

## **Digital transformation and change management in the financial and banking sector**

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## Abstract

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<b>Report/thesis title</b> Digital transformation and change management in the financial and banking sector.
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<p>This thesis research was designed to study digital transformation and change management in Guulpay. Guulpay was found by Q-Express Online Oy and started operating in January 2021. Before Guulpay became a digital bank, it was a remittance company that does cross-border wise transactions. Guulpay was a part of major digital transformation that affected its daily operations. The main objective of this research is to answer the main research question: how do Guulpay employees feel about the digital transformation of the banking sector and the change management at Guulpay? In this research journey, the thesis writer comprehends change, key factors in change management, and digital transformation's effect on the bank. A survey is the quantitative method for this research. The survey was conducted to Guulpay employees to study how Guulpay employees feel about the digital transformation and change management in Guulpay.</p> <p>In the theoretical chapter of this thesis, the writer gives a comprehensive overview about digital transformation theory in the financial and banking sector, from early days to the present and future. Also in this same chapter, the thesis focuses on the main factor in change management. In this part, both literary and digital sources were used. Most of the resources are digital.</p> <p>In the empirical chapter, a survey was conducted to Guulpay employees to find out how they feel about digital transformation and whether change was managed successfully. For quantitative research, a survey is the best method because it is cost-effective, flexible, and it allows you to collect a very large sample of data.</p> <p>The analysed results in the survey are general views of the respondents on how they felt about the change management in Guulpay. The general feeling was satisfaction with the new changes, however, there were few suggestions in some areas that need to be improved. Lack of training in digital issues, not very active change communication, and rush system implementation are raised concerns.</p>
<b>Keywords</b> Banking sector, change management, digital transformation, digital bank, Incumbent, Fintach, peer to peer.

## Table of contents

1	Introduction .....	4
1.1	Guulpay .....	5
1.2	The research objective and question.....	5
1.3	Key concepts .....	6
2	Digitalization in Fintech .....	7
2.1	Early days .....	7
2.2	Digital age.....	7
2.3	Digitalization disrupt traditional banking .....	8
2.4	Digitalization at Guulpay .....	9
2.5	Online banking.....	10
2.6	Mobile banking.....	10
2.7	E Wallet .....	10
2.8	Money Pool.....	11
2.9	The future of commercial banking .....	11
3	Change management.....	13
3.1	Change .....	13
3.2	Change causes .....	13
3.3	Digital transformation .....	15
3.4	Digital transformation strategy.....	16
3.5	Change management and phases .....	18
3.6	Unsuccessful change efforts .....	22
3.7	Reducing resistance to change .....	22
4	Research method.....	23
4.1	Work plan.....	23
4.2	Goal and Deliverables.....	23
4.3	Procedure .....	24
5	Guulpay's employee survey and analysis.....	25
5.1	Affinity diagram .....	25
5.2	Conclusion .....	28
6	Discussion.....	30
	References .....	31
	Appendices.....	33

## 1 Introduction

The term disruption has several means, which overlay the disruptive innovation theory for over two decades. It refers to a specific process that explains how newcomers can successfully compete with incumbents. (Christensen et al. 2015.)

New innovation technology has importance in innovation theory because it's concerned opposing systemic impacts on industries. In a simple term, the verb disrupt refers to prevent something from continuing as usual. According to BDO (2019) Fintech is portmanteau of the terms "finance" and "technology", which refers to technology that seeks to upgrade the delivery and use of financial services. It is utilized to help consumers, companies, business owners to manage their financial processes more efficiently. This process includes money transfer, depositing checks, bypassing a bank branch to apply for credit, raising money, managing investments without assistance.

Banks and are fast growing high yields, so digitalization and change management are vital elements to gain an advantage over other market players. With this digitalization in the banking sector, daily operations are becoming easier, faster, cheaper. Every bank is getting a grasp to adjust its operations to fit the needs of customers. Financial technologies Finland is one of the most advanced countries in Europe, with almost 100% of it's population using online banking services. The actual reason behind this success is the collaboration between telecom banks, operators, finance, accounting companies, and start-ups. Customer experience design and management is a fight fought in the arena for banking customers. It raises the standards for developers and banks, the challenge to deliver highly secured and connectivity in an intuitive service package. (Global Finance. 2021.)

The objective of this thesis is to study, explore digitalization and change management in the financial sector. This thesis is associated with Guulpay. A digital bank that offers online banking services and operates within the EEA (European Economic Area). This thesis can be divided into two parts, the first part will explore about the digital transformation in the financial and banking sector. How did Guulpay benefit from the digital disruption? What is the future for commercial banks?

The second part of this thesis mainly explores change management and change theories. Can companies benefit from the change? Crucial factors needed when change is happening. The thesis will focus on the results of a survey done to Guulpay bank employees and customers. Their thoughts about the change management and digitalization in Guulpay.

The relation between Guulpay bank and the writer is employment, the writer works for the bank. The writer is interested in banking and finance and management in the course of his professional experience and change management at the institutional level. The pandemic broke out in 2020 accelerated the digital transformation in many industries especially in the financial and banking sector. The writer decided to write his Bachelor thesis about digitalization in the financial sector and change management. (Deloitte 2021.)

## **1.1 Guulpay**

In the previous part was mentioned that this thesis will focus on Guulpay bank, how has the bank benefited from digitalization? and their employees' and customers' opinions about change management and digitalization in Guulpay. This thesis will not contain top-level confidential information due to the company policy and request, but it will have general information and knowledge.

Guulpay was founded by Q-express online Oy, it's a brand name that provides payment services. Guulpay is regulated by the Finnish Financial Supervisory Authority also known as FIN-FSA. It is a private company that doesn't have a share price, and the current account issued by Guulpay is a payment account. Guulpay operates in EEA (European Economic) with a business model of B2C, although B2B will be in the mix soon. Its headquarters are located in Finland and don't have brick and mortar branches, because is a digital bank and is different from traditional banks. Guulpay has operation office in Finland and also in UK ( United Kingdom ), it was founded in 2018 by Q-Express Online Oy and started operating in 2021. Guulpay banking accounts can be divided into personal and business / corporate and institutions, and At the moment Guulpay is operating in the 30 EEA countries. (Guulpay 2021.)

This thesis will mention the change management effects on Guulpay employees, customers, and the digitalization of Guulpay bank's services. Checking, debit cards with other day to day services are part of the bank's services.

## **1.2 The research objective and question**

The thesis objective is to explore digitalization in the financial sector, and comprehend digitalization and change management in general. With the rapid change in technology, digitalization is another bellwether to focus on in this thesis because in a country like Finland where almost everything depends on Online banking we are becoming more digitalized regardless of whether we are tech literate or not.

This thesis is designed and structured to answer the research question:

What Guulpay employees feel about the digitalization of the banking sector and the change management at Guulpay? In the empirical chapter of this thesis, the thesis writer will explore Guulpay employee's feelings about the digital disruption in the financial and banking industry. What Guulpay's personnel think about the change management in the bank. The point of the empirical study is to find out digital transformation in Guulpay, change management, and how can it be improved according to the theory in the theoretical framework.

### **1.3 Key Concepts**

Fintech - Financial technology

EEA - European Economic Area

FIN-FSA - Finnish Financial Supervisory Authority

B2C – Business to Customer

B2B – Business to Business

NASDAQ - National Association of Securities Dealers Automated Quotations

SWIFT - Society for Worldwide Interbank Financial Telecommunications

CIO - Chief Information Officer

## 2 Digitalization in Fintech

This part of the thesis will raise awareness on defining digitalization, from early days to the existing time, possibilities and boundaries that include digitalization and the financial, monetary and banking sector. Today many people use new era merchandise for one reason. To make their monetary transactions inclusive of cell payment, online banking, online trading, etc. However, very few of these people are aware of the origin of these ideas, the process, and how it happens? Those few people are selected individuals or investors who specialize in the financial sector.

### 2.1 Early days

The invention of the printing press enabling countries to print paper currency was the first appearance of financial technology. In 1866 telegraph was invented and at that same year first cable line Atlantic was established. In 1918 Telegraph played important role in the operation of the Fedwire Funds Service, because it was used to transfer money between banks. This was very popular for the financial industry in that period, and it continued to grow until early 1970s. (Zerucha 2016.)

There were two remarkable trends that took place in 1970's. The world first digital stock market NASDAQ (National Association of Securities Dealers Automated Quotations) and SWIFT (Society for Worldwide Interbank Financial Telecommunications) were established in 1971 and 1972 respectively. Today SWIFT is the most used communication protocol between financial institutions facilitating the large volume of cross-border payments. (Auriga 2016.)

In 1980's sparked the beginning of digitalization after home computers were introduced to consumer markets. This led customer to be more public about civil matters. Obstacles such as time and involvement were removed by the new technology and digitalization, therefore consumers became more daring to interact with other parties. (Auriga 2016.)

### 2.2 Digital age

According to Desai (2015), 2000 was the year that marked the turning point for the development of the internet. Because the internet was used all around the world, thus it became an invaluable support tool for the development of financial services and technologies. For example, there was a lot of fintech infrastructure with sophisticated functions that have been invented and widely used in financial areas such as cash management, auto-

mated online trading systems, and data analysis systems. Years later this progress has made a precondition for the introductions of a lot of financial technology companies.

PayPal is good example of financial technology. One of the companies at the front seat of innovation, that changed the form of transaction and money management through online trading and payment service instead of having to go to the bank. The connection between companies and consumers and has improved with the growth of digitalization and created new ways of reaching one another. Digitalization has brought huge potential and opportunity for businesses to grow and improve their services in financial sector. Online and mobile banking are main channels for consumers to manage their finances, and by optimizing these channels companies continuously grow. (Deutsche Bank 2016.)

Customers can make transactions quickly at any place through online banking applications on a mobile device instead of going to bank branches or money remittances. This way it can help customers minimize the transaction costs as the recipient can receive immediately without having to wait too long as well as save time and less human interaction for the customers. Then the robot advisers were invented to support and provide necessary information for the customers while reducing workforce costs and costs the customer has to pay for hiring consultants. (Gulpay 2021.)

### **2.3 Digitalization disrupt traditional banking**

Digital banking is an upgrade, stepping up from a traditional banking system to an online banking system. It provides web-based services and mobile applications. It enables you to manage your finance through mobile and ATM services. The objective of digital banking is to accelerate the process of customer interaction with the banks, while maintaining the customer satisfaction. (Surber K 2016.)

The recent COVID-19 outbreak has forced banks to quickly expand and improve digital capabilities. It also decreased the number of bank offices since almost the whole financial industry is moving to online format, especially payment providers that provide daily banking services, such as payments or transactions, loans, and investments. Due to the rising virtual presence of traditional banks, digital banks offer new opportunities for consumers, such as branchless, better online rates, and lower fees. This also has its share of setbacks and inconveniences; it can create difficulties for older people or for people who don't have tech literacy. Moreover there is no personal relationship with clients since there are no branches to go to when additional financial services needed. (McKinsey Digital 2020.)



## 2.4 Digitalization at Guulpay

Guulpay has seen systematic banking shifts due to new disruptive technologies. Amidst digital transformation branch costs, regulation, and new digital expectations from both customers and employees, it's the user experience that has suffered as a result of these forces. Guulpay has put a growth mindset at the heart of how employees think and behave. As previously mentioned Q-Express Online Oy found Guulpay therefore Guulpay is the brand of it. Before the Guulpay project started, Q-Express was a financial institution that does money remittance services. (Guulpay 2021.)

The idea of Guulpay project was to provide banking services to the unbanked as free and easy to use has been the cornerstone of the customer experience. Although countries like Denmark and Finland have 100% of the population fully included in the financial system as shown in the Figure 1 "World's most unbanked countries". However there more than 37 million unbanked EU citizens adults. (Global Finance 2021.)

World's Most Unbanked Countries						
Country	Total Population (Millions)	Unbanked Population (%)	Cash Transactions (%)	Card Transactions (%)	# of ATMs per 100,000 Adults	Internet Penetration (%)
Morocco	36.9	71	41	27	28.6	62
Vietnam	97.3	69	26	35	25.9	66
Egypt	102.3	67	55	27	20.1	45
Philippines	109.6	66	37	22	29.0	60
Mexico	128.9	63	21	44	61.5	66
Denmark	5.8	0	3	54	44.8	97
Netherlands	17.1	0	0	19	41.1	93
Finland	5.5	0	2	23	34.7	96
Sweden	10.1	0	2	46	31.9	96
Norway	5.4	0	3	50	31.6	97

Figure 1. World's Most Unbanked Countries 2021. (Global Finance 2021.)

Digitalization is a focal point of several levels as it improves customer satisfaction process. By disrupting old existing service models new potentials are scouted. This also leads to fewer personnel since routine processes are digitalized to be as efficient as possible.

## 2.5 Online banking

Online banking refers to any banking activity carried out on the internet through a bank's website under a private profile. Online banking can be accessed with computer, desktop or laptop. These banking activities include services traditionally offered at physical branches without having to go to one. Statistics from Eurostat in 2019 indicate that 58% of the EU population used online banking in 2019. The highest used online banking countries are Finland, Denmark, and the Netherlands with almost 100% of their population using online banking. (Eurostat 2019.)

There are two characteristics of online banking:

- Financial transactions are performed through a bank's secure website.
- The bank exists only online.

The end-user register with the bank online with credentials and create a login and password. Guulpay customers can carry out financial transactions online, like paying bills or direct debit from one account to another. In principle, you can do almost any activity online that you would be able to do when visiting traditional banks. With better rates and low fees, Guulpay offer to its customer better online experience.

## 2.6 Mobile banking

Mobile banking is to perform daily banking activities such bill payment, direct transfer, cross border and SWIFT using mobile or tablet instead of computer. According to Eurostat (2019), 41% of EU account holders use mobile apps and 44% tend to online banking to pay their bills or perform daily banking. (Eurostat 2019.) However with Guulpay is different because of its Mobile first principle, the system is designed for mobile before the desktop or any other device. Some of the bank's services are designed for its mobile app only, therefore Guulpay web is offered as an alternative for Guulpay mobile app. Customers should learn to use both methods to better manage their finance. Guulpay app offers variety of services that are not exclusive only to account access but include making mobile check deposits, paying bills, transferring money, Money Pool, and cross-border payments.

## 2.7 E Wallet

Wallet is an alternative digital to your physical wallet for storing your money and payment information. It offers many features and provides different functionalities. It is popular as the Peer to Peer payment and it enables the end-users to carry out transactions between wallets at a brick-and-mortar location. Mobile Pay, Google Pay, and Amazon Pay are just other examples that provide the same type of functionalities. Customers can make pay-

ments or purchase at point of sale through NFC. With digital wallet, users can transfer funds to one another. For example, users can split lunch bills, share rent by sending or requesting instantly with the tap of a button. Merchants with Guulpay services can enable customers with similar services to transfer funds through NFC for contactless or by scanning the QR code. According to HopInFirst (2019), there is no difference between a digital wallet and mobile payment for consumers, as they can easily use it with utmost convenience. For merchants there is a big difference between mobile payments and digital wallets, they hold significant importance and a huge part for the growth of their business.

## **2.8 Money Pool**

A peer to peer lending service, that friends, colleagues, family and people can make quick money without interests. By forming a group pool with fixed amount, each member of the pool contributes the fixed amount for fixed period of time. Then each member of the pool takes turn to receive the pool amount. The idea is to form a group of people, mostly friends, colleagues or relatives, to come together to pool money. For example, three people form a group on the platform and start a pool amount of 1500€. Each one of them contributes 500€ each month. An auto-draw is made and based on the draw the first month amount of 1500€ is given to B. The following month, the amount of 1500€ is given to Z, and the month, the amount of 1500€ is given to the remaining A. Each month a member of the pool receives the pool amount and the contribution of each member continues until the pool is closed.

## **2.9 The future of commercial banking**

Digitalization and innovation will not only disrupt how established commercial banks need to service their clients, but it will also disrupt client's expectation. Change is inevitable, with regulation and new innovative technology disrupting the commercial banking sector, banks must decide what role they want to play in the "Digital Only Banking" model with increased competition for the client relationship.

A report from McKinsey and company warns of the risk of lack of action: "Change is hardly complacent, but as market evolution showcases the forces of change are imminent. Banks are going forward and defining the trend rather than waging a futile battle to repel it." (McKinsey 2017.)

Banks should boost up digitization throughout the business. Customers anticipate their account to be created in minutes and expect banks to have access to their data (for example, they are not asked the same question twice). Intuitive interfaces, real-time fulfillment, availability, and personalised behaviour with international consistency and zero mis-

takes are getting the differentiating factors, even as the underlying services and products are being commoditized. Automating existing processes, banks must prioritize complexity reduction and response times across all customer interactions, as well as enable automated decision making while complying more efficiently with regulatory demands. To achieve this, data management and analytics platforms are crucial. They enable customer insights, faster and better decision making, and performance tracking.

Commercial Banks must grasp both internal and external bot assets to remain competitive and meet customers' demands. The following principles are for future commercial banking model and Figure 2 shows customer journey from on boarding and KYC:

- Open banking influenced API-enabled architecture.
- User-friendly and configurable system.
- Cloud integration.
- Automation in decision-making while complying with regulatory demands.
- Data management and analytics-driven processes.
- Low operational costs.
- Speed and flexibility in delivery services to market.



Figure 2. The Future of Commercial Banking. (Deloitte 2021.)

### **3 Change Management**

Digitalization is a hot topic in this day and age, with the recent COVID 19 outbreak many companies were forced to move to digital form business model. And fortunately consumers of these companies are quickly adopting to the digital form. Moving from old business model to new one requires change in the organizational culture. This is what the writer will explore in this second part of the thesis. Key points in change and change management to understand how change is managed, key theories and models used and observed on an organizational level.

#### **3.1 Change**

Brack Obama began his election campaign with the words "In change, we can believe". To renew America's promise. His Presidential campaign was marked by changes, and he wanted to change a nation and its way of acting. According to Dr Olaf Passenheim (2010). Change is an adjustment of a company's strategy, organization, or culture as a result of the change in its structure, technology, environment, or people. Change can be observed on Three different levels:

- Structure: Design of jobs, authority relationships span of control or coordinating mechanism
- Technology: Work process, equipment, or work methods
- People: Attitude, behaviours, perceptions, or expectations

Change can either be small or big, even making small change to the timetable for a weekly meeting is a big change and can create resistance. It is crucial to understand when to introduce change management when implementing change to a weekly meeting, it might seem an overreaction but it can create resistance against change. Change whether is big or small have a clear present and future state which is the definition of change. (Erämetsä 2003.)

#### **3.2 Change causes**

Technologies that an organization uses on a daily basis might be outdated and replaced. That means an organization must be must future driven in the technological aspect and its employees' work skills must update and improve with the technology. Organizations that aren't willing to evolve and adapt to the changes that happen to the market are likely to be left behind and won't be around in a few short years. If an organization wants to survive, its managers duty to continuously innovate and adapt to new changes.

Philosopher Heraclitus has stated: "Everything changes and nothing stands still". To survive, organizations must be an ever-changing organism. They must update develop new technologies, create new products desired in the marketplace, change and implement new administrative systems. As for employees they must upgrade their skills and to be able to adapt to the new changes. Organizations that may efficiently adapt to adjustments are each trendy and profitable. A proper management ought to cope with all elements that have an effect on their organizations.

There are a few outside and inner forces that create the specific need for change:

- **External forces** are influenced by regulations, market conditions, economic and technological stimuli outside the organization that cause changes. Regulations have a massive impact on an organization such as with deregulation. Organizations have to change once prescribed. The global marketplace has created a huge demand for change because of the dynamic situation. Without various dramatic changes in technology, some of this could have not occurred. An example of the emerging technologies such Blockchain, to eliminate the need for intermediary trust agents for payment clearing and settlements. Rapid advances in technology have had a big impact on the market. Also, the affordability of equipment and software allows greater competition in the IT sector. Finally, the ups and downs in the economic environment have a huge effect on organizations as well as on domestic markets as the worldwide economic influence continues on organizations. (Dr Olaf Passenheim 2010.)
- **The internal forces** are affected by the organization's strategy and management policies, systems, and procedures, as well as employee attitudes. To change an organizations' strategy can lead to a large number of changes if the organization decides to adopt a new disruption methodology, (For example, a company decided to enter the field of e-commerce). Another internal force is introducing a new system or technology. The implementation of a new system needs a new structure or process. Employees will have to be trained for the new work process. Lastly, employee attitudes such as job satisfaction can lead to either positive or negative forces for change. If employees are dissatisfied, then there can be an increased level of employee absenteeism that can lead to change management or staff. (Dr Olaf Passenheim 2010.)

### 3.3 Digital transformation

Digitalization is inevitable it is the current trend and adopting digital technologies into all business area is necessity. This can result fundamental changes to how businesses process and how they deliver value to consumers. Additionally, digitalization is a cultural shift that pushes organizations to constantly experiment and get used to failure. This means walking away from long standing business processes that companies were built upon in favour of relatively new practices that are yet to be defined. Digital disruption is a necessary process for every organization and might take on digital transformation for different reasons. The main reason is that they have it's a survival issue. In the wake of the pandemic, an organization's ability to adapt quickly to digital disruptions, rapidly changing customer expectations, and time to market pressures has become critical.

We have seen the COVID crisis rapidly reshape both the "what" and the "how" of companies' digital transformation agendas. Statistics from BDO (2019) show that nearly 97% of financial services companies are making progress in digital transformation, whether they are developing a strategy or having implemented it. More than 21 percent of those firms are at least developing a digital transformation strategy as their top digital priority. The reason behind this is the rapidly changing financial services landscape. Just take a look at banking for example. While many fundamental banking services (i.e., payments, loans, and investments) remain the same as they were 100 years ago, how banks manage these activities and transactions as well as how customers expect to receive them has changed significantly.

Compared to other industries financial services companies have a lot of catching up to do. A survey is done to the financial services companies indicated that they have a digital transformation strategy, but many have yet to implement it. Figure 3 show that 68 percent of financial services companies have developed a digital transformation strategy. While 14 percent of financial services companies are actually in the process of implementing their strategy. 54 percent have developed strategy, but have not started implementation.

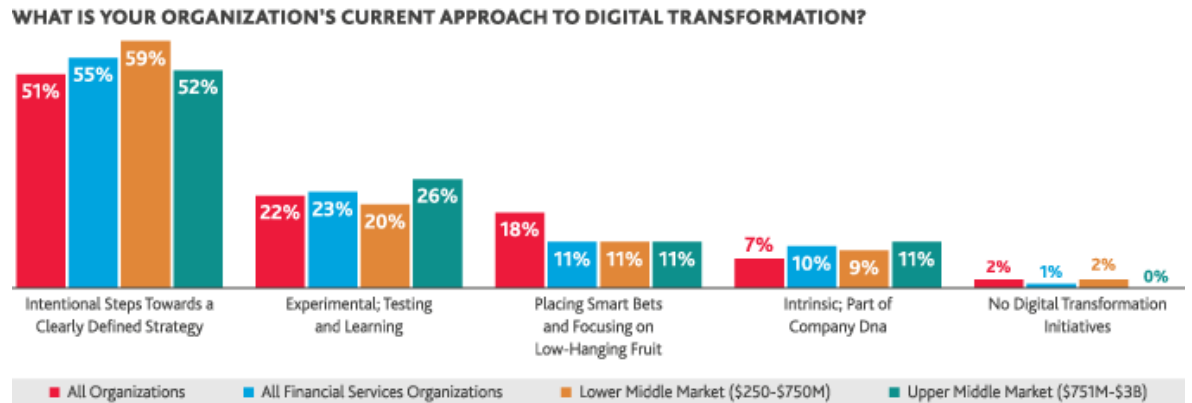


Figure 3. Digital Transformation in Financial Services. (BDO 2019.)

### 3.4 Digital transformation strategy

One of the most successful transformation strategies is change management, it's also the why CIO (Chief Information Officer) position is the most coveted roles in organizations. Modern companies manage employees, products and customers. They are also introducing new products that either immediately shifts or creates new opportunities in the way consumers choose to interact with and then apply new standards to their brands.

In simple terms, modern businesses must manage change. for that, they need management strategies. Unlike project management where it's easy to point to schedules, objectives, and specific outcomes, change management sticks to a more reactive and indefinite route. Digital transformation techniques or strategies proportion three main goals:

- To improve the ROI of the workforce
- To create a competitive advantage
- Energize and empower employees

To create a successful digital transformation strategy, companies must define their ambition and ability to execute relevant technical function. Above mentioned three goals must be coordinated in order to form successful digital transformation strategy. (Matt et al. 2015.)

There are seven milestones that every company undergoes in order to survive in the digital world. Financial industry utilizes these seven steps shown in Figure 4, to gain digital value. Enhancing an interest in customer obsession can already be seen in the evolution of the financial sector. For example, acquiring digital capabilities from other industries than



financial can create new advantage for the industry and even new path for banks to interact with consumers.



Figure 4. Digital Roadmap to digital success (McKinsey 2014.)

### 3.5 Change management and phases

The circumstance of moving organization forward is known as change management. Moving organization from the current stages of conception and preparation, to implementation and finally resolution. There are sets of steps for change process starting from (point A), to the functional endpoint (point B). To change how people do their work is the ultimate goal for change, and it's vital for how necessary successful change management is. Management should structure the strategy clearly and deliver it to the personnel. They must communicate the new change's vision to the personnel so they can commit to the new values and strategies.

Describing change management might be difficult, as it follows a more indefinite route than other forms of management. However, it's mainly defined as the processes, techniques, and tools that are required to manage the people side of change. Change has a major factor that can't be left out when organization creating change and that's change management. Change management is important for every company that's creating change. It reduces resistance or any obstacles that might occur.

Digitalization can be seen as an opportunity and at the same time as threat in change management. Successful digital transformation depends on convincing your workforce to use the tools and experiences you create for them. This is not simple, as most people are hesitant to try new things and your employees are no exception. Change management can make your workforce feel energized and eager to buy into your digital transformation initiatives. If your staffs are enthusiastic about the inevitable changes, then immediately your digital transformation stands a far greater chance of success.

Change management can also help you secure the budget required for successful transformation. It's notoriously difficult to convince decision-makers to update business processes and tools that seem to be working. Although every change management project is different, they typically share some common goals:

- Improve Return On Investment (ROI) by boosting the efficiency and productivity of your workforce. This involves improving the old system or implementing digital tools such as digital banks are popular for low costs compared to the traditional banks.
- Create a competitive advantage by identifying opportunities to improve and be innovative.

There are basic elements that affect any change, so every change management process requires five steps:

### **1. Prepare the Organization for change**

To correctly enforce change, cultural training ought to first take place. During the preparation phase, the manager raises awareness of the different challenges or problems facing the organization, he helps employees recognize and understand the need for change. Getting initial support from employees leads to implementing change and eliminating resistance later on.

### **2. Create vision and plan for change**

Management needs to create a clear, comprehensive and realistic plan to achieve this. The strategic objectives are the key performance indicators of the project stakeholders and the project scope of the team. This plan should take into account any challenges or obstacles that may arise during implementation.

### **3. Implement the Changes**

Change managers should focus on empowering their employees to take the actions necessary to achieve the initiative's goals in the process. They should anticipate roadblocks mitigate them once identified or removed. Communicating repeatedly about the organization's vision is important from start to finish, reminding team members why they're pursuing change.

### **4. Embed Changes Within Company Culture and Practices**

Once the initiative phase ends, the change manager must prevent a rollback to an earlier state. This is important for organizational change regarding strategy and process culture. By incorporating changes into the company's culture, it becomes harder to roll back. Introducing a new organizational structure, controls will help change attitudes.

### **5. Review Progress**

Change can't be labelled as success just because change initiative is done. Conducting analysis can help business leaders understand whether a change initiative is a success or failure. Kotter's theory of change management is popular because it offers an easy to understand roadmap that management can easily follow. Many organizations use Kotter's theory, even theories of change management come from Kotter's theory. According to Kotter (1996.) projected in the Figure 5, change management consists of eight steps.

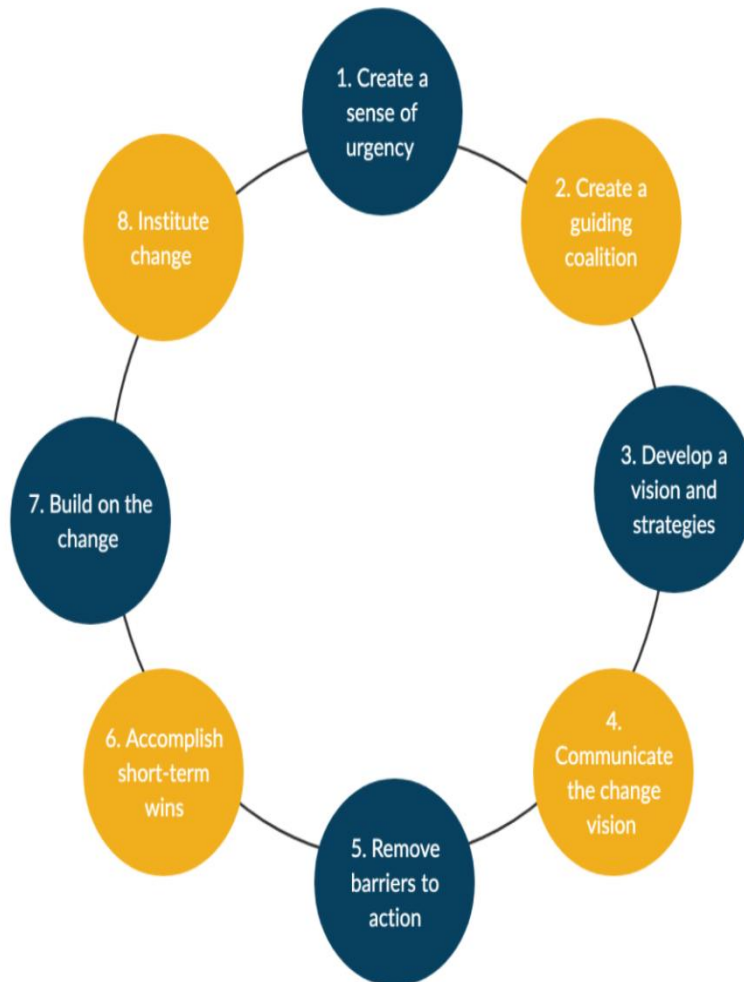


Figure 5. Digital Kotter's 8 Step Change Model (Kotter 1996.)

Kotter points out in his theory that management should create a sense of urgency, they should build culture of urgency and communicate it to the personnel, so that they can understand what needs to be done to be in a better state. Everyone's support is important for organizational growth; to maintain the momentum of the change initiative, people should feel the need to change. The objective of this step is to prepare the employees for the upcoming change, and around 75% of the organization's management should support the change initiative to succeed.

To assemble a competent team with the right skills and qualifications to provide leadership to the change efforts and impact on stakeholders is reserved for the second step after enhancing the sense of urgency. Creating a vision for change provides a picture of what the future will look like after the change is implemented. It tells management and employees why the organization should move from past state to the future. The fundamental criteria in preparing for change are the above mentioned three steps, because it's what gives the company and its personnel a climate for change.

In Kotter's theory communicating the change vision plays a big role in capturing the hearts and minds of the employees. The goal is to effectively communicate the vision in a way that encourages other members of the organization to accept and support change initiatives.

Obstacles may occur frequently; roadblocks may come in the form of insufficient processes or resistance when implementing organizational-wide change to change by employees themselves. So, management should focus on reducing or removing roadblocks that stand in the organization's path to achieving the change vision.

Creating short term victories gives employees positive vibes about the change, but the views should aim for the long term victories that can last. It's important to create positive environment where everyone is engaged, so that the team doesn't declare victory prematurely after a few quick wins. Ensuring the teams that are working persistently towards achieving the change vision while measuring progress will allow the organization to sustain the implementation of change.

Lastly change leaders work on nurturing a new culture where change can stick. This includes changing organizational norms, values, and other infrastructure elements to make sure that everything aligns with the new direction. To implement change within the organization both management and employees must see first how new changes are going to upgrade the current state of the organization. Only after that management can accept the new changes as the new setting.

It has only 3 stages called unfreezing, changing and refreezing. It has only 3 stages called unfreezing, changing and refreezing.. The first step of Lewin's model is to try to reduce the factors involved in maintaining the status quo and changing the current institutional attitude. The second step of the model involves acquiring new behaviours, values, and attitudes. Finally the last step is concerned with the crystallizing of the new state of affairs after the change has been made.

### **3.6 Unsuccessful change efforts**

Many change efforts are unsuccessful due to:

- Lack of Executive Sponsorship
- Ignoring the “People Side” of Change
- Lack of Dedicated Resources
- Ignoring Resistance to Change
- No Communications Plan

The ideal change management depends on the scope of the change. Digital transformation often involves large-scale change involving strong leadership sponsorship, centralized media planning, and a large pool of dedicated resources.

### **3.7 Reducing Resistance to Change**

Employees think of change as an additional responsibility and possible job loss, while management thinks of change as cost savings and gains. Employees might refuse to learn new technologies, and almost always resist organizational change. One way to reduce resistance to change is to increase employee engagement. For example, employees can help brand the project.

## 4 Research Method

In this empirical chapter the writer investigates the benefits that digitalization has brought and whether changes in Guulpay were managed successfully.

More importantly, the research method is introduced in this part to answer the research question discussed in the introduction.

A questionnaire or survey will be designed to study how personnel at Guulpay feel about the digitalization and change management in the bank and financial sector in general.

Also, how does this affect the user's mental mode?

Quantitative research is preferred method in this empirical part, because it's more scientific and deals better with larger samples than qualitative does. A survey is the best quantitative research tool because it's both flexible and cost effective; with it a large size of data can be collected for analysis. With survey, you can get honest feedback from personnel at Guulpay and consumers. How do they feel about the new digitalization such as online payment or wallet, mobile payment, and money pools compared to the old traditional way of payment?

### 4.1 Work plan

The participants will be mostly personnel at Guulpay and couple of consumers by thesis writer, in a competent number to participate the survey.

Participants will be recruited based on the following criteria::

- Age- 18-60 years old
- Education- Undergraduate/graduate
- Gender- Both male and female
- Tech literacy- average

The survey will have relevant instructions, and the participants are expected to have tech literacy.

### 4.2 Goal and Deliverables

The survey is designed in formal report and to find out respondents' user profile, how digitalization is noticeable in the bank's daily operations. Also change process is part of the questionnaire, how change was managed in terms of success and settlement.

### 4.3 Procedure

Most of the survey questions classified as strongly disagree, disagree, neutral, agree and strongly agree are rating questions. Open-ended type questions are also part of the survey to elaborate more and also see things from respondent's perspective. Guulay can benefit from the survey analysis that is based on the change theory mentioned in the theoretical chapter of this thesis.

This empirical section has been structured to answer the research question; How Guulpay employees feel about the digital transformation of the financial sector and change management. As previously mentioned, this study was conducted by surveying the Guulpay employees to answer the research question. The questionnaires were documented, archived and structured to give a clear picture and vision of Guulpay's performance in terms of change management. The reason behind conducting this survey was to find out the background of the respondents, how noticeable and transparent is digital and transformation in the banking operations. How well Guulpay managed the change processes and the effectiveness of the changes in employee satisfaction.

in this empirical part of the Bachelor's thesis, qualitative method was also used to gain closer insight and reliable conclusions. Data was gathered through other similar or relevant researches published. The questions asked were based on the theory mentioned in this thesis and the expected outcome was received. The low amount of respondents might have an effect on the reliability aspect of the quantitative research, because for data to be statistically valid there should at least be few hundreds of responses to get an accurate analysis. However the analyses of this study are reliable because the responses are from all different departments. Elements that affects research results such as attraction done by the researcher or if there is recompense involved. (Ghuari 2005.) However the research responses were given anonymously and no way respondents could be identified.



## 5 Guulpay's employee survey and analysis

The survey was created on Google form, the link was then sent to the responsible person in Guulpay, who then distributed the survey link to the employees of Guulpay on. The respondents were given 4 days time to respond, this was actually a hectic schedule that might have affected the outcome since employees were busy implementing the new phase (B2B business model). The employees might have felt that the given time was not enough. Survey was conducted in English language and answers were then put together in Affinity diagram in order to gather all the issues, ideas and organize them into groupings based. Table 1 in the following diagram groups the survey questions and the responses collected.

### 5.1 Affinity diagram

Affinity Diagram is a technique for gathering a large number of opinions, problems, etc. These opinions and issues are grouped based on natural relationships. The writer used this tool to analyze survey respondents and group them by their relationship.

<b>Evaluation</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
My job description has been affected by the new digitization			7 respondents		13 respondents
In modern business digitalization and change management is necessity				2 respondents	18 respondents
Change experience has been positive			1 respondent	19 respondents	
Change was well planned beforehand				18 respondents	2 respondents

Change occurring was well explained before implementation		1 respondent		19 respondents	
I can or have an effect on the change		2 respondents		18 respondents	
Communication was transparent		2 respondents		2 respondents	6 respondents
I have received information about changes in my job description			5 respondents	15 respondents	
There is a need for change related education			5 Respondents	5 respondents	10 Respondents
Management monitored change process			6 respondents	14 respondents	
Change management quality		2 respondents		18 respondents	

Diagram Table 1. Survey analysis

The first questions in the survey were profile questions to find out the background of respondents. There are a total of 20 respondents, 80% are male and 20% are female. 40 % of the respondents were 36+ years old, while 60 % of them were between 18 to 35 years old. 55% of respondents have more than 10 years of work experience and 45% have between 5 and 9 years of work experience. 38% of the respondents worked in technical, 35 % in compliance while the rest 27 % in financial. Age classification between the respondents, most of the 18-35 years old are working in compliance while 36+ years old are working either in financial or technical departments.

The following part of the survey was designed to find an answer for the main research question, What do Guulpay employees feel or think about digitalization in the bank? Additionally to that, most of the employees have stayed positive about the sense of urgency raised. 65% of the respondent's work description was affected by the new digital change, while 35% of the respondent's work description has stayed the same. 92% of respondents completely agree or agree that digitization and change are part of the new life of companies.

Many of the respondents stated that digitalization has affected their job descriptions, and this is only from employees end as there was more demand for support from the consumers end as well. Customers need assistance for their daily banking activities. 90 % of the respondents agree or positive about the changes have been done in Guulpay, it was well planned beforehand, while 10% of the respondents strongly agree on that fact. Most of the respondents agreed that the change being made was clearly explained; only 5 % of them disagree that change was perfectly explained. 98% of respondents completely agreed that their experience of change was positive; only 2 people feel neutral. In terms of personnel having an effect on the change, most of the respondents stated that they have an effect on the change; only 10% of the respondents think that they don't have an effect on the changes at all.

The flow of communication between management and employees is positive; most respondents agree or completely agree that they can communicate changes to their management. They have received beforehand information's about the change and how it's going to affect their job descriptions. Communication must be transparent to increase the flow of information 90% of the respondents agree that the communication about change has been transparent, while 10% of the respondents stated that involving the workforce in the change initiation phase for better change communication is necessary. 50% of the respondents agree that there is need for the change related educations, 25% of the respondents strongly agreed while 25% of the respondents think there is need for deeper change education especially in the compliance department. In terms of monitoring change process 70% of the respondents agree that management monitored the change process while 30% of the respondents stay neutral. When respondents were asked about the quality of change management at Guulpay, majority of them are positive about the quality of change while only 2 respondents feel that there is room for improvement. There were suggestions such training and improving personnel skills for better integration of changes.

## 5.2 Conclusion

Digitalization is inevitable not only in the financial industry but in other different industries. Financial institutions and banks need to quickly adapt to digital form business model. This research has explored digitalization and how change is managed successfully, and objective of the empirical study conducted was to study how Guulpay employees feel about the digital transformation and change management in Guulpay. The analysed data collected by surveying Guulpay's personnel in different departments, was for Guulpay to benefit from it in their upcoming new business phase. So that Guulpay can improve concerned areas to meet the expected standards. The main research question that was raised: How do Guulpay employees feel about the digital transformation and change management? To answer to this research question mentioned in the introduction chapter, a survey conducted on Guulpay employees in both Finland and United Kingdom office. After the results were analysed, it's seems that digitalization affect is strongly visible in the banking operations. Therefore it was justified the need for changes in the daily banking operations. The results of the quantitative study suggest the need for improvement on some areas that Guulpay could enhance.

Collected responses were analyzed and based on theory model discussed in the theory chapter of this thesis. The idea behind doing that is so that Guulpay can enhance and improve the concerned areas to get better result when the new B2B business model is launched. Lack of training is one of the issues raised; some respondents emphasized the need for in-depth consultation on issues related to digitization and digital transformation. And to be honest this can improved by creating deep showcase about digital transformation and how new changes will be affecting the employees. This should happen in the change initiation phase, where the reason for the change and the necessary actions the employee must take are explained in detail. This same showcase could also be used to train new employees in the bank.

The other issue that rose after the study analysis is communication about the change is not as active as it should be. Communicating the change vision to the personnel must be a high priority in change management plan. Management should include the workforce early in the plan so that there can time to adapt to changes. The involvement should happen at an earlier stage so that the personnel will have enough time to get accustomed with the new changes. Management should involve the workforce in early stages, in the change initiation phase to be frank. Involving them early can improve the communication flow. It takes an average of 10 messages to bring the idea across.

Development and introduction of new digital systems to the day to day working life in Guulpay without adequate test can lead to setups. Some of Guulpay personnel feel new change and digital system are rapidly developed and brought to the working life without proper testing. This can be improved by creating successful digital transformation strategy like mentioned in theoretical frame and testing the new systems on some of the daily banking workforce in dist area before launching them. It is clear that digital strategy inevitable and companies with no digital strategy are going to be left behind.

## 6 Discussion

This Bachelor's thesis was quite an interesting one for the writer, as he had already mentioned that he works for Guulpay for over year now. The writer "has experienced the change in Guulpay, transforming from remittance to digital banking. While researching and holding a survey in the bank for this research, he has gained a deep knowledge of the organization and can now vividly understand the digitalization processes in Guulpay and the financial sector in general. Digitalization and fintech in general is broad industry which is why it was quite captivating to study. Writing the two parts of the thesis, digitalization and change management and unifying them as one topic was worth partaking. Digitalization is inevitable for today's business world and change management is necessity for organizational growth.

The challenging parts were to find a direction, as the initial thought was to write about Fintech which broad category and the writer had to narrow down the topic to concrete. Finding references and theory was easier as nowadays majority of businesses are shifting to digital form. Writing was somewhat challenging mainly because of time management. The New Year is approaching and Guulpay is preparing to introduce new pace which is B2B, therefore the writer and whole personnel are busy to make this introduction success. Conducting survey and classifying the questionnaire in a manner that is relevant to the studied theory in earlier chapters was a hard challenge for this research, as bank personnel are often busy. Had the survey been conducted earlier more personnel would've been involved. Also due to the rapid schedule of the thesis writer it had to be done this way. However the results gathered are quite reliable although the respondents are 20. Special thanks to Guulpay for providing resources in order to complete this research.

From writer's point of view, future research on how Guulpay is going to improve their digital processes and change management would extremely interesting, if he was to conduct further research on the topic. Digital banking is rapidly growing and the future is heading towards open banking and blockchain. This means that the banking and finance industry must prepare for a financial and social revolution that will change the way transactions are processed or data is managed and services are delivered. The current blockchain is still not systematically understood. We know it is the technology that powers crypto-currencies like Bitcoin. But it goes beyond that: a lot of people don't realize exactly how blockchain can help them, their businesses, or even society as a whole. So let's see what the future of blockchain technology has in store.

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## Appendices

### Cover letter for survey

Subject: Digital transformation and change management in financial and banking sector

Dear Guulpay employee:

You are invited to participate in a research study titled “Digital transformation and change management in financial and banking sector”. This study is being conducted by Abdi Mohamed and his research committee Hussein Boor at Guulpay.

Guulpay has experienced major change, and their daily banking operations has become a modern issue within the industry. The goal this research is to answer the research question: how Guulpay employees feel about the digital transformation of the banking sector and the change management at Guulpay?

In this study, you will be asked to complete an electronic survey. Your participation in this study is voluntary and you are free to withdraw your participation from this study at any time. The survey should take only 5 to 8 minutes maximum.

This survey has been authorized Guulpay and reviewed by Abdi and research committee. There are no risks associated with participating in this study. The survey collects no identifying information of any respondent, it's conducted anonymously.

While you will not gain any direct benefits from participation, information collected in this study may benefit Guulpay in the future by better understanding.

By completing and submitting this survey, you are indicating your consent to participate in the study. Your participation is appreciated.

Abdi Mohamed, Business Information Technology Candidate