

## Evolution and Innovation Regarding the Firms Using E-Banking

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**Abstract:** Evolution is undeniable. Nothing is continuous but the evolution. Evolution should be controlled exactly. Companies have to be careful about applying evolutions whenever it is necessary. Evolution is a continuous phenomenon. Evolution can help firms remain static. The major environmental forces, which make the evolution necessary evolution is necessary due to some factors like: technology, market forces and socio-economic factors. Managers must evolve policies to affect evolution. Internet technology is rapidly changing the way personal financial services are being designed and delivered. Hence, banks have found themselves at the forefront of technology adoption for the past three decades

**Keywords:** Evolution, Innovation, Electronic Banking.

### I. Introduction

Attempts made to cause evolution in organizations are largely unsuccessful. Evolution is complex and multidimensional and failure can take place at many levels. Evolution factors can lead to downfall due to a lack of communication and the mismanagement of employee trust or by trying to undertake too much evolution at once. However, most evolution efforts are unsuccessful due to active or passive resistance of those within the organization. People resist evolution for various reasons. Employees may actively collaborate against evolution because they think they have no stake in the evolution process, do not want to take on the increased work evolution creates, are worried about their lack of required skills to achieve progress in the organization after inflicting the evolution, or are worried they might lose their jobs. Evolution is the elimination of the existing situation causing employees, individuals and groups to lose their power in an organization. These employees will oppose evolution to ensure they keep their power.

Today, technology is basically re-aligning business relationships between banks and their customers. Competitive contention in payment innovations shifts from single delivery channel to integrated delivery channels (Figure 1), because consumers no longer express the preference to any single channel. As banks encounter new challenges in the electronic payment (e-payment) world, they are required to leverage their information technology (IT) strategy to be consistent with business strategy. The traditional strategy of banks in the payment innovations is competitive strategy mainly attempting to be competitive with based on size. Banks which take privilege of extensive branch networks capture more customers than those with fewer branches. Nowadays, the Internet and the World Wide Web significantly have affected the way banks doing the business. The traditional brick and mortar banks are trying to form integrated delivery channels and to adopt the click strategy. The shifting area of electronic payments forces banks to evolution their strategies to a collaborative and integrated strategy in a way that meet e-payment demands. Banks faced competitive pressures which forced them to conduct their branch network system towards the development of integrated service channels (from single channels to an integrated one), because the competitive alternatives in the bank's payment transmission system (for instance, Internet, mobile phones) indicate banks are not able to use a network for clearing and settlements to get competitive advantages. In summary, as banks have found the significance of control over the payment networks, they have market power, and accordingly, competitive advantage over other competitors (8).



Figure 1: Integrated delivery channels

## **II. The Characteristics of Organizational Evolution**

Due to the complexity of organizational evolution, it is not only difficult to define it but also to describe its characteristics. Thus it has been questioned which features of the process should be more stressed and which ones of them play a bigger role in it. One of them has asked whether evolution should be seen as a continuous process or can it be better described by episodic evolutions that follow one another after small breaks of adoption? Van de Ven and Pool have suggested one of the most basic dissimilarities between the two. That is to say, they argue that in case of the episodic evolution one observes a difference over time in an organizational entity on a selected dimension while continuous evolution describes a sequence of events on how development and evolution unfold. They say: "From a distance, when observers examine the flow of events that constitute organizing, they see what looks like repetitive action, routine, and inertia dotted with occasional episodes of rare evolution. But a view from closer in suggests ongoing adaptation and adjustment. Although these adjustments may be small, they also tend to be frequent and continuous across a unit which means they are capable of altering structure and strategy." Hence, episodic evolution is something infrequent, discontinuous and intentional, one might even say radical. It mainly occurs in distinct periods during which shifts are brought on by relevant external events (e.g. technological evolution) or rarely occurring internal evolution (e.g. evolution in key personnel). Continuous evolution on the other hand is illustrated by ongoing, evolving and cumulative events where small perpetual adjustments can pile up and lead to substantial evolutions (7).

## **III. Competitive Environment, Technology and Organizational Evolution**

An organization is often interpreted as a configuration of different characteristics. Numerous dimensions of external context (such as environments, industries and technologies) and internal organizational characteristics (such as strategies, structures, cultures, processes, practices and outcomes) have been said to cluster into configurations. Organizational configurations are sets of organizations that share a common profile with respect to key characteristics such as strategy, structure and the decision making process. In the changing environment, markets have become more competitive, mainly in respect to an increased level of quality and competitively priced products. Organization may respond to these evolutions by reorganizing their work processes through adopting organizational design and strategy that have stronger customer orientation. In order to compete, many organizations made considerable investments in advanced manufacturing technology such as computer-integrated manufacturing and just in time systems, which in turn can increase quality, productivity and flexibility as well as reduce cost. The institutional approach to organizational evolution suggests that organizational structures affect an organization's learning strategy and ability to adapt to evolutions in the external environment. It suggests that the organization structural arrangement can successfully evolve if they implement either incremental or radical adaptive strategic evolution. Theorists of rare evolution have advocated that all organizational elements such as strategy, structures, people, systems, and culture, have to be evolution simultaneously to achieve maximum organizational alignment and effectiveness (6).

## **IV. Evolution Process**

Kurt Lewin<sup>2</sup> proposed Three Stage Model of the evolution process for moving the organization from present position to the evolution position. This is as under:

**Stage 1:** Unfreezing: Creating motivation and readiness to evolution through

(a) Disconfirmation or lack of confirmation. (b) Creation of guilt or anxiety. (c) Ensure subordinates of psychological safety.

**Stage 2:** Changing through cognitive restructuring: Helping the client to see things, judge things, feel things differently based on new point of view obtained through.

(a) Identifying with a new role model, mentor, etc. (b) Scanning the environment for new relevant information.

**Stage 3:** Refreezing: Helping the client to integrate the new point of view into

(a) The total personality and self – concept. (b) Significant relationship (3).

## **V. Types Of Evolution**

(1) Strategic Evolution: Strategic evolution requires when mission is evolutioned. A single mission of defence forces participating under UNO banner may require evolutions in use of weapon system, co-operation at international level, serving under a person not of an origin and the very thought of employing various strategic and tactical doctrines. The multinational companies have to adapt to the culture of the nation where they are providing product and services. Various cultural factors have to be considered in this regard. This is generally carried out as 'planned evolution'.

(2) Structural Evolution: Decentralization of authority and introducing flatter organizational structure enable employee to experience a sense of autonomy in work environment. Decentralization leads to empowerment of lower level employees to take appropriate decisions pertaining to their job parameters. It has major impact on the social climate of the organization on one hand and development of team spirit on the other. Structural evolutions promote acquisition of new skills and improves ability of subordinates to take on the spot decisions even in critical situation.

(3) Process-oriented Evolution: Process evolutions are necessary to keep pace with the development in technology, automation, information technology, free market environment and availability of trained manpower. The organization must take advantages of these processes. This however needs heavy investment and entails various operational evolutions but cuts down time and energy. This would bring about evolution in work environment, organizational culture and modify behavior pattern of employees.

(4) Cultural Evolution: Due to electrifying evolutions in communication, an individual is exposed to social evolutions. This has necessitated to introduce a right culture in the organization. It is the responsibility of the top management to ensure proper organizational

Philosophy, instill culture and value system among employees and practice ethical approach in business. These are important inputs for improved performance, group cohesion, devotion to duty and for development of 'we' feeling in the organization. This can be achieved by close interaction, training in behavioural sciences and building a sense of belonging to the organization. These evolutions are people – oriented and therefore have to be continuous for achievement of organizational mission (8).

## **VI. Evolution Agents**

Evolution agents are factors that are responsible for the evolution in individual behavior. Other evolutions like evolution in organization structure, organizational strategy, process, policy and the like can always be introduced in the organization with proper consultations of the employees so that they are accepted by them. Evolution in human behaviour is a complex phenomenon that may require a number of strategies to make desirable evolution. These are called evolution agents. They may either be initiator of evolution or serve as catalysts for such evolution. Four types of evolution agents have been identified.

(a) Outside Pressures: External environment like fiscal policy, government policy, technology and social evolution bring evolution into the organization. Evolution is generally executed by the organizations itself. Government may also indulge and help organizations to adopt to new policy like controlling strike in the organizations.

(b) Evolutions form Top Management: The organizational evolution may come from the top management. It may be in the form of structural, strategic or institutions evolutions that may be beneficial to the organization with particular reference to employees.

(c) Internal Organizational Development: Organizational objectives must be reviewed from time to time. This is necessitated because of the environmental evolutions. Areas where organizational development can be carried out are work design, delegation of authority, team building, empowerment, autonomy, job enrichment, job rotation etc.

(d) Individual level Evolution: Individual level evolution refers to evolution in attitude, skills and behavior. Management by objective (MBO) encompasses self-decision making, setting objective for self, evaluating whether those have been met and resultant modification to work. If such development processes are introduced, individuals are likely to be more responsible and accountable for the work they are assigned. It is therefore necessary to introduce development processes / models in the organization (8).

**Evolution management:** Evolution and its management in organizations are a key theme and topic for discussion among managers everywhere. Rapid evolutions are taking place in the information environment. The fast changing world we live in is not only creating exciting opportunities and developments but is also causing widespread uncertainty, and often concern. Our era is a period of evolution. This is not unusual in the history of mankind. What perhaps is different this time is that evolution shall be managed. The management of evolution before and during the implementation of ICT is a complementary activity that has generally been overlooked in the ICT payoff Evaluating ICT investment initiatives.

The banks need to have evolution management as a key component of their business strategy because they would need to implement considerable organizational evolutions in order to web-enable themselves. Organizations should handle undeniable evolution, and it is suggested that by having a flexible curriculum in support of an action plan, the evolution transformation with a favorable outcome can be guided. In order to optimize the evolution transformation process, the objective is to minimize discomfort, deal with stress, anxiety and fear as well as maximize the confidence of those involved, all to support the sentiments that their efforts will make a difference. To maximize the opportunity for success, it is recommended that the action plan start with a valid understanding of evolution and the need for the enterprise to confront it. Furthermore, high-tech

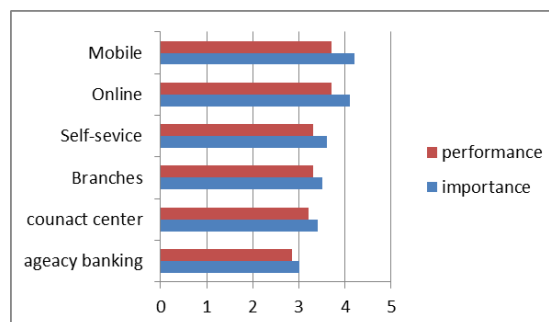
multi-media and virtual reality has arrived, compelling economists, politicians, lawyers, bankers, engineers, and scientists to rethink and re-engineer work methods policies, laws, and standards. Information institutions need to create the appropriate environment for evolution to occur. Since evolution is a natural phenomenon and indispensable for organizational survival and progress, traditional work styles may have to give way to new ones that positively impact on effective information service delivery (1).

### VII. Innovative Evolutions In E-Banking Technology

The adoption of Information Technology (IT) practices into banking sectors provided enhancement opportunity for the banking institutions. IT infrastructure facilitates faster and convenient banking services and has led to increase in overall efficiencies. The Innovative evolutions from IT infrastructure stimulated economic growth and has motivated banking sectors to invest on the technology in other to maximizing banking returns and attracts more customers through integration of efficient and convenient services. Computer-aided IT services have mark tremendous advances as its relevant extends to other economic sector. In addition, broad internet access complements e-banking through uninterrupted networks services to e-banking customers at various locations. IT technological advances rapidly evolutions as more discoveries are made on its compatibility and convenience in conducting e-banking transaction however; competencies on e-banking computer skill are not meeting with the fast innovative advances on electronic-base services of e-banking. E-banking services vary among banks and depend on the provision of banking products and services as well as electronic payment and other wholesale banking services that are delivered through the electronic channel. Innovations advances in IT offer significant benefits for both e-banking customers at reduce cost and provide customers with suitable and faster transactions medium consequently, provision of alternative banking channels opens banking services to additional risks. Innovation in e-banking services has improved banking operation and management practices and aided banking transaction at remote location in Iran. The innovation evolutions has increases banks' profits through the adoption of efficient banking services and provides additional convenient banking transaction channel among commercial banking sectors in Iran (4).

**Focus on channel innovation:** We have already noted that more banks are increasing their level of investment in channel innovation than in any other area, except for customer service and experience which is on a similar level. Banks also rate their innovation performance in channels to be higher than in any other area.

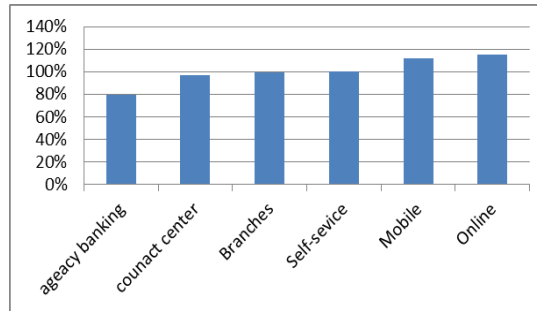
**Figure 2** shows how banks rate the importance of innovation in six different channels, and also their innovation performance in those channels. It is clear that mobile and online are the most important channels for innovation and this is also where the performance is highest. Self-service comes behind mobile and online, and branches are only fourth ranked on this list (2). On a scale of 1 to 5, where 5 is very high



**Figure 2:** Importance of Innovation and Performance by Channel (Source: Infosys – Efma Innovation Survey 2012)

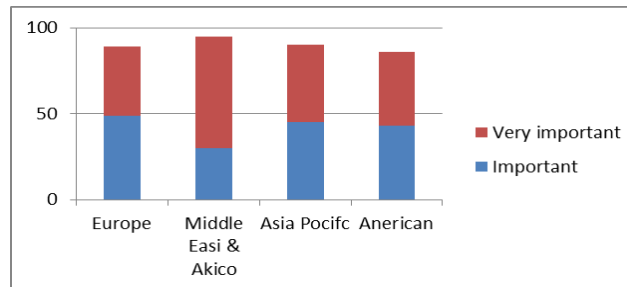
Expressing the channel innovation performance as an index (see Figure 15) shows that innovation performance in the online channel is the strongest, slightly ahead of the mobile channel. Branches are marginally below the average but still ahead of contact centers and agency banking.

Figure 3: Channel Innovation Index



**Figure 3:** The Index is based on the average innovation performance score for all channels equal to 100% (Source: Infosys -Efma Innovation Survey 2012)

**The Role of IT in Channel Innovation:** We asked banks how important IT was for channel innovation and on average across the four regions 87% said it was important or very important. The importance was recognized in all four regions although the region where it was seen to be the most important was the Middle East & Africa (see Figure 4).



**Figure 4:** Importance of IT For Channel Innovation Proportion of banks saying IT is important or very important for channel innovation (Source: Infosys – Efma Innovation Survey 2012)

Technology is typically an important building block in any channel innovation. However, it is not the technology itself but how it is used and how it helps the bank to meet customer needs that is crucial if an innovation is to be successful (1).

### VIII. Conclusion

Evolution is a continuous phenomenon. It is necessary due to external forces like technology, systems, and social evolutions interacting with the internal variables of the organization. To implement evolution Kurt Lewin’s model of unfreezing the situation, implementing an evolution and refreezing must be implemented. Individual, group and organizational evolutions takes place continuously. Individual evolution refers to evolution in attitude, perception and also acquiring new skills to cope up with external environment. Group is the important unit of organization. In the present scenario group undertakes work. It is successfully completed because of group norms and groupthink. Organizational level evolutions can be implemented by clearly defining objectives and plans for evolution. Driving forces and restraining forces must be evaluated while implementing evolution. Evolution is structured when planned and unstructured when evolution is implemented as a reaction to some situation. There is great resistance to evolution because of the fear of unknown. Workers in the organization therefore must be educated, trained, made party to evolution and benefit of evolution must be divided between the employees and the organization. It is handling of employee emotions and making them psychologically ready to implement evolution that will ultimately work. The fear must be removed from the minds of people. Evolution must be taken in the positive manner for the growth of the organization. It is difficult to predict which strategy will succeed in implementing the evolution. Efficient communication, educating the people about impending evolution, participation, and active involvement and last but not the least sharing benefits of evolution with people is the essential requirement for overcoming resistance to evolution. For successful E-banking, the people should use its services. This usage is related to their acceptance and attitude about E-banking and its advantages. We suggest three categories of factors that should be considered in developing E-banking in relation with evolution management. On the other hand, the banks perspectives to use electronic systems was intend to facilitate their tasks and satisfying the organizations need while they should use the systems for satisfying the customers need. Finally, the new modern technology is only a facilitator, not an alternative for leadership in the organization and it’s not the technology that gives a company a Competitive Advantage; it’s the way that people use the technology that makes the difference.

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