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Review

Identifying and minimizing risks in the change management process: The case of Nigerian banking industry

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This paper examines the numerous imposed and voluntary changes that have occurred in the Nigerian banking industry in the past three decades and identifies the risks associated with the management of those changes. These risks include failure, corporate death, succession, operational policy, infidelity, political and country risks. It also highlights the strategies for managing and minimizing these risks to include thorough planning and execution, stakeholder mapping, strategic control, proactive succession management and key-man insurance. The paper concludes that it is important for organizations to be aware of change risks, pay particular attention to people issues and continuously scan the environment so as to detect early warning signals. Ultimately, the human element is more critical than technology and processes, while an Organisational Behaviour perspective is more imperative rather than focusing solely on facts and figures.

Key words: risk, risk-management, change management, central bank of Nigeria, banking industry

INTRODUCTION

Banks and banking are critical to the socio-economic wellbeing and stability of any economy. This is because their efficient fund intermediation oils the wheel of economic development (Nwankwo, 1991). Banks lend at higher maturities, thereby, facilitating capital projects; facilitate payments and transactions, thus promoting commerce, provide liquidity to markets and reduce the cost of capital, and help firms to manage risks like : sudden swings in exchange rates. The banking sector in Nigeria has been playing these roles in the past 119 years with commendable successes; though there are also reasonable opportunities for improvement (Muo, 2003). The Structural Adjustment Programme of 1986 was the first major financial reengineering that fundamentally altered the features and fortunes of the Nigerian banking industry. It came along with a basket of measures that promoted deregulation, liberalization of licensing, establishment of other financial institutions and regulatory overhaul. There was the advent of universal banking in 2001, after which the banks transformed into being 'all things to all men' through the super-market model. But the next major leap in the Nigerian banking industry was the consolidation programme of 2004, which raised the shareholders fund to a minimum of N25bn when many banks were still below N2bn (Soludo, 2004). When the transition ended on December 31, 2005, Nigeria had 25 new and not so new '*mega-banks'* in place of the 89 that had hitherto existed. To cross the N25bn hurdle, some banks merged; some were acquired and some stood alone. To meet the N100bn capital threshold for foreign reserve management and in line with an emerging riotous competitive tempo, some of the banks raised more funds from the capital market; a trend that got so worrisome that the CBN had to intervene to stop it. Furthermore, Nigerian banks expanded locally and internationally, establishing full-fledged physical presence overseas and consolidated their dominance of the West-African banking landscape as at 2008 (Table 1) .They also maintained a significance presence in Africa where they were 7 out of the top 25 banks (Zenith-7th, First Bank-8th, Guarantee Trust Bank-11th, Access Bank-15th, United

Table 1. West Africa's top twenty banks as at 2008

Regional Rank	African Rank	Bank	Date of Results	Country	Capital[$m]	Assets[$m]
1	6	Zenith Bank	June 08	Nigeria	2500	12800
2	8	Oceanic Bank	Sept 07	Nigeria	1,777	8265
3	9	Intercontinental	Feb 08	Nigeria	1,696	11781
4	11	Access Bank	Feb 08	Nigeria	1431	10,055
5	12	GTB	Feb 08	Nigeria	1382	6225
6	15	UBA	Sept 07	Nigeria	1245	9479
7	16	FCMB	April 08	Nigeria	1010	3567
8	17	UBN	Feb 07	Nigeria	826	5460
9	17	FBN	Feb 07	Nigeria	604	6855
10	23	Ecobank Trans	Dec 07	Togo	514	6550
11	27	Diamond	April 07	Nigeria	423	2506
12	36	Stanbic IBTC	Dec 06	Nigeria	297	864
13	38	Ecobank Nig	Dec 07	Nigeria	295	2640
14	40	First Inland	April 07	Nigeria	292	1556
15	41	Bank PHB	June 07	Nigeria	284	3001
16	42	Spring Bank	Dec 05	Nigeria	267	1052
17	44	Nig. Intl Bank	Dec 06	Nigeria	263	872
18	49	Fidelity Bank	June 07	Nigeria	234	1706
19	50	Skyebank	Sept 07	Nigeria	233	3563
20	53	Afribank	March 09	Nigeria	221	1428

Source: African Business, October, 2008
7 of these Nigerian banks have been lost to the 'whirlwind' as at January, 2012! Details as we proceed

Bank for Africa-16th, Fidelity Bank-17th and Skye Bank-24th (Banker Magazine, 2012). This trend has been described as the emergence of *regional banking* groups in Africa; mostly based in South Africa and Nigeria (Christensen et al., 2006). Another wave of reforms was also unleashed in 2008, which involved dismissal of the executive management of banks, injection ofN620bn into liquidity-challenged banks, and introduction of a new banking model among others. This era has been characterized by multiplicity of regulatory interventions and banks have been continuously adjusting and readjusting to these new realities and engaging in strategic change initiatives.

Businesses operate under conditions of uncertainty; the uncertainty that expected outcomes may not materialize due to unforeseen exigencies. This uncertainty is the foundation of the array of risks which every business continually faces. Banks, as a peculiar type of business that deal in cash and have the singular ability to create money, are fundamentally built on trust and confidence. In addition to general business risks, banks have their own peculiar risks. Risks faced by other businesses also take different dimensions in the banking industry. Thus, while liquidity and reputational risks affect every organization, in the banking industry, they may lead to runs and outright closure. One of the risks that has become very significant in the Nigerian banking arena - as a result of all the aforementioned developments- is the change risks; risks that arise from voluntary or imposed changes

The objectives of this paper are: to review the changes that have occurred in the Nigerian banking industry in the past three decades. To identify the risks associated with the change process and suggest ways of managing these risks. The paper is divided into six parts: introduction, conceptual clarifications and literature review, Nigerian banks and continuous changes, risks in the change management process, managing of change risks and conclusion.

Conceptual clarifications and literature review

Risks and risk management

Decisions are taken under conditions of uncertainty and implemented in the future where unpredictability is the norm. Consequently, there are chances that expected outcomes may not materialize. Deviation from the expected is always a possibility but what matters is the extent of that possibility, which is probability. In plain terms, risk exposure is the probability of loss arising from variations between expected and actual outcomes. A decision or transaction is deemed riskier, if the probability of such losses is high, especially if such losses have life-threatening consequences for the organization. Organizations are exposed to risks for the mere fact of being in existence, because of the philosophy of the management, their types of business and the environment in which they operate.

There is direct relationship between risks and rewards, because, riskier businesses are generally more profitable. Organisations thus, manage risks by deciding which ones to assume and which ones to avoid, and how to mitigate the risks, including the ones they cannot anticipate. Risk management is all about reducing the likelihood of occurrence of activities which will have negative outcomes

on the business through the use of certain tools and techniques (Adebonojo, 2009). Risk management is an attempt to minimize the probability of losses, create alternative plans of action and minimize the impact of these risks, which are a normal part of the business process. It is also defined as the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and /impact of unfortunate events or maximize the realization of opportunities(Banjo, 2011). In managing risks, one must bear in mind, the 3-fold nature of risk management: Risks must be identified before they are measured and only after the impact has been evaluated can we decide on the most effective method of control. The goal of risk management is not necessarily to reduce risks; it is really to establish a set of policies and management techniques to measure, monitor, and control risks (Delaney, 2007).

Kaplan and Mike (2012), recognize three broad categories of risks:

i) Preventable risks- these are controllable and ought to be eliminated or avoided;

ii) Strategy risks: risks voluntarily accepted in the process of trying to generate superior returns; these are not inherently undesirable and they are not managed through rules based control models and

iii)External risks: caused by natural disasters and political/macroeconomic shifts; natural and economic disasters with immediate impact, geopolitical and environmental changes with long term impact and competitive changes with medium term impact including disruptive technologies and strategic moves.

Banjoko (2011) on the other hand classifies risks as pure, speculative, dynamic, static, fundamental, particular, and financial or downside. Effective risk management brings numerous benefits to the firm and its shareholders, the stakeholders and the society at large and the most obvious is that the business continues to exist to fulfil its economic and social roles in the society

Risks are thus, quantified and managed within the context of well coordinated frameworks. Common risk management tools include scenario building, sensitivity analysis, Monte Carlo simulation and option pricing, which are offshoots of games and chaos theories and other advances in probability sciences. However, the broad methods of dealing with risks are risk avoidance and assumption, loss prevention and reduction, risk transfer and regular risk survey to determine which one to assume, avoid or transfer. Nonetheless, risk management has not always been a scientific affair, because in the days of old, decisions (and the attendant risks) were guided by superstition, blind faith, hunches and incantations (Bernstein, 1996). The elaborate apparatus of risk management facilitated by super-computers and mathematical models have eventually metamorphosed into a culture and a new religion. This quantification of risks has created some lethal dangers for businesses and the society, especially, the arrogance of quantifying the unquantifiable and increasing- rather than minimizing -risks (Bernstein, 1996). Thus, while risk management has become scientific, it is imperative to guard against being ensnared by figures, charts and models which are soulless tools and mere means to an end.

An overview of general business and banking risks

General business risks

Every business faces an array of multidimensional and interconnected risks in its efforts to create value. These risks include: market, political, reputation/confidence, financial, ICT, information, succession, credit, operations, regulatory and change risks. Of course, the nature of banking will automatically change the nature and impact of these risks. Succession risk is the likelihood of an organization having a failed succession programme; having an unsuccessful successor, one who leaves before he has settled down or is rejected by the dominant stakeholders. In this knowledge economy where information moves at the touch of a button, information risks are also as threatening as the conventional ones (Johnson, 2005), and so are other newer forms of risks like: political risks (Bach, 2005), project risks (Reyck, 2005) and environmental risks. But one of the most critical risks is strategic risk, which is an array of external events and trends that can devastate a company's growth trajectory and shareholder value (Slywotzky and Drzik, 2005). They take a variety of forms- new technology, shift in market or customer loyalty - and businesses that successfully manage these risks become *risk-shapers*; they are both aggressive and prudent in pursuing new growths.

Banking risks

Banking is a particularly risky business, especially; as banks have extended their services to all aspects of the capital market and these include newer types like Reputational, Confidence, and Leadership risks. A risk prioritization exercise by Arthur Anderson in 2001(cited in Umoh, 2003) identifies the first ten as: computer, human resources, credit default, regulatory, customer satisfaction, IT infrastructure, liquidity, industry and leadership risks in that order. Note that computer and human resources risks came before credit, fraud and liquidity risks. Some common bank risks are tabulated in Table 2.

E-banking risks also deserve special mention, and they are interlinked with other conventional banking risks - operational, technology infrastructure, security, and access authentication, employee frauds, counterfeiting, reputational and legal. Common approaches to measuring and managing these banking risks include: standards setting and financial reporting, position limits and rules, investment guidelines and strategies: and incentive schemes (Samtomero, 1997).

Table 2. Common Bank Risks

S/N	Type of Risk	Brief Description
1	Credit	Risk that party to a loan agreement will not be able or willing to service the loan[interest/capital
2	Liquidity	Risk of bank having insufficient funds on hand to meet its current obligations
3	Interest	Risk of change in interest rate that will have adverse effect on banks income and/or expenses
4	Market[position]	Capital loss resulting from adverse market price movements related in investment in commodity, equity or debts
5	Currency structure	Risk of adverse exchange movements due to mismatch between foreign receivables and payables
6	Balance sheet structure	Risks resulting from the structure and composition of banks assets and liabilities and off-balance sheet positions
7	Income structure and profitability	Risk that a bank does not have enough income to cover its expenses and maintain capital adequacy
8	Solvency/capital adequacy	Risk of bank having insufficient capital to continue operations and non-compliance with regulatory capital standard
9	Country & Transfer	Risk arising from economic, social and political environment in the borrowers home country[country risk] and the risk present in loans that are not denominated in the borrowers local currency[transfer risks]
10	Legal	Risks that a banks contract or claims will be unenforceable or that the court will impose judgments against it; risks of legal uncertainty due to lack of clarity of laws in localities in which the bank does business
11	Reputational	Risk that problems in a bank can cause customers, creditors and counterparties or markets to lose confidence

Source: Nnanna (2003) today's Banking Risks and Current Regulatory and Supervisory Framework Bullion Vol.27, No.3, July/September; p30

There are also some risks associated with the increasingly international and cross-border operations of Nigerian banks. These cross - border risks include : Higher Contagion Crises/Risks- the transmission of a shock affecting one bank or a group of banks to other banks or the entire banking sector (Mauro and Yafeh, 2007) ; International Financial Centre is a risks in which the banks and the banking system suffer immensely from any financial crises because of the concentration of financial activities in the environment just as it happened to the city of London and UK in The Great Contraction of 2008-2009 (Rogoff, 2009) ; Market Integrity Risks; Foreign Exchange/Currency Risks- beyond the basic forex risks; Political/Country Risks - which may be macro or micro (Eitman et al., 1998) and depends on the cultural, administrative, geographical and economic 'distance' between the bank in question and the host country (Johnson et al.,2008 ;Ghemawat,2001) . Others include: Human Resources (HR) Risk - because the bank has to work with and through literally unknown people with different work culture, orientation and banking habits. HR risks become more manifest whenever a wide gulf exists between the home and host banking environment, human capital stock and culture. Next is: Super Bank and Too-Big-To-Fail Risks, because as they expand across borders their systematic importance increases and their monitoring ability dwindles, thereby, putting their entire operations and continued existence at risk .

Change and change management

Organizations deliberately change their strategies, culture, processes, procedures or structures so as to directly improve their economic performance or to improve their ability to perform. This indirectly impacts their economic performance. Beyond these deliberate efforts (and most of these efforts are due to some other factors like competition, customers, technology and environmental realities), organizations are also compelled to change certain aspects of their operations by regulatory authorities. In the latter case, they do not have any choice as to the objective of the change but they may have various options and routes in the process of complying with these directives. Change management refers to how organisations manage this process of deliberate or imposed changes - articulation/initiation, take-off, execution, evaluation and review.

Padro de Val and Fuentes (2003), define organisational change as an 'empirical observation of variations in shape, quality or state over time after the deliberate introduction

of new ways of thinking, acting and operating with the aim of adapting to the environment or improving performance'. This phenomenon may be assessed in terms of the extent of the organizational change or the speed at which the change occurs. Organizational change is also seen as the movement from the existing plateau toward a desired future state in order to increase organizational efficiency and effectiveness (Cummings and Worley, 2005; George and Jones, 2002). Such changes may be sporadic or ongoing as organizations react to external forces for change or as a part of self-imposed improvement initiatives (Mowart, 2002).

There are several ways of classifying organisational changes. It may be in terms of the degree of change or the speed of change. Whether the organization designed the change itself or it was imposed on it. Whether it imitated others and the way and manner it was articulated within the organization. Whether the management adopted a tell (imposed) or a sell (consultative) approach in articulating and announcing the change. It can also be taken from the angle of how the industry in its entirety changes. Thus, change may be radical, progressive, creative or intermediating -depending on how it threatens the industries core assets and activities with obsolescence (McGahan 2004); sustaining (evolutionary) or disruptive (revolutionary) (Christensen and Overdorf, 2000); dramatic - championed by the leaders; systemic - championed by the staff managers or organic- championed by rank and file, which may lead to revolution, reforms or rejuvenation (Huy and Mintzberg, 2003).

Other classifications of change include: vision led and problem driven changes (Fradette, 1998); fundamental or transformational (addressing big-picture issues like strategy, culture, strategy) and transitional or transactional (concerned with everyday issues) like structure, processes, needs (Beckhard and Harris, 1987). Others are: developmental (improvement on current operations), transitional (replacing existing processes or methods) or transformational (occurs after transitional; moving into and occupying the new state) (Olufade, 2010); convergent, radical, evolutionary and revolutionary (Cummings and Worey, 2005). Next are: evolutionary, incremental, first order changes (small changes, improvements on the present situation) or transformational, strategic, second order changes (change of essential framework that affects operational capabilities) (Padro de Val and Fuentes, 2003). Adaptive change - which occurs when changes in societies, markets, customers, competition and technology force organizations to clarify their views, develop new strategies and learn new ways of operating (Heifetz and Laurie, 1997); top- down(centralized) and down-top(decentralized) change; (Dragos, 2009) incremental innovation(small improvements in existing products and processes to operate more efficiently and deliver greater value to customers), architectural innovations(applying technological or process advances to fundamentally change some component or elements of their business) and discontinuous innovations(radical advances that profoundly alter the basis for competition in an industry often rendering ways of working obsolete) (O'Reilly and Tushman, 2004).

Nigerian banks and continuous changes

Nigerian businesses have been experiencing changes as in other parts of the globe. However, no sector has experienced that change as the Nigerian Banking industry, which has been subjected to rapid regulatory quakes since 1986, with the enthronement of Structural Adjustment Programme (SAP) by the military administration under Babangida . Before the advent of SAP, the Nigerian banking industry was characterized by an admirable calmness and the only worry then was whether the monetary policy regime was tight or loose. It was a control-prone era and the banks operated as dictated by the annual monetary policy and foreign exchange circulars which literarily controlled every banking process and policy (Onwumere, 2005). SAP changed all that by introducing a regime that shook the banking industry to its foundation. Every aspect of banking, except opening of branches, was deregulated. New institutions and laws were introduced and an unholy trinity of privatization, commercialization and deregulation became the economic mantra. More banks were licensed and efforts were also made to wean the banking sector from dependency on public sector deposits to the extent that MDAs were once ordered to open retail accounts with the Central Bank of Nigeria (Muo, 2003).

The entire banking system was turned 'upside down' as banks made efforts to comply with the new, strange regime. The new order also unleashed a competitive volcano within the industry especially, between the old and new generation banks. The process led to riotous competition and regulatory laxity as several initiatives were being introduced simultaneously. The operators allowed their greed to overrun their sense of judgment while people got to positions they were not qualified for because of the dearth of capable professionals and people were promoted beyond their competence. The Peter Principle was at work as managers were promoted to their level of incompetence or rather, beyond their level of competence (Peter, 2011). Policy summersaults and government indebtedness and interference in banking operations were also very prevalent and all this culminated in distress that ravaged the industry and the entire economy (Ebodaghe, 1996, NDIC, 2001, Fadiran, 2009). The process of managing the contagious distress led to a lot of regulatory interventions in form of hitherto unknown rules and actions especially by the NDIC, which itself was the outcome of SAP and allied developments. By the time the banking distress ended and the remaining banks tried to pick up the pieces of what was left of the industry, the problem of round-tripping and other unholy practices emerged. Round-tripping is an

unethical and indeed illegal process of sourcing foreign exchange at the official market for supposedly genuine transactions and then selling it at the parallel market at a very high premium. Again, another round of regulatory quick-fixes was introduced to contain the situation.

The next major regulatory intervention was unleashed in 2001 in the form of the universal banking policy which led to a wholesale reconfiguration and banks had to scramble to meet the new operational imperatives. Under this scenario, banks had the right to engage in all or some activities such as: normal banking activities (current, savings, and deposit accounts, cheque collection and payment, credit facilities and forex transaction) to be regulated by the CBN; clearing house activities to be regulated by Nigerian Interbank Clearing System and Nigerian Automated Clearing System; Capital Market Activities (issuing, underwriting and advisory services) to be regulated by Securities and Exchange Commission and the Nigerian Stock Exchange; and insurance activities (agency brokerage, underwriting; lost adjusting and reinsurance) to be regulated by National Insurance Commission. The Central Bank was the overall regulator. By this policy, the banks had actually become all things to all men and the pigeonholing of financial services into several compartments was abandoned and the financial supermarkets model became operative (Muo, 2012).

Of course, it must be agreed that the merchant banks had lobbied relentlessly to be allowed to access cheap retail deposits-just like the commercial banks and this clamour was satisfied by the Universal Banking framework. This was also in tandem with developments in the global banking industry. Banks had to brainstorm to conform to this regime and that was as they were just emerging from the tremor caused by distress and related problems. By this time, the classification of the banking industry had taken complicated and confusing dimensions as we had the old generation banks, new generation banks, millennium banks, (like Platinum and Reliance Banks), converted banks (like Intercontinental and Metropolitan banks), and resuscitated banks (like National and African Continental banks) (Muo, 2007).

Before the banks become fully attuned to the universal banking mode, the Soludo-led management emerged with the 13-point agenda, which included the thousand-fold increment in capital requirements (Soludo, 2004). This resulted in consolidation and the reduction in the number of banks from 89 to 25. While this was a strategic and comprehensive initiative to overhaul the Nigerian banking industry and equip it for the emerging challenges, it was still another regulatory tsunami inflicted on an industry that was just trying to settle down to the dictates of the recently introduced universal banking. Banks and bankers were once more thrown into incalculable confusion in an effort to meet another round of strange and hitherto unimaginable regulatory requirements.

Just as the banks were trying to settle down to the dictates of consolidation and at most expected further fine-tuning and smoothening of rough edges, Lamido Sanusi succeeded Soludo as the Governor of CBN. And within the first year of his tenor, the Nigerian banking industry suffered the greatest regulatory violence in its history. The board and management of 8 banks were dismissed with the CBN appointing interim board and management, injecting N620bn to support the banks (CBN, 2009). List of debtors of the affected banks was released; the police, Economic and Financial Crimes Commission and the courts were deployed in controversial efforts to recover the debts. The CBN also cancelled the Universal Banking programme and introduced a new banking model (CBN, 2010a). Thus, in a single reform package, the universal banking programme (2001) and consolidation programme (2004) were cancelled while narrow-banking option (separating retail from investment banking), modular design option (ensuring that separate businesses are conducted by separate vehicles) were simultaneously adopted. The Asset Management Company of Nigeria, a 'bad bank', was also established (FRN, 2010, Elueni, 2011, Iyatse, 2012).

This is also being done in an era of unparalleled uncertainty. While the previous programmes had clear directions and operators knew where they were heading to, the Sanusi era was initially characterized by the as-the-spirit-directs banking. Even the Federal Government did not know the direction of the CBN programmes and that was why the Ministry of Finance publicly demanded that the CBN should provide a blueprint (Ewulu, 2012). Owoh (2013) notes that there are no reform master plans or omnibus roadmap, while the reform targets benchmarks and the means/costs associated with them are not known with ad-hoc pronouncements the order of the day. It also appeared as if there was a deliberate policy to upturn all the policies of the previous CBN management. These include the uniform minimal capital base; the total organizational restructuring of CBN that increased operating departments to 25 barely a year after the predecessor had reduced them to 17; recalling of resident examiners and altering the guidelines for the registration of various classes of Bureau de Changes for forex businesses. There were other developments as new regulatory regimes were introduced. The tenure of bank CEOs were limited to 10 years, (Olajide and Fodeke, 2010), the tenure of board members and the ownership of foreign subsidiaries were also streamlined. These changes also had other impacts. The banks that had hitherto overran the West African banking environment and were making serious inroads into the rest of Africa had to suspend further foreign expansions, sell off existing ones or restructure the ownership and management models of these banks (CBN, 2012b). Other changes include the compulsory retirement of CEOs who had spent up to 10 years in office (this affected Zenith, UBA, and Skye banks), tenure limit of 12 years for non executive directors and compulsory replacement of external auditors after ten years. It should be noted that in

the last two cases, the CBN merely activated dormant provisions.

In the 13 months between August 2011 and September 2012, the Nigerian banks witnessed the following regulatory initiatives: the take-off of Islamic banking (Muo, 2011), the nationalization of three banks through a one-night bride banking operation (AMCON, 2011;Renaissance Capital, 2011), the introduction of cashless banking with several subsidiary guidelines (CBN, 2011a, CBN 2012a), the introduction of the sustainable banking principles (CBN 2012a), the cheque truncation programme (Muo, 2012), the operationalisation of the new banking model, the conclusion of the recent wave of M/As (CBN, 2011b), the commencement of the process to commercialse or sell the recently bridged/nationalized banks(Chike-Obi, 2012, AMCON, 2012), the adoption of IFRS, uniform year end (December) which were introduced earlier(CBN 2010b, Adam 2009), new policy on the recapitalization of foreign subsidiaries (CBN 2012c), and the suspension of credit facilities to AMCON debtors (CBN, 2012d). While these were going on, the banks were also initiating and executing their own change programmes in response to regulatory and competitive pressures, economic imperatives, the challenges of globalization, indescribable developments in technology and a lot of me-too, isomorphic changes.

Risks in the change management process

There are several risks inherent in the change management process of analyses, planning, launching, executing, and evaluating. The nature, scope and intensity of these risks depend on the type of change involved. These are: mergers and acquisitions, CEO succession , relocation, cultural renewal, automation, computerization or software upgrade and even transiting from a private to a public company or from a local to an international/global firm are different types of change that have the potential for different types and combinations of risks. At times, organizations are compelled to migrate to some regulatory regimes as have been the case of the Nigerian banking industry in the 27 years from 1986 (SAP) to 2013. Some of the specific and general risks include:

1. Collapse of the entire change project or failure to meet some of the critical objectives of, or the risk of not meeting the various implementation milestones.
2. Resistance to the change or resistance to the change agent. Resistance is an inevitable aspect of change management (Lewin, 1947). It is not necessarily negative (Hultman, 1978; Leigh, 1988) and is mostly caused by different perspectives between the initiators and other participants (Strebel, 1996 and Sopow, 2007) but some resistance to the change or even to the change initiator or agent may be such that it becomes a risk to the entire programme.
3. Operational risk: when the system, model or equipment used for the change is incompatible or unsuitable.
4. Succession Risk: at times, the change is all about leadership change or the leadership change becomes tangential to the main change agenda. In this case, there is the risk of choice of a wrong successor or defection of the selected successor, or his/her rejection by the key stakeholders.
5. Policy infidelity: this is the risk that the rules of the game are uncertain or are changed at the middle of the game, especially for imposed changes. There has been a lot of this in the Nigerian banking environment. Nigerian banks with foreign subsidiaries have had to suspend their foreign branch-out programmes or out rightly sell their foreign subsidiaries because of change of ownership, or change in policies. An example was when the CBN ordered the banks not to recapitalize their foreign subsidiaries with local resources.

The fate of 'troubled banks' in the recent Sanusi –led intervention is a quintessence of this risk. The CBN at various times declared that it would sell, nationalize, liquidate or recapitalize the banks thereby creating an air of unparalleled uncertainty. Eventually, the banks were given up to 30th of September 2011 to recapitalise. Two months before the dateline, precisely on 5th of August, 2011, the CBN moved against three of the banks and revoked their licenses for failing to sign Transaction Implementation Agreements which was interpreted as an evidence of non-commitment to the recapitalisation process. The license of the three banks AFRIBANK, Spring Bank and Bank PHB were revoked and the NDIC took over their affairs. Three bridge banks were established to take them over (Mainstreet Bank, Enterprise Bank and Keystone Bank) and the regulatory authority explained that this was so because no investors were interested in them, to protect depositors and avoid liquidation. Within 24 hours, the Asset Management Company of Nigeria took over the banks and appointed their board and management and injected further funds and thus they stood practically nationalized. Policy infidelity also exemplifies the risk of changes on the premises on which the change is based

1. There is also the risk of strategic conflict amongst the management staff. A perfect example was what occurred between the CEO and his immediate deputy in the then Assurance Bank. That was one of the reasons why the bank failed to survive the recapitalization programme. According to the bank's chairman, "the problem between the executive management was better packaged as a home movie to be appreciated. It was tough managing the MD and DMD due to personal differences and we didn't have the luxury of time to sack them and hire new ones, looking at the terminal date of the consolidation. The only mistake we made was investing in those people" (Ekeh, 2006). There were also cases of Afribank, Spring Bank and Bank PHB, part of the reasons adduced by the regulatory authorities for their failure and nationalization included lack of cohesion within the board, disagreement between

Table 3 .Change & corporate death in the Nigerian banking industry:1997-2012

	Distress	Soludo's Consolidation	Sanusi's Reforms
Number at the beginning	115	89	25
Number 'consumed'	26	54	4
Number surviving	89	25	21
NB		*14 failed outright *51 underwent M/A and lost their franchise *2 merged with new names	*Intercontinental, Oceanic & Finbank were acquired *Spring, Afribank and Bank PHB were nationalized *UBN survived

Derived from Chizea 2005 and Muo, 2006

management and board, between shareholders, board and management.

1. Corporate death or organizational disintegration. In the Nigerian banking industry, a lot of once thriving corporate entities have 'died' since the SAP induced distress to the present day. They were victims of change and change management. The number of banks in Nigeria fell from 115 (64 commercial and 51 merchant) in 1997 to 89 in 1998 (Chizea, 2005), In 2004, following the consolidation programme, the number of banks shrank from 89 to 25. Those that vanished outright (failed to survive in any form) were 14; 51 survived but lost their franchise to the voracious mergers and acquisitions of those days while 4 fused into two with new joint-names IBTC Chartered (IBTC and Chartered Bank) and Bank PHB(Platinum and Habib banks) (Muo, 2006).In the recent (Sanusi-era) changes, three banks were acquired; three were nationalized, and baptized. Union Bank managed to survive because of CBN injection of funds and core investors, and as at September 2013, Enterprise Bank is up for sale. These developments are captured in Table 3.

2. Culture shock: This risk occurs when organizations with contrary cultures merge and the resulting shock creates operational and interpersonal challenges which adversely affect the change outcomes. This is more obvious where there are come-one-come-all mergers (a merger of equals or near equals), as against where there is a senior partner (like when Diamond Bank acquired the then Lion Bank or First Bank acquired the then Merchant Banking Corporation). Unity Bank and UBA/Standard Trust mergers had serious culture issues because Unity Bank was an amalgam of 8 banks while UBA was a Davit-Goliath scenario.

4. Country Risks: this occurs when the change involves international operations as in the case of Nigeria where the banks suddenly overran the West-African sub-region and made significant inroads into Africa and the rest of the world. The Ghanaian government for instance asked all banks to recapitalize but imposed special conditions (amount and date) on foreign banks and almost all the foreign banks are Nigeria owned. Furthermore, almost all the regulatory authorities in the West African sub-region simultaneously asked the banks to increase their shareholders funds even when there were doubts as to whether the business environment justified such capital outlays.

5. Key-man risk this occurs due to the death, defection or loss of interest of the change-motivator.

6. Loss of reputation by managers. People who managed change and failed suffered reputational risks. Apati(2010) reefers to this when he noted that hired managers knew that they had a down side-damaged reputation if they ran their banks into the ground and were blacklisted. In a country where investigations into financial crimes were not always followed through, the judiciary was limited in its effectiveness and there was no system for credit referencing; most bankers knew that the only risks involved in looting a bank, in so far as you did that intelligently and did not leave too many footprints or audit trails, was a damaged reputation (Apati, 2010).

It is important to note that these risks are interrelated. The failure risk leads to reputational risks for the managers while most of the risks lead to the failure risk. The political risk is related to the strategic-conflict risk and when an organization disintegrates (corporate death), there is no way it could have achieved any of the goals of the change process (failure risk). Of course, the change risks are interrelated with the over-all business and special risks facing the banks. From the foregoing, a taxonomy of risks in the change management process can be derived as shown in Table 4

Managing risks

Risk management is a process that identifies loss exposures faced by organizations and selects the most appropriate technique for ameliorating such exposures. Some of these risks are not easily quantifiable while some may not be amenable to '1+1=2' kind of analyses and treatment. But even being aware of the dangers and taking necessary precautions are also appreciable outcomes of the risk management process .Managing change risks generally involves properly articulating and effectively executing the programme while evaluating the process and continuously

Table 4. Taxonomy of risks in the change management process

	Type of Risk	Description
1	Change failure	Collapse of the entire change project or failure to meet its critical objectives. this is the ultimate risk and the ultimate risks are actually contributory
2	Political	When the change process is overwhelmed by organizational politics; the risk that it becomes over-politicised
3	Resistance	Resistance is not always negative and it should be expected. This is the risk that resistance is so severe that it knocks-out the change process and the expected out comes
4	Culture-shock	The risk that cultures collide throws spanners in the change process. This is very prevalent in M/As or culture change programmes
5	Country	The risk that policies and rules in another country endangers the change. This arises when an change involves migration to another geo political environment
6	Succession	The risk of a failed succession, including the defection of a selected successor
7	Policy infidelity	The risk that the policies governing the change programme change at the middle of the programme
8	Strategic conflict	The risk that of conflict between top management as to objectives and strategies
9	Key-man Corporate death Operational	Death, defection, or loss of interest of the change motivator When an organization disintegrates in the process of change The risk that the model, method or equipment is inappropriate

Derived from Part 4

scanning the environment so as to take necessary actions as the case may be. It also involves two types of managerial activities: those taken before the change kicks off and those taken as the change progresses. In effect, proper analyses

Thorough analyses and planning

because change is not a tea party, every type of change should be preceded by a thorough and painstaking research, analysis and planning so that an appropriate baseline is established before the questions of 'where we should be and how do we get there' are addressed. The extant internal and external environment should be properly established so that whatever is being done or whatever options are being chosen would fit appropriately. It should be also obvious beyond doubt that the change is worth it and not because it catches the CEO's fancy, because it has worked elsewhere - isomorphic changes as conceptualized by DiMaggio and Powell (1983) or as a means of diverting attention from other pressing issues in the organization. The programme should also be properly articulated with broad ownership, so that there is consensus as to the objectives with clear strategies for their attainment, the outcomes are known with metrics of measuring the outcomes and knowing when the battle is over. There should also be a credible time schedule, the people in charge credibly empowered and known to be in charge and there should be a contingency plan so that a fall back option exists when all things refuse to be equal (Muo, 2013).

Effective management

The change process of analyses, choice and execution/evaluation must be effectively managed to ensure optimal outcomes. There are various models for ensuring successful change and transition management including Kotter's 8-point model (2007) of creating and communicating a sense of urgency, empowering, coalition building, creating short wins and institutionalization. Nadler and Tushman(1980) include the need for managing political dynamics and ensuring stability during change. 12 point guideline from Armstrong (2009) emphasises the need for leadership commitment, learning from failure, hard data and adequate communication. Luecke's 7 step process adds focusing on results and starting at the periphery and the need to monitor and adjust (Luecke, 2003). The emphasis here is that an effective analysis, planning and management of change, includes learning from the mistakes as the change is going on and ensures that the programme achieves a reasonable measure of success and avoids or minimizes the risk of change failure; the inability to meet all or the critical objectives of the programme. It also ameliorates other risks like operational, resistance and country risks.

Managing resistance

Change resistance should be anticipated and handled pre-emptively. Key stakeholders should be involved in the conceptualization and execution of the programme. The what, why, how and whom should be effectively communicated. Those who have the information and power to facilitate or thwart the process should be negotiated with, converted or neutralized. There should be equity in distributing the pains and gains of change. The restraining and sustaining forces should be ascertained and managed and the management should walk the talk. At times, the resistance is against the person managing the change process. This scenario occurs when his/her methodology is

not acceptable, data is manipulated, the expertise is questionable or is not clearly demonstrated, the process appears to be manipulated, or when the agent is isolated, self-centred or emotionally involved. To avoid or minimize resistance to the change agent, the agent should raise his level of acceptability; by getting more people involved, building a culture of trust, openness, and supportiveness, practicing respect for people, confronting all problems and exhibiting true expertise and independence.

Managing succession risks

Human capital issues are very difficult to manage in any change situation and many organizations have collapsed in the process of transiting from one leader to another (Charan, 2005). At times, organizations do not start early; some of their plans are derailed and the current CEO is suffering from Perpetuity Syndrome. To avoid these risks and crises, it is important to start early. Attention should be paid to key succession issues of selection, development and retention of good materials. The firm's culture and strategic direction should determine the managerial and professional qualities likely to lead to success in the future. Retention strategies are also critical because the potential successor may defect midstream, thereby putting the plan asunder. The potential successors should be confident and capable/willing to accept the task. There should be a contingency plan, and a formal framework: time frame for succession, skills for successors, list of potential internal and external candidates and the type of experiences that will test/develop future leaders (Cespedes and Galford, 2004). A policy of growing a large pool of leaders should be developed within the organization. This is necessary not only to develop potential CEOs but also to ensure that the CEO has the right crop of management staff to work with. Exit strategy should be worked out for the current leaders so that they willingly and genuinely participate in the succession process. It is important that the board has a well-articulated succession agenda, even when the incumbent CEO is seen as performing very well (Freeman, 2004).

Managing political risks

The change process provides a fertile ground for intense politicking because:

1. Those who introduced, championed or benefited from the exiting order may become defensive.
2. The objectives of the proposed reform and the means of achieving them have various options and thus involve multiple choices.
3. Selling the options and methods chosen is also political.

There are also some obvious concerns of all the key players and they - as much as they have the power - try to protect these concerns. They want to ensure that the change does not depreciate their comparative standing (power, influence, status, authority and perks of office). And that they receive an equitable share - if not more - of any resulting dividends, and that they avoid any consequential pain or receive as little of it as possible (Muo and Muo, 2007).

It is thus, obvious that the process, content and context of strategic change are political minefields with opportunities for politicking every inch of the way. It has also been established that strategic issue are usually settled on the basis of the existing power equations, rather than through objective, rational analyses. The responsibility of the person(s) in charge is to recognize the political actions and try to neutralize them or optimally manage them without rocking the boat.

Stakeholder mapping

One of the methods for coping with the political dynamics of strategic change management is stakeholders mapping. This is a process through which stakeholders expectations and power are identified and used to establish political priorities. In conducting this exercise, a careful judgment should be made as to the extent to which each stakeholder (individual or group) is interested in imposing its strategic expectations on the organization and whether it has the power to do so. This gives rise to the power/interest matrix shown in Figure 1. It has four categories of stakeholders. The power/interest equation helps in determining the level and direction of political manoeuvres needed to ensure successful strategic change.

- **A:** Those who have little power and little interest. These do not pose much threat and require minimal effort from the management.
- **B:** Those who have a high level of interest but unfortunately have no power to back their interest. This group needs to be kept informed of happenings in the firm and they may be co-opted to work for the success of the new strategy.
- **C:** These are very powerful but have a low level of interest. It is important to keep this group satisfied and to ensure that they do not migrate to group D.
- **D:** These are people who have the interest and the power. They are the key players and key focus of political attention.

To make the best use of the power/interest matrix, it is advisable to develop the matrix as it is and then design the matrix as it should be (so as to favour the new order). Action should be initiated to lead to the emergence of the desired matrix through lobbying, education and realignment. It may be necessary to take steps to keep some people in their current segment, to reposition some stakeholders to another segment, and to prevent others from migrating to another segment. It may be also necessary to alter the interest or the power level of a given group of stakeholders. The importance of the matrix is that

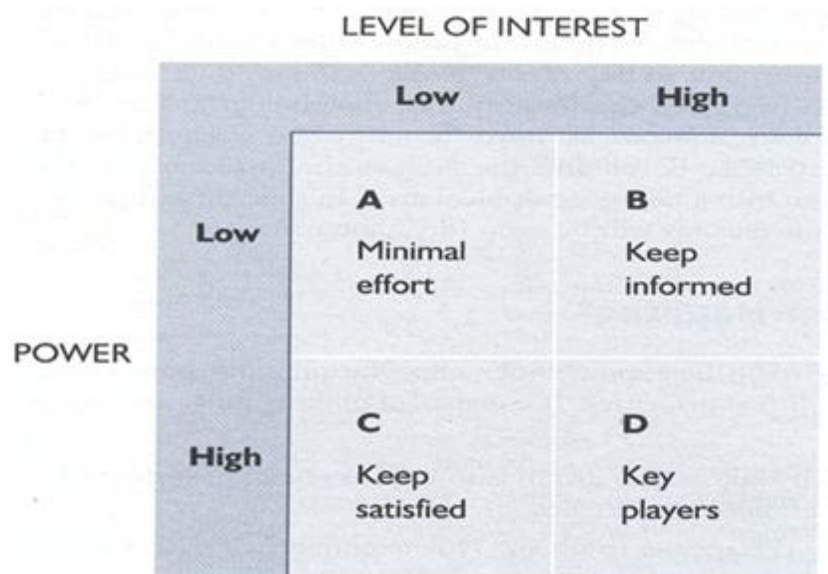

Figure 1: The Power/Interest Matrix
Source: Johnson, G; Scholes, K & Whittington, R[2008] Exploring Corporate Strategy; Texts & Cases Harlow, England; Prentice Hall/Financial Times

it adopts a stakeholders' approach (internal and external) and gives the leaders a holistic framework for managing the political dimensions of strategic change.

Other approaches to strategic politics

The political dimensions of strategic change management vary because the circumstances and the operators are different. But it is obvious that these three tactics can be universally applied: identifying potential and influential supporters and persuading them to support the new strategy. Seeking potential opposition and attempting to convert or neutralize them and building maximum consensus for the new proposals, preferably prior to any formal meeting to discuss the issue. Other specific steps to manage the political dynamics of change include: ensuring or developing the support of key power groups, using leader behaviour (modelling), symbols and language to generate support for the proposed change, building some stability by using power so that certain things remain the same to avoid anarchy. Political skills and resources that are critical to change management include negotiation, influencing, mobilizing support and bias, use of emotion, ceremony and rituals, professional mystery while formal authority, control of resources, information, and access to symbols (Burns, 2000; Carnall, 1995).

Change management, risks and strategic control

Change management is a strategic issue and need to be handled like other strategic processes. While operational controls are mostly post-action, strategies have long gestation periods and as such, it becomes impracticable to wait till the end of the cycle - if it ever ends - before initiating controls. During the life-time of any given strategy, a lot of changes occur in the internal and external environments that may alter the fundamental structure and thrusts of the strategy. An aspect of managing the risks of change involves taking actions as the change is in progress and this is the essence of strategic control.

Strategic control is concerned with tracking strategy as it is being implemented, detecting problem or changes in the underlying premises and making necessary adjustments (Pearce and Robinson, 2003). As the strategy is being implemented, management always seeks to answer two critical questions:-Are we moving in the right direction? (are the underlying assumptions realistic, are critical success factors working out; should we readjust the strategy or abort it altogether?) .And how well are we doing? (are objectives, schedules, budgets and milestones being met or are they in disarray?).

In constantly seeking answers to these questions, four overall methods are used in the process of strategic control and these are:

Premise control

Every strategy (just like change programmes) is based on some premises and there is need to confirm that these premises are still valid, relevant and realistic. The essence of premise control is to track the premises, finds out which has changed and to what extent and decide the overall fate of the strategy on that basis. Premises are usually made on the areas of environment and industry and since it is

cumbersome to monitor all these premises, it becomes imperative to concentrate on those that are likely to change and those that would have significant impact on the firm's strategy. Premise controls are focused - the firm knows what it is looking for and where to look for them.

Strategic surveillance

This is unfocused and is designed to monitor a broad range of events in the external and internal environments that may affect the firm's strategy. It is a continuous, loose, environmental scanning - trying to fish out any unanticipated information that may alter the course of the strategy significantly or not. Reading business journals, government official pronouncements and international events are likely sources of gathering information for the surveillance.

Special alert control

This is a thorough and rapid reconsideration of firm's strategy because of sudden, unexpected dramatic and traumatic event as it happened when the CBN announced the N25bn minimum capital base for banks in 2004, the announcement of UBA/STB merger plans in 2005 or the dismissal of the management and board of 8 banks in 2008.

Implementation control

As strategy is being implemented, projects, and programmes are being executed; schedules and milestones are established; while management changes may occur. Implementation control occurs as strategy is being implemented, to determine whether the whole strategy would be readjusted in view of the various incremental actions being taken in its implementation. This is usually accomplished through monitoring strategic thrusts or projects, milestones and the usual operational controls which have been discussed earlier.

These aspects of strategic controls help to monitor the change process and ensure that risks are minimized by anticipating new developments and being proactive at the sped of thought to those changes that could not be anticipated.

Conclusion

Change is a constant and risk-prone event. The commonest of all risks is failure to meet the objectives of the change while greatest risk is the company disintegrating while trying to change. Most of the issues discussed herein are aimed at minimizing - not eliminating - the risks and their consequences. The greatest factor of the entire x factor - is the human factor. The extents to which the risks are mitigated by these remedies depend on the people involved, their sincerity and commitment and their openness to other parties to the change process. There is also the issue of what the leader says and what he actually does as regards the change process.

Undertaking a thorough analysis and using it as the basis for the change is a critical factor. Being realistic, observant, flexible, sincere and operating as a team are also very imperative if the risks of change management are to be minimized. Thorough study will for instance minimize the culture shock arising from mergers; being observant leads to awareness of changes in the horizon (including policy changes) and flexibility enables the organisation to respond quickly to those changes. Sincerity ensures that people trust the change managers and that no contradictory knowledge would emerge that would make people withdraw their support or become lukewarm. Furthermore, change must have definite duration and should be reviewed as the days go by, so as not to lead to never-ending changes, where changes continue and people no longer understand the beginning, the route or the destination. This is a dangerous form of organisities called changenities. Key-man Insurance takes care of situations where a critical factor in the change process - agent, motivator, successor, or even a supplier - dies, or defects. Other insurance packages may also be used to minimize other change risks.

Finally, change takes place within organizations, which consist of human beings (as individuals or groups) structure, processes and the environment. The most important of these elements is the human element, not processes and technologies. It is therefore imperative for change management practitioners to take an organisational-behaviour perspective and not be limited to figures alone.

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