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## A Study on Change Management and Its Effect on Employee Performance in Private Banking Sector – An Evidence from Kodagu District of Karnataka

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### Abstract

In a present day, banks in Kodagu District, Karnataka, can gain a competitive advantage by responding to unmet or niche market needs, especially given the district's unique rural and agricultural profile. Employees are required to perform a variety of tasks, many of which are unique to local banking needs, while some functions may be unrelated to core banking and could be outsourced. To remain responsive to evolving market demands, banks must undertake significant institutional modifications. However, top management often encounters unexpected resistance from employees during such changes. This resistance can stem from various reasons, including lack of awareness or training, ultimately hindering successful implementation of new processes.

Effective change management is essential for banks in Kodagu to address these challenges and ensure smooth transitions. Change is also a strong driver for ecological and technological development, as seen in the adoption of green banking and digital transformation initiatives in the district. The purpose of this research is to study the level of implementation and adoption of strategic change within banks in Kodagu District, and to assess how banking institutions practice change management in this region. The research also examines the extent to which employees are trained in strategically focused technology and operational techniques, enabling them to remain competitive in a rapidly evolving environment.

Managing change in large corporate environments, especially in banking, is challenging. This study aims to understand how change management affects employee performance in Kodagu's banking sector and to identify best practices for managing change. The study concludes that factors such as working hours, technology adoption, discipline, employee participation, motivation, learning and development, and performance-based bonuses significantly influence employees' performance during organizational change.

**Keywords:** Employees performance, Competitive advantage, Change Management, Strategy, Banking sector.

### 1. Introduction

The banking sector plays a pivotal role in the functioning of any economy. In a competitive environment, banks in Kodagu District, Karnataka State, are confronting new challenges and opportunities. They must not only endure the stress and strain of growth but also adapt to rapid changes in the banking scenario. To maintain overall strength and achieve their objectives, banks need to modify their organizational structure, implement pragmatic operational policies, adopt sophisticated control mechanisms, and develop skilled manpower. This study examines change management within the banking sector, with reference to Kodagu District, Karnataka State, aiming to identify the impact of change management on the banking industry. There are many forms of planned change, including technological innovations, new product development, and training and development. However, two types of change are especially significant in organizational behavior: organizational change and organizational development. While this paper is more concerned with organizational development, defining both will strengthen understanding.

Organizational change refers to the interrelationship between changes in the organization and changes among its people. It can involve modifications in products and services,

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technologies, systems, relationships, organizational culture, management techniques and styles, strategies, competencies, capabilities, performance, and other business features. These changes may further affect organizational structure, legal frameworks, ownership, sources of finance, networks, and overall impacts. True, lasting change is only possible when accompanied by shifts in attitudes and behaviors.

This approach is preferred by organizations—including those in the public sector—that operate in fast-moving, competitive environments and face immediate threats requiring rapid change and improvements within tight deadlines. This differentiates organizational change from organizational development, which focuses on improving effectiveness over the long term. In many circumstances, change is not an option but a necessity for an organization's survival and success.

There are four common reasons why change management is essential in the banking sector:

- Technological advancements and digital transformation.
- Regulatory and compliance requirements.
- Changing customer expectations and competitive pressures.
- Need for operational efficiency and innovation.

By understanding and managing these changes, banks in Kodagu District can better navigate the evolving landscape and sustain their growth and relevance.

- If the old way of doing things is not going to work anymore.
- If there is a need for the advancement of technology and marketing of new technologies
- To make use of the newly hired member's talents and competencies.
- As new objectives are introduced, the primary focus may vary and old objectives are no longer to be pursued in the current situation.

Certainly! Here's a reviewed and enhanced version of your literature review, with improved flow, clarity, and coherence. I've also addressed the mention of "Kodagu district Karnataka state" at the end, which appears to be a context-setting or transition phrase—perhaps for a case study or regional focus. If you want to integrate that more fully, let me know.

## 2. Review of Literature

Organizational change is a fundamental aspect of modern enterprises, especially in industries like banking, where regulatory, technological, and competitive pressures are ever-present. When organizations undergo reorganization or implement new initiatives, employees are required to adapt their behaviors, abandon old habits, and embrace new processes that align with the change objectives (Hussain, 2018; Abdullah, 2021). This transition often pushes employees out of their comfort zones, increasing the risk of resistance and turnover unless managed effectively.

The approach to change management varies across organizations, with each adopting strategies tailored to their specific circumstances, culture, and objectives (Bidabad, n.d.). Successful change management is not merely about implementing new processes; it is deeply rooted in leadership. Exemplary leaders ensure clear, consistent

communication of strategies, updates, and guidance, thereby facilitating smoother transitions and higher employee engagement (I. S. Baharudin, 2019). This is particularly

critical in complex scenarios such as mergers, where the organizational reorientation is more challenging, and the need for effective change management becomes even more pronounced.

Proactive communication is a cornerstone of successful change management. Management must maintain transparency, ensuring that employees understand the vision and goals behind the change (Link-Arad, 2020). However, the responsibility for managing change should not rest solely on top management. Involving senior staff in the monitoring and implementation of change initiatives can enhance buy-in and ensure a more robust change process. In the context of the banking sector, Indian banks are striving to meet global standards through prudent practices, improved performance, and the reduction of non-performing assets (NPAs). Adherence to Basel standards, the adoption of IT-enabled solutions, and efforts to develop rural banking habits (financial inclusion) are key strategies being employed (Rao, 2013). The universalization of banking activities—ranging from deposits and loans to investment, remittances, and insurance—has expanded the scope of banking operations, necessitating continuous adaptation to technological and regulatory changes. The integration of information technology has revolutionized banking operations, enabling new products, services, and customer outreach. Research highlights that technology facilitates a higher volume of transactions and supports the transformation of banking services (Arora, 2003; Ramamurthi, 2017). The banking sector's controlling functions have also evolved, with a focus on integrating planning, analysis, and information services to support decision-making and operational efficiency (Zoltán Zéman, 2013). It is important to note that the deterioration of a bank's financial health is typically a gradual process, not a sudden event (Kohli, 2001). This underscores the need for continuous monitoring, early intervention, and adaptive management practices. Regional Focus: Kodagu District, Karnataka State The above literature provides a foundation for understanding organizational change and technological adaptation in the banking sector. In the context of Kodagu district, Karnataka state, these dynamics are particularly relevant as local banks and financial institutions navigate the challenges of modernization, regulatory compliance, and customer service transformation. Future studies could explore how change management practices and technological adoption are being implemented in this specific region, providing insights into the unique challenges and opportunities faced by banks in rural and semi-urban settings.

**Critical Factors in Managing Employees During Change** Clear Vision and Communication: Define and communicate the purpose and desired outcomes of the change clearly to all employees.

**Stakeholder Involvement:** Engage key stakeholders, including staff at all levels, to foster buy-in and reduce resistance.

**Training and Support:** Provide adequate training and ongoing support to help employees adapt to new processes or technologies.

**Addressing Resistance:** Identify and address sources of

resistance, such as fear of the unknown, lack of support, or unwillingness to learn.

**Leadership by Example:** Leaders should model adaptability and support for the change to inspire confidence and commitment.

**Employee Well-being:** Ensure that changes do not negatively impact work-life balance or job satisfaction, as these are key to maintaining performance.

**Performance Monitoring:** Set clear performance indicators and monitor the impact of change on employee output and morale.

**Motivation and Incentives:** Use motivation techniques and performance-based incentives to encourage positive engagement with change.

#### How Change Management Affects Employee Performance

**Positive Impact:** Well-managed change leads to improved adaptability, higher job satisfaction, and better performance as employees understand and embrace new policies and technologies.

**Negative Impact:** Poorly managed change can cause stress, uncertainty, and decreased productivity, especially if employees feel unsupported or unprepared.

**Retention:** Effective change management helps retain talent by making employees feel valued and supported during transitions.

**Identify the Need for Change:** Conduct a detailed analysis of local market trends, regulatory requirements, and customer expectations specific to Kodagu.

**Develop a Localized Plan:** Customize change management strategies to address the unique cultural and operational context of Kodagu's banking sector.

**Engage Local Employees:** Involve local staff in planning

and implementation to ensure relevance and acceptance.

**Continuous Learning:** Provide ongoing training and development opportunities focused on new technologies and processes relevant to the region.

**Monitor and Adapt:** Regularly assess the impact of changes on employee performance and customer satisfaction, and be ready to adapt strategies as needed.

#### 4. Research Question

What are the critical factors to consider while managing employees throughout a change?

#### 5. Objectives

- To know how change management affect employee's performance.
- To know how to manage the change in the banking sector.

#### 6. Research Methodology

An initial empirical study was conducted in Kodagu district, Karnataka state. The study focuses on employees of private banks in the region. A sample size of 95 employees was drawn from various private banks operating in Kodagu. The survey questionnaire was kept concise to encourage higher response rates. This is a questionnaire-based exploratory study that investigates aspects of change management among private bank employees.

#### 7. Results & Discussion

A standardized questionnaire was distributed to private bank workers in Kodagu district, Karnataka state. The collected data is represented in the following tables.

**Table 1:** General Profile of the Respondents.

SLNO	Demographic Profile		Respondents	Percentage (%)
1.	Gender	Male	58	62
		Female	37	39
		Total	95	100
2.	Age	26 -35	18	19
		36 – 45	43	45
		46 – 55	30	32
		Above 56	4	04
3.	Marital status	Single	22	23
		Married	73	77
		Total	95	100
4.	Designation	Bank Teller	10	11
		Marketing Representative	38	40
		Data Processing Officer	22	23
		Loan Officer	13	14
		Bank Manager	04	04
		Internal Auditor	02	02
		Other	06	06
		Total	95	100

From the above table, it is clearly shown that more than half of the respondents are male and more than seventy-five percent of the employees are married. Forty percent of the

respondents are marketing representatives, while the remaining sixty percent belong to various other designations.

**Table 2:** Levels of Satisfaction with Change Management.

Factor affecting change management	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied
Working hours	47	15	13	12	09
Work culture	29	24	30	08	04
Technology	52	29	09	02	02
Discipline	35	24	20	14	03

Participation	54	29	11	02	01
Motivation	40	23	15	09	09
Learning & Development	52	20	17	05	01
Performance based bonuses	49	26	16	02	01

From the above table, it is evident that the majority of employees in Kodagu district are highly satisfied with their participation in the change management process. They are also highly satisfied with new technology and have positive

views on learning and development opportunities. Less than ten percent of the employees are highly dissatisfied with the change management process.

**Table 3:** Reasons Observed for Resistance to Change.

Sl.NO	Reasons for resistance to change	No. Of Respondents			Total
1.	Fear of failure	13	03	07	23(25.56%)
2.	Creatures of habit	11	03	02	16(17.78%)
3.	Concern about support system	16	09	02	27(30.00%)
4.	Un willingness to learn	15	00	02	17(18.88%)
5.	Other (please specify)	10	02	00	02(7.78%)
	Total	65	17	13	95(100%)

## 8. Conclusion

From the study, it is concluded that organizations will be more effective and successful if employees have a healthy work-life balance but they have very less possibility to change work schedule to accommodate personal circumstances. Working hours, Technology, Discipline, Participation, Motivation, Learning and development, and Performance-based bonuses are some of the factors of change management that will affect an employee's performance. The findings revealed a high degree of agreement for all of the issues when it came to the impact of change management in the banking sector. In light of these findings, bank leaders must develop strategies to manage and adapt to change to operate in a changing business environment. According to the findings, bank leaders should utilize a combination of measures to maintain bank sustainability, including technology adoption and application, training and learning, participative leadership styles adoption, effective communication, the use of change champions, and cost minimization. Based on the study, findings generated could be utilized by the policy makers, management/owners of banks, employees and employers for improving the overall management of banking industry which will benefit all the people who directly or indirectly

connected with this industry. Many reforms took place in banking which changed the methods and procedures of banking which affected on profit, deposits and loans positively. Although employees said they have received adequate support at all levels while implementing change but still some shown resistance. Employees shown resistance while implementing change because of Fear of failure because employees feel that they can't not work with technology, other is Creatures of habit, they are used of manual system and set comfort level for that, some respondents were concern about support system, some were unwilling to learn. For supporting employees and removing resistance employer of bank gave them training and conducted workshops to make them learn the technology. This reform changed the face of working in banks where old task replaced with new one, which made individual jobs more satisfying and easier. These reforms helping employees for increasing productivity at work within a year time. While implementing changes top managers involved employees and followed hierarchical and matrix team structure. It is also inferred that employees themselves want

to upgrade their knowledge so that they can compete in the market. Because of changes organization leads to change HR practices which are in favor of employees which given rewards in monetary and non-monetary terms (fringe benefits) even this positive change implementation is considered a factor for consultation during promotion.

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