

# Organizational Change and Organizational Effectiveness of Secondary Banking System in Albania

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**Abstract-** *Continuous organizational changes are required as well as successful implementation approaches of modern managerial methods. However, organizational changes in Business Organizations may often occur at inconvenient time, subject to the psychological preparation of employees or the whole staff in general. In these circumstances, the employees displayed strong resistance to accept changes although they may be decisive for the survival of Business Organizations. Further, what makes the Business Organization employees accept or refuse organizational changes? Which is the impact of their resistance on change implementation? Is it closely connected with their personal interests or is it merely a contradiction for the purpose of convenience? These questions and many others will be answered during this investigation through an empirical and theoretical analysis. The study will show the connection between organizational changes in terms of organizational effectiveness. Additionally, it will present a clear overview of the reality of Albanian Business Organizations regarding the organizational change and their mode of operation.*

**Keywords:** *Organizational changes; Organizational effectiveness; Performance; Employee; Organization*

## 1. INTRODUCTION

Mankind and society have been traditionally characterized by a continuous change, notwithstanding its time and incidence rate. It also applies to Business Organizations (BO) under constant development and change. Clearly, this is not an option but an indispensable solution for BO, to meet market demands and ensure a successful confrontation with competitors. The transition of Albanian economy from a centralized to market economy changes the rules of play and perceptions of the market per se. This trend found different groups of interest unprepared or to put it differently, it affected the whole Albanian society. Therefore, the first who had the courage to do business were young people, who, on a daily basis, translated their ideas into economic outputs to the empty market, but they were favored by the total absence of laws and free economy rules. Many researchers have conducted related investigations on major importance of organizational changes for further development or bankruptcy of Business Organizations. Currently, being a serious issue for businesses, it has also encouraged our research study. Through an empirical quantitative research on one hand, we will highlight some of the components of

organizational changes urging the personnel to perform better and on the other hand they directly enhance the results and performance of business organizations. The purpose of the study is to analyze the impact produced from organizational changes on the organizational effectiveness and skill of those businesses to face local competitors and other related stakeholders. Hypotheses to be tested in the wake of this study are developed on the basis of the main components affecting organizational changes in the secondary Albanian banking system. Null and alternative hypothesis and two sub-hypothesis are established as follows:

$H_0$  → Consolidated organizational changes enhance organizational effectiveness.

$H_1$  → Steady organizational effectiveness is not affected by organizational changes.

Sub-hypothesis:

H → Transparency within BO reduces resistance to change.

H → Fear of losing job increases staff resistance to change.

## 2. LITERATURE REVIEW

The nature of organizational and managerial changes has awakened the interest of various researchers during the second half and particularly in the end of last century.

Research results would divide those theories into two large groups which are gradual development paradigm and equilibrium paradigm, thus making them substantially contradictory in relation to each other.

From the traditionalist perspective, they support the gradual development theory that business organizations progresses slowly and constantly, and are subjected to time-oriented factors and surrounding environment (Hayes, 2007). The proponents of this theory believe that, “change is a continuous process and does not require strong movements to produce revolutionary changes. This theory is also supported by Brown and Eisenhardt, arguing that many companies compete under a continuous change” (Brown & Kathleen, 1997). Yet, other researchers sustaining the equilibrium theory or equilibrium paradigm challenge the theory of slow and continuous development. According to Gould, “the world has long periods of “sleep” and other periods of major developments”(Gould, 1998). However, Gerisk further advances this theory with his own studies as he conducted a more comprehensive study. Thus, she argues that “there is a long period of balanced stability and other periods with a revolution of changes”(Gersik, 1991). Weick and Quinn believe that “continuous adjustments cannot lead to fundamental changes” (Weick and Quinn, 1999). Burke shares the same opinion, “admitting that more than 95% of organizational changes are revolutionary”(Burke, 2000). Hence, according to the researchers supporting equilibrium paradigm, organizations alternate balanced periods with limited and slow structural changes and other revolution periods where changes and developments are enormous. This is the main contrast between the gradual traditional paradigm and equilibrium paradigm. Notwithstanding several theories on evolution and change of business organizations, all theories and researchers clearly admit that Business Organizations change. The most advanced view is that changes are generally motivated from “an unexpected event, issue or component of the organizational environment, thus being a starting point to promote change”(March & Simon, 1958; Cyert & March, 1963; Hedberg, 1981; Levitt & March, 1988). It is generally accepted that the moment of event occurrence may determine the importance of events themselves, Eisenhardt and Brown and others demonstrated “the exceptional power of time and moment of time for the structural organizational life”(Barley, 1988; Eisenhardt & Brown, 1998).

### 2.1 Resistance to Change

Personnel insecurity about future often makes them more resistant to change and may even urge them to contradict it. An important scheme about change and organizational development sets out that the “participation of employees and shared decision-making responsibility has led to a more effective organizational functioning “ (Bartunek & Moch, 1987).

Romanelli and Tushman admit that “resistance to change does not afford growing opportunities to the business organization”(Romanelli & Tushman, 1994). Even if possible, there will be minor changes to transform the organization. “Every effort to change an organization usually encounters resistance”(Coch & French, 1948; Schein, 1988) but when changes occur, they may become “radical and cause a real evolution”(Greenwood & Hining, 1996). However, Weick and Quinn believe that “revolutionary changes within Business Organizations always occur during periods of divergence and lack of understanding between the present structure of organization and the need-oriented demand”(Weick & Quinn, 1999). “The resistance of organization to change is accounted for by many factors such as organizational policy”(Pfeffer, 1982), “powerful socialization and cultural norms”(Neumann, 1989), inadequate information and inappropriate moment of time and/or the “absence of necessary resources which identified six methods to counter the resistance to change, and the opportunity to motivate people to change”(Kotter, 1993).

- Education and persuasion
- Participation and involvement
- Facilitation and support
- Negotiation and agreement
- Manipulation and cooptation
- Direction and a reliance on explicit coercion

Based on the investigation of Pitt, McAulay and Sims, “change brings advantages to BO but not to employees”(Pitt., McAulay, & Sims, 2002). As a result, changes may often constitute an obligation and not a manifest will for Business Organizations.

### 2.2 The Anticipating Change

In a particular industry, not all Business Organizations (BO) make simultaneous changes. Some of them are capable to produce early changes and some others are not. To be more competitive in the market, many companies attempt to find new opportunities, and make necessary changes to anticipate their competitors. Accordingly, they try to be one step ahead of their competitors. However, not all companies manage to make early changes and benefit from the relevant advantages. According to John Hayes, BO are capable to anticipate a change before the others will be deemed *proactive* while BO that make changes only when a need arises, are considered reactive (Hayes, 2007). The quicker a decision on change is taken, the larger is the number of managers’ options to choose and vice versa. Nadler identified four types of change: tuning, adaptation, reorientation and re-creation (Nadler., Shaw & Walton, 1995).

1. Tuning is the change occurring when there is no need for change but simply the trend for improvements and change. It starts from within the BO to improve internal components and

through BO strategy, the external environment as well.

2. Adaptation is the process of development or adjustment as an external pressure for change. Therefore, it is a response to the competitor/s to make things not only like him/her/them but also to perform better.
3. Re-orientation is programmed in order to anticipate the future. This process does not arise as an immediate need and most of personnel may not understand such an undertaking and may even challenge it. Therefore, a dynamic group is required for the introduction and implementation of a new BO program.
4. Recreation is a creative change which transforms the organization with a rapid change across all of its basic elements”.

Thus, the first two divisions may be subject to minor or major changes always occurring under the same structures in the present paradigm. Further, the second groups deal with the radical transformations of the organization. Pitt, McAulay and Sims draw the conclusion that “signals or causes bringing about a significant change within the organization are poor” (Pitt, 2002). However, the experience and intuition of individuals anticipate the implementation of those signals. According to them, if senior management is diversified by individuals from different backgrounds, they are more sensitive and capable to deal with internal and external issues impacting the future of the company. Though, another key component is communication quality. It may have a strong impact on BO “performance and good opportunities for changes and innovation” (Orlikowski, 1996). Furthermore, Tjosvold, argues that “open and intense communication between various persons and groups in the organization is a basic requirement for a successful change” (Tjosvold, 1998). “Change is generally motivated by events in an unexpected issue or the component of the organizational environment, sudden movements from competitors, transitions to new technologies or the requirements of the clients creating a change” (March, 1958; Cyert, 1963; Hedberg, 1981; Levitt, 1988). Focusing on the above cited literature, “the planned change should be adapted to meet the specific needs of the organization within its special context, in order to accomplish the objectives of BO” (Goleman, 2000; Adizes, 1999; Christensen & Overdorf, 2000; Enriquez & Goldberg, 2000).

### 3. RESEARCH METHODOLOGY

This study is based on the positivist approach with an “objectivist ontological position where social reality is present and may be studied independently from us as researchers” (Matthews & Ross, 2010). Knowledge about staff motivation for the increase in effectiveness is based on what we, as researchers, may observe and recollect

from the reality, being objective about it, without any biases from data and respondents. Study hypothesis derived from the current reality and casual links between both study variables such as staff remuneration and motivation were included. To prove the hypothesis, factual data were used with easily observable values obtained from the surveys with 200 bank officers from different banks in Tirana city. Data will be encrypted and will be subsequently analyzed through the Statistical Package for Social Sciences, version 20. Mean, standard deviation, frequency and other statistical data will describe the characteristics of sample population. Hypothesis will be tested using Chi-square ( $\chi^2$ ) test, where the genuine statistical level is accepted at the quota of  $p < .05$ .

#### 3.1 Sampling and Sampling Procedures

Officers of second level banks in Tirana city will be selected as a sample population. 5% of the officers of each bank in Tirana were randomly selected. Except Pro Credit Bank, where we were not allowed to interview their personnel; at all other banks, we managed to collect data through the questionnaire designed for the measurement of variables. We have contacted all departments of human resources of all banks, wherefrom it results that the total number of employees at the second level banking system in Tirana is about 50% of the total, namely, about 4500 employees. Accordingly, the total number of interviewees amounts to 201. Of them, 155 females and 46 males are interviewed. Sampling was randomly conducted by calculating the number of affiliations with the number of employees and number of interviews for each bank. In case when an employee refused to participate in the survey, another employee was selected who might be currently available.

### 4. DATA ANALYSIS

The data of this study have been analyzed through statistical program SPSS, where according to analysis on *demographic section* of the questionnaire, it follows that participants in the study were 200 employees of the second level banking system operating in Tirana city. The interviewees pertains to the below-mentioned age groups: 27 employees under 25 years of age, 94 employees aged 25-30, 68 employees 30-40 years of age, 7 employees 40-50 years of age and 4 employees over 50 years of age. According to data analysis on working years at the entity where they currently work, it appears that 112 employees have less than 5 working years at the entity where they currently work, 70 employees - 5-10 working years, and 13 employees - 10-15 working years. Only 1 employee has 15-20 working years and 4 of them have more than 20 working years. In the meantime, asked on their working years in the position where they currently exercise their profession, it results that 106 employees have less than 3 working years in the current positions, 58 employees - 3-5

working years, 26 employees - 5-8 employees and 10 of them appear to have more than 8 working years.

Further, the most significant part of this study covers the analysis of key variables determining the factors which bring about organizational changes at banking institutions in Albania. Specifically, regarding the null hypothesis ( $H_0$ ) and alternative hypothesis ( $H_1$ ) where;  $H_0 \rightarrow$  Consolidated organizational changes bring steady organizational effectiveness and  $H_1 \rightarrow$  Steady organizational effectiveness is not impacted only by organizational changes but also by other factors, the hi-square test analysis has reported that for the Observed Statistics of the hi-square test with a value of 4.646, at a freedom level equal to 8 and a security level of 0.795, which is specifically higher than 0.05 (5 %), the null hypothesis: Consolidated organizational changes bring steady organizational effectiveness, is proven, hence the hypothesis is valid. Further, the alternative hypothesis: Organizational effectiveness is not influenced by organizational changes, and is rejected because the security level value is  $0,795 > 0.05$ . The sub-hypothesis of this study, i.e.  $H_a$ : Transparency within Business Organizations reduces the resistance to organizational change. According to the hi-square test for the observed statistics of the hi-square test 20.905, with a freedom scale of 2 and security level 0.032, which is lower than 0.05, it follows that the variables between them are linked, implying that our hypothesis is valid. Regarding the second sub-hypothesis  $H_b$ : Fear of losing job increases personnel resistance to organizational change, the analysis of hi-square test reports that for the observed statistics of the hi-square test 9.340, with a freedom scale of 12, and security level of 0.666, which is higher than 0.05, the variables are not interlinked; therefore the hypothesis is rejected. Also, ANOVA test reveals that the Test  $F = 0.089$ , at the importance level of  $0.915 > 0.05$ , we reject the null hypothesis for the importance level of 5% admitting that there are no differences between groups. Therefore, the null hypothesis is applicable. In the linear regression analysis where specific explanations are given that Zero Hypothesis determines that coefficient is equal to zero or not statistically different from zero, then considering the T-Test value which is 0.388, we take for granted the zero hypothesis since the significance value is higher than 0.05, i.e. it is equal to 0.699, Then, as a conclusion, we admit that consolidated organizational changes have a significant statistical impact on the increase in organizational effectiveness of a business organization in Albania.

## 5. CONCLUSIONS

Apparently, in the second level banking system in Tirana, there are employees, mainly young generations; whereas from the interview, it resulted that: 27/200 employees or 13.3% are under 25 years of age, 94/200 employees or 47 % are 25-30 years of age, 68/200 employees or 24 % are

30-40 years of age, 7/200 employees or 3.5% are 40-50 years of age, and 4 employees or only 2 % are over 50 years of age. This young vital age constitutes a huge potential in the human capital for these economic units, since their energy, flexibility and capacity can be converted into considerable outputs for the entity and society as a whole, if communication will be established with them in respect to the required organizational changes. Therefore, as noted from the literature review, the dissemination of information across all segments of the Business Organization (BO) is a crucial element to ensure successful organizational changes and on the other hand the increase of organizational effectiveness, is. Another key component is staff awareness about potential organizational changes and benefits derived from there. Accordingly, the consolidation and psychological staff awareness reduces the resistance of employees and promotes rapid and successful organizational changes. Also, as it results in the analysis of data obtained from study sample surveys, the dependent and independent variables of null hypothesis have demonstrated a relationship between them. Further, all statistical analyses such as hi-square, ANOVA or regression linear have proven the validity of this hypothesis, hence in local business organizations the consolidated organizational changes bring a steady organizational effectiveness. Even the sub-hypotheses tested through SPSS statistical program have proven a relation of 5 % between the variables of transparency and resistance to organizational changes, thus proving the hypothesis. However, the same does not apply to other sub-hypothesis, where the variables of fear of losing job and growing resistance do not prove to be interlinked, therefore the hypothesis is rejected. Therefore, the fear of losing job does not increase the probability of resistance to organizational changes.

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