead of schedule. Contrary to popular belief, however, the research shows that a long project that is frequently reviewed is more likely to succeed than a short project that is not reviewed often.

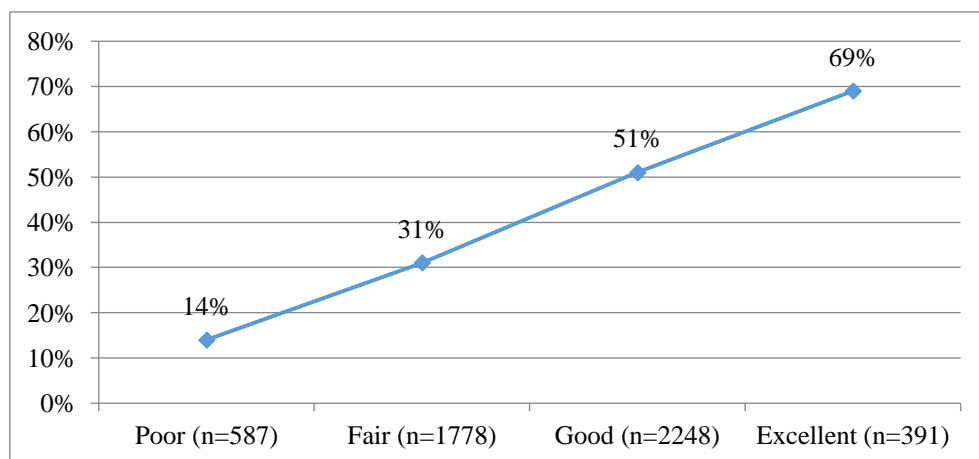


Figure 2. Correlation with Staying on or Ahead of Schedule

Source: Prosci Best Practices in Change Management, 2018

Scheduling is a powerful counterweight to one of the main objections of project managers. Baseline planning and assessing their impact is the best way for managers to review project performance, identify gaps, and identify new risks. Sometimes, they say, “I understand why change management is important, but have deadlines and a go-live date to hit and applying change management will slow me down”. Figure 3 shows the visible correlation between change efficiency and ability to stay on budget.

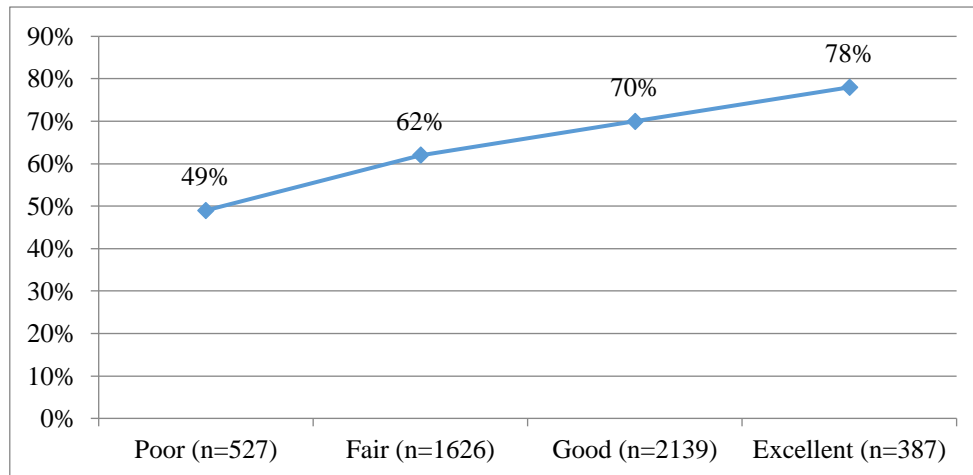


Figure 3. Correlation with Staying on or Under Budget

Source: Prosci Best Practices in Change Management, 2018

Figure 3 provides a possible counterbalance to another major objection from project managers. A project manager can say, “Even though I understand why change management is important, I do not have enough budget to provide”. So, we can say that projects with effective change management are more likely to stay on budget than those with poor change management. Although it seems to the project manager effective change management increases the likelihood of finishing on time and budget. Especially when Digital is making many changes, organizations need to invest in their people to help them embrace the changes that come with their digital transformation. Organizations will only succeed in their digital transformation if they succeed in transforming their people.

Results

The key to the success of any organization is people. For analyzing the role and necessity of change management in organizations, let us discuss customer service relations, customer relationships, and necessary changes. Customer experience is a key, if not the key competitive differentiator for the financial services industry and across all sectors. The numbers prove it:

- 84% percent of businesses that focus on enhancing the customer experience report an increase in revenue; another 92% report increased customer loyalty,
- Businesses that prioritize the customer experience achieve an average 20% increase in employee engagement (Gagnon, n.d.).

Customer service is the single most important factor determining whether a customer stays in your bank or moves to another bank. Research shows that 89% of customers can change their service providers after a bad experience. A seamless client experience can cost at least as much as a high-quality product or an efficient process that builds customer loyalty, reduces costs, significantly increases revenue makes employees happier. One bank that transformed the customer experience found that the profitability of a satisfied customer's lifetime of advising the bank to their friends was six to nine times greater than the profitability of a negative customer. Many banks spend enormous resources for transforming their customer experience, often with different results. It is obvious. The customer's banking relationship includes key journeys that range from entry-through-transaction to service-solving. Effective transformations must recognize the complexity of these relationships and prioritize the parts of the experience that are most relevant to managing the final nature of customer needs. Clients prefer how they work with the bank to meet different banking needs. For getting money, one customer may prefer to make a face-to-face transaction with the branch cashier, while another customer prefers to receive money through an ATM. To better understand clients' preferences in one of the Armenian banks, we analyzed how customers prefer to meet their banking needs for a certain period. The results of the analysis are presented in Table 1 below.

Table 1. How Customers Use the X Bank's Services 2017-2021

	HUMAN CHANNELS (at a branch)					DIGITAL CHANNELS (by online/mobile banking/ATM)				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Open or close an account/card	91 %	89%	86%	82%	75%	9 %	11%	14%	18%	25%
Make deposits	99%	98%	91%	89%	87%	1%	2%	9%	11%	13%
Apply for a loan	100%	99%	91%	84%	74%	0	1%	9%	16%	26%
Withdraw money	-	-	-	54%	56%	-	-	-	46%	44%
Receive statement, referances	74%	71%	65%	41%	34%	26%	29%	35%	59%	66%
Transfer money	91%	88%	74%	61%	45%	9%	12%	26%	39%	55%
Pay bills	99%	94%	64%	35%	25%	1%	6%	36%	65%	75%
Get information about products or services	98%	87%	45%	56%	74%	2%	13%	55%	44%	26%
Submit complaints or suggestions	99%	84%	66%	67%	70%	1%	26%	34%	33%	30%

Source: Based on the survey results in X bank, composed by the authors

Thus, based on the data in table 1 for opening or closing an account/card, making deposits, applying for a loan, customers prefer to communicate in person at the branch. There are certain services that they like to do online, such as requesting account information or transferring money between accounts, although some customers prefer to use the branch service. More customers prefer to receive statements by email; some prefer online channels for paying bills. As we see over the years, the trend is that customers are moving more and more to online platforms. It was due to the introduction of the latest IT technologies in the banking system, as at the same time, people with Covid19 were less likely to visit banks in 2019-2021, trying to make transactions online. The pandemic helped shake up some long-held beliefs about the importance of the branch, especially among bank executives, when it comes to new account opening. Nearly half 44% of banks expect to add a new or replacement consumer digital account opening system in 2022.

When clients cannot use their preferred channel for a transaction, they are less satisfied than clients who have used their preferred channel for their banking needs. Our analysis shows that moving customers from the channels they prefer to use to the channels they do not prefer to use, may lower their engagement with their bank. Banking managers may be less concerned about this decline in customer engagement, which is less profitable for the bank. To manage this migration process smoothly, to meet customers' needs as much as possible, we propose introducing a customer relationship management system in banks. It can help banks betake a digital transformation across both online and mobile banking experiences. Customer relationship management (CRM) is a technology for managing the company's relationships and interactions with customers and potential customers. CRM system helps companies stay connected with customers, simplify processes and improve profitability. The purpose is to improve business relationships for business development (CRM 101: What is CRM?). A CRM system is a tool that helps with sales management, agent productivity, contact management, etc. CRM tools can be used to control the relationships throughout a customer life cycle, including marketing, sales, digital marketing, and customer service interactions. We suggest using CRM tools in banks for identifying the needs of customers as much as possible, to meet the maximum and to build a stable and long-lasting bank-customer relationship.



Figure 5. Customer-Centric Business Model

Source: The Benefits of CRM for Business Banking, n.d.

According to Figure 5, CRM can help the business to create a needs-based customer-centric business model. What does it mean? Bankers can segment customers, communicate with them on their chosen channels, align

products with financial objectives, etc. By using a CRM, they can put the customers at the center of the business; bankers can predict their needs and get a 360-degree view of each customer and deliver personalized service. Bankers will spend less time collecting data and more time building relationships with their customers. Visibility and easy access to data make collaboration and productivity easier. Everyone in the company can see how customers have been communicated with, what services they had used when they last came to the branch, etc.

A CRM system can provide clear information about the customers. We can see everything in one place. We may even choose to include data from their public social media activities: their likes/dislikes and what they think and share about our company. Marketers can use a CRM solution to manage and optimize campaigns. It can show us a clear path from surveys to sales. Investing it in business, from finance to customer service to supply chain management, will be quite rewarding for the business. It helps ensure that customer needs are at the business process frontlines and innovation cycles. With the right banking technology, banks can offer services such as mobile banking, fraud alerts, paperless announcements, customer service calls, and more. Banks can already provide many of these digital services. Imagine what we can do if we combine them with great CRM, tracking all customer interactions. So, the overall effectiveness of the change management program is that through leveraging the CRM tools available, we can increase staff productivity and reduce costs-the business can enjoy higher operating capacity and deliver a superior customer experience.

Conclusion

Everything around our company changes: the market changes, the customers change, the competition changes, and we need to adapt to the changes quickly if we want success. The realization of benefits is the basis of change management, ensuring that the expected benefits can be achieved. All companies with no exception need to adapt to their environment. Change is a vital piece of any organization, whether it is by changing the offers, the processes, the strategies, or the products. We know that organizational change is the collective result of individual change. Without change management, project plans, budgets, and schedules often go off course due to the people-side problems that inevitably arise. For organizations that place a high value on efficiency, avoiding the RE costs is a practical rationale for applying change management early in a project lifecycle and building support for it among leaders.

In today's constantly changing and competitive environment, it is vitally important for organizations to engage and motivate their employees. Those who are motivated, involved, make full use of their talents and abilities, have the maximum contribution to the work of the organization. Failure to do this so may result in loss of competitiveness and profits. CRM can help companies to grow their business. A Customer Relationship Management solution in banking helps banks manage customers and better understand their needs to provide the right solutions, quickly. There are many advantages of CRM in banking. Banking is now a customer-driven world. Banks that understand and serve the individual needs of their customers best will succeed, while those who still use sticky notes to keep track of accounts will lose market share and fade away. Adopting a banking CRM is critical to serving the customers at every point in the sales channels. So, every change we must make must be carefully planned, otherwise it can do more harm than good. Effective change is not accidental, and any program we make should be right for that organization considering the strengths and weaknesses of the organization. Some companies have rigid methodology of change, while others are more flexible in their approaches. That is why change projects can vary from organization to organization. Before making any changes, we need to do a thorough analysis to be successful.

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