



THE ROLE OF CHANGE MANAGEMENT IN TRUST FORMATION IN COMMERCIAL BANKS

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Abstract. Trust in commercial banks is considered to be one of the vital factors affecting the success of commercial banks' activities. However, the level of trust in banks has decreased during last years and is quite low at present. Therefore, it is necessary to change the confidence level to higher. This scientific paper focuses on the ways of managing and changing business process to increase trust in banks through change management. To distinguish the factors of trust formation the qualitative research has been conducted. After summarizing the results of the survey seven factors of trust building were identified. To determine the factors of change management influencing trust formation the expert evaluation method was used, six main factors were distinguished, and relations between key impact factors were defined. As a result, the model of change management factors influencing the trust formation in commercial banks has been created. In other words, the model shows how change management factors could influence the change in trust level from low to higher one and, hence, to increase bank's competitiveness.

Keywords: trust, trust factors, change management, change management factors, banking, trust model, qualitative research, expert evaluation.

JEL Classification: G02, G21, M10.

Introduction

Trust is a weighty component in relationships, regardless of whether they are interpersonal or business (Sekhon *et al.* 2013) as trust is one of the vital factors in creating a long-term relationship between organizations and their consumers (Al-hawari, Mouakket 2012).

According to Dearmon and Grier (2009), high trust level may decrease contractual costs and legal costs by reducing litigiousness. What is more, trust is a factor, which reduces transaction costs in banking relationships (Moro, Fink 2013; Fernandez-Olmos 2011), which means that trust is one of the most significant elements that determines the future development of business relationships (Jucaitytė, Maščinskienė 2011). However, the level of confidence in financial institutions and banks in European Union reduced in last few years and Sonnenschein (2012) says that

according to the last survey conducted by TNS Gallup in 2012 trust level reaches only 34%, whereas the number of respondents who do not trust their country's financial institutions and banks gets at 61%. What is more, according to the Association of Lithuanian Banks (2015) the trust level in banking sector is 6,5 points of 10 now.

Laksamana *et al.* (2013) claim that by increasing the level of customers' trust banks could increase the returns. Therefore, it is necessary to identify the factors, which influence trust formation in commercial banks. Moreover, after identifying the factors having influence on trust formation it is crucial to determine the factors having impact on the change of trust level as, according to Ben-Gal and Tzafrir (2011), factors that promote the effectiveness of an organizational change turn out to be more than important. What is more, it is required to discuss the ways of managing

the change of trust level, as trust in commercial banks is considered to be a factor that ensures successful commercial banking operations and development, and provides continuous, high-quality customer and commercial banking cooperation. To determine factors of change management and trust formation the questionnaire and expert evaluation methods were used. The correlational research method was used to determine if there is a relationship between variables and for the strength of the relationship establishment.

Hence, the object of the research is assessing the trust through change management in commercial banks. The aim of the research is to create a model of trust formation and managing the level of trust. The following objectives are set: to identify the factors having an impact on trust formation in banks; to distinguish the determinants influencing the change in trust building in banks; to create a model of trust formation in banks through the change management.

1. Literature review

1.1. The concept of trust

Scientists agree that trust is a substantial factor, which is necessary for building relationship of high quality between financial institutions and customers. Therefore, it is essential to define trust in banks. However, exploring the scientific literature revealed that there is no generally accepted definition of trust. Wu *et al.* (2012) maintains that trust can be identified as a multi-component variable with detached but correlated dimensions.

Trust is often defined as a factor, which ensures the quality of relationships between partners and the main characteristics of trust, is safety (e.g. Laeequddin, Sardana 2010; Simpson 2007; etc.). In other words, there are researchers identifying trust as a confidence in other party's behaviour security. Laksamana *et al.* (2013) explain trust as the bank's aptitude for acting as promised. According to Hauff (2014), trust is a level of reliance on organization.

There are scientists claiming that trust is related to customer satisfaction. For instance, Zhu and Chen (2012) identify trust as an element, which mediates the relationship between fairness and customer satisfaction. DeOrtentiis *et al.* (2013) support the view that satisfaction is one of the key mediators of trust, which he defines as team effectiveness of the relationship.

In this study trust in banks is defined as a component which ensures customers' beliefs that they will feel comfortable using banking services.

1.2. The concept of change management

Change management is associated with change. Yilmaz *et al.* (2013) define change as a principle which organization shall follow in order to survive and be doing well. In turn, Wetzel

and Van Gorp (2014) assert that organizational change attracts more attention than even organizational problems, and, because of this change management is appreciated highly. In fact, change management might be considered as a method that is not used for solving particular problems, but is used in assistance to change organization's policy and structure to avoid problems in the future. This is to say, change management is a vital element for organization's sustainability in long-term dimension. Thus, it is necessary to define change management to understand its significance for large organizations such as commercial banks.

Most scientists define change management as a phenomenon, which leads to organization's structural changes to achieve the top of business activities' efficiency. For example, according to Barratt-Pugh *et al.* (2013) change management is "the systematic, continuous and iterative practice of altering specific workplace systems, behaviours and structures to improve organisational efficiency or effectiveness". Parker *et al.* (2013) argue that change management is the utilization of process for monitoring organizational change performance. According to Xiang *et al.* (2014), change management could be defined as the soft part of the change process as it might help in solving human resource problems within organizations, such as employee resistance and structural adjustments.

In this article, change management is defined as a process of the management of change and development within a business or similar organization in order to decrease resistance and negative effects of change.

2. Methods. Empirical findings

2.1. Factors affecting trust formation in commercial banks

As trust is considered to be the critical factor in maintaining harmonious relationship (Ling, Tran 2012) it is necessary to distinguish factors affecting the high level of trust in banks. For identification of the factors having an impact on consumers' trust in banks, a qualitative research was conducted. The respondents were asked to determine 3–5 factors that influence their intention to trust a commercial bank. The answers of the interviewees were systematized and seven main factors affecting trust in banks formation were distinguished. Detailed respondents' answers and distinguished factors are presented in Table 1.

According to the conducted research, it can be said that there are seven main factors leading to having confidence in commercial banks. They are as follows:

- satisfaction with bank's services (was mentioned by 59% respondents);
- reliability (was mentioned by 46% respondents);
- image of a banks (was mentioned by 42% respondents);

Table 1. Systematized respondents' answers and distinguished trust factors

Factor	Respondents' answers
Information	Accessibility and clarity of information provided; transparency; clear contracts without hidden unclear conditions.
Image of a Bank	Banks employees' communication style (openness, honesty, kindness, politeness); attractiveness of banks' branches; banks' participation of organization of social projects; banks' participation in social activities; tasteful, attractive advertisements; attention to each customer (presents, discounts).
Privileges to loyal customers	Flexibility of a bank; special offers for loyal customers; adaptation to customers' needs.
Reputation of a Bank	No negative feedback.
Reliability	Stable long-term activities; size of a bank; bank's fame; no financial incidents; security; confidentiality; assistance to the customer in financial difficulties; a low turnover of staff, especially of top-level managers.
Satisfaction with bank's services	Quality of provided services; ease of access to loan; solution of problems with e-banking; availability of personal consultation; accuracy and speed of services; ATM's and bank branches' network development; banks branches' appropriate working hours; service fees are appropriate to transactions and do not change often.
Competence of Employees	Fairness; proficiency; honesty; dutiful staff.

- privileges to loyal customers (was mentioned by 27% respondents);
- competence of employees (was mentioned by 24% respondents);
- information (was mentioned by 15% respondents);
- reputation of a bank (was mentioned by 10% respondents).

2.2. Change management factors having impact on trust formation

The level of customers' trust in bank is one of the key factors that influences bank's successful activities, bank's competitiveness's level and consumers' intention to use the particular bank's services. Therefore, it is necessary to increase trust level, that is to say, to change it to the higher. In reality, effective change management is necessary for alteration to achieve. For instance, Jurisch *et al.* (2014) state that change management is one of the factors that have a positive effect on business process change's project capacity. What is more, Avila *et al.* (2012) assert that change management has a great impact on promotion of high-quality entrepreneurship, which leads to superior business sustainability. Because of that, it is imperative to determine change management's factors affecting leading to trust building and, consequently, to effective commercial bank's activities.

To change the level of trust in banks to higher, it is necessary to select appropriate methods as, according to Friedl and Biloslavo (2009) the right selection of change methods helps to ameliorate the quality of the company and, hence, enhance business efficiency. Actually, business efficiency is the goal of every organization including commercial banks. As was mentioned above, trust is the key factor that leads to bank's successful activities. Therefore, it is critical to pick up

the factors, which are essential for trust in banks formation process.

For determining change managements' factors and the connections with trust factors, the method of expert evaluation was used. Experts known to the authors were asked to take part in the study. Five experts participated in change management factors establishment and setting connections between change management and trust factors.

Evaluating the experts' responses six factors having an impact on trust formation factors were identified. They are as follows: top-management commitment; visioning and visioning planning; communication plan (internal communication and external communication); customers' involvement; team morale and motivation; IT and innovation.

2.3. The model of change management factors influencing formation of trust in commercial banks

To collect data to determine the relationships strength between factors the research has been conducted. The survey was conducted in Lithuania. The method of questionnaire was used for the research. All the respondents were different commercial banks' customers. Data was collected using electronic survey system. In fact, 268 of the distributed questionnaires were returned. All of the data was included in the analysis. The strength of relations between factors are presented in Table 2.

According to the conducted researches and experts' evaluation, the model of trust in banks formation through change management has been established (Fig. 1).

The model of change management factors influencing the trust formation in commercial banks summarizes impact factors' relations between factors influencing trust

Table 2. Correlation coefficients of the factors influencing trust formation and factors having impact on trust factors

Trust in Banks Factors	Overall Trust in Banks (Pearson <i>r</i>)
Information	0.547
Reliability	0.473
Image of a bank	0.457
Reputation of a bank	0.487
Satisfaction with bank's services	0.689
Competence of employees	0.354
Privileges to loyal customers	0.140
Information Factors	Overall Satisfaction with Information (Pearson <i>r</i>)
Top management commitment	0.200
Communication plan	0.197
IT and innovation	0.188
Reliability Factors	Overall Reliability (Pearson <i>r</i>)
Top management commitment	0.383
Visioning and visioning planning	0.332
IT and innovation	0.420

Trust in Banks Factors	Overall Trust in Banks (Pearson <i>r</i>)
Image of a Bank Factors	Overall Image of a Bank (Pearson <i>r</i>)
Top management commitment	0.227
Visioning and visioning planning	0.267
Communication plan	0.456
Reputation of a Bank Factors	Overall Reliability (Pearson <i>r</i>)
Top management commitment	0.392
Visioning and visioning planning	0.450
Communication plan	0.451
Satisfaction with Bank's Services Factors	Overall Satisfaction with Bank's Services (Pearson <i>r</i>)
Communication plan	0.392
Customers' involvement	0.592
Team Morale and Motivation	0.450
Employees' Competence Factors	Overall Competence of Employees (Pearson <i>r</i>)
Customers' involvement	0.392
Team Morale and Motivation	0.450
IT and innovation	0.451

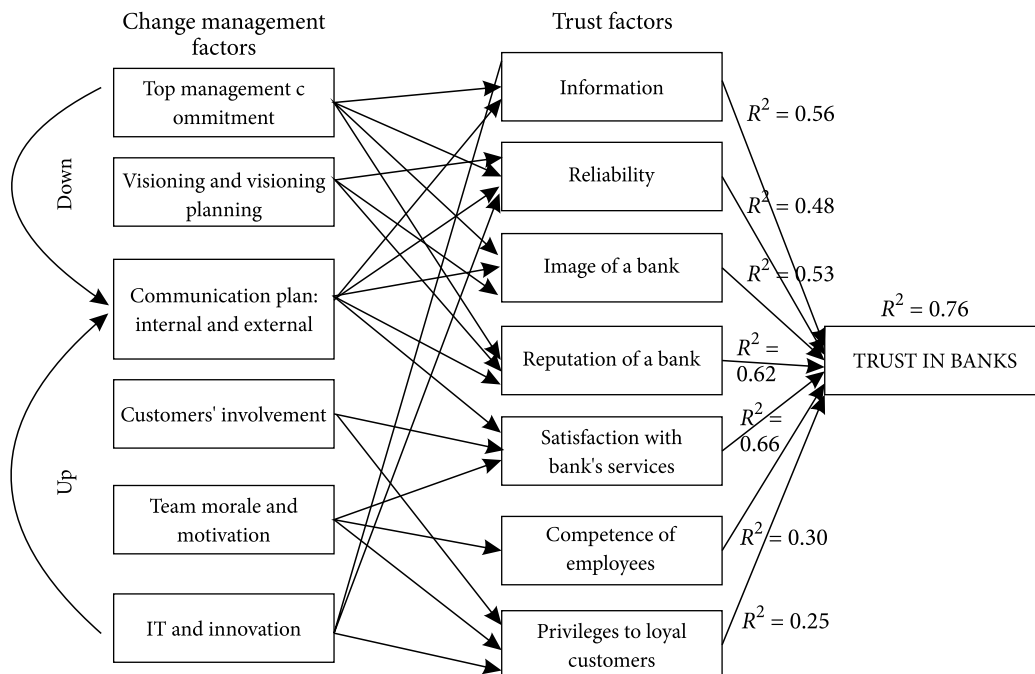


Fig. 1. The model of change management factors affecting the trust formation in commercial banks

in banks and change management factors. This model is a description of relations between various impact factors. All the relations are quite strong what means that the factors are significant for trust formation. Model is divided in two change process approach types: top-down approach and bottom-up approach. Each has its significance to achieve expected results and set goals.

Top-down approach

- It is proposed that top management would design various short and long term planning. Performed actions would be decision, policy planning and corresponding the strategy of the bank that would influence reliability, reputation, image and information (transparency) of the bank. This is the most direct way to achieve desired change in trust.
- Visioning and vision planning most directly will affect long-term perception and image of the bank. This mainly is done due to changes in forming the strategy and fiscal policy of the bank. Assess the risk margin the bank is willing to take.

Top-down, Bottom-up approach

- Communication plan will surely decrease the resistance to change. This action involves direct commitment from top management and incentive from employees as well. Internally it is necessary to focus more on clearly explaining and providing with information employees of desired changes and future targets. Externally to communicate the changes to consumer in the way that would be less damaging to current clientele. Therefore sufficient communication plan and execution of it will lead to most significant change in information flow, image of a bank, competence of employees and clients' satisfaction with bank services.

Bottom-Up approach

- Customers' involvement most directly will influence satisfaction with bank services and create new ideas, programs and services for the privileged clientele. The more it will be possible to communicate and get feedback from the customers, the more the quality of provided services will increase.
- Team morale and motivation is critically important aspect for internal support and carrying out the necessary plans and ideas. As change is always connected with resistance and lack of motivation for changes, the morale and motivation will significantly increase satisfaction with bank's services.
- IT and innovation is one of the most typical bottom-up ways how technology can help to increase reliability from safety aspects in the bank, make service more easy with the help of modern IT solutions. In addition, different innovations from employees can help to change various ways. It is important to

achieve environment where the ideas are treasured and taken into consideration, not accumulated in never ending bureaucratic process.

Conclusion

Analysing scientific literature regarding trust formation in commercial banks, it has been found that change management plays a key role in trust building. To identify the factors that have impact on trust formation the empirical research has been conducted. Actually, after empirical research seven most influential factors for setting the trust in banks and six most significant factors perusing the change in trust have been defined. In fact, for trust in commercial banks impact factors are as follows: information, reliability, image of a bank, reputation of a bank, satisfaction with bank's services, competence of employees, privileges to loyal customers. What is more, the most significant change management impact factors on trust were mentioned. They are as follows: top management commitment, visioning and visioning planning, communication plan, customers' involvement, team moral and motivation, it and innovation.

After distinguishing the factors, the model of change management factors influencing formation of trust in commercial banks has been proposed. In reality, the model describes relations between key impact factors. Moreover, the processes behind the model are divided into top-down and bottom-up approaches. Each of the process has different task to achieve and different decisions or actions should be performed.

To change perception and increase trust in banking system certain change has to be made in the bank. Changes can be welcomed as opportunities, but also they are connected with resistance that can have negative internal and external effect. Therefore, we must not only take into consideration that there are key impact factor for forming customers' trust in banks but also how the proposed changes can affect the key factors behind building the trust and which actions to take will lead us to desired results. The model of change management factors influencing the trust formation in commercial banks can help bank management and staff to take the right decisions and point out direction how to proceed when trying to improve trust in their bank.

Actually, to determinate how significant each relation in forming trust in commercial is further research should be done. Because of that, more data should be gathered and further analysis should be conducted to more precisely define impact significance between key factors in the established model. Therefore, the authors are going to conduct the specific research in the Baltic region to get data to check the model statistically.

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