ORGANIZATIONAL TRANSFORMATION

A Framework for Planning and Executing Organizational Transformation: Based on Insights from Ethiopian Commercial Banks using Grounded theory Method

By

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DECLARATION

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ABSTRACT

Operating in competitive and dynamic global environment organizations are required to transform themselves to sustain competitions, keep up with the constant changing demands of customers and the ever-changing information technology. Such changes are evident particularly in service providing organization such as banks that are often considered as the backbone supporting the sustainable development of developing economies. Ethiopian banking industry that has been protected from foregoing completion appears to be facing a potential competition form more advanced foreign banks in the near future. This and other internal and external factors have propelled a number of banks to go through a transformation process that appears to be diverse in its approach and outcome. This study aims to explore, the different components of organizational transformation and how they are going to be planned and implemented. Doing so, the study has been benefited from the researcher's practical experience and able to fill in the gap between the theoretical views and the practice on the ground. The study finally draw a framework that can be used as a guide by Organizations to plan and execute transformation process.

Keywords: Organizational transformation Practices, transformation in Banks, organizational changes, Ethiopia

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Chapter I: Introduction

1.1 Background

The researcher became familiar with the concept of organizational transformation seven years ago, when he was given a task by top management of a private bank he used to work in to understand the board's directive to transform the company and create a proposal for doing so. He was subsequently deeply involved in an organizational transformation process that included the support of an international consultant.

The researcher initially coordinated the transformation project and engaged in the process starting from planning to implementation. He later assumed a responsibility in another bank as advisor to the CEO, assisting the Transformation implementation team in different areas. Finally, he joined another Bank as the Head of Strategy and Transformation, where his primary responsibility was to oversee the implementation of the Organizational change strategy document that had been developed with the help of an international consultant.

Given the researcher's extensive experience in the field, his knowledge and expertise will be beneficial in selecting the appropriate methodology and guiding the data collection and analysis strategies for the research.

1.2 Overview of the Ethiopian Banking Sector

1.2.1 Brief history of the Banking sector

The Ethiopian banking sector has a history that can be divided into three distinct phases (Gashayie, & Singh, 2016; Misrak & Ratinder, 2023). The first phase commenced in 1905 with the establishment of the Bank of Abyssinia by a foreign bank, which marked the introduction of modern banking in Ethiopia. In 1931, the first indigenous bank was founded, and in 1963, the first banking law was enacted. These developments were instrumental in shaping the modern banking sector in Ethiopia.

The second phase occurred between 1974 to 1991 during the socialist period. During this phase, the banking sector was reformed to align with the socialist ideology, and private-sector banks were prohibited. This period saw the nationalization of the banking sector, as all banks became state-owned. However, the socialist economic policies adopted during this period did not result in significant growth in the sector.

The third phase began in 1991 when the new government introduced economic reforms and shifted towards a free-market economic system. During this period, the banking sector was reformed to accommodate private-sector banks, which led to increased competition and the expansion of the sector. Despite these changes, the Commercial Bank of Ethiopia (CBE), a state-owned bank, remained the dominant player in the sector.

After 1991, the Ethiopian banking sector underwent significant developments following the liberalization of the financial sector. Some of the key developments during this period include:

Government Support: The Ethiopian government has played a crucial role in promoting the growth of the banking sector. It has implemented policies and regulations that support the establishment and expansion of banks, providing a conducive environment for their operations. The government has also provided financial and technical assistance to banks to facilitate their growth.

Economic Growth: Ethiopia has experienced significant economic growth in recent years, which has created opportunities for the banking sector. The expansion of industries, agriculture, and trade has increased the demand for banking services, leading to the growth of banks in the country. The government has also implemented policies to encourage foreign investment in the country, further boosting the growth of the sector.

Financial Inclusion Initiatives: The government has prioritized financial inclusion, aiming to provide access to banking services to a larger portion of the population. This has led to the establishment of microfinance institutions and the expansion of banking services to rural areas, contributing to the growth of the sector. The government has also implemented policies to encourage the use of mobile banking and other digital payment systems, making banking services more accessible to the population.

Technological Advancements: The adoption of technology in the banking sector has facilitated the expansion of services and improved efficiency. The introduction of mobile banking, internet banking, and digital payment systems has made banking more accessible and convenient, contributing to the sector's growth. The government has also encouraged the development of the IT sector in the country, further contributing to the growth of the banking sector.

Regulatory Reforms: The government has implemented regulatory reforms to enhance the stability and efficiency of the banking sector. These reforms include strengthening prudential regulations, improving corporate governance, and enhancing risk management practices. The government has also established a regulatory agency to oversee the banking sector and ensure compliance with regulations.

In summary, the Ethiopian banking sector has undergone significant changes throughout its history, from the introduction of modern banking to the socialist period and subsequent liberalization. The sector has experienced significant growth in recent years, fueled by government support, economic growth, financial inclusion initiatives, technological advancements, and regulatory reforms. The future of the Ethiopian banking sector looks promising, as the government continues to implement policies that support its growth and development.

1.2.2 Structure of the sector

Banks, insurance companies and microfinance institutions constitute the major financial institutions operating in Ethiopia. As of the end of June 2021/22, the country had 30 banks, 18 insurance companies and 43 micro finance institutions. Banks opened 1600 new branches in 2021/22; thereby raising the total number of branches to 8,944 from 7,344 a year ago. (NBE, 2022) This shows that there is still "Brick and Mortar" types of branch expansion.

The share of private banks in total branch network increased to 76.1 percent from 72.7 percent in the previous year. As a result, population-to-bank branch ratio reached 12 thousand people per branch. About 32.7 percent of the total bank branches were located in Addis Ababa. At the same time, total capital of the banking industry showed a 31.7 percent annual growth to reach Birr 199 billion.

According to the National Bank of Ethiopia's annual report (NBE, 2022), aided by remarkable branch expansion, the outstanding deposit liabilities of the banking system surpassed Birr 1.7 trillion, reflecting 25.7 percent annual growth. Accordingly, saving deposits went up 24.4 percent, demand deposits 29.2 percent and time deposits 20.5 percent. Of the total deposits, saving deposits accounted for 59.6 percent, demand deposits 33.3 percent and time deposit 7 percent.

The share of private banks in total deposit mobilization increased to 47.7 percent from 45.7 percent last year due to the opening of 1,600 new branches. Commercial Bank of Ethiopia-CBE (Government owned Bank) alone mobilized 52.3 percent of the total deposits due to its extensive branch network.

Their total outstanding borrowing at the end of the fiscal year was Birr 86.1 billion up from Birr 84.2 billion a year earlier due to borrowing by the Development Bank of Ethiopia (DBE). Of the total borrowing, domestic sources accounted for 77.2

percent and foreign sources 22.8 percent. The net borrowing in 2021/22 was Birr 1.9 billion. Moreover, banks collected Birr 276.5 billion in 2021/22, showing a 48.6 percent annual increment. Private Banks constituted 55.4 percent of the loans collected.

In the absence of a secondary market in Ethiopia, government bonds were occasionally issued to finance government expenditures and/or to absorb excess liquidity in the banking system. Similarly, Treasury bills were auctioned regularly on a bi-weekly basis.

The Ethiopian financial system is shallow and less developed than those of its peer countries in the region. For example, relative to GDP, Kenya's financial sector is almost twice the size of that of Ethiopia. This difference is mainly due to the virtual absence of non-bank financial institutions in Ethiopia. (World Bank, 2021) Also, the role of government in the banking sector is completely different. While in Kenya less than 5 percent of all banking assets are controlled by government-ownership, in Ethiopia State-owned banks comprise 2/3 of the banking system's total assets. Comparisons with other countries of the same region also suggest a lot of potential for the local banking system. For instance, the money-to-GDP ratio (roughly similar to deposit-to-GDP but somewhat broader) is 33 percent in Ethiopia versus the Africa average of 37 percent and South Africa of 72 percent. (World Bank, 2021)

Propelled by fast-growing economic growth and the protectionist policy of the government, the Ethiopian banking sector enjoyed high growth over the past ten years. Deposits grew at an annual rate of 28 percent, as did loans and profits which grew 31 percent and 22 percent per annum respectively. The banking expansion was led primarily by the two state-owned banks which dominate the sector and are exempt from certain levies imposed on private banks.

Competition is limited, as shown by the high concentration ratio, spread between lending and deposit rates, barriers to entry and exit, and lack of a non-banking financial sector. The spread of 7.4 percent between the average lending rates (11.9%) and the average deposit rates (4.5%) is significant. From a regulatory perspective, the domestic financial system is insulated from the benefits of foreign competition (services, transfer technology and know-how). Finally, competition from non-banking financial institutions is non-existent, given the nascent stage of this sector. (World Bank, 2021)

In addition, symbolic of the distorted competition is the recently removed requirement known as the 27 percent-rule that was introduced in April 2011 which has now been replaced by another Rule starting from December 2022. The 'Rule' which did not apply to the state-owned banks, required private banks to purchase 5-year NBE Bonds (known in the market as NBE Bills) by an amount equivalent to 27 (21 now) percent of each new loan disbursed. As banks' liabilities are based on the minimum mandated savings deposit rate of 7 percent, the interest paid by NBE Bills (currently 5 percent) is below both inflation and deposit rates. To minimize their purchases of NBE Bills, banks began to skew their loan books towards longer-term loans, taking more credit risk and increasing asset-liability mismatches, as short-term deposits are their predominant source of funding. In response, the NBE issued a directive requiring that 40 percent of the loan book of private banks be in short- term loans (<1 year). Private Banks also have a 5 percent mandatory reserve requirement to be deposited with NBE. During periods of tight liquidity, the 27 percent rule had the effect of significantly worsening liquidity constraints for private banks. Therefore, the strategy has reduced the capacity of private banks to provide loans to the private sector and resulted in higher interest rates to customers.

The chronic foreign currency shortage due to the decrease in exports over recent years is constraining real sector growth and competitiveness of financial markets; it also affects bank's asset quality The Banking Proclamation that restricts foreign banks from investing in Ethiopia aggravates shortages of forex. Forex shortage has driven the NBE to ration foreign currency allocation. While this rule prevented dollarization of the system in the past, the flipside is that it unnecessarily hampers investment projects that need to be paid in foreign currency. According to the NBE, between mid-May 2018 and January 2019, banks have received foreign exchange requests worth US$7.4 billion. However, they were only able to meet 31 percent of this demand. Foreign exchange allocations are based on a wait-list system and as a result, the queue for foreign exchange increased by US$5.1 billion in less than eight months.

In summary, the Ethiopian banking sector is characterized by the dominance of Government banks and the existence of unpredicted policy regimes that seriously affect the private commercial banks' performance. On the other hand, the severe foreign exchange shortage significantly affects the Banks' performance. Moreover, the protection from foreign financial institutions lessen the competition environment. The low performance of the Digital Financial service is also another characteristic of the sector even if there are remarkable developments in this regard.

1.3 Statement of the Problem

The financial sector in Ethiopia could be considered as being in its infancy because it has been liberalized and opened to private investment in 1993 G.C. Prior to that the sector was closed and monopolized by government-owned financial institutions. Following the liberalization, several private banks were established and currently, there are 18 commercial banks, 10 insurance companies and 38 Microfinance institutions operating in Ethiopia. The sector is protected from foreign investors and similarly, the financial institutions are not allowed to invest outside the country except the Commercial Bank of Ethiopia, a state-owned commercial bank, which has opened subsidiaries in neighboring countries such as South Sudan.

According to the World Bank country report (2020), with the exception of the leasing sector, the financial sector is closed to foreign investment. However, recently in a positive initial step forward, the government of Ethiopia passed a proclamation allowing foreign investors of Ethiopian origin to invest in banks. The World Bank report (2020) also shows that the 18 banks in the banking sector (including two state-owned banks) and microfinance institutions altogether hold 98.6 percent of total financial sector assets in the Country. Propelled by fast-growing economic growth, the Ethiopian banking sector enjoyed high growth over the past ten years. The banking sector faces several constraints affecting their liquidity and capacity to conduct effective intermediation. As a result, there is stiff competition towards mobilizing both local and foreign resources.

Even if commercial banks in Ethiopia have been registering steady growth in their performance when it is measured with different parameters such as deposit growth, credit expansion, asset and capital base and profitability(CEPHEUS, 2019), they still are not as big as other commercial banks in Eastern and other parts of Africa. So far, due to the protectionist policy, which the government is following, Ethiopian banks have been enjoying this protection with recording high profit margin and up to 30% high earning per share to their shareholders (CEPHEUS, 2019).

There are different factors that clearly indicate that the future business environment for these banks will not remain the same. The government's plan to open up the sector and the potential competition expected from more developed foreign banks as a result of this move. Moreover, there is compelling move to establish a Capital Market which Ethiopian commercial Banks can consider it as challenge or Opportunity. The Digital Financial services (DFS) which are given license to operate in the Ethiopian market, more importantly, the widely acclaimed premier DFS provider in Kenya has secured license to give its M-pesa service in Ethiopia. These are the external forces which predominately drive Ethiopian commercial Banks to plan for and execute Organizational transformation initiatives and Projects.

On the other hand, there are other forces such as changes in consumer behaviors, technology advancements in the sector, the changes in expectations from internal stakeholders (Shareholders and staff) and external environmental changes – changes in economic situations, political instabilities and others could be considered as additional driving forces that can be mentioned as a reason for pushing Ethiopian commercial banks to execute bank wide organizational transformations.

Hence, operating in senior managerial position in one of the commercial banks, the researcher learned that there are six commercial banks which indicate that they have conducted overall organizational transformation in recent years, commissioning renowned consultants such as KPMG, Deloitte and Mckinsey to support their transformation efforts.

In his recent Book in titled "Understanding Organizations…Finally! Hennery Mintzberg (2023) explained his journey from the time he wrote the first book on Organizations before 50 years and his contemporary understanding. He explained the complexity and the dynamism in understanding the characteristics of organizations. (P.12) On the other hand, he discussed about the importance of "Renewal" or "Reorganization" As organizations age, they may face unexpected challenges that threaten their survival. Therefore, it is important for organizations to renew themselves when necessary. He also suggests that healthy organizations find ways to renew themselves, and some organizational forms do this more easily than others. Reorganization can help organizations adapt to changing circumstances, diversify their products and services, and improve their efficiency and effectiveness. (Mintzberg, 2023)

Therefore, this study aims to assess organization transformation theories and conduct a research on the process and practice of OT by the Ethiopian Commercial Banks to clearly understand the factors that drivers which forces them to undergo OT which will benefit organizations in the financial sector as well as in other sector. Moreover, the research will deeply look at how they handled and lead the process. Finally, the research aims to benefit from the Researcher's practical experience and fill the gap between the theoretical views and the practice on the ground and to build a framework that can explain and guide organizations to conduct and manage organizational transformation (OT) in stringent and undetermined internal and external situations.

1.4 Research Questions

The research is designed to look for answers to the following Research questions from the Ethiopian Financial sector perspective:

- What is an Organizational transformation?
- Who is initiating the Organizational Transformation process?
- What are the different aspects and stages of OT process?
- What is the appropriate Leadership approach to organizational Transformation?
- What are the major success and failure factors of organizational Transformation?

1.5 Rational of the Research

The researcher has conducted an extensive literature review and as a practitioner and expert who has been involved in the organizational transformation processes observed the following facts as a rational for conducting this study

- Theoretically, it is difficult to get a binding definition for the OT process and it is often interchangeably identified with Organizational changes and varies with contexts which the researcher tries to demonstrate the phenomenon in different context.
- Empirical studies have shown different and various facets of OT which requires further study in the scenarios such as this study taken whereby there is the undetermined and volatile external situation and highly regulated environment on the one hand and there is high internal pressure which requires new business and operating model on the other hand. So that, these facets need to be properly studied and properly captured in a theoretical framework.
- The deviation (gap) between theoretical and Practical approaches and practices of Organizational transformation has been taken as one rational to do this research. The researcher believes that his practical knowledge will give him the proficiency to fill in the gap between theory and practice and to come up with a new knowledge to the academia.

1.6 Objective of the Study

The objective of the research is to identify the nature and means of organizational transformation in the Ethiopian banking industry and to draw a lesson/Framework that can be used as a guide for the successful implementation of organizational transformation in a highly regulated and restricted situation

1.7 Organization of the Study

This dissertation is organized in the way that next, Literature review will be presented in the next session. The Methodology with the background for conceptual framework and the study's conceptual framework will be discussed under chapter three of the dissertation. Chapter four presents the Results of our research which is a chapter where we discuss the findings form our data collection. The discussion of the findings will be covered in chapter five which we try to relate the findings with the literature on empirical studies. The main objective of the dissertation is addressed in the last chapter which we presented the framework developed and detail explanation on the Implication of the research.

Chapter II: Literature Review

2.1 What is an Organization?

The concept of an organization has been a subject of interest and debate in the field of management and organizational studies. Understanding the nature and characteristics of organizations is crucial for effective management and decision-making. This literature review aims to synthesize and integrate the provided research findings to shed light on the definition and understanding of an organization as an entity.

Definition and Characteristics of an Organization

The research findings highlight various perspectives on the definition and characteristics of an organization. According to Smith (2010), an organization can be defined as a social entity that is purposefully created to achieve specific goals. This definition emphasizes the intentional nature of organizations and their goal-oriented nature. Similarly, Jones (2015) argues that organizations are structured entities that consist of individuals who work together to achieve common objectives. This perspective emphasizes the collective nature of organizations and the importance of coordination and collaboration.

Furthermore, Johnson (2012) suggests that organizations are characterized by a formal structure, defined roles and responsibilities, and established communication channels. This highlights the importance of organizational structure and the division of labor within an organization. Additionally, Brown (2018) emphasizes the role of culture in defining an organization, stating that organizations have shared values, beliefs, and norms that guide behavior and decision-making.

Henry Mintzberg, a renowned management scholar, proposed a comprehensive definition of organization. According to Mintzberg (2023), an organization is "a system of consciously coordinated activities or forces of two or more persons." He emphasized the importance of coordination and conscious effort in achieving organizational goals. Mintzberg's definition highlights the collaborative nature of organizations and the need for coordination among individuals.

The research findings by Mintzberg and other scholars provide valuable insights into the definition and understanding of organizations. Mintzberg's definition highlights the importance of coordination and conscious effort, while other scholars offer additional perspectives such as metaphorical, symbolic, institutional, and sense making views.

Organizational Boundaries and Environment

The research findings also shed light on the boundaries and environment of an organization. Smith (2010) argues that organizations have distinct boundaries that separate them from their external environment. These boundaries define the scope and focus of an organization's activities. Furthermore, Johnson (2012) suggests that organizations exist within a broader environment that includes various stakeholders such as customers, suppliers, competitors, and regulatory bodies. This highlights the interconnectedness of organizations with their external environment and the need to consider external factors in organizational decision-making.

In conclusion, the concept of an organization as an entity encompasses various dimensions, including purpose, structure, culture, boundaries, and environment. The provided research findings highlight the importance of understanding these dimensions for effective management and decision-making.

2.2 Understanding Organizational Transformation

According to Chukwuma & Madukwe (2020, p. 2) organizational transformation is a term referring "collectively to such activities as reengineering, redesigning and redefining business systems". Organizational transformation is about organizational change which may be linked to what an individual feels and will affect what people feel about the organization, how they perform in the organization and may be what they value in life.

Olutayo (2016) cited different scholars and stated that Organizational transformation is a change between significantly different states in relation to strategy and structure. He also illustrated that organizational transformation "aims to change structures and behavioral systems from one form to another". This transformation is a change that leaves organizations better able to compete effectively in the marketplace. The author further highlights that transformation is a deliberate planned process of transition focusing primarily on the formation and establishment of new organizational vision (Olutayo, 2016: p 3).

Most findings of studies in the area discuss organizational transformation in the context of organizational change and development. In his thorough analysis of online search within eight representative journals, on topics of transformation, organizational change, organizational development, and practices, Milan (2020, p. 109) found out that most of the articles cover organizational changes than others.

However, other studies show the distinction between organizational change and transformation. For instance, Theresa (1994, p.4) mentioned the difference between organizational transformation and change in the following way "Transformations are considered different from routine organizational change in that they are defined as a deeper or more substantial type of change. In contrast to routine changes (also called first-order change) that affect only a small portion of the employee population, transformational change affects individuals, groups, and the entire business. This type of change (also referred to as second-order change) is considered to be multidimensional, revolutionary, irreversible, and seemingly irrational."

Similarly, according to Filomena and colleagues (2017), transformation entails a radical shift in an organization's values, culture, structures, and routines, and particularly in how it does business. Moreover, they tried to illustrate that transformation is viewed as an all-pervading, holistic, and complex process within a specific business context and presents major challenges to any system. In sum, these studies show what organizational transformation is and what it entails; the following sub-section presents its drivers as outlined by various studies in the area.

2.3 Drivers of Organizational Transformation

Several studies identify the drivers of organizational transformation from different perspectives. It can be seen from the literatures that the drivers for organizational transformation may vary from sector to sector. As Orlowet al. (2004, cited in Francis, 2015) presents, factors such as competition; technological changes; and changes in customer preferences are the main drivers for the adoption of organizational transformation.

The study conducted by Francis (2015), on the drivers of organizational transformation with respect to the Kenyan-banking sector, indicates that changing customer preferences had greatly influenced transformations in the banking industry such as product diversification, market differentiation, personal selling, offering products and services online, and establishment of customer care desks/center. Moreover, the study also states that competition in the banking industry had greatly influenced the adoption of transformations like product diversification, personal selling of organization's products and services, increased branch networks, establishment of customers care desks/centers and reduction of premiums costs and related charges(Francis, 2015). Thus, this finding highlights the practice for transformation in the banking sector driven by changing customer needs and competition in the sector, phenomenon that could also characterize the current banking sector in Ethiopia.

Technological changes were also identified as outcomes of the transformation processes in organizations that has adopted transformations such as product diversification, personal selling of organizations products and services, offering products and services online, increased branch networks and reduction of premiums costs and related charges. “Organizations that do not learn and adapt to changing technology can face painful competition, but integrating technology can require substantial re-thinking of the exact nature of customer relationships” (Francis, 2015:p.60).

2.4 Organizational Transformation Practices

The research conducted on the Nagerian Banking industry by Olutayo (2016), have identified the different facets and practices of organizational transformation. These include Strategic intent: which is defined as “the sustainable obsession to win at all levels in the organization over the long term, regardless of the proportionality of the organizational resources to its capabilities.” (Olutayo, 2016, p. 14). The second aspect is physical setting which includes physical designs comprising interior designs, work spacing, house styles etc. constitute one of the strongest means through which corporate identity is projected to stakeholders. Third, the study identified Business Processes Re-Engineering as an important aspect “which advocates ‘total break-away’ from obsolete policies, philosophies and operations that impinge smoother and more efficient business operations. Re-engineering challenges business and operations philosophies founded on old business assumptions that bring about gross inefficiencies" (Olutayo, 2016, p.15). Furthermore, organizational and employee culture transformation is considered as an important aspect, which often begins with a thorough re-examination of existing cultural practices, beliefs and norms. Consequently, culturally coded messages about business priorities and organizational values sent from management to employees needs a thoroughly re-examination (Olutayo, 2016)

According to Wischnevsky and Damanpour (2006, p.2) "Organizational transformation is a transition between organizational states that differ substantially in crucial features such as strategy and structure". The study also showed how the phenomena is described differently by several studies alternatively referring to it as "quantum change," "second-order change, "core feature change," "large-scale change" and "strategic reorientation" - adopting partly differing conceptual perspectives that emphasize both common and varying elements". Examining these variations, the study characterizes transformation as simultaneous major changes in key activity domains, such as strategy, structure, and power distribution, which typically occur during a brief time interval (Wischnevsky & Damanpour, 2006).

Roy et. al (2017), in their study on organizational transformation in a banking industry, showed the experiences of traditional banks through understand the changes in the organizational culture, structure, mission and strategy, management practices and systems. In addition, this is attached with organizational transformation introducing information technology in the organizations.

In the study conducted to assess the organizational transformation practices of 21 organizations in Mexico during the COVID-19 situation, Gil (2020, P. 3) identified that five of them have conducted radical organizational transformation. The five organizations that achieved a radical transformation had some characteristics in common. Firstly, senior managers were strongly convinced that without radical transformation their firm would perish before the end of the year. Secondly, these five organizations quickly reshaped their management control systems. One of the first steps that these organizations took was to abandon the budget that they had and instead, to focus on a more investment-oriented vision rather than cost-control.

Thirdly, the five organizations that achieved a radical change hired specialized consultants to achieve the transformation.

Finally, these organizations also outsourced to external firms to complete processes where they themselves did not have any previous experience. (Gil, 2020, P.3)

Based on the analysis conducted on the organizational transformation practices of the surveyed firms Gil (2020) has concluded saying it is key that senior managers agree on the necessity to complete organizational transformation. Without full support from senior management, it seems like an impossible task to complete the processes. Moreover, it can be the case that an organization is not ready to transform due to different limiting factors. In such a case, senior managers would be able to recognize that. Using traditional management control will harm organizational transformation. As the organization transforms it is necessary to use management control in a way that will foster change. The use of strict budgets and tight controls would not allow organization’s members to produce new ideas, which can be detrimental to organizational transformation.

Looking at various organizations’ experiences in the literature, hiring external consultants appears to be a common practice when organizations transform rapidly. This is so, in most of the cases transformation puts the organization’s members in places where they have not experienced before. Thus, external consultants play a key role in performing activities that the organization itself did not have any prior experience. In parallel to the previous points, outsourcing activities to external partners is also a good idea in order to break the limitations, which a firm has because they do not usually perform these activities. Key partners are essential during the transformation, as their expertise can become a significant relief in the pressure caused by the change. It is also important to notice that there needs to be synergy with such partners, otherwise the stress and tension might only increase. Finally, a cost-reduction strategy is usually contrary to organizational transformation. When a firm focuses on reducing costs it is very unlikely that the organization will achieve radical transformation. This is because transformation requires investment and most of the time it reflects on an increase in costs. Thus, when organizations intend to achieve a radical transformation it is necessary to reduce the urge to minimize costs.

In his findings of a research, Van (2004) indicated that change and transformation initiatives need to become substantially more organization specific, focused, and above all, precise in their conceptualization of what transformation means and what is needed, prior to launching into any form of action. He also underscored the need for deep analysis on the “Breadth and depth” of the change that is expected before entering to wide range of organizational transformation (Van, 2004, p. 62) and identified this need to accomplish such analysis as one of the important constituting elements of organizational transformation.

One of the much known business-consulting firms KPMG’s Hong Kong unit had made a study on transforming Banking sector and depicted those banks will need to make transformative changes during a period of great uncertainty (KPMG, 2016). Moreover, it asserted that balancing the existing multifaceted priorities requires a thorough transformational approach that will affect virtually all areas of the organization. “This requires the input not just from business stakeholders and leaders, but also from other areas of the organization including operations, technology, risk, legal, human resources and communications." (KPMG, 2016, p.3)

The study further emphasized the importance of making thorough analysis of the current condition on the market, competitors' landscape and the organization for leading effective transformations. The organization may then follow up with a strategy and business case highlighting any risk considerations, the investment required and a clear roadmap for achieving the business goals, including change management and communication plans (KPMG, 2016).

Boston Consulting Group's (BCG) study on the global practices of organizational transformation has found out that looking at the entire sample of our global benchmark—across all industries, geographies, organizational sizes, and transformational goals—three approaches emerged as particularly important. These include "holistic management of all change journeys, consistent leadership alignment and employee-centric change management" (2020: p.3). The group's study also revealed that organizational transformation has involved three journeys that are people journey, leader journey and program journey. Moreover, the study also depicts four phases including goals and commitment, baseline and target state, solution and capability development, implementation and sustained improvement (BCG, 2020, p.4).

In general, these reviewed studies show the different aspects of organizational transformation practices in various settings and organizations. In the section relevant factors that are essential for the success transformation efforts was highlighted. Among these were the importance of conducting in-depth analysis of the current organizational status, flexibility in leadership as well as the use of expert services through consulting firms that will guide and support organizational transformation efforts.

2.5 Facets of the Organizational Transformation Process

2.5.1 Organizational Diagnosis (OD)

(A). Understanding Organizational Diagnosis

In contemporary management and psychological literature, there are two fundamental premises about Organizations. The first explains organizations, which exist in a constant state of interaction with their external environment. When that external environment undergoes a profound transformation, organizational systems must respond to that change to remain effective (reference). The second premise is that organizations are composed of multiple parts and components, both the structural subunits of an organization as well as dimensions like people, processes, design, and culture (Beer, M., & Spector, B.,1993).

When we look at the historical background of the studies conducted with regards to OD, Clayton P. Alderfer, (2011) argued that "the period from the 1930s through the 1950s as the formative era for organization studies, then the 1970s marked the period when explicit scholarship about organizational diagnosis began to accumulate as a body of knowledge in its own right".

Many scholars have argued that Organizational diagnosis is critical to understanding organizational problems, identifying the underlying causes, and selecting appropriate interventions regardless of whether the change process is planned or emergent. (McFillen et al (2013).

Michael I. Harrison (1999) stated, "we use the term diagnosis to refer to investigations that draw on concepts, models, and methods from the behavioral sciences in order to examine an organization's current state and help clients find ways to solve problems or enhance organizational effectiveness".

Organizational diagnosis using an appropriate OD model provides an indication for understanding the cause-and-effect within its internal and external context and important to design its products and services. (Coleman, C. A. (2018).

Concerning, the purpose of OD, Vitale et al (2008) stipulated that comprehending the existing social and functional reality of an organization is the fundamental drive of organizational diagnosis. They further articulated the importance, as “Correctly diagnosing organizational issues is also a key facet of action research, as the success of any intervention is dependent on accurately diagnosing the issues that are important to the organization” (p, 28).Beer & Spector (1993) explained the importance of OD as an instrument for penetrating organizational defensiveness and for learning new patterns of behavior. Moreover, they stipulated that it will also enhance organizations ‘capacity to assess and change the culture of the organization, provide an opportunity to acquire new insights into the dysfunctional aspects of their culture and patterns of behavior as a basis for developing a more effective organization, ensure that the organization remains engaged in a process of continuous improvement. Based on this, they further argued that OD should be institutionalized within the organization and it has to be executed as an ongoing process.

(B). Role of OD in Organizational Transformation

McFillen et.al (2013), argued that choosing appropriate interventions and contributing to readiness-to-change within an organization are the major critical role OD plays in terms of executing organizational change initiatives. Vitale et al (2008) argued that “comprehending the existing social and functional reality of an organization is the fundamental purpose of organizational diagnosis. Correctly diagnosing organizational issues is also a key facet of action research, as the success of any intervention is dependent on accurately diagnosing the issues that are important to the organization”. On the other hand, the lack of rigor in the diagnostic process and the misdiagnoses that follow are likely to be significant factors in the high failure rate of change initiatives reported in the literature. McFillen et al (2013).

Coleman, C. A. (2018) argued that even if there is huge importance of conducting OD in implementing organizational transformation and change initiatives, little attention has been invested in the rigor of the diagnostic process itself. Accordingly, failure of transformational initiatives has been observed due to the absence of a thorough diagnosis process that can potentially restrict the availability of data-driven practices. Rodney L. Lowman (2005) also stipulated log lasting change (transformation) could not be achieved without competent assessment and there is no assurance that the change initiatives can address what troubles the organization.

Early studies by Appelbaum (1975), clearly indicated that the primary step to being taken in the transformation effort is to properly develop and execute an organizational diagnosis model which intends to diagnose the Individual and total elements of the system.

(C). Methods/ Process of Organizational Diagnosis

Rodney L. Lowman (2005) stated that “what does an organizational consultant diagnose, for what purpose, and using what system? These important questions will very much influence the organizational diagnostic process”.

When we are assessing the different literature on Organizational Diagnosis, we can see that there is a wide range of recommended ways of doing it. However, some researchers argued that there seems to be a relatively standard set of activities to conduct diagnostic interventions. Beer, M., & Spector, B. (1993). On the other hand, many scholars have argued that using multiple methodologies to collect data is recognized as an essential component of any organizational diagnosis (Vitale, et al., 2008).

Michael I. Harrison (1999) stipulated that there are sound empirical, theoretical, and practical reasons for making the effort to use multiple and even competing frames and models in diagnosis. He further strongly argued many organizational theorists now agree that no single model or frame fully captures the complexity and multifaceted nature of organizational reality. Coleman, C. A. (2018) commented that in order to frame the diagnosis, we (managers, academic, board, consultants) need to conduct a solid literature review of various organization development (OD) options. The use of more than one frame in diagnosis will help the practitioners properly grasp the assumptions that are embedded in the design of organizations (Michael, 1999). This is key, so there are many OD diagnosis options.

Appelbaum, S. H. (1975) introduced the psychoanalytic model of organizational diagnosis. This model portrayed that the "Intra and interrelationships between the four intervention levels (Individual, group, organization, and environment) and the thirty variables "should be examined by the organizational development consultant to conduct the organizational diagnosis.

On the other hand, "the Burke-Litwin Model defines twelve factors that help to diagnose the case for change as well as the overall change processes namely external environment, mission and strategy, leadership, organizational culture, structure, systems, management practices, work unit climate, tasks and skills, individual values and needs and individual and overall organizational performance" (Coleman, C. A. (2018).

2.5.2 Organizational Design

(A). Understanding Organizational design

As it is indicated by Galbraith, J. R. (2014), “Modern organization design came out of a variety of work in the 1950s and 1960s. One stream, developed in the United States, is best illustrated by the work of Alfred Chandlerin Strategy and Structure (1962). He found that the different organizational structures we had observed could be explained by differences in companies’ strategies.” Accordingly, based on this scenario, different strategies lead to different organizations. This type of approach, referred to as strategic organization design, which is a top-down design process that begins with the entity’s strategy and can be applied at the enterprise, business unit, geographical, and functional levels.

Hesselbein, et al (2009) also argued about the strategic based organizational design and stated that “Implementing Strategic Intent Designing is concerned with how the organization ’ s features (for example, structure, processes, people, rewards) are orchestrated over time to support each other and the organization ’ s strategic intent, identity, and capabilities”

On the other hand, Daft, R. L. (2015) argued that Organization design is not a collection of facts; it is a way of thinking about organizations and how people and resources are organized to collectively accomplish a specific purpose. Moreover, he explained Organization design as a way to see and analyze organizations more accurately and deeply than one otherwise could. “The way to see and think about organizations is based on patterns and regularities in organizational design and behavior.”

Daft, R. L. (2015) tried to compare the process of organizational deigning with understanding the personal behavior and explained it as “The first step for understanding organizations is to examine the features that describe specific organizational design traits. These features describe organizations in much the same way that personality and physical traits describe people.”

According to Magalhaes, R. (2018) a “rich epistemological background of organization design research includes not only two traditional schools of thought—Contingency and Configuration and Complementarity—but also another school of thought—Design—as an important new foundation.” Magalhaes further noted, “The purpose of organization design as a discipline is to give the world organizations that are competitive, agile, and effective, while improving the quality of organizational life.” P.16

Miles, et al (2010) put a theory of organization design provides a conceptual map of the factors and processes involved in the creation and shaping of new business and organizational models. A theory of organization design must explain both the elements of organizational designs and the forces that motivate the search for new configurations of those elements.

Annand & Daft (2007) explained that there has been different perception of organizational design across different economic and innovation trends in history. They stipulated that the first era of organizational design probably took hold in the mid-1800s, and was dominant until the late 1970s. In Era 1, the ideal organization was self-contained. It had clear boundaries between it and suppliers, customers or competitors. ”Design philosophies from this era emphasized the need to adapt to different environmental and internal contingencies and the ability to control the different parts of the organization through reporting relationships in a vertical chain of command.” P.38

They also mentioned that the second era of organizational design started in the 1980s. “As the world grew increasingly complex, organizations of Era 2 experienced the limits of traditional designs. Coordination between departmental silos within the organization became more difficult, and vertical authority-based reporting systems often were not effective in creating value for customers.” P.42

Galbraith, J. R. (2014) also identified the sociotechnical systems approach which is bottom up and he further explained it as It focused on the alignment of the technology involved in doing the work and the social system that could be created to perform that work. He prescribed Sociotechnical systems’ thinking and tools as the best at designing organizations at the bottom levels of the structure and the strategic design thinking and tools are best used for designing organizations’ top levels.

As Annand, et.al (2007) indicated the historical trend of organizational design came into its own in the mid-1990s, with rapid improvements in communication technology in the form of the Internet and mobile phones. This in turn leads to opening up the external and internal boundaries of the organization as never before. Accordingly, Managers became increasingly comfortable with the idea that their organization could not efficiently perform all of the tasks required to make a product or service. So that, Annand et al mentioned that this is the beginning of the third Era of organizational design where by the outsourcing of the various pieces of work done internally to outside partners.

Daft, R. L. (2015) also argued in terms of the historical trend, during the 1980s, though, it began to cause problems. Increased competition, especially on a global scale, changed the playing field. North American companies had to find a better way. The 1980s produced new corporate cultures that valued lean staff, flexibility and learning, rapid response to the customer, engaged employees, and quality products. Organizations began experimenting with teams, flattened hierarchies, participative management approaches the new design led to improved quality, decreased costs, and enhanced innovation, helping the plant be more competitive in a changed environment.

The challenges in the organizational designing practice and the differences between what is stated in theories and real practices on ground was properly explained by Mintzberg, H. (1993). He clearly indicated that, the vast literature on organizational structuring, much of it based on systematic empirical research, and has largely escaped the practitioner. “Contradictions abound in the research findings, with little real reconciliation even attempted. So whoever had the patience to go through all this literature was apt to emerge more confused than before he or she began”. (Page 5)

“The problem of finding appropriate organizational designs for different environmental conditions remains a steep challenge for practicing managers. What makes the choice of appropriate organizational design difficult is, in part, the interdependencies among the various aspects of design.” (Siggelkow, et al .2005, p.115).

(B). Implications of Organizational Deign for Organizational Transformation

Siggelkow et al (2005) argued that authors have cited many reasons for the rise of new organizational forms, but two lines of explanation are especially prominent. “First, rapid technological change, deregulation, and globalization have intensified competition and increased the turbulence that managers face, forcing them to adopt new, more responsive organizational forms. Second, the complexity or interdependence of tasks within organizations has shifted in a couple of ways that require changes in form.”

Hesselbein,et al(2009) believe and asserted that the only way to ensure that organizations will be able to change is to build them to change, to create organizations that love changing. However, they indicated the reality is that most large - scale change efforts in established organizations fail to meet expectations because nearly all models of organization design, effectiveness, and change assume stability is desirable.

According to Galbraith, J. R. (2014), the discipline of organization design has evolved along with the increasing organizational complexity and the desire to create high-performing organizations. Therefore, it is largely the growth imperative and market segmentation that drive firms to continually evolve their strategies.

"For decades, the predominant logic of organizational effectiveness has been that an organization's fit with its environment, its execution, and its predictability are the keys to its success. However, as the rate of change continues to increase, we need to look at organizational effectiveness very differently. More and more executives are correctly calling for greater agility, flexibility, and innovation from their companies. Indeed, one would think that the ability of organizations to adapt and change, not to mention the number of successful change efforts, should be high. But they are not." (Hesselbein, et al, 2009).

Galbraith, J. R. (2014) in his work identified three major shapers of organization designs. The first is the diversity and variety of units that must be coordinated for the company to execute its mission. The second is the degree of interdependence between these diverse units. Usually the units in a company are not independent but require coordination, and the amount depends on the degree of interdependence. This interdependence results from the initial division of labor into functional specialties that are needed to execute the business's activities. The third factor is the dynamics of change associated with a business.

Historically, as Daft, R. L. (2015) elaborated that the emergence of the factory system during the Industrial Revolution posed problems that earlier organizations had not encountered. This is because a larger number of workers performed work on a much larger scale, people began thinking about how to design and manage work in order to increase productivity and help organizations attain maximum efficiency. Accordingly, these changes lead to a trend as opposed to the classical perspective, which sought to make organizations run like efficient, well-oiled machines, is associated with the development of hierarchy and bureaucratic organizations and remains the basis of much of modern management theory and practice.

Magalhaes, R. (2018)also argued that the evolution that is required in the practice of organization design is corroborated by the move in the design discipline, from strictly rational, engineering-like approaches to higher orders, human-centered perspectives, emphasizing action (third order) and transformational change (fourth order).

Miles, et al (2010)stated the historical trend and the driving factors of organizational design in the context of organizational change as "over the last century and a half, firms using traditional organizational designs have made myriad accomplishments, including the building of industrial empires in railroads, steel, automobiles, electronics, and pharmaceuticals and in the management of global supply chains. Traditional organizational designs, however, will not be able to respond effectively to the opportunities and challenges faced by 21st-century firms and nations. New organizational designs that can mobilize large sets of actors who have the ability to self-organize and collaborate are needed. The core ingredients of such designs include collaborative capabilities and values, facilitating infrastructures, and resource commons"

2.5.3 Formulating a Strategic Road Map

(A) Understanding Strategy and Strategy Formulation

According to Eric et.al (2007), strategy is "what the organization wants to achieve and how." It also emphasizes that strategy requires making choices and committing to long-term investments. Georgio et.al (2013) identified several types of strategies, including business strategy, corporate strategy, positioning framework, and Porter's generic strategies (cost leadership, differentiation, and focus). They further elaborated each as:

1. Business strategy: This refers to the formulation, development, and control of strategies for a single strategic business unit (SBU). It involves addressing various aspects such as competitive advantage, market share, pricing strategy, value/price ratio, critical mass, demand curve, judgmental modeling, and decision support systems

2. Corporate strategy: This refers to the formulation, development, and control of strategies for managing multiple businesses. It involves addressing issues such as diversification, synergy, resource allocation, and portfolio management

3. Positioning strategy: This refers to the analysis of a firm's relative position within an industry. It depends on the firm's choice of both the type of competitive advantage (cost leadership vs. differentiation) and the competitive scope (a broad industry segment vs. a narrow segment

4. Porter's generic strategies: Michael Porter identified three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus. Cost leadership involves becoming the lowest-cost producer in an industry, while differentiation involves offering unique and superior value to customers. Focus involves targeting a narrow segment of the market and tailoring products or services to meet their specific needs.

There are different types of strategy, such as strategy as pattern, which refers to the consistent actions taken by an organization over time, and strategy as position, which involves keeping the same customers in the same markets. Other types of strategy include strategy as perspective, which is a broad perspective resulting from emergent patterns, and strategy as ploy, which is a maneuver to confront a competitor or opponent. (Mintzberg, 2007, Mintzberg et.al, 1998, Mintzberg, 1994)

On the other hand, Strategy formulation is the process of developing a plan or approach for achieving a specific goal or objective. It involves analyzing the current situation, identifying opportunities and challenges, and developing a plan of action to achieve the desired outcome. This process requires a deep understanding of the organization, its strengths and weaknesses, and the external environment in which it operates. The goal of strategy formulation is to create a roadmap for the organization that will guide decision-making and resource allocation in order to achieve the desired outcome. (Eric et.al. 2007)

Mintzberg (2007), attached the organizations strategy formulation with recognizing the organizations patterns that he expressed it as identifying a consistent behavior or set of actions taken by an organization over a period of time. Accordingly, managers can infer the organization's strategy, even if it was not explicitly stated or planned.

(B). Different approaches to Strategy Formulation

According to Mintzberg et.al (1998) and (Mintzberg, 2007), there are ten different approaches to formulating strategy, which are divided into three groups:

The first group includes the prescriptive schools, which are more concerned with how strategies should be formulated than with how they necessarily do form. The three prescriptive schools are the Design School, the Planning School, and the Positioning School.

The second group includes four schools that focus on the process of strategy formation beyond the individual, to other forces and other actors. These schools are the Entrepreneurial School, the Cognitive School, the Learning School, and the Power School.

The third group includes two schools that consider strategy formation to be rooted in the culture of the organization or its external context. These schools are the Cultural School and the Environmental School. Finally, there is the Configuration School, which clusters the various elements of the strategy-making process, the content of strategies, organizational structures, and their contexts into distinct stages or episodes. (Mintzberg, 2007)

The schools and their approaches as discussed in Mintzberg et.al (1998) and (Mintzberg, 2007) are as follows:

1. The Design School: strategy formation as a process of conception
2. The Planning School: strategy formation as a formal process
3. The Positioning School: strategy formation as an analytical process
4. The Entrepreneurial School: strategy formation as a visionary process
5. The Cognitive School: strategy formation as a mental process
6. The Learning School: strategy formation as an emergent process
7. The Power School: strategy formation as a process of negotiation
8. The Cultural School: strategy formation as a collective process
9. The Environmental School: strategy formation as a reactive process
10. The Configuration School: strategy formation as a process of transformation

Giorgio et.al (2013) discusses two different approaches to strategy formulation: deliberate strategy framework and emergent strategy framework. The deliberate strategy framework is a top-down process in which top managers elaborate a plan, a budget, and a control system. This approach proposes a model of strategy formulation based on the fit between internal capabilities and external opportunities. On the other hand, the emergent strategy framework considers specific aspects of the process and how strategies are made. It combines decisions made from formal strategic and planned processes and initiatives conducted at lower hierarchical levels of decisions that are often realized by top management at later stages. Individual initiatives generate new ideas and induce adaptive behavior in a firm's decision making. Planned initiatives try to integrate existing business efforts with emergent initiatives across the organizational structure.

(C). Strategy Formulation and Organizational Transformation

Many literatures tried to relate strategy formulation with organizational changes. When a company formulates a new strategy, it may require changes to the organization's structure, processes, and culture to implement the strategy effectively. The implementation of a new strategy may require changes to the organization's structure, processes, and culture to align with the new strategic direction. (Giorgio et.al, 2013). They further indicated the following five logics that an organization should consider in the strategy formulation towards the change (transformation) process:

1. Economic logic: How will the company achieve its economic objectives?

2. Resource allocation logic: How will the company allocate its resources to achieve its objectives?

3. Differentiation logic: How will the company differentiate itself from competitors?

4. Integration logic: How will the company integrate its various parts into a coherent whole?

5. Operational logic: How will the company design its operations to meet its objectives?

Mintzberg (2007), mentioned that major reorientations of strategy can be identified between the very long cycle of transformation from simple to more formalized structure and the relatively short cycles of sprints and pauses. These major reorientations of strategy seem to occur quite infrequently and do not follow any predictable pattern. He also explained that two main factors seem to stimulate strategic change: “external shock and slack resources, as well as boredom in traditional markets”, which seem to evoke additions to existing strategies (e.g. diversification) rather than shifts in these per se.

Out of the ten school of thoughts identified in Mintzberg et.al. (1998), Mintzberg, (2007) and Eric et.al (2007), the Configuration school of thought is mentioned to include the concept of Organizational transformation. It combines the other schools. It clusters the various elements of the strategy-making process, the content of strategies, organizational structures, and their contexts into distinct stages or episodes, for example, of entrepreneurial growth or stable maturity, sometimes sequenced over time to describe the life cycles of organizations. The Configuration School includes the dynamics of strategic groups, the evolution of industries, and the rise and fall of competition.

Henry Mintzberg in his book "The Rise and fall of Strategic Planning," (1994), suggests that there are different types of organizations, each with its own unique configuration of structure, culture, and processes. This school of thought emphasizes the importance of understanding the internal workings of an organization and how they contribute to its overall strategy. It also suggests that there is no one-size-fits-all approach to strategy formation and that organizations must tailor their strategies to their specific configurations.

Giorgio et.al (2013) discusses two different approaches to strategy formulation: deliberate strategy framework and emergent strategy framework. The deliberate strategy framework is a top-down process in which top managers elaborate a plan, a budget, and a control system. This approach proposes a model of strategy formulation based on the fit between internal capabilities and external opportunities. On the other hand, the emergent strategy framework considers specific aspects of the process and how strategies are made. It combines decisions made from formal strategic and planned processes and initiatives conducted at lower hierarchical levels of decisions that are often realized by top management at later stages. Individual initiatives generate new ideas and induce adaptive behavior in a firm's decision-making. Planned initiatives try to integrate existing business efforts with emergent initiatives across the organizational structure.

Chapter III: Methodology of the Study

3.1 The Conceptual framework of the study

3.1.1Background for the Conceptual Framework

There are different theoretical models that tries to capture organization's change processes. Out of the widely discussed models the pioneer and profoundly acclaimed model is the Kurt Lewin's Change Model (Burnes & Bargal, 2017).

Kurt Lewin was a German-American psychologist who is widely regarded as the founder of modern social psychology. He made significant contributions to the understanding of group dynamics, organizational change, and action research. Lewin's work emphasized the importance of the social context in shaping individual behavior and the need to take a holistic approach to understanding and changing social systems.

Kurt Lewin developed the concept of "field theory," which posits that behavior is a function of the individual's interaction with the environment or "field" in which they operate. Lewin also developed a three-stage model of change that emphasizes the importance of "unfreezing" existing behaviors, "moving" to a new behavior, and "refreezing" the new behavior to make it permanent. His work has had a significant impact on the fields of psychology, organizational behavior, and change management. (Muldoon, 2020, Burnes & Bargal, 2017)

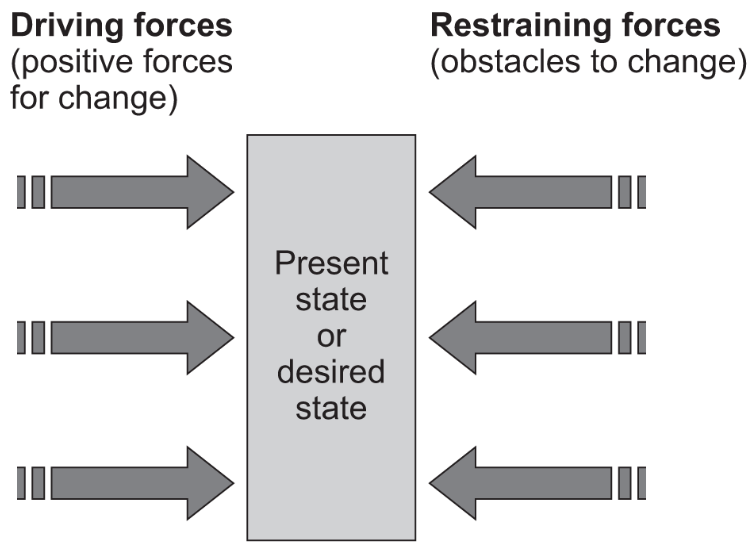

Figure 1: Kurt Lewin's Field Forces Model adopted from https://www.aqa.org.uk/resources/

According to Muldoon's analysis of Lewin's work (2020) and a Burnes & Bargals' critical overview of Lewin's contribution to Management; the Kurt Lewin's three-step change approach is a framework for managing organizational change. The three steps are unfreezing, changing, and refreezing.

- The first step, unfreezing, involves preparing the organization for change by breaking down the existing mindset and creating a sense of urgency for change. This can be done by communicating the need for change, creating a vision for the future, and building a coalition of support
- The second step, changing, involves implementing the actual changes. This can include restructuring the organization, changing processes and procedures, and introducing new technologies or systems. It is important to involve employees in the change process and provide them with the necessary training and support,

- The third step, refreezing, involves stabilizing the changes and making them a permanent part of the organization's culture. This can be done by reinforcing the new behaviors and processes, celebrating successes, and providing ongoing training and support,

Moreover, Muldoon (2020) mentioned that Force field analysis is a tool used in the unfreezing stage of the change process. It involves identifying the forces that are driving change and the forces that are resisting change. The driving forces are those that are pushing the organization towards change, while the resisting forces are those that are holding the organization back.

By identifying the driving forces, organizations can develop strategies to strengthen the driving forces and weaken the resisting forces. This can involve addressing the concerns of those who are resisting change, providing incentives for those who are supporting change, and creating a sense of urgency for change. (Bernes & Bargals, 2017)

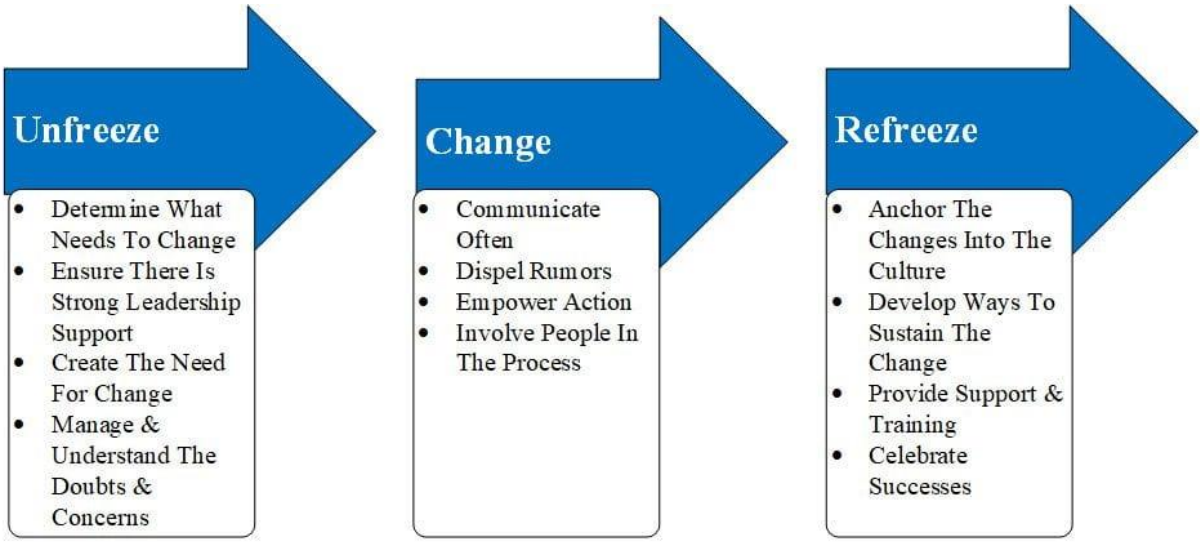

Figure 2: Kurt Lewin’s three-stage Change Model adapted from https://9mconsulting.com/lewins-change-model/

Citing Burnes (2004), Muldoon (2020, P.628) discussed major criticism of Kurt Lewin's model of organizational change as that “it is too simplistic to have real value for scholars and practitioners”. He further mentioned that Burnes argues that Lewin's approach to change can be placed within the classical school of management, which assumes that managers possess complete information and have clarity of goals, and that workers can block and overcome managerial dictates. Additionally, “evolutionary economics and the processual school of management have consistently challenged the underlying assumptions of Lewin's three-step process”. (P. 632)

3.1.2 Summary & Implication

This research has drawn the following issues as a lesson and implication to the research:

- Kurt Lewin’s model identified the different driving forces for change and how it important properly analyze and respond to them as per their nature;
- The “Unfreezing” and the “Freezing” stages and processes under each stage stated in the Lewin’s Organizational change three stage model have different implications to build the Organizational transformation model in this research;
- The critics that are raised on Lewin’s model as that it is a simplistic model and doesn’t capture the complexity also embarks the need for better model that captures the practical situations on the ground;
- Moreover, the critic on the some of the assumptions especially on the possession of complete information and clarity of goal by Managers is also lesson learnt from the above discussion.

3.1.3 Proposed Conceptual Framework

Based on these propositions and the hypothesized relations of variables and/or factors, the study develops the following conceptual framework.

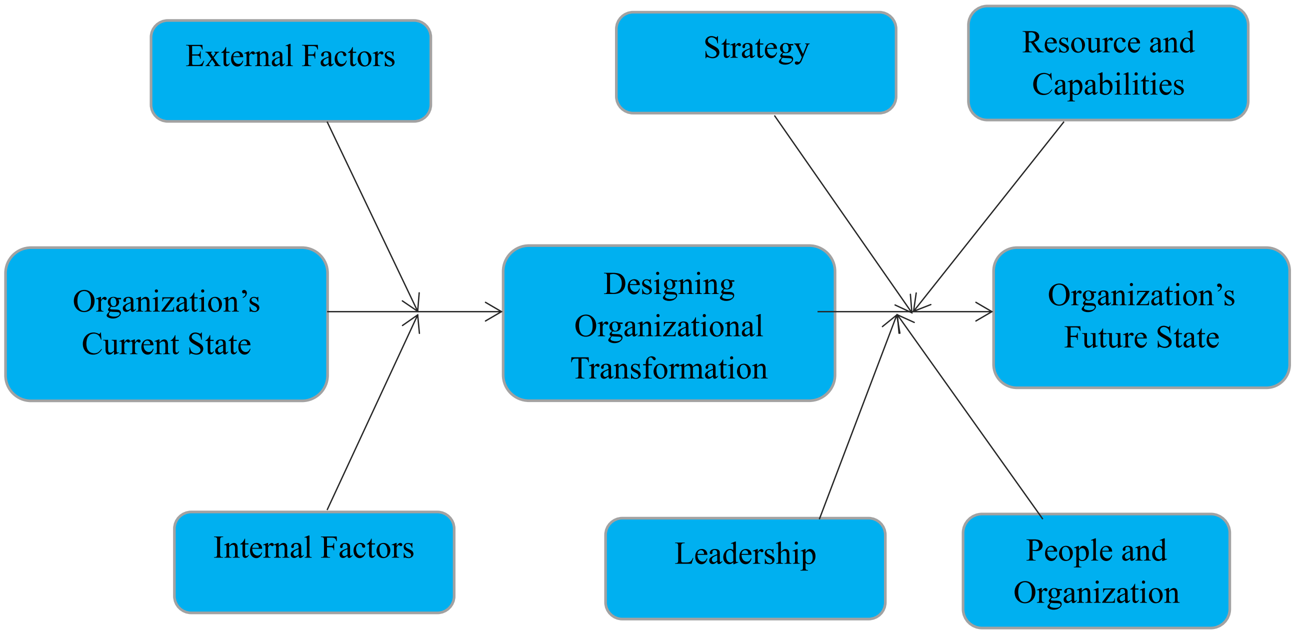

Figure 3: Conceptual Framework Developed by the Researcher

3.2 Research Methodology

3.2.1 Overview

This study follows the general research framework outlined by Creswell & Creswell, 92018). Initially, the research philosophy (Worldview) we carefully selected to guide our thought process. Subsequently, as explained in the upcoming sections, we opted for a Constructivist philosophical background due to its alignment with beliefs on Knowledge creation, recognition of the researcher's background, understanding of the field of study as well as its emphasis on people and society.

Next, the study employs a Qualitative approach, chosen for its suitability in addressing the research questions and achieving the research objectives. Furthermore, Collective case study methodology was followed to collect the data. Finally, a grounded theory approach was used to analyze the data and to develop the intended theoretical framework.

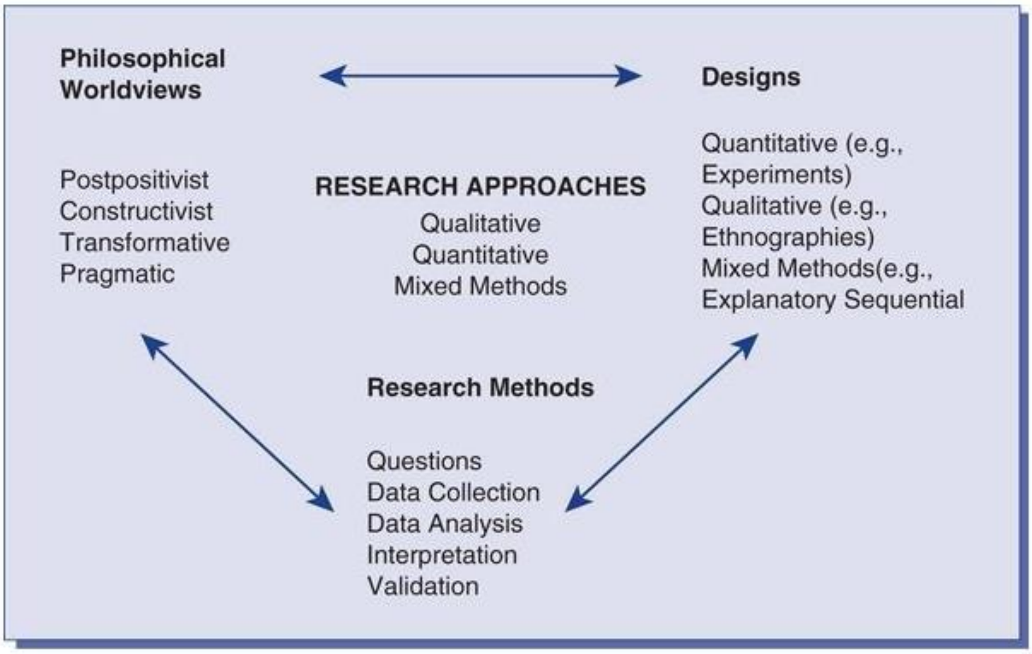

Figure 4: A Framework for Research—the Interconnection of Worldviews, Design, and Research Methods from (Creswell & Creswell, 2018: P.43)

The following section will provide a more in-depth explanation of the rationale behind selecting the approach, methodology, strategies and techniques.

3.2.2 Research Philosophy

Saunders and colleagues (2019) define research philosophy as a set of beliefs and assumptions about the development of knowledge. Although this sounds rather profound, it is precisely what the researcher is doing when embarking on research: developing knowledge in a particular field. The knowledge development that the researcher is embarking upon may not be as dramatic as a new theory of human motivation, but even addressing a specific problem in a particular organization, nonetheless, developing new knowledge. (P.161).

Creswell and Creswell (2018) rather preferred to call Philosophical worldview as the foundation of the researcher's thought process during the research journey. They asserted that worldviews constitute a broad philosophical orientation towards the world and the nature of research that a researcher incorporates into a study. These worldviews are shaped by various factors, including discipline orientations, research communities, guidance from advisors and mentors, and past research experiences.

In this research we embrace a constructivism philosophical world view. Constructivism or social constructivism (often combined with interpretivism) is such a perspective, and it is seen as an approach to qualitative research. While Saunders et al. term this research philosophy as Interpretivism, we specifically choose constructivism for its inclusive nature, encompassing interpretivism.

The primary objective of our research is to heavily rely on the participants' perspectives regarding the situation being studied. Accordingly, the research questions are deliberately broad and general to allow participants to construct the meaning of the situation, often through discussions or interactions with others. Open-ended questioning was selected to facilitate a comprehensive understanding, with careful listening to participants' expressions in their life settings. These subjective meanings are frequently socially and historically negotiated, shaped not merely by individual experiences but also by interactions with others (thus, social constructivism) and influenced by historical and cultural norms that operate in individuals' lives. (Creswell & Creswell, 2018, p. 46)

The table below provides a summary of different Philosophical worldviews and the corresponding methods and practices they employ.

Philosophy	**Constructivism**	**Positivism**	**Pragmatism**
Type of research	Qualitative	Quantitative	Mixed
Methods	Open-ended questions, emerging approaches, text and/or image data	Closed-ended questions, pre-determined approaches, numeric data	Both, open and closed-ended questions, both, emerging and predetermined approaches, and both, qualitative and quantitative data analysis
Research practices	• Positions researcher within the context • Collects participant-generate meanings • Focuses on a single concept or phenomenon • Brings personal values into the study • Studies the context or setting of participants • Validates the accuracy of findings • Interprets the data • Creates an agenda for change or reform • Involves researcher in collaborating with participants	• Tests or verifies theories or explanations • Identifies variables of interest • Relates variables in questions or hypotheses • Uses standards of reliability and validity • Observes and then measures information numerically • Uses unbiased approaches • Employs statistical procedures •	• Collects both, qualitative and quantitative data • Develops a rationale for mixing methods • Integrates the data at various stages of inquiry • Presents visual pictures of the procedures in the study • Employs practices of both qualitative and quantitative research

Table 1: The different research Philosophies adopted from Saunders & et.al (2019)

Citing Denzin and Lincoln (2018), Saunders et al argued that qualitative research is often associated with an interpretive (constructivism) philosophy. It is interpretive because researchers need to make sense of the subjective and socially constructed meanings expressed about the phenomenon being studied. (2018, p.212)

Constructivism research philosophy acknowledges that the researchers' backgrounds shape their interpretation, and they position themselves in the research to recognize how their interpretation drives from their personal, cultural, and historical experiences. The researcher’s intent is to make sense of (or interpret) the meanings others have about the world. Creswell & Creswell, 2018)

In discussing constructivism, Crotty (1998) identified several assumptions (Creswell & Creswell, 2018, p. 46):

1. Human beings construct meanings as they engage with the world they are interpreting. Qualitative researchers tend to use open-ended questions so that the participants can share their views.

2. Humans engage with their world and make sense of it based on their historical and social perspectives. We are born into a world of meaning bestowed upon us by our culture. Thus, qualitative researchers seek to understand the context or setting of participants by visiting this context and gathering information personally. They also interpret what they find, an interpretation shaped by the researcher's own experiences and background.

3. The basic generation of meaning is always social, arising in and out of interaction with a human community. The process of qualitative research is largely inductive; the inquirer generates meaning from the data collected in the field.

In light of this, this study aims to formulate a theoretical framework that organizations can employ as a guideline for implementing organizational transformation process. This framework will be developed based on the empirical findings of the research and influenced by the researcher's extensive experience in the field of the study.

3.2.3 Qualitative approach

This research adopts a qualitative research approach, acknowledging its evolution over recent decades for exploring the human condition and various truths, as emphasized by Mills and Birks (2014). In qualitative research, a well-constructed research question will guide the selection of an appropriate methodology and development of the research design.

As Yin (2014) emphasizes that, a research design provides a logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions. He also mentioned that a research design is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions. Between here and there may be found a number of major steps, including the collection and analysis of relevant data. (p. 25)

Qualitative research, defined as an approach to understanding the meaning individuals or groups attribute to a social or human problem involves a process of emerging questions and procedures, data collection in the participant's setting, inductive data analysis leading from particulars to general themes, and the researcher interpreting meaning of the data. The final written report has a flexible structure. Those who engage in this form of inquiry support a way of looking at research that reflects an inductive style, a focus on individual meaning, and the acknowledgment of the complexity of a situation. "(Creswell & Creswell, 2018, p. 41)

Qualitative research studies "participants' meanings and the relationships between them, using a variety of data collection techniques and analytical procedures, to develop a conceptual framework and theoretical contribution". (Saunders et al., 2018: p. 212). Therefore, considering the aforementioned, qualitative research is deemed the most suitable method for the context of this study to comprehend processes, experiences, actions, and values, focusing on describing the setting being investigated (Creswell, 2009; Yin, 2014).

This study heavily relies on participants' views and perceptions of the situation being studied (Creswell, 2009) with minimum disruption to the natural setting (Merriam, 1998). Here, the outcomes of this study are not derived from statistical procedures or other means of quantification (Strauss & Corbin, 1998). Instead, the qualitative approach is employed to interpret phenomena and derive outcomes from real-world settings where the phenomenon of interest naturally unfolds (Patton, 2012). This stands in contrast to the quantitative method, which seeks causal determination, prediction, and generalization of outcomes. The qualitative method aims for illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997).

Considering these aspects, the qualitative approach is regarded as the best research strategy emphasizing words over quantification in data collection and analysis (Bryman & Bell, 2011), and deals with 'how' and 'why' questions rather than 'how many' and 'how much' (Yin, 2009).

This approach also supports analysis through conceptualization rather than the analysis conducted using statistics (Saunders et al., 2018). Hence, the qualitative approach was chosen in this study to consider the theories and perspectives of the participants (Yin, 2005) for a genuine and rich explanation, particularly in terms of organizational change and managerial processes in organization transformation practices.

3.2.4 Collective Case Study Method

The study employed a case study method to address the research questions. Out of the different case study approaches, collective case study was selected as appropriate method. A case study is a type of qualitative research design that involves an in-depth examination of a single individual, group, or phenomenon. It is a research method that focuses on understanding the dynamics of a particular case, exploring its unique characteristics, and gaining insights into the underlying processes and mechanisms that shape it. Case studies are often used in social sciences, psychology, education, and business research, among others. They typically involve multiple sources of data, such as interviews, observations, documents, and artifacts, and rely on a variety of analytical techniques, such as pattern matching, explanation building, and theory testing. (Creswell, 2009).

As Mills & Birks (2014) the case study as a tool of methodological investigation has a very long history, prevalent for the better part of the twentieth century in many fields of academic study. They further said most qualitative studies are case studies, as qualitative research is usually used in cases where in-depth study of a phenomenon is required, as opposed to quantitative research in which a broad spectrum of examples can be gathered. In general, "case studies are most appropriate for the purpose of answering questions about 'how' or 'why' a contemporary phenomenon occurs, in situations where the researcher has little or no control over the phenomenon of interest" (Yin, 2014: P.86)

A collective case study represents a type of qualitative research design that involves the examination of multiple cases that share a common phenomenon or issue. In this approach, the researcher selects a group of cases that are related to each other in some manner and studies them collectively to attain a deeper understanding of the phenomenon or issue under investigation. The emphasis lies on the collective experience of the cases rather than on individual instances. (Creswell & Creswell, 2018) Various data collection methods, including interviews, observations, and document analysis, were used to gather information about the cases. Subsequently, the collected data is analyzed to discern patterns, themes, and relationships across the cases. The primary objective of a collective case study is to develop a comprehensive understanding of the studied phenomenon or issue aiming to generate new insights and knowledge. (Yin, 2014)

According to Creswell and Creswell (2018), Key characteristics of the collective case study approach include:

1. Focus on a common theme or characteristic: The cases selected for study share a common theme or characteristic that is of interest to the researcher
2. In-depth analysis: The researcher conducts a detailed analysis of each case, using multiple sources of data such as interviews, observations, and documents
3. Cross-case analysis: The researcher compares and contrasts the findings from each case to identify patterns and themes that are common across the cases
4. Emphasis on context: The researcher pays close attention to the context in which each case occurs, including the social, cultural, and historical factors that may influence the phenomenon under study

With regards to the process to follow in conducting case studies, Yin (2014) suggests five components of a good case study design:

1. A study's questions. It suggests that the form of the question in terms of who, why, what, where, and/or why provide a clear indicator of the most relevant about the most relevant research method to be employed.
2. Study propositions. It guides attention to something that should be investigated within the scope of study.
3. The unit of analysis. A 'case' may be an individual; or the 'case' can also be some events or entity other than a single individual. The selection of the most suitable unit of analysis will start to happen when inquirers precisely specify their main research questions. Unit analysis can be revisited as a result of discoveries during the data gathering process.

4. Linking data to propositions. It indicates the data analysis steps in in case study research; for this stage, the main concern is to be aware of the main choices and how they might suit the inquirer's case study to create a more solid foundation for the later analysis.
5. Criteria for interpreting a study's findings. It suggests what the criteria are for such interpretations.

3.3 Data Source and Data Collection

3.3.1 Data Source

As outlined in the preceding sections, the aim of this study is to conduct an in-depth examination of the organizational transformation process and practices of Five Ethiopian private commercial banks CBE, Awash. Bank of Abyssinia, Nib and Hibret Bank. The specific phenomenon under study is the organizational transformation processes in these banks. Evidence for the case study is drawn from six sources: documents, archival records, interviews, direct observation, participant observation, and physical artifacts. Using these six sources calls for mastering different data collection procedures." (Yin, 2014, p. 166)

Concerning primary data, in alignment with recommendations from existing literature (Yin, 2014: Creswell & Creswell, 2018), interviews emerged as the most suitable method for data collection within the case study method.

3.3.2 Data Collection

Effective planning is essential for generating evidence from the data in a case study. According to Mills and Birks (2014, p. 212) "Generating and collecting data for a case study requires detailed planning and preparation in order to be successful".

The primary source of evidence will be interviews, and meticulous planning will be dedicated to organizing the interviews. A comprehensive record will be maintained, noting the interviewees, their position in the unit, interview dates, and, if applicable, the recording file name. (Mills & Briks, 2014).

For in-depth unstructured interviews, two officials from each bank who were involved in the transformation process were selected. As suggested by Yin (2014, p. 205), these interviews, on average took two hours, either in a single sitting or across multiple sessions over an extended period..

Additionally, secondary data was gathered from sources such as the banks' annual reports, documents initiating transformation documents, strategy documents, and available internal research documents.

3.4 Data analysis Strategy

The alignment of the analysis strategy and the objective of the research is a crucial aspect of conducting research. Given that the goal of this research is to establish a theoretical framework from the generated evidences, Ground Theory is chosen as a method of analysis.

The roots of Grounded theory goes back to 1967 where sociologists Barney G. Glaser and Anselm L. Strauss introduced it in their publication of "The Discovery of Grounded Theory: Strategies for Qualitative Research". This marked a refocusing of qualitative inquiry on methods of analysis, with the emergence of Grounded theory from their successful collaboration while studying death and dying in hospitals (Charmaz, 2014, p. 47).

Explaining the definition of Grounded theory, Chamaz (2014) argued that grounded theory methods consist of systematic, yet flexible guidelines for collecting and analyzing qualitative data to construct theories from the data themselves. Thus researchers construct a theory 'grounded' in their data. "Grounded theory begins with inductive data, invokes iterative strategies of going back and forth between data and analysis, uses comparative methods, and keeps you interacting and involved with your data and emerging analysis." (p. 42)

Corbin (2015) emphasizes two important analytic strategies deployed throughout the research process; these are "asking questions and making comparisons". Grounded theory is often referred to as the "constant comparative method" (p. 59).

Chamaz (2014), explained the features and steps of grounded theory analysis and recommends that grounded theorists:

1. Conduct data collection and analysis simultaneously in an iterative process
2. Analyze actions and processes rather than themes and structure 3
3. Use comparative methods
4. Draw on data (e.g. narratives and descriptions) in service of developing new conceptual categories
5. Develop inductive abstract analytic categories through systematic data analysis
6. Emphasize theory construction rather than description or application of current theories
7. Engage in theoretical sampling
8. Search for variation in the studied categories or process
9. Pursue developing a category rather than covering a specific empirical topic

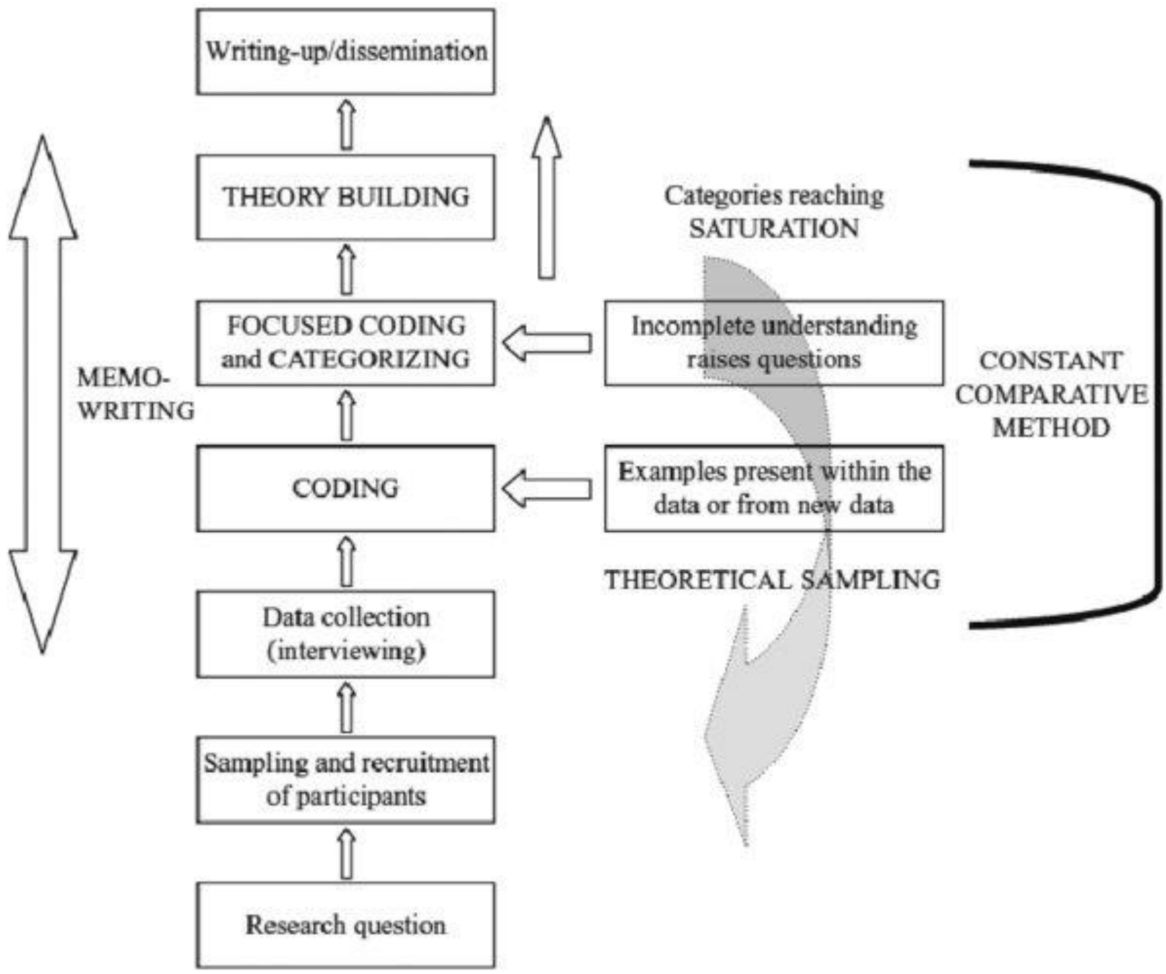

Figure 5: A visual representation of a grounded theory adopted from Charmaz (2014, P.66)

Apart from these techniques and procedures, Computer assisted tools and softwares such as MAXQDA and Atlas.ti were deployed to analyze the evidence derived from the data.

3.5 Validity and Reliability

As Yin (2014) illustrated, there are four tests have been commonly used to establish the quality of any empirical social research. As case study research is part of this larger body, the four tests also are relevant to case study research. (P.91)

- Construct validity: identifying correct operational measures for the concepts being studied
- Internal validity (for explanatory or causal studies only and not for descriptive or exploratory studies): seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships
- External validity: defining the domain to which a study's findings can be generalized
- Reliability: demonstrating that the operations of a study—such as the data collection procedures—can be repeated, with the same results

Accordingly, the above methods were used to verify the validity and reliability of the evidence and the analysis conducted.

3.6 Ethical Considerations

The research placed utmost importance on addressing ethical considerations during the collection and analysis of data. Given that, primary data for this study was predominantly collected through interviews, the methods outlined by Miles et al. (2014) served as a guiding framework to address ethical issues.

The following are the key ethical considerations that were taken into account, following the guidelines of Miles et al. (2014, p. 66-76):

1. Obtain informed consent: Prior to commencing the study, the researcher obtained informed consent from participants. Informed consent ensures that participants are fully informed about the study's purpose, procedures, risks, and benefits, and they retain the right to refuse or withdraw from the study at any point.
2. Protect confidentiality: measures were taken to safeguard participants' confidentiality, including the use of pseudonyms, removing identifying information,

and secure data storage. Participants were fully informed about how their data will be used and who will have access to it.

3. Use clear and understandable language: the researcher employed clear and understandable language when communicating the study to participants, avoiding technical jargon or complex terms.

4. Respect participants' autonomy: the researcher respects participants' autonomy and allowed them to make independent decisions regarding their participation in the study. There were not coercion or pressure for participation.

5. Obtain ethical approval: the researcher obtained ethical approval from interviewees based on the interview protocol.

6. Provide feedback to participants: the researcher will provide feedback to participants about the study's findings and how their data contributed to the study. This can help build trust and maintain a positive relationship with participants.

All in all, the researcher will prioritize ethical considerations and ensure that participants' rights and well-being are protected throughout the study.

Chapter IV: Results

4.1 Introduction

The banking sector stands at the crossroads of evolution, poised on the precipice of transformative change driven by technological advancements, regulatory shifts, and evolving customer expectations. This dissertation embarks on a comprehensive exploration into the metamorphosis of banking institutions, dissecting the intricate layers of organizational transformation within this pivotal industry.

The preceding chapters have functioned as a compass, guiding this expedition through a rigorous process of empirical investigation and analytical scrutiny. The culmination of these endeavors resides within this Findings section, an amalgamation of empirical evidence and theoretical frameworks that illuminate the profound dynamics shaping the transformation of banking institutions.

As we navigate through the findings, this discussion endeavors not only to reveal the uncovered patterns but also to decode their implications. It's an exploration that transcends the mere identification of trends, delving into the implications of these transformations on the operational, strategic, and competitive landscapes of banking entities. The emergent insights form a vantage point from which future strategies and paradigms within the banking sector can be crafted.

In essence, this Findings section is the culmination of an intellectual odyssey—an intersection where empirical rigor converges with theoretical frameworks, offering a panoramic view of the forces driving the evolution of banking institutions, and paving the way for a deeper comprehension of their transformative journey.

4.2 Data source and Method Analysis

As it was mentioned in the methodology chapter of this dissertation, the research has deployed a grounded theory method of analysis. In order to get proper inputs and appropriate data on the phenomenon under consideration i.e Organizational transformation, maximum caution has been made to select the key informants for the semi structured interview. Accordingly, all of the respondents are working with the capacity of Director and above in each of the banks. Moreover, it is verified that they had directly involved in the transformation endeavors of each of the banks under consideration.

We have tried to include three officials from each of the banks which had undergone organizational transformation projects in the Ethiopian Banking sector. So that, we believe that the phenomenon is well captured and we will like to ascertain that the data collection was carried with utmost professionalism and free from biasedness from the researcher.

After conducting an interview which lasts more than 50 minutes on average, each respondent's response was able to transcribed and aggregated with a total page of 134 pages for the whole interviews. Next, we did a line by line coding as it was outlined in Johnny (2016). In order to conduct the coding, we first identified Eight (8) themes and 18 categories under the themes based on the theoretical framework we had developed and the information gathered as well as founded on the researcher's insightful experience in organizational transformation across three banks starting from initiation to implementation of transformative initiatives.

The researcher has used MAXQDA Qualitative research analytical software to construct the line by line coding and to look at the patterns and summarize the findings. Moreover, the software AI assistance also supported us to deep dive into the data and further creating the patterns. Based on the patterns we have observed on the responses we had received, we have exercised synthesizing the theory. The whole process was guided by the Grounded theory analysis method. Charmaz (2014), Morse et.al (2021).

This chapter provides the results we have finally reached and developed as a theory on planning and executing Organizational transformation process. We put the results in order of the themes and categories we had used for the line by line coding.

4.2 Results from the Interviews

1. **Understanding Organizational transformation**

The first aim of the study was to investigate the understanding of the respondents with regards to the essence and practice of organizational transformation. As we reviewed in our literature review, there are different views of Organizational Transformation and its practices. As it can be seen in the below statement, we could able to deduce a similarity in the respondents responses that;

Organizational transformation refers to the process of making significant changes within an organization to improve its overall performance, effectiveness, and adaptability. It involves a strategic shift in the organization's structure, processes, culture, and systems to align with new goals, objectives, and market conditions. Organizational transformation aims to bring about fundamental and sustainable changes that enable the organization to better meet the needs of its stakeholders, respond to external challenges, and achieve long-term success. It often involves redefining the organization's mission, vision, and values, implementing new strategies and initiatives, and fostering a culture of innovation and continuous improvement.

Moreover, the following attributes were identified as major components of the organizational transformation process with the studied banks.

1. Well-articulated plan: A clear and comprehensive plan is essential for guiding the transformation process.
2. Common vision: A shared vision among all stakeholders helps align efforts and create a sense of purpose.
3. Progress tracking: Regular monitoring of progress towards the desired future state ensures accountability and enables adjustments as needed.
4. Transformative follow-up capability: The ability to follow up on the transformation initiatives and ensure their successful implementation.
5. Training, coaching, and mentoring: Capacity development through training, coaching, and mentoring helps employees adapt to the changes and acquire the necessary skills.
6. Appraisal activities: Evaluation of staff performance in areas such as customer service, finance, internal processes, and learning and development, with rewards based on performance.
7. Resource mobilization: Adequate resource allocation and mobilization to support the transformation initiatives.
8. Stakeholder involvement: Involvement and ownership of staff and other stakeholders in the transformation process.
9. External factors: Consideration of external factors such as competition, economic instability, and government policies that may impact the implementation of organizational transformation.

2. Initiation of Organizational Transformation Process

2.1 Reasons of initiating Organizational Transformation process

As it can be observed from the responses expertise outlook and experience, numerous reasons emerge as the primary driving forces compelling commercial banks to execute transformational endeavors. The rationales for initiating the organizational transformation process show variability across different sources. Among the frequently cited reasons are:

- Stakeholder interest: There was a significant increase in stakeholder interest, such as shareholders investing in the organization and expecting higher dividends. This led to the need for organizational transformation to increase profitability and meet the expectations of stakeholders.
- Economic changes: Economic changes, such as the need for salary increments and substantial benefits for staff, plays a role in initiating the transformation process.
- Competition: The competitive landscape in the banking industry and the need to retain and attract customers are factors that prompted organizations to undergo transformation.
- Government intervention: In some cases, government intervention is necessary to address issues like non-performing loans or financial instability, leading to the initiation of organizational transformation.
- Industry changes: The evolving nature of the industry, including regulatory changes and the entry of international banks, necessitates organizational transformation in order to stay relevant and competitive.

2.2 Who initiates the Organizational Transformation process?

According to the respondents, the initiation of organizational transformation may originate from various sources such as the board of directors, employees, customers, and executive management. The decision to initiate the transformation is often driven by factors such as the need to address challenges, keep up with the evolving industry, improve competitiveness, and achieve strategic goals. In some of the cases, external consultants are engaged to study the situation and a dedicated unit is formed to oversee the transformation process. Primarily, the Board of Directors and top management are identified as taking the lead in initiating organizational transformation projects and overseeing the end-to-end implementation.

2.3 Planning the different stages of Organizational Transformation process

The Officials agree on the significance of proper and meticulous planning for the transformation process. Moreover, we identify a consistent pattern across various stages of the organizational transformation progression. These stages need to be properly planned. Most bank officials agree on establishing a project office and hiring a consultant as a best practice. The sequential steps to follow in organizational transformation mentioned in most of the banks have a similar pattern. It is presented as follows:

1. Initiation: The organizational transformation journey can be initiated by various stakeholders such as employees, customers, the board of directors, or executive management. Leadership or executive management should take the idea and execute it. It should be documented to gain the support of other staff members.
2. Background study/analysis: Conduct a thorough study and analysis of the organizational goals, operational units, and external factors. This analysis helps in identifying the need for transformation. Aligning internal aspects with external factors.
3. Planning: Develop a well-articulated plan for the transformation process. This includes setting a vision for change, identifying the necessary resources, and accordingly allocating them.
4. Implementation: Execute the transformation plan by establishing working units, utilizing in-house capabilities, and involving stakeholders. This may involve the assistance of external consultants for certain tasks. However, the majority of the execution is handled by internal staff.

5. Capacity development: Focus on developing the capacity of employees through training, coaching, and mentoring. This helps in building the necessary skills and knowledge to support the transformation process.
6. Appraisal and evaluation: Regularly evaluate the progress of the transformation process through performance evaluations and appraisals. This helps in tracking the achievements and identifying areas for improvement.
7. Continuous improvement: Emphasize the need for continuous improvement and adaptability throughout the transformation process. This ensures that the organization remains responsive to changing circumstances and make necessary adjustments.

3. Organizational Diagnosis /Background study and analysis

As it is indicated above, out of the major aspects of the organizational transformation process, Background analysis or organizational diagnosis take a major place. This is identified in the results from the interviews we conducted with Key informants.

3.1 Method of Diagnosis and Background Study

The analysis reveals that the process for carrying out the organizational diagnosis involves several steps. First, there is a diagnostic review to identify any gaps or areas of improvement within the organization. This review include micro-investment review, industry review, and validation of key findings.

Next, there is a strategic articulation process, where the business model is analyzed and corporate assessments, ambitions, and pillars are defined. Existing initiatives are reviewed and projections identified. After that, an operating model and functional strategies are crafted. This involves organizational design and the establishment of an operating model. The strategic team is responsible for executing and implementing the design, focusing on gap identification and industry analysis.

Throughout the process, there are continuous discussions and evaluations, with reports being sent to the board for reviews and approval. The management and board work together to address any problems or challenges that arise during the diagnosis process. Overall, the process involves a thorough review of the organization's current state, identification of gaps and areas for improvement, the development of strategies and plans to address these issues.

Through in-depth discussions with the respondents, it becomes evident that Organizational diagnosis and analysis entail a systematic process comprising of various steps and approaches. While the specific methods may vary based on the organization and its goals, the following are some common approaches mentioned by the interviewees include:

1. Problem Analysis: The assessment begins by identifying and analyzing the problems or challenges faced by the organization. This can be done through discussions, interviews, and review of relevant documents.
2. Business Model and Operating Model Analysis: The analysis focuses on evaluating the organization's business model and operating model. This includes examining the strategies, objectives, and themes of the organization, as well as its value disciplines and overall structure.
3. Environmental Analysis: Both internal and external assessments are conducted to understand the organization's environment. This includes analyzing factors such as regulatory changes, government laws, socioeconomic conditions, and ecosystem dynamics.
4. Reviewing the Performance Management and Monitoring and Evaluation systems: The assessment process includes measuring, monitoring, and evaluating the organization's activities and performance. This helps in tracking

progress, identifying areas for improvement, and ensuring that the organizational goals are met.

5. Stakeholder Involvement: Staff and other stakeholders are involved throughout the assessment process. Their input and feedback are sought, and they are engaged in discussions and decision-making to ensure a sense of ownership and alignment.
6. Diagnostic Review: A diagnostic review is conducted to assess the current situation and identify gaps in the organization. This review involves analyzing the internal and external environments, economic factors, international banking practices, internal banking systems, human resources, technologies, and overall systems.
7. Survey and Analysis Teams: Teams are formed to conduct surveys and analysis in different functional units of the organization. These teams identify the sampling population, analyze data, draw conclusions, and make recommendations for improvement.
8. All-Inclusive Discussion: Ongoing discussions and meetings are held to gather input, incidents, and ideas from various stakeholders. These discussions contribute to the analyzed process and helping in identifying problems and offering potential solutions.
9. Veracity Evaluation Test: The analysis process involves conducting veracity evaluation tests to ensure the accuracy and reliability of the gathered evidence. This includes reviewing documents, conducting interviews with customers and management, and gathering practical evidence.
10. Problem Analysis Papers: Problem analysis papers are written to independently address board and management problems. These papers provide detailed analyses of the identified problems and propose solutions.

We note that the specific approach and process may vary depending on the organization and its specific needs and context. In general, regarding the approach employed, the analytical method adopted for organizational transformation process includes document review, surveys, interviews, and benchmarking international practices. The primary components and focal points of the analysis involve the business model and the operating model.

Some of the interviewees responded in detail that the business model analysis focuses on aspects such as customer growth, branch expansion, income generation, delivery channels, customer segmentation, and marketing strategy. It aims to address these areas through customer segmentation, understanding retail customer composition, and enhancing service delivery.

However, the analysis of the operating model focuses on internal aspects emphasizing efficiency and customer satisfaction. It involves revision on internal manual processes, introducing automation for service delivery, facilitating decision-making, and overall process re-engineering. Additionally, it considers technological advancements and digitalization to align with global trends.

3.2 Validation and Approval Process

Most of the respondents outline that the validation and approval processes for the organizational transformation plan involve conducting different studies and presenting the final research to various committees and stakeholders. As per the responses of the key informants, the process includes the following steps:

1. Strategic and organizational transformation teams conduct studies and research.
2. Teams present the final research to committees and incorporate their comments and suggestions.

3. The research is presented to executive management and Chief Executive Officer for their evaluation and feedback.
4. Finally, the research is presented to the board for approval.

The approval process considers inputs from different stakeholders ensuring that the plan aligns with the organization's vision, mission, values, and goals.

4. Business Model and Strategy Development

4.1 Setting Vision, Mission and Goals of the Organization

In organizational transformation, many of the respondents argue that the responsibility for setting the vision and mission lies with the Board of Directors and senior management. They initiate and oversee the transformation process, playing a crucial role in defining the strategic direction of the organization. It is observed from the responses that the board, as the governing body, ensures that the vision and mission align with the interests and desires of shareholders, while senior management is responsible for implementing and executing the transformation strategy based on the vision and mission set by the Board.

4.2 Developing the Business Model and Corporate Strategy

4.2.1 Developing the Business Model

As observed from the responses, the business model and strategy development are carried out through a systematic approach. The business model is developed by studying and evaluating the organization's workings, profit generation, revenue generation methods, customer handling, product display, and other key components.

In general, we summarize from the responses that the major components considered in the development of the business model include:

1. Customers: which focuses on understanding and serving the needs of customers.

2. Products: that considers the range of products and services offered by the organization.
3. Technology: that takes into account the use of technology in delivering products and services.
4. Branch Transformation: which includes strategies for transforming branches to better serve customers.
5. Segmentation: which involves segmenting customers based on their needs and preferences.
6. Customer Interrelationships: that considers how the organization builds and maintains relationships with customers.
7. Financial Model: that includes a financial model that outlines how the organization generates revenue and manages costs.

4.2.2 Developing the Corporate Strategy

We could able to trace a similar responses among the experts that the process of strategy development in organizational transformation involves several steps. First, the initiation of the transformation process can be initiated by various stakeholders such as employees, customers, Board of directors, or executive management. However, it is important for leadership or executive management to sponsor and execute the idea.

Once initiation takes place, for many of the banks the organization may engage external consultants to study the current situation and identify challenges and opportunities for transformation. A unit is then formed to oversee the transformation process.

Majority of the respondents argue that the strategy development process involves formulating a long-term plan based on present problems and future forecasting. It includes analyzing the current situation, conducting industry analysis, and identifying areas for improvement. The strategy is then translated into an operational plan with a clear timeline for implementation.

Overall, the result of this research reveals that for most banks, the strategy development process in organizational transformation involves initiation, analysis, planning, communication, and execution, focusing on aligning internal aspects with external factors thus driving positive change.

5. Organizational Design

5.1 Crafting the Operating Model

The finding of this research have revealed that the approach and process for crafting/designing the Operating Model in the organizational transformation involved several steps. We draw a similar patter involving the following steps as they are mentioned by many of the respondents.

First, a diagnostic review is conducted to identify gaps and assess the readiness of the organization. This review includes industry analysis and SWOT (Strength, Weakness, Opportunity and Threats) analysis of the business model.

Next, a strategic team is established to perform the design work. The team works on segregations of duties and executions. The identified gaps are assessed and forwarded to the strategic team for deployment.

The major components considered in the design of the Operating Model includes business modeling, defining corporate assessments, ambitions, and strategic issues to address. The team also reviews existing initiatives and identify projections for validation.

The operating model is crafted to align with the strategy and organizational structure, focusing on technology, processes, and people. The development process involves studying and evaluating the organization's activities, profit generation, revenue, and other factors to create an effective business model.

Overall, the process involves a thorough analysis of the organization's current state, identification of gaps, and the crafting of a strategic plan to guide the transformation.

5.2 Components of the Operating Model

The major components considered in the development of the operating model as per the responses of the key informants include process, technology, and people. The operating model focuses on configuring human resources, information technology, and progress configurations for designing the organizational structure.

Many of the officials state that operating model emphasizes process improvement, technology adoption, and effective communication at all levels of the organization. The technology changes as per the required time and quality, and project management as well as workflow review are used to standardize activities.

5.3 Steps to follow in Organizational Design

The bank officials witnessed identify steps involved in carrying out organizational design including:

1. Environmental analysis: Conduct an analysis of both internal and external factors that may impact the organization, such as regulatory changes, government laws, socioeconomic factors, and ecosystem assessments.
2. Strategy development: Determine the organization's values, vision, and mission. Develop strategies, objectives, and themes based on the Balanced Scorecard (BSC) - which is one of the known performance measurement tools perspectives, including financial, customer, internal processes, and learning & growth.

3. Target setting and initiative development: Set targets and develop initiatives based on the objectives identified in the strategy development phase.
4. Strategic mapping: Map out the inter-relationships, or cause-and-effect relationships, among different initiatives and objectives to ensure alignment and coherence.
5. Performance management: Measure, monitor, and evaluate the performance of the organization based on set of targets and initiatives. Use this information for ongoing performance management and improvement.
6. Cascading: Cascade the strategic plan and objectives down to the individual level, ensuring that every employee understands their role in achieving the organization's goals.
7. Monitoring and evaluation: Continuously monitor and evaluate the progress of the organizational design and make adjustments as needed.

6. Implementing Organizational Transformation Initiatives

6.1 General Approach

One of the issues asked for the key informants was the general approach selected implementing organizational transformation initiatives. Many of them responded that they use an approach that plans to prioritize low-cost, high-impact activities in the first year, followed by high-impact, high-investment activities in the second year. Technology-related activities are prioritized in the third year. Additionally, activities with high investment but currently low impact, such as ecosystem partnerships with international banks and fintech, are considered for future implementation.

Some of the respondents indicate that the first issues/areas considered for implementation in relation to organizational transformation are marketing-related activities, business growth in terms of customer, product, service channels, branding and marketing activities, customer-based initiatives, branch expansion through brick-and-mortar as well as service delivery channel expansion. These areas are given priority due to their potential high impact on the organization.

Based on the information from the sources, the implementation process in relation to organizational transformation involves a number of steps. The following steps are raised by majority of the respondents:

1. Planning for Implementation: The organization develops a plan of action that dictates the implementation processes and indicates the role of each organs through the course of this process. This plan serves as a basis for the implementation process.
2. Awareness Creation: Individual units within the organization are made aware of the strategy and the desired state that should be targeted. This helps in aligning the units with the overall organizational goals.
3. Annual Planning: An annual plan is developed for all functional units within the organization. This plan includes targets and activities that need to be carried out to achieve the strategic goals.
4. Communication and Cascading: The final plan is presented to the board and internal stakeholders. It is then cascaded down to the functional units, including individual workers. Communication is done from top to bottom, ensuring that everyone understands their role in the implementation process.
5. Monitoring and Evaluation: Regular reviews are conducted to track the progress of the implementation. The annual plan is broken down into monthly and quarterly targets for better execution follow-up.

6. Organizational Structure: The implementation process also involves shaping the organizational design based on product and functional models. This includes designing human resources, information technology, and progress configurations.

Overall, the implementation process focuses on aligning the organization with the strategy, creating awareness, planning, communication, and monitoring the progress.

6.2 Implementing transformation strategies and actions

We trace out from our responders that the implementation of organizational transformation strategies and actions are carried out through a combination of approaches. Majority of the responders mention that the cascading of the plan from the top-down and bottom-up. This means that the plan is formulated at both the head office level as well as the branch/regional office level, and then consolidated at the Board and management levels. The plan is then cascaded to every department and functional unit level, and each unit develops its own implementation strategy based on the assigned plans.

Another approach mentioned is the involvement of staff and stakeholders. Staff members are actively involved in the implementation process and are encouraged to take ownership of the initiatives. Teams are formed and staff members participate in activities such as surveys and research. Additionally, there may be involvement from third-party stakeholders such as technological, marketing, and media workers.

Many of the experts asserted that the implementation is planned and evaluated through various means. There may be the establishment of project management offices to guide initiatives and ensure documentation, implementation, and delivery to working units. The progress of implementation is monitored and evaluated by strategic teams and managers. The implementation approach may involve a combination of in-house capabilities and external aid for tasks, such as system acquisition and upgrading.

Overall, as per the sources of our research, the implementation of organizational transformation strategies and actions involves careful planning, participation of staff and stakeholders, and monitoring and evaluation of progress.

6.3 Change management and communication

The respondents in their feedback underlined the importance of change management and communication in the process of the organizational transformation journey. Accordingly, they are requested to pinpoint the important aspects of the change management and communication. Out of the responses of the officials, major issues considered in the planning and execution of change management include:

- Lack of a separate document for change management: Some organizations do not have a dedicated document specifically designed for change management, which can lead to challenges in effectively implementing and communicating changes.
- Resistance to change: Change is not always readily accepted by employees. There may be resistance to implementing new strategies or processes. Training and development activities are often used to help employees embrace and take ownership of the changes.
- Organizational structure and job roles: Change management involves assessing and potentially restructuring the organizational structure, including job descriptions and individual responsibilities. This ensures that the organization is aligned with the desired changes.

- Communication: Effective communication is crucial in change management. It involves cascading and executing change-related information to the relevant units and departments. Various communication channels such as meetings, training sessions, and regular updates are used to ensure that employees are informed and engaged in the change process.
- Leadership: The role of the Chief Executive Officer (CEO) is vital in leading and driving organizational transformation. The CEO sets the tone from the top, provides direction, crafts the vision, and ensures the execution of strategies. Participatory leadership styles are often adopted to involve employees in the transformation process.

A lot of respondents argue that the approach for change communication in the planning and execution of implementing transformation initiatives involves various strategies and methods. Some of the common approaches mentioned by the key informants in this context include:

- Cascading Communication: The change communication is cascaded from the top management to the concerned units or departments. The communication is provided through documentation and ensuring that the relevant units are informed about the changes.
- Training and Development: Training and development activities are conducted to engage staff and build a sense of ownership towards the transformation. This includes delivering training sessions and introducing the new variations to ensure that implementers have a clear understanding of the changes as a result of the transformation.
- Communication Channels: Different communication channels are utilized to communicate changes. This includes distributing leaflets, brochures, and posters within the organization, displaying the organizational vision, mission,

and core values. The type of communication is also adjusted based on time of delivery and technological changes in channels of delivery.

- Workshop and Presentation: Workshops and presentations are organized to address the strategies and changes. Different units and stakeholders are involved in giving their ideas and assessing the presentations through discussions.
- CEO Leadership: The Chief Executive Officer plays a crucial role in communicating the changes as a result of organizational transformation. They set the tone from the top and provide direction, vision, and follow-up on strategy execution. The CEO communicates changes to executive teams, department directors, and branch office managers, who further communicate with their staff.

It is important to note that the specific approach for change communication may vary depending on the organization and its specific requirements.

6.4 Implantation follow-up, Monitoring and Evaluation

As part of their response in elaborating different aspects of implementing organizational transformation initiatives the respondents assert that there should be proper ways of following up the implementation process. The mechanisms set to follow the proper implementation of the organizational include:

- Mobilizing resources and increasing deposit and credit delivery at branches.
- Progressing from capacity building to ownership, ensuring a sense of ownership and accountability.
- Creating products that support the strategy, including leveraging technological advancements like mobile phones.

- Allocating budget in a way that corresponds to the required timeline and supports the strategy.
- Conducting regular reviews and adjustments to the implementation plan based on the situation.

All of the respondents have confirmed that their organization have a separate monitoring and evaluation plan and platform for the implementation of the organizational transformation. In terms of the monitoring and evaluation practices used in organizational transformation, the respondents mention the following issues:

- Strategic Cascading: The monitoring and evaluation system focuses on cascading the strategic objectives and initiatives throughout the organization. This ensures that the progress of each initiative is tracked and evaluated.
- Orientation: The monitoring and evaluation system provides orientation to the employees regarding the goals and objectives of the transformation. This helps in aligning their efforts towards the desired outcomes.
- Monitoring: Regular monitoring is conducted to track the progress of the initiatives. This includes monitoring financial and non-financial activities, as well as performance at different levels such as board-level, executive management level, and working unit level.
- Coaching: The monitoring and evaluation system includes coaching to support the implementation of the initiatives. This helps in addressing any challenges arising during the transformation process.
- Evaluation: Initiatives are evaluated periodically to assess their effectiveness and impact. This evaluation is done at different frequencies such as monthly, quarterly, and annually.

- Reporting: Monitoring and evaluation system involves the consolidation of reports from different units on a monthly basis. These reports are then delivered to the management for review and decision-making.
- Approval Process: Intervention initiatives that are developed through monitoring and evaluation are approved by the CEO before implementation.
- Use of Excel Sheets: In some cases, Excel sheets and common reporting formats are used as a monitoring and evaluation platform.
- System-Based Monitoring: In other cases, a system-based monitoring and evaluation platform is used. This involves the use of core banking systems or other software to monitor and evaluate activities such as internet banking, SMS (Short Message System) banking, deposit and customer bases, and daily transactions.

6.5 Establishing Performance Management System

Similar to Monitoring and Evaluation framework, all respondents confirm that their banks have a performance management system in place. The system includes performance management service models, criteria for selecting the model, plans and targets, and the use of key performance indicators (KPIs). The system focuses on successor development, resource utilization, financial targets, and controlling expenses. Many of the respondents' Banks uses the Balanced Scorecard (BSC) framework as a guiding principle for performance management. However, it should be noted that not all banks follow the BSC model specifically.

The respondents mentioned that major facets of bank's performance management system includes:

- Measurement Indicators: The system has measurement indicators to evaluate the performance of different departments and individuals within the bank.

- Targets and Objectives: The performance management system sets specific targets and objectives for each department and individual to strive towards.
- Actions and Plans: The system includes actions and plans outing the steps and strategies to be taken in order to achieve the set targets and objectives.
- Evaluation and Feedback: The system incorporates regular evaluation and feedback mechanisms, such as quarterly or monthly tracking, to assess the progress and performance of individuals and departments.
- Key Performance Indicators (KPIs): The system utilizes key performance indicators to measure and monitor the performance of different areas, ensuring alignment with the bank's overall goals and objectives.
- Cascading of Plans: The performance management system cascades plans from the organizational level to the branch and functional unit levels, ensuring alignment and coordination across the bank.

7. Leadership style and governance in Organizational Transformation process

7.1 Role of CEO and Leadership style

All of the interviewees assert that the role of the CEO in organizational transformation is to lead and drive the organization towards change. Respondents claim that CEOs are responsible for strategic development, communication, and decision-making. The CEO sets the tone from the top and playing a crucial role in crafting and implementing the organization's strategy. The experts equivocally argue that CEOs are decision-makers, risk-takers, and visionaries who are focused on transforming the organization.

In terms of leadership style, majority of respondents argue that the CEO should exhibit a participatory approach and actively involve employees and stakeholders in the transformation process, seeking their engagement and input. The CEO should value openness, transparency, and collaboration in order to achieve the best performance for the organization.

7.2 Governance of the Transformation Process

As per the responses from the bank officials, the role of the Board of Directors is to make final decisions, approve management proposals, and provide directions. They mention the board has the authority to delegate certain responsibilities to management while also overseeing and governing the bank's policies.

In terms of the governance and leadership of the transformation process, the key informants asserted that the board and management are responsible for developing governance frameworks, daily operating activities, and delegating tasks to the appropriate individuals.

Based on the information from multiple respondents, the governance and leadership of the organizational transformation journey are described as follows:

- The Chief Executive Officer (CEO) plays a crucial role in leading the organization and spearheading strategic development and transformation projects. The CEO follows a participatory and procedural approach to engage staff and ensure their involvement in the transformation process.
- The Board of Directors approves documentation, evaluates implementation, allocates resources, and conducts monitoring & evaluation of the transformation journey.
- The organization has consistent communication channels from top to bottom, ensuring effective communication and providing necessary training as needed.

- Monitoring and evaluation are integral parts of the transformation process. The organization has a monitoring and evaluation framework in place, which includes periodic evaluations of targeted implementation issues and deliverable activities. The evaluation is done quarterly and reports are submitted to the board.
- Stakeholder involvement is emphasized in the implementation phase, particularly in system-building integration and business/service enhancement activities. The staff is encouraged to take ownership of the transformation plan. There are also third-party stakeholders involved in technological, marketing, and media partnerships.
- A successful organization follows a participatory leadership style, empowering lower working units and promoting team building and ownership. The CEO delegates responsibilities and empowers staff to lead branches and districts.
- Governance and leadership of the organization are considered good and acceptable when the board and executive management are highly committed, and there is a focus on capacity building and team building.

8. Success and failure factors of Organizational Transformation Process

Respondents are requested to pin point the success and failure factors of the organizational transformation process. Accordingly, the following issues were identified by many of the respondents.

The success factors of Organizational Transformation mentioned by majority of the respondents include:

- Having a well-articulated plan and a common vision,
- Tracking progress towards the vision,
- Creating a transformative follow-up capability,

- Developing a sense of ownership among staff.
- Implementing customer-centric model and strategies,
- Proper change communication strategy and implementation,

However, many respondents raise the following issues as the failure factors of Organizational Transformation:

- Economic instability and inflation,
- Political instability and market changes,
- Lack of commitment on execution,
- Resistance to change by employees,
- Weak manpower capability,
- External influences such as government policies.

4.3 Summary of the Findings

This research investigates the understanding, process, and practices of organizational transformation within Ethiopian commercial banks. Semi-structured interviews and focus group discussions are conducted with senior managers and officials from five banks. The following are the main findings from the research:

Understanding of Organizational Transformation

There was consensus among respondents that organizational transformation refers to making significant and sustainable changes within an organization to improve performance, adaptability, and alignment with changing goals, objectives, and market conditions. It involves redefining strategies, structures, processes, culture and systems. The key components of the transformation process identified are having a clear plan, shared vision, progress tracking, follow-up capability, training/coaching, performance appraisal, resource mobilization, stakeholder involvement and consideration of external factors.

Initiation of the Transformation Process

Reasons for initiating transformation included increasing stakeholder interests, economic changes, competition, government intervention, and industry changes. The transformation process could be initiated by the Board, employees, customers or executive management. Planning involves establishing project offices, hiring consultants, and following steps such as initiation, analysis, planning, implementation, capacity development, appraisal and continuous improvements.

Organizational Diagnosis and Background Analysis

Diagnosis methods includes problem analysis, business/operating model analysis, environmental analysis, performance management reviews, stakeholder involvement, and diagnostic reviews by analysis teams, discussions and veracity evaluation tests. Validation involves presenting findings to committees and stakeholders for feedback and approval.

Business Model and Strategy Development

Setting the vision, mission and goals are the responsibility of the Board and senior management. Developing the business model which consider customers, products, technology, branches, segmentation, customer relationships and financials. Strategy development involves formulation based on background analysis, industry analysis and identifying improvement areas.

Organizational Design

The operating model focused on processes, technology and people. Components include business modeling, assessments, ambitions, strategic themes, initiatives and projections. Steps involve environmental analysis, strategy development, target setting, strategic mapping, performance management and cascading.

Implementation of Transformation Initiatives

A phased approach prioritize low-cost, high-impact activities initially, followed by high-impact, high-investment actions and later technology-related tasks. Implementation involves planning, awareness creation, annual planning, communication, cascading, monitoring and evaluation, and organizational structure configuration.

Change Management and Communication

Challenges included lack of dedicated change management documents and resistance to change. Approaches involved cascading communication, training, communication channels, workshops, CEO leadership and assessing organizational structures and job roles.

Monitoring, Evaluation and Performance Management

Separate monitoring & evaluation and performance management systems and plans are in place. M&E focused on cascading, orientation, monitoring, coaching, evaluation, reporting and approval processes. Performance management considered measurement indicators, targets, evaluation, feedback, Key Performance Indicators (KPIs) and cascading of plans.

Leadership and Governance

The CEO leads strategic development and drive transformation through participatory leadership. The Board provides direction, approval, resources and oversight. Governance frameworks, operating models, policies and procedures are improved. Stakeholder involvement and empowerment are emphasized.

Success and Failure Factors

Key success factors include clear plans and vision, progress tracking, follow-up capability, ownership, customer focus, and change communication. Failure factors are economic and political instability, lack of commitment, resistance to change, weak capabilities and external influences.

In conclusion, this8 research provides useful insights into understanding, process, practices and key factors of organizational transformation within the banking sector in Ethiopia.

Chapter V: Discussion of Findings

5.1 Introduction

Organizational transformation is the process of adapting to changing markets and environments. This dissertation examines the transformational processes within a particular industry, analyzing the complexities and uncovering the layers that define and drive organizational change.

Our findings are based on empirical exploration, data collection, and rigorous analysis. This discussion of findings sheds light on the intricacies and implications of organizational transformation serving as a cornerstone bringing together our discoveries.

In this section, we explore the relationship between transformational strategies, organizational culture, leadership dynamics, and external influences.

We not only identify patterns but also contemplate the implications of the findings presented in previous chapter. Our reflection delves into the significant implications for organizational theory and practice.

5.2 Recap on the research questions

The research is designed to answer the following research questions from the Ethiopian Financial sector perspective:

- What is an organizational transformation?
- Who is initiating the organizational transformation process?
- What are the different aspects and stages of organizational transformation process?

- What is the appropriate leadership approach to organizational transformation?
- What are the major success and failure factors of organizational transformation?

5.3. Discussion of Findings

In the following sections, we deep dive through our findings we presented in the previous chapter. We try to relate with empirical studies. We have drawn the new trends from our observation and also identify the gaps between the literature and the practice in the Ethiopian commercial Banks. The findings finally are used in our exercise of developing the framework.

5.3.1 Perspectives on Organizational transformation

Organizational transformation is a complex and multifaceted concept that has garnered significant attention in the field of organizational studies. Scholars explore various dimensions and perspectives to define and comprehend organizational transformation. This section sheds light on the perspectives of organizational transformation as viewed by our respondents and relating our findings to various dimensions and definitions explored in the existing literature.

The concept of transformation in organizational studies refers to a fundamental and profound change that occurs within an organization, affecting its structure, processes, culture, and overall functioning. According to Smith and Lewis (2011), organizational transformation entails a radical shift in the organization's strategic direction, goals, and values, resulting in a substantial departure from its previous state. This definition underscores the transformative nature of the change and its profound impact on various aspects of the organization. All respondents share a common understanding of organizational transformation aligning with this comprehensive definition

Dimensions of Organizational Transformation

To further understand the concept of organizational transformation, researchers have identified several dimensions that contribute to its definition. These dimensions include strategic, structural, cultural, and technological aspects.

a. Strategic Dimension

The strategic dimension of organizational transformation focuses on the change in the organization's strategic direction and goals. As highlighted by Kotter (1995), transformation involves a shift in the organization's vision, mission, and overall strategy to adapt to external environmental changes or internal challenges. This dimension emphasizes the importance of aligning the organization's strategic objectives with the transformational change. As highlighted in the preceding chapter, almost all respondents focus on the strategic dimension of organizational transformation.

b. Structural Dimension

The structural dimension of organizational transformation pertains to the changes in the organization's formal and informal structures. According to Beer et al. (1990), transformation often requires a reconfiguration of the organization's hierarchical levels, reporting relationships, and decision-making processes. This dimension highlights the need for structural adjustments to support and sustain the transformational change. Some of the respondents in the study indicate the structural aspect of organizational transformation with the change in business and operating model.

c. Cultural Dimension

The cultural dimension of organizational transformation focuses on the change in the organization's values, norms, and beliefs. Schein (1992) argues that transformation involves a deep cultural shift, where the organization's members adopt new mindsets and behaviors that align with the desired change. This dimension emphasizes the significance of cultural transformation in facilitating successful organizational changes. The findings of our research reveal that many of the banks under consideration gave less attention to this aspect of the organizational transformation.

d. Technological Dimension

The technological dimension of organizational transformation relates to the adoption and integration of new technologies within the organization. As noted by Tushman and O'Reilly (1997), transformation often involves leveraging technological advancements to enhance organizational processes, improve efficiency, and enable innovation. This dimension highlights the role of technology as a catalyst for organizational transformation. Many of the respondents mentioned this variable as one of the components in the transformation process as part of the operating model.

In conclusion, the empirical studies present various dimensions to define organizational transformation. However, it is noteworthy that a significant proportion of respondents primarily focused on the strategic dimension of the definition.

5.3.2 Initiation of the Organizational Transformation Process

Organizational transformation is a complex process that can be initiated by different stakeholders within an organization, depending on the context, needs, and reasons for change. We review empirical studies to explore various key initiators of organizational transformation and their significance in driving successful change which are synchronized with our findings.

a. Top leadership

Leaders at the highest level, such as the CEO or top management, play a crucial role in initiating organizational transformation. They often respond to market changes, strategic shifts, or a need for organizational revitalization. Smith and Johnson (2018) observe that top leadership's vision and commitment to change are essential for successful transformation efforts. Their ability to communicate the need for change and provide a clear direction can inspire and motivate employees to embrace the transformation process. Many of the respondents believe that the initiation of organizational transformation originates from top leadership.

b. Internal teams or responsible organ

Internal teams or departments dedicated to long-term planning, innovation, and change management can also recognize the necessity for organizational transformation. These teams typically assume the responsibility for monitoring evolving trends and goals, aligning the organization accordingly. As highlighted in a study by Brown et al. (2019), internal teams that have a profound understanding of the organization's capabilities and the external environment are more prone to initiate successful transformation efforts. Our findings resonate with this perspective, as a few informants acknowledge the potential role of internal teams as initiators of the transformation process.

c. External forces

Changes in the market landscape, such as technological advancements, competitive pressures, or shifts in customer demands, can necessitate organizational changes. Additionally, new regulations or policies may require organizations to transform in order to ensure compliance or take advantage of new opportunities.

Research by Johnson and Smith (2017) highlights the importance of organizations being responsive to external influences adapting their strategies and operations accordingly. During crises such as economic downturns, pandemics, or industry disruptions, organizations may initiate transformation to survive or adapt to new conditions. Johnson et al. (2018) emphasize the role of crisis as a catalyst for organizational transformation. Crises create a sense of urgency and compel organizations to reevaluate their strategies, structures, and processes to ensure resilience and sustainability.

Respondents in our study frequently identified these external factors as a cause for transformation endeavors. They mention that these factors usually compel organizations to plan and execute broader organizational transformation initiatives.

d. Internal pressure due to weak performance

Poor financial results, declining market share, or operational inefficiencies can act as performance indicators that trigger leaders to initiate a transformation process. Williams et al. (2016) suggest that organizations facing performance issues are more likely to recognize the need for change and take proactive steps towards transformation. Similarly, dissatisfaction among customers or changing preferences can signal the need for transformation to enhance the overall customer experience. The key informants emphasized that unfavorable performance indicators often prompt top management and the board of directors to contemplate and initiate discussions about the necessity for a comprehensive transformation.

e. Organization's culture

Organizations fostering an innovative culture are more inclined to proactively seek transformation to stay ahead of the curve and embrace new opportunities. According to a study by Brown and Williams (2019), organizations that encourage experimentation, risk-taking, and learning are better equipped to initiate and sustain successful transformation efforts. An innovative culture promotes a mindset of continuous improvement and adaptability. The key informants did not mention this issue as a cause for initiation or as a factor in organizational transformation which the researcher believes that it is a valuable insight gained from the respondents' responses.

f. External consultants or advisors

Organizations sometimes engage external consultants or advisors to evaluate the organization and propose transformational changes. These consultants offer an unbiased perspectives and possess expertise in change management. Research by Smith et al. (2017) suggests that external advisors can facilitate the transformation process by providing guidance, expertise, and support to leaders and employees. Many respondents highlight the significant involvement of consultants and external advisors in the transformation process. In fact, several mentioned the role of the consultants after the initiation phase has commenced.

g. Employees initiation

Grassroots initiatives from employees who identify areas for improvement or innovation can also ignite the transformation process. Research by Johnson and Brown (2018) highlights the importance of employee involvement and empowerment in driving successful organizational transformation. Engaged and motivated employees contributing to change efforts can generate innovative ideas and drive implementation. Interestingly, this type of initiative is not highlighted by the key informants. The researcher speculates that employees who are involved in strategy and transformation or related units may play a pivotal role in the initiation and execution of the transformation process.

h. Partners and alliances

Partnerships, or alliances, with other organizations can prompt the need for transformation to align strategies and operations. Research by Williams and Smith

(2019) emphasizes the role of collaboration in driving successful transformation efforts. Strategic alliances or partnerships offer opportunities for knowledge sharing, resource pooling, and leveraging complementary strengths, which can facilitate organizational transformation. While this is not observed in the banks under consideration, the researcher is confident that it is a valid point to consider as a way of initiating organizational transformation process.

In conclusion, the initiation of organizational transformation can originate from a single source or a combination of factors, including top leadership, internal teams or departments, external influences, performance indicators, crises or disruption, an innovative culture, consultants or external advisors, employee-led initiatives, and strategic alliances or partnerships. Successful transformations often involve a collaborative effort, with various stakeholders working together to drive and effectively implement change. As outlined above, many of the identified factors align with our findings, provide valuable insights and lessons learned from both our research and the reviewed literature.

5.3.3 The different facets and stages of organizational transformation process

Drawing from our findings, the main aspects of organizational transformation process includes;

organizational diagnosis or background study, setting vision and goals of the transformation, developing the business model, developing the strategy and implementation roadmap; crafting the operating model, designing and implementing a comprehensive change management and communication plan, establishing an effective monitoring and evaluation mechanism and ultimately, implementing a sound performance management system.

In the following sections, we align the identified aspects of organizational transformation with those documented in various empirical studies.

a. Organizational diagnosis

There are various methods to conduct organizational diagnosis. One approach involves using an organization diagnosis system that includes developing and deploying different tools to collect data from different business units (Sivakumar, 2018). Accordingly, the respondents have identified tools such as SWOT (Strength, Weakness, Opportunity and Threats), PESTEL (Political, Economic, Social, Technological, Environmental and Legal) and other conventional instruments to conduct organizational diagnosis. Additionally, some mentioned, business and operating model analysis along with the major components of the analysis

Another approach is to integrate various approaches and disciplines, such as those used by behavioral scientists or social scientists, to effectively identify and address the real problems and issues affecting a particular department (Petrinovich, 2021, Morus, 2021). Other methods are used to measure the combination of internal and external factors, including mind, capability, role, goal, and result, to understand the entire atmosphere of a team or department identifying obstacles against desired results (Cheba et al., 2021). Our findings highlight that these approaches are essentially aligned with respondents' views regarding operating model analysis.

b. Developing the Business Model

We observe that in many of the Ethiopian banks under consideration, the development of the business model received limited attention. In several cases, this aspect is not in place in the transformation process of the banks. It is also observed that the introduction of the basic concept and its application to the sector is often facilitated by the international consultants who are hired to support the transformation.

A successful business model in the banking sector consists of several key elements. First, it should be customer-oriented, emphasizing customer satisfaction and convenience (Sinurat et al., 2021). Second, it should incorporate technological advancements, such as internet banking and ATMs (Automated Teller Machines), to provide efficient and accessible services (Tabroni et al., 2022; Sanò et al., 2022). Third, the model should consider the social impact, aiming to address financial exclusion and contribute to economic sustainability (Andrikopoulos & Triantafillou, 2021; Solarz & Adamek, 2022). Additionally, the model should prioritize employee satisfaction and engagement (Hajiali et al., 2022; Rasool et al., 2021). Our observations indicate that those banks who have engaged in transformation endeavors in recent years have considered these issues in their strategy documents.

Furthermore, continuous innovation and the development of specific strategies are crucial for securing a competitive advantage in the market (Bachmeier, 2016). Lastly, a clear price/performance configuration is important, with different types of banks offering various services to meet customer needs. Overall, a successful business model in the banking sector should prioritize customer satisfaction, integrate technology, address social issues, prioritize employee satisfaction, focus on innovation, and offer a clear performance configuration.

c. Developing the corporate strategy

Different methods employed in strategy development within the banking sector encompass the analysis of bank products and services (Mutunga & Wamitu, 2020), the formation of innovation strategies based on non-technological innovations (Sánchez & Damanpour, 2020), the applications of data mining techniques for risk reduction and decision-making (Langin, 2019), the assessment of potential market segments and competitors' strategies for developing financing products for small and medium Enterprises (SMEs) (Cociorva & Onofrei, 2022). Theoretical aspects of company development strategy, such as strategic planning and the notions of strategic plan and strategy, are also considered in the research (Smith, 2020).

Responses from research participants confirms the utilization of different methods, this is significantly consistent with what is mentioned in the literature. These approaches include in-depth financial analysis, conducting brainstorming sessions, and benchmarking with other similar institutions.

d. Organizational Design

Organizational design plays a critical role in the organizational transformation process. It involves a purposeful and planned approach to structuring and aligning an organization's systems, processes, roles, and culture to support its strategic objectives and enabling change. Successful transformation necessitates a careful consideration of various organizational design elements. In the following sections, we assess the alignment of our findings with insights from the literature.

D.1 Structure Alignment

One key aspect of organizational design during transformation is aligning the structure. The existing structure should be evaluated to determine if it aligns with the transformation objectives. Shifting towards a more agile, matrix, or network-based structure can enhance adaptability and facilitate faster decision-making and improved communication (Litvinenko, 2019).

All respondents emphasize the importance of aligning the organizational structure with the goals and objectives of the transformation process. However, many of the respondents appear to be skeptical about its implementation. It is also observed that in many of the cases, the design of the organizational structure is influenced by personnel on the ground, and CEO’s individual preferences. Several respondents raise this concern as a potential factor contributing to the failure of organizational transformation efforts.

D.2 Process Reengineering

Process reengineering is another important aspect of organizational design during transformation. Analyzing existing workflows and processes helps identify bottlenecks or inefficiencies. Incorporating agile practices fosters flexibility and responsiveness in project management and day-to-day operations (Sun et al., 2019).

Among the five banks under consideration, only two have integrated process reengineering into their transformation journey. Some of them did this task much later in the transformation process, after they commenced implementation. However, despite variations in implementation timelines, all the experts emphasize the importance of conducting a thorough review and reengineering of processes.

D.3 Role Redefinition and clarity

Redefining job roles and responsibilities is a critical component of organizational transformation. Ensuring alignment with new objectives and empowering employees within their roles fosters innovation and decision-making at various levels (Xu et al., 2019). All banks confirm conducing this activity as part of their Human Capital Transformation initiatives.

D.4 Cultural Alignment

Cultural alignment is a vital aspect of organizational design during transformation. Assessing and aligning the existing organizational culture with the transformation goals is essential. Encouraging values and behaviors that support innovation, collaboration, and adaptability creates an environment where changes are embraced as an opportunity for growth (Mendes & Stander, 2011).

The researcher identifies that many banks conducted organizational culture assessment as part of their organizational diagnosis practice. However, it was observed that properly identifying the nature and pattern of one organization's culture and crafting objectives and actionable steps towards these findings, poses challenges. The researcher is also a witness for encountering this problem and the limited attention given in the organizational design step.

D.5 Technology Integration

To facilitate the transformation process, organizations should effectively integrate technology. Integrating digital tools and platforms enables efficiency, collaboration, and data-driven decision-making. Assessing and upgrading the IT infrastructure to support changing needs and technological advancements is also crucial (Ding et al., 2021).

The respondents indicates that they usually consider technology as part of the issues considered under the aspects of operating model. However, there are two issues in terms of its implementation. First, there is difficulty in properly identifying the technology projects to be implemented and failure to include them in the implementation plan, which also includes prioritization elements. Second, budget allocation poses a problem, as many technology initiatives are capital intensive.

D.6 Leadership and Talent Development

Developing leadership capabilities that align with the transformed organization's vision and values is essential. Fostering leaders who can guide teams through change and inspire innovation is crucial. Offering training and development programs to equip employees with the necessary skills to adapt to new roles, technologies, and ways of working is also important (Gupta et al., 2016).

The respondents emphasize the significance of leadership and the continues execution of talent development activities. The prominence of owning the transformation’s objectives and taking prime position in the implementation process were the major issues raised in relation to leadership. Conversely, the search for proper talent, rather than personnel, and identifying the talent needed as part and parcel of the change management process; and developing the proper talent pool accordingly were the basic issues raised in relation to talent development.

D.7 Feedback and Iterative Improvements

Implementing mechanisms for gathering feedback and monitoring the effectiveness of organizational design changes is crucial. Using these data to iterate and refine the design continuously helps ensure successful transformation (Small et al., 2013).

As streamlined in empirical studies organizational design is not a static phenomenon. Rather, there has to be a feedback collection mechanism and needs to execute iterative improvements. Although respondents generally agree on this phenomena, many express concerns about its implementation. They argue that, in most cases, organizations believe that changing an organization’s design is not something to do it frequently. The researcher also witnessed this stance and considers it as a challenge of many of the banks that have undertaken organizational transformation.

D.8 Alignment with Strategy

The redesigned organizational elements, including structure, processes, roles, and culture, should be in harmony with the overall strategic objectives of the transformation. Alignment with strategy ensures that the organizational design supports the desired outcomes (Litvinenko, 2019).

This is the most crucial element of the organizational design. Both the empirical literature and the findings from our key informants unanimously agree on the significance of this parameter in the success of organizational transformation journey. On the other hand, many of the respondents raised their concern that in many of the cases there are problems in implementation.

In summary, organizational design in the context of organizational transformation is a strategic and intentional approach to implementing changes across various dimensions. It involves structure alignment, process reengineering, role redefinition, cultural alignment, technology integration, leadership and talent development, feedback and iterative improvements, as well as alignment with strategy. By considering these key aspects, organizations can create an environment conducive to successful change implementation and sustained growth. However, further research is needed to explore the specific strategies and best practices for implementing each aspect of organizational design in different organizational contexts. Additionally, future studies could investigate the impact of organizational design on employee engagement, performance, and overall organizational outcomes in the context of transformation.

e. Change management and communication

Change management and communication are key elements in successfully implementing organizational change and transformation. Effective communication is crucial for conveying change initiatives and creating transparency and orientation (Chen et al., 2021). It helps resolve conflicts and resistance, and personal communication, including gestures and facial expressions, plays a motivating role (MacLeod, 2021; Barrett et al., 2019). Communication should be timely, reaching all those affected and using language tailored to the target group (Xiang et al., 2020).

The key informants of this research agree on the importance of putting separate change management strategy and plan which should also include proper change communication plan. Moreover, as it is indicated in the above literature they underline the significance of proper change communication by the executive management more importantly by the CEO of the institution. It is observed that there are different practices amongst commercial banks in the type and content of document prepared and the selected approach to implement.

According to empirical studies, change management involves planning, managing, and controlling communication throughout the change process (Royce, 2021). Frequent communication is positively associated with successful change implementation, but it can be moderated by strong manager focus on results and larger establishment size (Sung & Kim, 2021). Dialogic communication has been identified as an effective approach, mediating the constructs of change management and facilitating organizational change (Errida & Lotfi, 2021).

f. Monitoring and Evaluation

Monitoring and evaluation in organizational transformation provides several benefits. First, it helps organizations measure and track progress, evaluate outcomes, and improve their performance and effectiveness (Hübel, 2022). Second, it ensures that a proportionate degree of fairness and equity is maintained in the program, allowing employees to question and appeal against unsatisfactory results (Wang et al., 2022). Third, it supports the organization's ability to adapt to rapidly changing challenges and enhance its effectiveness, efficiency, and sustainability (Tzeng et al., 2017).

Overall, monitoring and evaluation processes play a crucial role in ensuring the success and impact of organizational transformation efforts.

We investigate the understanding and practice in relation to monitoring and evaluation practice as part of the transformation journey. Accordingly, we observe that there is a customary practice to prepare monitoring and evaluation document as part of strategic planning and other strategic management practices. However, many of the experts agree that in most cases the documents are shallow and basically fail to qualify the standard for proper monitoring and evaluation (M&E) guiding plan or strategy document. However, it is mentioned that even if there is an M&E plan document there is usually no proper structure to own this document and execute the M& E function.

g. Putting in place proper performance management system

Performance management systems play a crucial role in organizational transformation journeys by aligning employee performance with strategic goals and objectives. We explore different methods of performance management system deployed in organizational transformation journeys and try to relate with our research findings to identify key insights and draw an input to our framework.

The following are major approaches identified as a performance management system in different scenarios.

Method 1: Balanced Scorecard Approach

The balanced scorecard approach is a widely used method in performance management systems during organizational transformation journeys. It focuses on measuring performance across multiple dimensions, including financial, customer, internal processes, and learning and growth Kaplan, R. S., & Norton, D. P. (1992).This approach enables organizations to align their performance metrics with strategic objectives and monitor progress towards transformation goals.

We observe that most of the banks under consideration have adopted this type of performance management system. However, we are not able to trace out the specific reasons for choosing this approach rather than the others.

Method 2: Continuous Feedback and Coaching

Another effective method of performance management system in organizational transformation processes is the implementation of continuous feedback and coaching practices. Research has shown that regular feedback and coaching sessions positively impact employee performance and facilitate their development (London & Smither, 2002). By providing ongoing support and guidance, organizations can enhance employee engagement and drive transformational change.

Method 3: Performance Appraisal and Goal Setting

Performance appraisal and goal setting are essential components of performance management systems during organizational transformation process. Research findings indicate that setting clear and challenging goals, coupled with regular performance appraisals, can significantly improve employee motivation and performance (Locke & Latham, 2002).These methods help align individual goals with organizational objectives, fostering a culture of accountability and driving transformational outcomes.

Method 4: Employee Recognition and Rewards

Employee recognition and rewards are effective methods employed in performance management systems during organizational transformation. Studies have shown that recognizing and rewarding employees for their contributions and achievements can enhance their motivation and commitment to transformational goals

(Gagné & Deci, 2005). By implementing a robust recognition and rewards program, organizations can reinforce desired behaviors driving positive change.

Many respondents have highlighted that they are implementing the above mentioned three approaches hand in hand with the implementation of the Balanced Score card approach. Though, many of them agreed that proper implementation of effective performance management system is pitfall in many of the banks. In the researcher's assessment the planning and execution of effective performance management system is less developed practice in the Ethiopian Banking sector.

5.3.4 The appropriate Leadership Style of organizational transformation

In our analysis of the results, leadership is identified as a major element of the organizational transformation process. Accordingly, we explore the role and type of leadership in organizational transformation process. By synthesizing the research findings, we gain insights into the key responsibilities of leaders and the strategies they employ to facilitate transformation.

Leadership plays a crucial role in initiating and guiding organizational transformation. Imran et al. (2016) emphasize that leaders have the responsibility to induct transformational leaders, develop a knowledge-intensive culture, and introduce knowledge management processes to foster a learning environment within organizations. These actions are essential for facilitating the transformation process and ensuring its sustainability.

a. Inducting Transformational Leaders

One important aspect of leadership in organizational transformation is the induction of transformational leaders. These leaders possess the ability to inspire and motivate employees towards change. Imran et al. (2016) suggest that organizations should actively seek and appoint individuals with transformational leadership qualities.

These leaders can effectively communicate the vision of the transformation, build trust, and empower employees to embrace change.

b. Developing a Knowledge-Intensive Culture

Leadership also plays a critical role in developing a knowledge-intensive culture within organizations. Imran et al. (2016) argue that leaders should create an environment that values and promotes continuous learning. This involves encouraging employees to share knowledge, fostering collaboration, and providing resources for learning and development. By cultivating a knowledge-intensive culture, leaders can enhance the organization's capacity to adapt and innovate during the transformation journey.

c. Introducing Knowledge Management Processes

In addition to developing a knowledge-intensive culture, leaders should also introduce knowledge management processes to support organizational transformation. Imran et al. (2016) highlight the importance of capturing, organizing, and disseminating knowledge throughout the organization. This can be achieved through the implementation of knowledge management systems, such as databases, intranets, and collaboration platforms. By facilitating the flow of knowledge, leaders enable employees to access relevant information and make informed decisions during the transformation process.

The findings from key informants also preliminarily identified the type of leadership as an important aspect of the transformation process. They put the CEO’s position as a crucial stance in effective implementation of the transformation process. Leadership by model, transformative leadership style, servant leadership and application of “Carrot and Stick” approach are the main issues raised by respondents.

5.3.5 The major success and failure factors for organizational transformation

As repeatedly emphasized, organizational transformation is a critical process for banks to adapt to the rapidly changing business environment and stay competitive. Understanding the success and failure factors of this transformation journey is crucial for banks to effectively navigate through the challenges and achieve desired outcomes. Here, we discuss the findings on the success and failure factors of organizational transformation and relate them to empirical studies.

According to Cichosz et. al. (2020), the lack of resources is identified as major barrier to organizational transformation in the banking sector. These barriers highlight the challenges faced by banks in allocating sufficient resources for transformation initiatives. Additionally, the study emphasizes the significance of a leader who possesses a transformation vision and creates a supportive organizational culture. This leadership factor plays a crucial role in driving and executing successful organizational transformation. Many informants also stressed the need for visionary leadership and commitment to organizational culture. However, fewer respondents raise the issue of a lack of resources and failure to allocate appropriate resource.

In line with the findings of Cichosz et al. (2020), Alhashmi et. al. (2019) identify time, budget, project management, system quality, user satisfaction, and economic value as success factors for organizational transformation in the banking sector. These factors highlight the significance of effective project management, ensuring the timely completion of transformation initiatives within allocated budgets. Furthermore, the quality of the implemented systems, user satisfaction, and the economic value generated by the transformation efforts contribute to the overall success of the organizational transformation journey. These elements are also the major issues cited by the key informants as key success and failure factors of organizational journey.

Additionally, technological and environmental factors are found to have a positive impact on organizational capabilities, which, in turn, promote the success of transformation in the banking sector (Vogelsang et al., 2018). This emphasizes the significance of leveraging technology and adapting to changing environmental factors to enhance the organizational capabilities required for successful transformation. Additionally, employee skills are identified as a positive moderator in the relationship between organizational capabilities and the success of transformation. This highlights the importance of investing in employee skills development to facilitate and support the transformation process. Many respondents raise the issue of the external environment as a key factor. However, organizational capabilities were not explicitly indicated, which the researcher believes is crucial in influencing the successful accomplishment of organizational transformation processes.

Furthermore, Kong and Ibrahim (2020) highlight the role of customer service quality as an intervening mechanism between customer relationship management (CRM) practices (organizational and technological) and organizational performance in the banking sector. This finding emphasizes the importance of focusing on customer-centric strategies and leveraging CRM practices to enhance organizational performance during the transformation journey. We observed that many of the banks endeavored to incorporate customer-centricity into their business models and corporate strategies. Moreover, they mentioned that many have started customer segmentation, preparing value propositions for each segment after implementing organizational transformation initiatives. Thus, what is indicated in the empirical studies directly tallies with our findings.

In conclusion, this section highlights several key success and failure factors for organizational transformation in the banking sector. These include the overcoming of resource barriers, the presence of a leader with a digital transformation vision and supportive organizational culture, effective project management, system quality, user satisfaction, economic value, technological and environmental factors, employee skills, and customer service quality. We also find that almost all of these factors are raised in our findings and aligning with the results of the empirical studies.

Chapter VI: A Framework for Planning and Executing an Organizational Transformation

6.1 Introduction

In an era marked by rapid technological advancements, evolving market landscapes, and dynamic customer expectations, the ability to adapt and thrive amidst change has become paramount for organizations. Embracing transformation is not just an option; it is a strategic imperative for sustained relevance and success.

The Organizational Transformation Framework presented herein serves as a comprehensive roadmap, meticulously designed to guide organizations through the complex process of change. Developed from a synthesis of industry best practices, strategic insights, and successful transformational journeys, this framework embodies a structured approach tailored to foster impactful and sustainable change within organizations of diverse scales and sectors.

6.1.1 Why an Organizational Transformation Framework?

At its core, this framework acknowledges that successful organizational transformation is a multifaceted endeavor. It encompasses more than structural adjustments or technological integrations; it is about fostering a culture that champions adaptability, innovation, and resilience.

This framework recognizes that the path to transformation is not a one-size-fits-all trajectory. It navigates the complexities of changes by addressing critical facets: Organizational assessment, strategy development, business and operating models, leadership commitment, stakeholder engagement, cultural alignment, and careful execution. It places equal emphasis on human dimension of change, understanding that the collective effort and commitment of individuals across all levels empowers the transformational engine.

6.1.2 Guiding Principles

This comprehensive framework for planning and executing organizational transformation is underpinned by a set of core guiding principles, serving as the bedrock that informs its design and implementation. These are: .Holistic Approach: It integrates diverse elements crucial for successful transformation, recognizing the interconnectedness of strategy, organizational design, culture, leadership, and execution.

Adaptability and Iteration: Acknowledging the dynamic nature of transformation, it encourages adaptability, fostering a culture of learning from both successes and setbacks.

Inclusivity: It values the perspectives and contributions of all stakeholders, fostering an inclusive environment where diverse ideas fuel innovation.

Strategic Alignment: It aligns transformational efforts with the organization's overarching vision, ensuring coherence and purpose in every step of the journey.

Continuous Improvement: It promotes a mindset of continuous improvement, recognizing that transformation is an ongoing process rather than a finite destination.

6.2 Navigating the Framework

In this framework, each phase and component serves as a fundamental building block, intricately connected to form a comprehensive and cohesive transformational journey. From the initial stages of assessment and vision formulation to the subsequent stages of execution, evaluation, and sustainable integration, this framework outlines a structured pathway. It serves as a guiding blueprint for organizations, enabling them to envision, plan, and execute transformative changes with clarity and purpose.

This framework could be considered not merely as a guide, but as a compass, navigating your organization through the intricacies of transformation, guiding toward a future characterized by resilience, agility, and sustained success.

In subsequent sections, we present different stages of the transformational process and delineate the anticipated activities within each stage. Additionally, we articulate major milestones associated with each stage, providing comprehensive guidance and direction to facilitate a successful transformative process.

I. Initiating Organizational Transformation journey

Initiating an organizational transformation is a critical step that sets the tone and defines the direction for the entire journey.

The preceding section provides an in-depth look at the nuanced process of organizational transformation and the various catalysts prompting companies to engage in such efforts. Noteworthy among these initiators are top leadership, internal teams or departments, external influences, performance indicators, an innovative culture, consultants or external advisors, and employee-led initiatives.

In our analysis, the critical role that top leadership plays in initiating organizational transformation is underscored, particularly their capacity to effectively communicate the need for change providing a clear direction that motivates and inspires employees. Internal teams or departments specializing in long-term planning, innovation, and change management are also instrumental in identifying the need for transformation, thereby enhancing the likelihood of success. Additionally, shifts in market landscape, such as technological advancements, competitive pressures, or changes in customer demands, can compel organizations to undergo transformational changes.

Performance indicators, such as poor financial results, declining market share, or inefficiencies can also serve as triggers for leaders to initiate a transformational process. Organizations that foster an innovative culture, promoting experimentation, risk-taking, and learning, are more inclined to proactively seek transformation to stay ahead and capitalize on new opportunities. At times, external advisors may be brought in to evaluate the organization and recommend changes, while grassroots initiatives from employees who identify areas for improvement or innovation can also ignite transformational processes.

At this stage, the management of the company needs to prepare a comprehensive Terms of Reference (ToR) or a detailed Organizational Transformation Initiation Proposal. This document delineates and justifies the need for organizational transformation, outlines the high-level objectives of the process, the proposed methodology for the process (often engaging external consultant and advisors) and presents an action plan with timelines and responsible entities.

It is advisable for the management to bring the issue to the Board of Directors and get the appropriate approval at this stage. The Board needs to buy-in this initiative and assign a responsible sub-committee to oversee the process and provide updates during full Board meetings. This phase is very critical, directly influencing the pace and comprehensiveness of the transformation journey.

It is usual at this stage that the engagement of external consultants occurs, and a basic agreement is reached between the consultant and the management on the methodology and timeline. This understanding is expected to be included in the consultant's inception report. As observed, many organizations prefer establishing a project management office and organizing a counter team to engage with the consultant's team. The project usually has its own charter, and it is advisable for the project management team to report to the CEO's office.

II. Conducting Organizational Diagnosis

The subsequent stage in the transformation journey is also a critical one, it laying the foundation for the entire transformation process. It involves a thorough assessment of the current state of the organization, in order to identify areas that need improvement and define clear transformation objectives. (Schraeder, 2004, Bithas et al., 2015)

To gain a comprehensive understanding of the organization's current state, it is important to conduct a SWOT analysis, stakeholder interviews, and cultural assessments. A SWOT analysis identifies the organization's strengths, weaknesses, opportunities, and threats, which can be further detailed using the customary PESTEL approach. Stakeholder interviews allow for valuable insights into the perspectives of the organization's employees, customers, and partners, thereby facilitating the identification of weak points and areas for improvement. Moreover, based on recent trends in organizational diagnosis, conducting a thorough analysis of both the business and operating models has become increasingly important.

Business model analysis focuses on customers, products, channels, sources of revenue, and in-depth financial record analysis among others. In contrast, operating model analysis focuses on structural considerations, people and talent issues, process reviews, technological considerations, and risk management. Moreover, cultural assessments play a crucial role in identifying organizational culture and values, and their impact on the transformation process. Additionally, conducting benchmarking analysis in each of the aforementioned areas is advisable to investigate gaps and to understand the current status, providing appropriate recommendations accordingly.

Proper planning and execution of benchmarking is critical task to include in the consultant’s engagement.

Concurrently, conducting change readiness surveys is advisable to comprehend the organization's readiness for change and anticipate potential impediments. This serves as a crucial background information for developing the change management, communication strategy and action plan.

This phase marks the first milestone in the organizational transformation journey where the following key deliverables:

- External environment analysis report – which basically reviews the global, regional and national economic, social, political, technological and other issue;
- The internal environment analysis report- business model diagnostic report
- The internal environmental analysis report – Operating model diagnostic report
- Corporate culture assessment report
- Change readiness survey report

Drawing upon the outcomes of these assessments, each stakeholder including staff, members of lower, middle and top management, the senior management team, and ultimately the board of directors, need to engage in comprehensive discussions and validate the findings delineated in the diagnosis and assessment reports.

III. Defining Vision and Strategy Development

The process of transformation entails formulating a clear and compelling vision for the future state that an organization aspires to achieve. This vision necessitates effective communication to engage all stakeholders actively participating in the transformation journey. (Nyakagwa & Charles, 2021, Galazova & Магомаева, 2019, Shanti et al., 2022)

Moreover, it is crucial for the organization to clearly articulate its mission and value statements, aligning them with the vision and mandate given by the shareholders. The value statement should delineate existing values to be maintained and developed as well as those to be acquired essential for the organization's future state. To ensure the success of the transformation process, it is crucial to develop a clear strategy that aligns with the organization's vision and goals.

After crafting the vision, mission and value statements, the corporate goals of the transformation process needs proper identification and they have to be properly endorsed by the organization's Board of Directors before further engagements in strategy developments by the consultants and other project team.

The consultant and the project team will proceed with developing the corporate strategy based on the approved vision, mission, value statements and corporate goals. This strategy should consider the various factors that could impact the transformation process, including resources, timelines, and potential challenges.

To achieve the envisioned future state, it is essential to develop a roadmap outlining the goals, necessary steps and initiatives required to reach that state. This roadmap should include key milestones that will guide the organization towards its transformation goals.

In this stage, it is essential to first decide on the "Planning Horizon" which clearly indicate the timespan the organization envisions for achieving the future state. Moreover, different horizons which delimits the different stages of the transformation, needs to be clearly delineated. Such horizons may include laying foundation (Basic stage), acceleration (Maturity stage), and take-off (Advancing stage). This aids in prioritizing initiatives, planning the roadmap and establishing action steps effectively.

Effective communication of the vision and strategy is essential for motivating stakeholders to actively participate in the transformation journey. Aligning efforts towards a common goal ensures that everyone works towards the same objective, enhancing the likelihood for success.

The following are key deliverables in this stage

- The Vision, Mission and Value statement
- Organization's Corporate Goals
- The planning Horizon with different layers
- Transformation roadmap which outlines the goals, objectives, initiatives and key action steps

IV. Developing the Business and Operating Models

Developing a business model for transformation involves a series of essential steps that require meticulous attention. First, the foundation of any successful business model lies in identifying customers and understanding their needs and preferences. This process necessitates segmenting the customers based on demographics, psychographics, and other relevant factors. The segmentation process is instrumental in creating targeted strategies that cater to the specific needs of each customer group. (Frishammar & Parida, 2018, Jones, 2015, Hadad, 2013)

Once customer segments are defined, the subsequent step is to identify the channels that can reach them effectively. Companies must select channels that are most appropriate for their target audience, which may include social media, email marketing, or other forms of advertising. The choice of channels depends on various factors, including the customer's age, location, and behavior.

After identifying customers and channels, the next step is to identify profitable products and services that cater to the needs of the target market. This demands a thorough understanding of the competitive landscape and the unique selling points of the products and services. Identifying profitable products and services empowers companies to establish a sustainable business model that not only generates revenue but also drives growth.

In summary, developing a business model for transformation requires a comprehensive approach that involves identifying customers, segmenting them, defining channels to reach them, and identifying profitable products and services. Through this systematic process, companies can create a sustainable business model that effectively meets the needs of the target audience and stimulates growth.

Crafting the Operating Model involves several detailed and crucial steps. Firstly, the organizational structure needs to be designed with careful consideration of the organization's objectives and desired outcomes. This includes identifying the necessary roles and responsibilities within the organization, as well as establishing effective reporting lines and communication channels. (Galazova & Магомаева, 2019, Hadad, 2013)

Second, it is important to identify the technological needs and models required to support the transformation objectives. This may involve thorough research and the selection of appropriate software, hardware, and other technologies to streamline processes and enhance productivity.

Third, the functions of talent acquisition and management should be designed to ensure that the right people are in the right roles within the organization. This involves identifying the skills and experience necessary for each role, developing effective recruitment processes, and providing ongoing training and development opportunities to ensure that employees possess the necessary skills to support the organization's objectives.

Fourth, risk identification and management models should be developed to ensure that potential risks are identified and mitigated effectively. This includes establishing appropriate risk management frameworks and processes, ensuring that appropriate controls are in place, and implementing effective reporting mechanisms to identify and address risks in a timely manner.

Finally, service delivery processes should be reviewed and modified as necessary to ensure alignment with the transformation objectives. This may involve streamlining processes, improving customer service, and implementing new technologies to improve efficiency and effectiveness.

Overall, the goal of crafting the Operating Model is to ensure that all aspects of the organization align with the transformation objectives, and that the organization is well-equipped to achieve its goals efficiently and effectively.

IV. Establishing Transformation Leadership and Governance

Leadership and governance play a pivotal role in any transformation process. The success of the transformation process largely relies on the effectiveness or quality of the leadership and governance provided. To ensure success, it is essential to designate a dedicated transformation team or leader who will be responsible for planning, executing, and monitoring the transformation process. The team should possess the necessary skills, expertise, and experience to deliver the desired outcomes. (Hadad, 2013, Shanti et al., 2022, Alam et al., 2021, Shukla & Shukla, 2020)

The active support and involvement of top management are critical for the success of the transformation process. The senior leadership team should actively engage in the transformation process, offering guidance, direction, and making decisions that align with the transformation goals. This active participation ensures that the transformation stays process stays on course, and any challenges or obstacles are effectively addressed.

Defining clear roles, responsibilities, decision-making processes, and progress tracking mechanisms is essential for the success of the transformation journey. Precise roles and responsibilities ensure that everyone involved in the transformation process understands their role and what is expected of them. Well-defined decision-making processes facilitate prompt and effective decision-making, addressing any issues or challenges promptly. Progress tracking mechanisms ensure that progress is monitored and tracked effectively, and that any deviations from the plan are identified and addressed promptly.

In addition to these elements, active follow-up and buy-in of the Board of Directors are very crucial in the transformation process. As mentioned earlier, the Board is expected to assign specific tasks to its relevant subcommittees to provide a guidance and oversight throughout the transformation journey.

In summary, effective leadership and governance are indispensable for any transformation process. Through the appointment of a dedicated transformation team or leader, securing top management support and defining clear roles, responsibilities, decision-making processes, and progress tracking mechanisms, organizations can pave the way for a successful transformation journey.

The key milestones of this stage include the following:

- Buy-in of the transformation agenda by Board of Directors and Senior Management team
- Assignment of a dedicated team or organ to follow up the transformation process

- Defining clear roles, responsibilities, decision making process and progress tracking mechanisms as per the approved operating model and organizational structure

V. Developing Communication and Change Management Strategy

To successfully transform an organization, engaging stakeholders at all levels is crucial. A well-planned communication strategy involving employees, customers, and other relevant stakeholders can instill a sense of ownership and commitment. Involving stakeholders in the transformation process increases the likelihood of them taking ownership of the changes and feeling invested in the company's success. (Venturelli et al., 2018, Abdillah & Amin, 2022. Kohntopp & McCann, 2021)

Stakeholder engagement goes beyond merely informing stakeholders of changes. It involves soliciting their feedback and involving them in the decision-making process. Gathering feedback and incorporating it into the transformation plan ensures alignment with stakeholder needs and expectations. This approach also allows for continuous improvement throughout the transformation process.

A successful stakeholder engagement strategy should address the unique needs of each stakeholder group. Engaging employees, for instance, may involve providing training and support to help them adapt to new processes and technologies. Engaging customers, on the other hand, may involve soliciting feedback on new products or services and incorporating their suggestions into the transformation plan.

Ultimately, effective stakeholder engagement can create a culture of collaboration and innovation that drives the success of the transformation process. By involving stakeholders at all levels, companies can ensure that their transformation efforts are aligned with stakeholder needs and expectations and that they are able to adapt to changing circumstances in a timely and effective manner. Gathering feedback and incorporating it into the transformation plan can help ensure that the plan is aligned with stakeholder needs and expectations. This approach facilitates continuous improvement throughout the transformation process.

To effectively conduct stakeholder engagement and closely managing change, there has to be a properly designed and implemented change management plan with comprehensive strategies and plan of action. Change management is a complex process that requires careful planning, execution, and monitoring. To ensure the successful implementation of transformation initiatives, leaders must assess the organization's readiness for change identifying any potential areas of resistance. This involves understanding the current state of the organization, including its culture, values, operations, and assessing the impact that the change will have on these areas.

Once the organization's readiness for change has been assessed, leaders need to empower employees and stakeholders with the necessary skills and resources to facilitate a smooth transition. This entails providing training and support to help employees develop the skills and knowledge needed to adapt to the new processes, systems, and ways of working. Leaders must also ensure that employees have access to the resources required to carry out their work effectively and efficiently during the transition period.

Effective change management strategies are crucial for overcoming any barriers that may arise during the implementation of transformation initiatives. This may include resistance from employees, stakeholders, or other external factors. To mitigate resistance, leaders must clearly communicate the need for change and provide a compelling vision for the future. They must involve employees and stakeholders in the change process, seeking their input and feedback to ensure that their concerns are addressed. (Lashari & Alvi, 2019, Gandhi & Hyde, 2015, Kaźmierczyk et al., 2020)

To realize the full benefit of the change management plan, a separate change communication strategy is necessary. This strategy should identify each stakeholders in the transformation process, specifying communication methods and key information packages for each group, Additionally, the change management process should include Monitoring and Evaluation mechanism, clearly indicating the follow-up instruments and identifying the major impacts and outcomes expected through the change management and communication process. Mechanisms for evaluating these outcomes should also be established.

In sum, successful change management requires careful planning, effective communication, and collaboration with employees and stakeholders. By assessing the organization's readiness for change, equipping employees with necessary skills and resources, and implementing effective change management strategies, leaders can ensure that transformation initiatives are implemented successfully, resulting in improved performance and outcomes for the organization.

Ultimately the expected activities and deliverables of this stage are the following:

- Change management plan prepared based on the change readiness survey with strategies, actions and time line for implementation
- Change communication – identifies proper communication strategy for each stakeholder
- Change Monitoring and evaluation plan

VI. Organizational Culture and Human Capital Development

Organizational culture is a multifaceted and deeply in-built aspect of any organization that can significantly influence the success or failure of any transformational endeavor. To achieve a successful organizational transformation, a comprehensive assessment of the existing culture is imperative, including its values, beliefs, behaviors, and norms. Identifying the driving forces behind the current culture and aligning it with the desired transformation are crucial for defining cultural attributes that support the transformation objectives. (Tawfig & Kamarudi, 2022, Koranteng et al., 2022. Diwanti et al., 2021, Mwai et al., 2021)

It is essential to ensure that the transformation vision is aligned with the desired culture and identify aspects of the current culture that require change or adapt to support the transformation goals. Leaders should act as cultural champions who embody and promote the desired cultural traits. Their actions and behaviors set the tone for the entire organization. Effective communication of cultural expectations and modeling of the expected behaviors to foster the desired culture is crucial.

Employee involvement, empowerment, and accountability are vital for successful cultural change. It is necessary to foster a culture that encourages innovation, collaboration, and initiative-taking and define clear responsibilities while holding individuals accountable for upholding the new cultural norms. Recognition and rewards systems should align with the desired cultural values, and cultural change should be embedded as a long-term commitment rather than a short-term initiative.

For lasting change and sustainable growth, it is necessary to integrate cultural elements into various organizational systems and processes, remove any barriers hindering the adoption of the desired culture, and periodically assess cultural changes using surveys, feedback mechanisms, or cultural audits. Consistent messaging and training programs that reinforce and cultivate the desired cultural attributes are also vital to embedding cultural change.

Ensuring the workforce possesses the right skills for the transformation is crucial. Organizations can achieve this by hiring individuals with the necessary skills or by up skilling current employees. Restructuring may also be necessary to ensure that the right people are in the right roles.

In addition to skills, it is important to consider the attitudes and behaviors of employees. Organizations should foster a growth mindset and encourage continuous learning and development. It is also important to create a sense of ownership among employees, so that they feel invested in the success of the organization. In this case, it is important to give more focus for proper talent acquisition and management, rather than the traditional personnel management.

In summary, building a capable and adaptable organization requires a focus on both culture and people. By aligning transformation goals with organizational culture and ensuring that the workforce has the right skills and attitudes, organizations can build a strong foundation for growth and success.

The following are the main millstones of this stage:

- Design and implementation of cultural alignment programs
- Talent acquisition and management strategy and action plan
- Talent development programs based on competency frameworks and individual assessment which is also intern expected to be aligned with the transformation goals and objectives.

VII. Preparing Implementation Plan, Resource Allocation and Management

In order to successfully execute and implement a transformation, it is essential to break down the process into manageable phases or projects, encapsulated within a comprehensive implementation plan. This approach enables a more organized and systematic implementation, making the transformation more manageable and achievable. Prioritizing initiatives based on their impact and feasibility is equally vital, ensuring a focus on initiatives that will have the most significant impact on the organization and are most feasible to implement. As mentioned earlier, this prioritization needs to align with planning horizon of the transformation journey.

Effective allocation of resources is another key consideration in execution and implementation. Allocating resources in a way that maximizes their impact and ensures their efficient use is crucial for the success of the transformation. This involves careful planning and consideration of the available resources, including financial, human, and technological resources. (Ellis et al., 2012, Fox-Wolfgramm et al., 1998)

There has to be special emphasis on allocating technological resources and infrastructure. The technological infrastructures and competencies have to be separately planned by streamlining the projects and attached with transformation goals and objectives.

Moreover, it is equally important to monitor and adjust resource allocation as needed throughout the transformation process. This allows for flexibility and adaptability, allowing the organization to respond to unexpected challenges or changes in circumstances. By continuously monitoring resource allocation, organizations can make informed decisions and take corrective actions to ensure the successful implementation of the transformation.

In this stage the following major millstones are expected:

- Comprehensive Implementation roadmap/plan that outlines list of initiatives and projects with implementation schedule based on their impact and feasibility across the planning horizon, the implementing body in the organization and possible prerequisite or dependencies for implementation. The implementation roadmap should clearly indicate the alignment amongst the goals, the objectives and initiatives.

- Budget proposal for resource allocation – financial, human and technological resources

VIII. Putting in place performance management system

Measuring the performance and seeking feedback are two vital components of a successful transformation process. To begin with, defining Key Performance Indicators (KPIs) that align with transformation objectives is critical. These KPIs serve as benchmarks to track progress and measure success. Regularly monitoring and tracking progress against KPIs is essential to ensure that the transformation is on track.

Collecting feedback is equally important as it helps to identify issues and areas for improvement. It is crucial to establish a mechanism to gather feedback from employees, customers, and other stakeholders. This feedback can then be used to adapt and refine the transformation strategy, contributing to continuous improvement.

It is crucial to learn from both successes and failures. Successes should be celebrated, and the strategies that contributed to them should be replicated. Failures, however, provide an opportunity for learning. By analyzing what went wrong and why, organizations can avoid repeating the same mistakes in the future. The feedback collected can help to identify areas that need improvement and the necessary changes in the transformation strategy.

More importantly, the organization is expected to select the proper performance management system. Performance management systems are critical to ensuring that employee efforts are in line with its goals. However, when an organization undergoes a transformation process, choosing the right performance management system becomes even more crucial. Next, we further look at different systems and the factors to consider when choosing the appropriate type. (Handke et al., 2019)

1. Traditional Performance Appraisal

This performance management system involves managers conducting annual assessments to evaluate employee performance against predetermined goals and competencies. While it provides a formal structure for feedback and goal setting, it can be time-consuming and may not adapt well to fast-paced transformational environments.

2. Continuous Performance Management

This system emphasizes real-time feedback and coaching between managers and employees. It allows for agile adjustments and aligns well with transformational cultures focused on constant improvement. However, it requires a cultural shift towards continuous communication and may need new technological tools for documentation.

3. 360-Degree Feedback

This system involves feedback from peers, managers, subordinates, and even external stakeholders. It provides a holistic view of an individual's performance and behavior. However, its effective implementation requires a high level of trust and transparency within the organization and can be resource-intensive.

4. Objective Key Results (OKRs)

This performance management system sets specific, measurable objectives and key results for individuals or teams. It encourages alignment with organizational objectives, fostering a clear understanding of priorities. However, it needs well-defined and communicated organizational goals to be effective.

5. Balanced Scorecard

This system incorporates various performance metrics aligned with strategic objectives across different perspectives (financial, customer, internal processes, learning, and growth). It encourages a holistic view of performance and aligns actions with strategic objectives. However, it requires a robust measurement framework and clarity on strategic objectives.

When an organization undergoes a transformation, choosing the right performance management system is crucial to ensure success. You need to consider several factors in order to select a system that will align with the organization's goals and values, foster employee engagement and continuous improvement, and drive the desired behaviors conducive to success in the transformed environment. (Liu et al., 2022 & Lizzio et al., 2003).

First, the chosen system should align with the desired cultural and operational changes during transformation. This means that it should support the organization's evolving culture, agility, and objectives. The system should be able to adapt to changes and meet the evolving needs of the organization.

Second, the system should be flexible and adaptable to changing needs and dynamic environments during transformation. This will ensure that it can meet the evolving needs of the organization and support its growth and development.

Third, the system should be user-friendly and easy to integrate with existing tools or technologies. This will ensure that employees can easily use and navigate the system without the need for extensive training or support.

Fourth, the system should encourage employee participation and engagement in the process. This will foster involvement and ownership of the performance management process, leading to better outcomes.

Fifth, the system should prioritize continuous feedback, coaching, and employee development. This will encourage continuous improvement and drive the desired behaviors conducive to success in the transformed environment.

Sixth, the system should have the required technological support, or additional tools should be considered for implementation. This will ensure that the system can be implemented smoothly and effectively.

Seventh, the chosen system should align with the organizational culture and be likely to be accepted by employees. This will foster cultural fit and acceptance, leading to better adoption and outcomes.

Lastly, the system should be scalable and sustainable in the long term, able to support the organization's growth and development over time.

By considering these factors, you can select a performance management system that aligns with the current needs and supports the evolving culture, agility, and objectives of the transformed organization. This will foster engagement, encourage continuous improvement, and drive the desired behaviors conducive to success in the transformed environment.

The key milestones for this stage are:

- Proposal on the available performance management systems and decision on selecting the right system
- Designing the performance management framework with KPIs at different levels such as business units, departments, Division and individual level

IX. Working on Continuous Improvement and Sustainability

Organizations are expected to adapt to changes in their business environment to remain relevant and competitive. However, implementing changes is not enough; organizations must ensure that the changes become a part of their culture for long-term sustainability. This requires fostering a culture of continuous improvement and adaptability. (Kpinpuo et al., 2022)

To achieve long-term sustainability, organizations must periodically review their transformation process. They need to identify areas that need improvement and adjust their strategies accordingly. This approach will help them to stay relevant and resilient in a dynamic business environment.

In addition, organizations must ensure that their employees fully understand the importance of continuous improvement and adaptability. Providing ample training opportunities is essential to enable staff to acquire new skills and knowledge applicable to their roles. This will keep them abreast of the latest industry trends and technologies.

Moreover, organizations can actively encourage employees to contribute new ideas and provide feedback on existing processes. This can help to identify areas that need improvement and promote a culture of continuous improvement and adaptability.

In conclusion, ensuring that changes become ingrained in an organization's DNA and fostering a culture of continuous improvement and adaptability are crucial for long-term sustainability. Organizations that adopt this approach will be able to stay relevant and resilient in a dynamic business environment, and they will also gain a competitive edge over those that fail to do so.

Recognizing and appreciating the achievements and milestones reached during the transformation process is a crucial step towards keeping employees motivated and engaged. Celebrating and communicating success stories is an effective way to inspire and motivate the team members towards the organization's goals. According to Janardhanan & Muthalagu (2020), acknowledging positive outcomes of the transformation journey can foster a sense of pride and commitment among stakeholders.

When employees see that their hard work and contributions are being recognized and appreciated, it creates a positive work environment, which in turn leads to increased productivity and employee satisfaction. Celebrating success stories is not only about recognizing individual achievements but also about acknowledging the collective effort of the entire team towards the organization's success.

Organizations need to communicate success stories to their employees regularly. It can be done through various channels like company newsletters, internal blogs, or team meetings. This helps to keep employees informed about the progress made and the positive impact that their work is making towards the organization's overall goals.

In summary, celebrating and communicating success stories is an essential aspect of creating a positive work culture. It helps to instill a sense of accomplishment among the team members, encourages them to work towards the organization's goals, and fosters a sense of pride and commitment among stakeholders.

The key milestone expected in this stage includes:

- Fostering the culture of continuous improvement and adaptability
- Design and implement Rewarding and recognition program

X. Summary

The framework provides a thorough overview of the key stages and considerations involved in planning and executing an organizational transformation. It emphasizes the importance of conducting comprehensive assessments to identify existing issues, challenges, and opportunities. Additionally, it underscores the necessity of developing a clear vision and strategy that aligns with the overarching goals and objectives of the organization.

The framework places significant emphasis on aligning both the business and operating models with the overall transformation strategy. It recognizes the importance of engaging stakeholders at all levels, effectively managing change, ensuring cultural alignment and nurturing the development of people. Efficient execution of the plan, performance measurement, sustainability, and acknowledging and celebrating successes are all highlighted as integral components of the transformation process.

Furthermore, the framework proposes a potential avenue for future research, suggesting a deeper exploration of the specific challenges and strategies associated with each stage of the transformation process. It calls attention to the potential impact of various contextual factors such as organizational culture, leadership style, and industry trends on the overall success of organizational transformations.

In summary, drawing upon insights gained from both empirical data and the existing literature, the framework offers a comprehensive and detailed guide tailored for organizations contemplating a transformation. It also provides valuable insights and recommendations covering all facets of the transformation process making it a valuable resource for those navigating this complex journey.

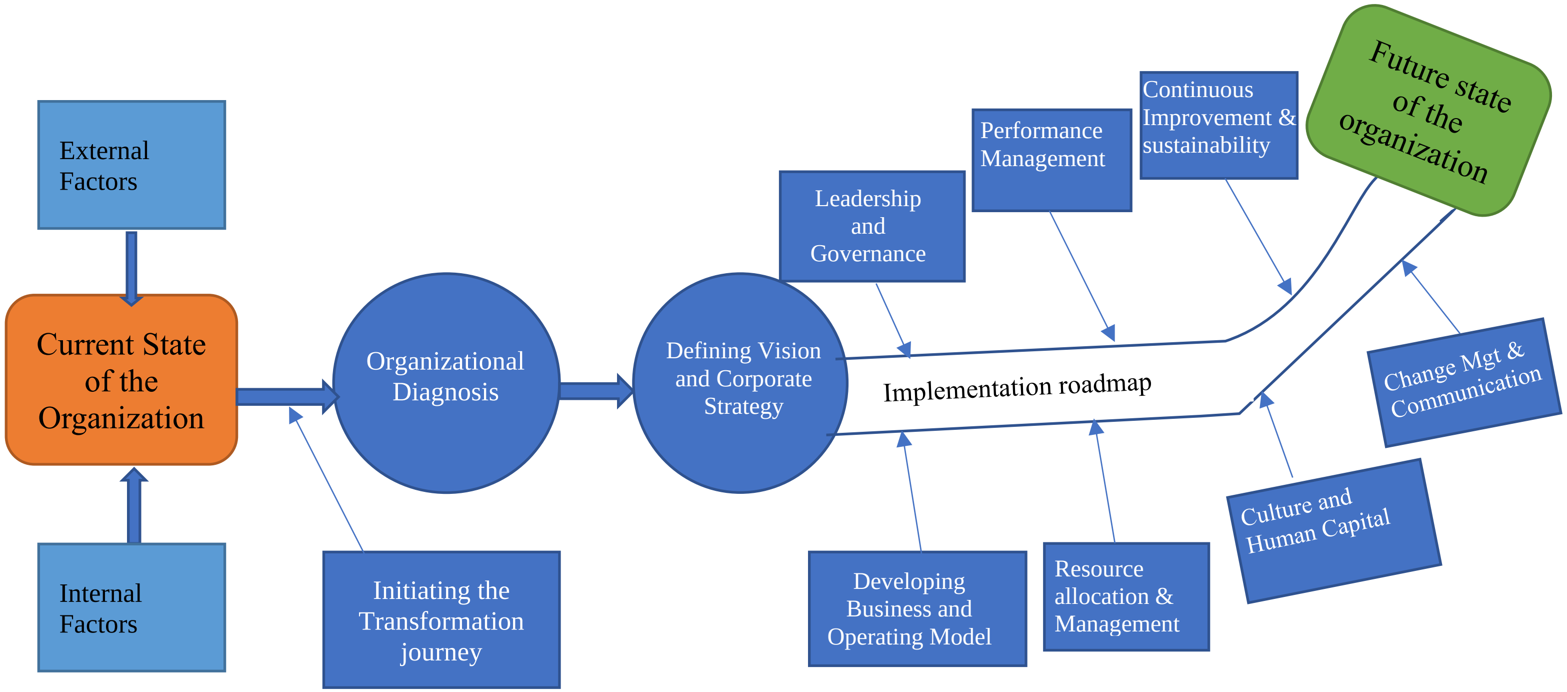

Figure 6: Schematic Diagram of the Organizational Transformation Framework developed by the researcher

The above schematic diagram presents the organizational transformation process starting from the initiation to the future state based on the framework developed by the researcher. As the diagram illustrates, external and internal forces compel organizations to think about transformation initiatives and their initiation process. Next, the organizational diagnosis process follows basically focuses on the assessing the different aspects of the organization and the external environment. Then after, the organization is expected to set the vision to achieve in future state and crafting the corporate strategy with compelling objectives and targets.

The remaining aspects include designing the business and operating model, establishing the appropriate leadership and governance structure, allocating the appropriate resources, developing the appropriate culture, putting in place performance management system, working towards change management and communication and finally continuous improvement and working on sustainability will come in the transformation journey.

As indicated in methodology section of this dissertation, the research had developed a conceptual framework of organizational transformation process based on preliminary literature review. The above framework rather prepared on the findings of our research and further review of the practices on top of the researcher's own experience. Accordingly, it is observed that the above framework is more comprehensive than before and clearly indicates the transformation journey. Moreover, it also captures additional aspects of the transformation process such as developing business and operating model, Organizational culture and human capital, change management and communication, the implementation roadmap and continuous improvement and sustainability. So that, the framework is advanced in its clarity and comprehensiveness.

6.3 Implication of the study

In this study, we started our scholastic journey by investigating the different aspects of organizational transformation starting from its definition. Moreover, we identify the different components of the organizational transformation process, the leadership and governance aspect and finally the success and failure factors of the process. Accordingly, we investigate the empirical studies and get preliminary input from Key informants from the Ethiopian commercial banks which had direct responsibility in their organizations' transformation journey. Finally, we meet our objective of developing a framework for planning and handling organizational transformation.

This study presents a comprehensive framework that is crafted to guide organizations through the intricate process of planning and executing organizational transformation. Beyond being a theoretical construct, the framework primarily serves as a practical guide offering valuable insights for organizations across different industries and contexts. The study has several implications that extend to organizational practice, academia, and the broader landscape of transformational endeavors, as follows:

Practical Applications in Organizational Practice: The framework provides organizations with a structured strategic roadmap, facilitating methodological navigation though the multifaceted terrain of transformation. It offers actionable insights and methodologies for resource allocation, change management, cultural alignment, and technological integration that facilitate smoother execution.

Academic Contributions: This framework contributes to the theoretical understanding of organizational transformation by synthesizing empirical findings and established theories into a cohesive structure. It not only serves as a guide but also identifies avenues for further scholarly inquiry, prompting deeper investigations into specific aspects of organizational transformation methodologies.

Transformational Leadership and Organizational Culture: The framework acknowledges the pivotal role of leadership in driving change and fostering a culture conducive to transformation. It emphasizes the need for cultural alignment and the cultivation of adaptable organizational cultures to sustain transformative efforts.

Technology Integration and Innovation: The study highlights the significance of technological integration as a catalyst for organizational evolution. It suggests effective ways to leverage technology and encourages a culture of innovation, positioning it as a cornerstone for organizational resilience and growth amidst transformation.

Change Management and Adaptability: The study recognizes change management as an iterative process, emphasizing the importance of continuous adaptation for organizations. It advocates for resilience and flexibility as crucial organizational traits for thriving in a dynamic environment.

Long-term Sustainability and Continuous Improvement: The developed framework proposes strategies for long-term sustainability, guiding organizations beyond immediate transformational outcomes. It advocates for cultivating a culture of continuous improvement, fostering adaptability to future transformations.

In conclusion, the study offers a blueprint for navigating the complex pathways of organizational transformation. The framework is composed not just to instigate change but to catalyze a “metamorphosis-“-an evolution of organizational models that embrace innovation, adaptability, and resilience as cornerstones for sustained success in an ever-evolving landscape.

6.3 Limitation of the study

While this dissertation provides a comprehensive framework for planning and executing organizational transformation, it is essential to acknowledge a specific limitation that can be mentioned.

One notable limitation is the scope of the study, which deliberately abstained from delving into the performance evaluation of individual banks or conducting a detailed analysis the impact of the organizational transformation on each bank’s performance. The decision to refrain from such assessments was made to maintain a focused exploration of the process and developing the framework.

It is imperative for future researchers and practitioners to consider this limitations when interpreting and applying the framework which in turn opens avenues for further investigation and to conduct in-depth evaluations of the framework's performance in various organizational settings and assess its longitudinal impact on transformation outcomes.

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Annex 1: Interview Protocol

Title: ____

Date: ___________________Time: Start: __________ Stop: __________

Location: ____

(Introduce yourself; thank interviewee for participating; provide study background Information; have interviewee read and sign informed consent form; request permission to tape interview)

Name: ____________________________________

Signature: _________________________________

Annex 2: Interview Questions

1. Participant Background:
   1.1 Can you please tell me a little about your entry into this organization and your present role?
2. Understanding of Organizational transformation
   2.1 What does the term 'Organizational Transformation' mean to you?
   2.2 What are the different components of Organizational Transformation?
3. Initiation
   3.1 Who initiated the organization transformation journey?
   3.2 What was the reason to initiate this journey?
   3.3 Did there be Goals? If there are what are they?
   3.4 What are the main objective set to achieve?
4. Execution – General
   4.1 Did you have a plan?
   4.2 Who did the planning exercise?
   4.3 What was the general approach?
   4.4 How you execute it?- the existence and organization of project office, the existence and involvement of a consultant,
   4.5 Staff and other stakeholders involvement – how?
5. Background study/ analysis
   5.1 What are the main areas of the study and analysis?
   5.2 What was the method adopted for analysis?
   5.3 What are the main components and focuses of the analysis? – Business model and Operating model
   5.4 How was the study, validation and approval process?
   5.5 What were the deliverables of this stage?
6. How was the organization Vision, Mission, Values and Goals decided?
7. Business and Strategy development
   7.1 How was the Business model development?
   7.2 What were the major components of Business Model considered?
   7.3 How was the strategy development process?
8. Operating Model and functional strategies – Organizational design
   8.1 What was the approach and process for crafting/designing the Operating Model?
   8.2 What were the major components considered?
9. Implementation – planning and prioritizing
   9.1 What was the general approach selected for implementation?
   9.2 How was the implementation planned?
   9.3 What were the first issues/ areas considered for implementation

9.4 How cascading of the strategic objectives and actionable activities were carried out?

10. Implementation – Business & Operating model
    10.1 How was the alignment between Business and Operating model?
    10.2 Timeline

11. Change management and Communication
    11.1 Did you prepare a separate document for Change management?
    11.2 What are the major issue considered in the change management Planning?
    11.3 How the Change communication is was carried out?
12. Leadership
    12.1 How do you describe the role of the CEO and its type of leadership
    12.2 How do you explain the role of Board of Directors
    12.3 Your general comment on the governance and leadership of the transformation journey
13. Monitoring and Evaluation
    13.1 The existence of Monitoring & Evaluation (M&E)framework
    13.2 Do they have separate M&E implementation platform?
    13.3 What are the mechanisms set to follow proper implementation of the organizational transformation?
14. Performance Management
    14.1 Does the bank select the proper Performance Management System model?
    14.2 What are the major facets of the bank's performance management system?
15. Success and failure factors
    14.1 What do you think are the success and failure factors of Organizational Transformation?

Annex 3: Summary of the Interviewees profile and interviews duration

No	List of interviewed banks	Responsibility	Role in OT Process	length
1	Bank 1	Senior Chief Corporate Strategy Officer	Member of project team	1:25:22
2	Bank 1	Chief Transformation Officer	Member of project team	1:09:01
3	Bank 1	Bank Transformation Directorate Director	Member of project team	1:42:50
4	Bank 2	Cash Management Director	Member of project team	1:34:46
5	Bank 2	Marketing Research Director	Member of project team	1:47:41
6	Bank 2	Strategy and Business Planning Head	Member of project team	1:50:29
7	Bank 3	Interest-Free Banking Customer Relations Department Director	Member of project team	1:40:29
8	Bank 3	Corporate and Institutional Banking Department Director	Member of project team	1:45:31
9	Bank 3	Chief Strategy and Transformation	Member of project team	1:35:32
10	Bank 4	Investment Management Director	Member of project team	1:55:20

11	Bank 4	Strategy Management Director	Member of project team	1:54:23
12	Bank 4	Vice president for Business Development	Member of project team	1:45:32
13	Bank 5	Strategy Management Director	Member of project team	1:35:17
14	Bank 5	Chief Trade Finance Officer	Member of project team	1:31:24
15	Bank 5	Chief Human Capital Officer	Member of project team	1:28:16

Annex 4: Coding

<table>
<tr><th>No</th><th>Themes/ Categories Description</th><th>Code</th><th>Related to Research Question</th></tr>
<tr><td rowspan="3">1</td><td>Understanding OT</td><td>UDT</td><td rowspan="3">1</td></tr>
<tr><td>Definition</td><td>UDT1</td></tr>
<tr><td>Components</td><td>UDT2</td></tr>
<tr><td rowspan="4">2</td><td>Initiation and Preparation</td><td>IP</td><td rowspan="4">2</td></tr>
<tr><td>Reasons for initiation</td><td>IP1</td></tr>
<tr><td>Who initiated</td><td>IP2</td></tr>
<tr><td>Different stages of the OT process</td><td>IP3</td></tr>
<tr><td rowspan="3">3</td><td>Background Study and Organizational Diagnosis</td><td>BSA</td><td rowspan="3">3</td></tr>
<tr><td>Method and components the of Analysis</td><td>BSA1</td></tr>
<tr><td>Validation and approval</td><td>BSA3</td></tr>
<tr><td rowspan="4">4</td><td>Business Model and Strategy development</td><td>BMSD</td><td rowspan="4">3</td></tr>
<tr><td>Setting Vision and Mission</td><td>BMSD1</td></tr>
<tr><td>Business model development</td><td>BMSD2</td></tr>
<tr><td>Strategy Development</td><td>BMSD3</td></tr>
<tr><td rowspan="3">5</td><td>Organizational Design</td><td>OD</td><td rowspan="3">3</td></tr>
<tr><td>Crafting the operating model - Process</td><td>OD1</td></tr>
<tr><td>Components of Operating Model</td><td>OD2</td></tr>
<tr><td rowspan="5">6</td><td>Implementation</td><td>I</td><td rowspan="5">3</td></tr>
<tr><td>Planning for implementation</td><td>I1</td></tr>
<tr><td>Change Management and Communication</td><td>I2</td></tr>
<tr><td>Monitoring and Evaluation</td><td>I3</td></tr>
<tr><td>Performance Management</td><td>I4</td></tr>
<tr><td rowspan="3">7</td><td>Leadership</td><td>L</td><td rowspan="2">4</td></tr>
<tr><td>Type of leadership & CEO's role</td><td>L1</td></tr>
<tr><td>Governance</td><td>L2</td><td>4</td></tr>
<tr><td>8</td><td>Success and failure factors</td><td>SF</td><td>5</td></tr>
</table>