

# Chapter 40

## Everything Must Change Because Nothing Changes: A History of Organizational Change in the Italian Banking Sector

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### ABSTRACT

*This reflective case history describes an intervention conducted by the author within an Italian bank. Involved in an organizational change at the bottom level, the author faced many difficulties both related to organizational dynamics (changes in work organization and in the skills of the operators) and to relational aspects (power dynamics and resistance to change of some employees). This reflective case history describes the followed organizational analysis and evaluation process and the implemented organizational change strategy. Finally, it presents the adopted reflective method of intervention and the obtained results.*

### INTRODUCTION

#### Background to the Organization and Change Setting

The Italian banking system has for many years been characterized by mergers, to meet the criteria of solvency and reliability required by European legislation. In Italy, however, many small businesses belonging to the so called ‘cooperative credit’ system (i.e. originally established by a small group of people on an equalitarian base) have in fact retained their own autonomy, taking root in their territory. For a couple of years, Italian legislation has forced cooperative banks to abandon this model of governance and be listed on a stock exchange (if adequately sized) or, alternatively, to merge.

The level of managerial and strategic skills expressed by these small credit institutions has always been criticized. For instance, the governance has often shown a lack of strategy, following *cronism* logics in the provision of credit to companies. These logics often generated scandals and financial losses

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such that the Bank of Italy took over some institutions to the point of involving people who were close to prominent political figures of the Government. However, *cronism* has also always affected the hiring and staffing process, eventually leading to a widespread skill shortage at the middle and bottom levels of the organization. Hence, in this continuously developing and changing sector, these specific criticisms at the human resources level could potentially lead to obstacles in achieving positive change outcomes. Given this scenario, proper preparation, training, and involvement of the human resource function in organizational change (OC) initiatives becomes a strategic purpose for all involved as the change agents.

The ‘XYZ’ Bank<sup>1</sup> was founded in 1908 by the initiative of sixty founders who each owned 1489 shares worth 20 *lire* (the Italian currency before the Euro). Just reading the Company Statute leads to a clear understanding of what the intentions were of its first shareholders. Article 2.1 states: “The Company’s purpose is the collection of savings and the exercise of credit, both in respect of its Members and non-Members, and is inspired by the principles of mutuality; it also proposes to support and promote the development of all productive activities with particular regard to the smaller ones”. For almost eighty years the bank’s activities were concentrated in a mountain province of Northern Italy. Then, starting from the early 1990s, the ‘XYZ’ Bank committed itself to growing beyond its original geographical area: first in Milan and Sicily, then in Marche, and finally in Lazio. In a few years it became one of the leading Italian banking groups, and in 1994 was listed on the stock exchange. In 2016, on the Italian Government’s impulse, it became a public company.

The banking group ‘XYZ’ has since then been made up of 4 different subsidiaries. The human resources division of the group consists of a central HRM service, at the head quarter, and a responsible HRM for each region. Operationally, all four subsidiaries consist of small branches in various parts of the four respective territories, whose human management policies are coordinated at the regional level. Each local branch has a branch manager and some operators. In this intervention, my direct interlocutor was the HRM coordinator for the Emilia-Romagna Region, where my affiliation (the University of Bologna) is based. Operationally, I also interfaced with the board of branch managers, which coordinates operations at the level of a single branch in the territory.

## **The Triggers and Drivers of the OC Initiative**

In that period, ‘XYZ’ Bank aimed to achieve a new ‘customer care model’ in which the bank’s operators would present a wide-ranging skills portfolio to face and address all customers’ needs/demands. This implied there was a need for an extensive re-organization of personal skills, and development of a more flexible and life-long learning-oriented workforce, especially at the bottom levels of the organization. Therefore, creating readiness to change throughout the bank and employee adaptability became strategic issues for the human resource management function.

## **The Organizational Sponsors (Clients) and Stakeholders**

The ‘XYZ’ Bank had never been involved in scandals. However, I had followed all the events of this bank: the decision to be listed on the stock exchange, the evaluation process by the Bank of Italy, the debate on all the major Italian newspapers. The opportunity for an OC consultancy collaboration with ‘XYZ’ Bank arose from a discussion of a Master thesis being carried out by a student of mine who was a young employee of the company. My student’s manager (who belongs to the local branches coordinators board) had been appointed as Project Manager of a staff development plan aimed at contributing to

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