

Brexit and Change Management : A Case Study of the Royal Bank of Scotland

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Abstract. Change is a sure thing to happen in company management, both because of internal factors and external factors. The Brexit decision taken by the UK certainly has an impact on the economic sector, including the banking sector which has long been the mainstay of this commonwealth country. In analyzing strategic change management, the author takes the Royal Bank of Scotland (RBS) as the object of study, where this case study is analyzed through the change model from John Kotter. The change management adopted by RBS in the face of Brexit is illustrated through eight stages of change according to what John Kotter described.

Keyword. change management; kotter's eight-step change model: royal bank of scotland

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INTRODUCTION

The United Kingdom (UK) has started a new era of its relationship with the European Union (EU) after officially leaving the EU, this is done after several years earlier having decided to take Brexit. By the turn of 2020 to 2021, the UK has officially stopped following EU rules, and is turning to alternate arrangements for matters such as travel, trade, immigration and security cooperation. It's true that Brexit created a number of uncertainties, and now the UK has started from a very blank sheet of paper (Nasir & Morgan, 2018). So that Brexit is a very bold step taken by the British government considering the huge impact on the survival of their economy.

The impact that has been felt, for example, after the Brexit referendum was seen, the world financial markets were shaken. Brexit threatens global growth with the decline in the composite stock index that occurs in almost all the countries involved (Chen et al., 2017). But this did not last long, this stock index showed its revival again seen the stock market began to show its affection again. The impact of Brexit was seen from the global economic slowdown, where there was a slowdown in growth in developed countries (International Monetary Fund, 2016). Of course, even now, the impact of the Brexit phenomenon is still ongoing.

The government is aware of some disturbances in this new era. This happened because the new rules came into effect and British companies that had trade partnerships with European countries implemented the changes. Meanwhile, there is no certainty about what will happen to the world of banking and service businesses, which are a major part of the UK economy. However, significant changes have taken place, whether in trade, travel, security or immigration. This paper tries to analyze the management of strategic changes carried out by the banking sector in dealing with the impact of Brexit, and the Royal Bank of Scotland (RBS) is taken as the object of discussion.

METHOD

This paper is a type of qualitative descriptive research with a case study approach, the case study method allows researchers to remain holistic and significant. This research concentrates intensively on one particular object, namely the Royal Bank of Scotland (RBS). Researchers try to analyze the strategic change management carried out by RBS towards Brexit with the John Kotter change model. Furthermore, to obtain a more comprehensive analysis result, secondary data from journals, books, reports, news articles, and other sources that can be accounted for are used to support the analysis results.

RESULTS AND DISCUSSION

In the organization, change is something that must happen both planned and unplanned. Each in the organisation of both the manager and the employee must be prepared to overcome to the modification because change can determine the future direction of a group. Langton & Robbins (2007) just interpret the changes as “making things happen”. A more complex opinions proposed by Kanter (1992), he argued that changes is a crystallization process that requires steps that are full of prudence, namely by generating new possibilities (new methodology, new policies, new patterns, new behavior, new products and new ideas) based on the main strategies that are owned by the institution. Construction involves the design changes and new patterns, or reconceptualization of the old form becomes higher, and hope the measures taken is capable of resulting in a more productive work than ever before. Furthermore, according to Sonnenberg (2012), change is one of the indicators of success because a change occurs every day, thus running a business in a way that mediocre is the starting point of failure. Therefore, to avoid such thing as failure, an organisation obliged to anticipate change and can manage well.

A reaction to the need for change can come from anywhere, as happened recently in the United Kingdom (UK) that is Britain Exit or better known as Brexit. As much as 52% of UK society stated his desire to get out of the European Union (EU), while it does not lose much as much as 48% of people in the UK choose to remain in the arms of the EU (Kirk et al., 2017). Since June 2016 to hold a referendum, the UK officially declared attitude to leave of the EU. Therefore, it is a great challenge for the UK government to manage their country towards a more prosperous. However, there are significant consequences that Britain should pay to accommodate their independence, especially in businesses and financial market in global.

A lot of companies and economists are concerned about the impact caused by Brexit, and the banking sector is the most affected parties (Rodionova, 2016). From many of native UK banks, Royal Bank of Scotland (RBS) is one that is forecast to difficulties facing Brexit, like (Brinded, 2016) said that RBS would likely suffer the most because of Brexit. Expert opinions cannot be used as a reference for determining that a company will fail in the face of turbulent change. However, it depends on how the manager and employee ready to handle these changes carefully, so that they can escape from the threat of Brexit.

RBS is one of the renowned banks in the UK. Through to their four subsidiaries (Royal Bank of Scotland, NatWest, Coutts, and Ulster Bank), they provide a broad range of services and products to many sectors. Moreover, RBS's mission is to become the number one banking institution in the UK (look to figure 1) and to achieve the target, RBS divide it into three phases (look to figure 1).

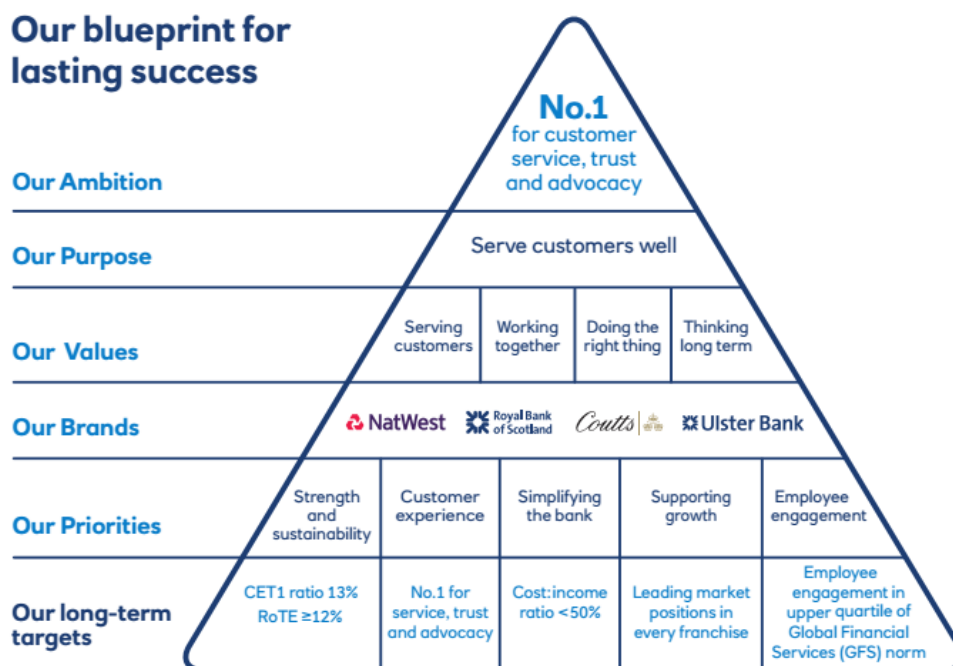


Figure 1. RBS's Goal

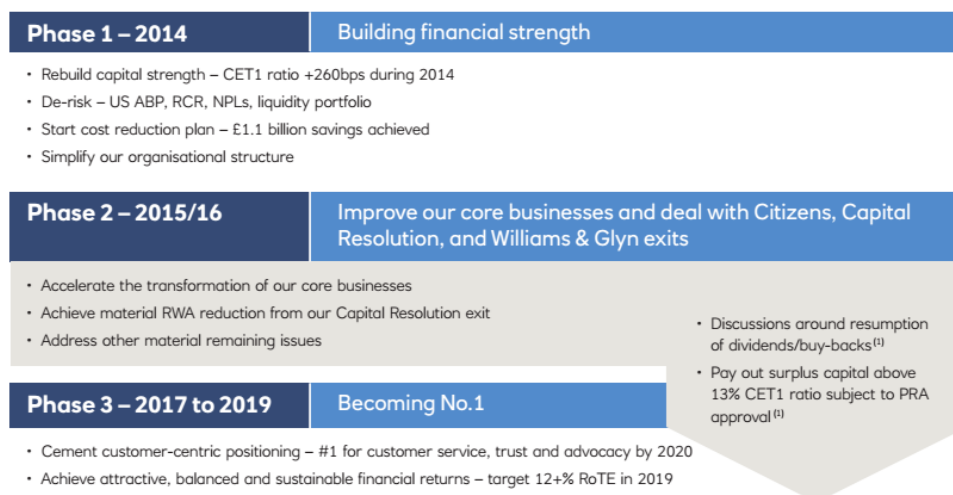


Figure 2. RBS's Strategy

In 2015 performance (Royal Bank of Scotland, 2016), before Brexit, RBS reported a loss to shareholders of £ 1,979 million, and that number is much less than the losses in the previous year of £ 3,470. However, RBS continued to strengthen and reshape the balance of trade by building a strong track record of delivery, the fact they managed to reduce risk-weighted assets (RWAs) as much as 32%, or £ 113 billion. Moreover, adjusted operating profit recorded by the UK Personal & Business Banking (UK PBB) amounted to £ 2,169 million. From the mortgage, sector managed to reap a net gain in the number of £ 9.3 billion, the best performance since 2009. RBS Adjusted operating fee, which is 3% lower, while credit quality remains sound, with the release of a decrease in net simple. Thus, 2015 was the best performance compared to the previous years.

In his attempt to make the RBS as the number one bank in the UK with other competitors in the global competition. The management is certainly aware of the impact that would be caused by Brexit. They should develop a change management strategy that has

been designed in a “blueprint” could be achieved in agreement with the target of a predetermined time. The first step is to measure the agency's performance by using SWOT (Strengths, Weakness, Opportunity, and Threat) analysis, strengths and weakness are the internal factors while opportunity and threat are the external factors. Thus, the SWOT analysis is a very useful measurement tool to determine the extent of the company's strategy will work on a competitive basis.

Table 1. SWOT Analysis

Internal	Strengths	Weaknesses
	<ul style="list-style-type: none"> ● owned by British Government, ● the well-developed company, ● a worldwide company, ● sustainably applies, ● has many subsidiaries ● over 33 million customers, ● 92,400 global employees, ● assets around \$1,635.93 billion 	<ul style="list-style-type: none"> ● 2008 financial collapse, ● A big loose in two past year
External	Opportunities	Threats
	<ul style="list-style-type: none"> ● Informational technology, ● meet new external challenges, ● community relations, ● partnerships and collaborations 	<ul style="list-style-type: none"> ● Brexit ● competing for financial services, ● natural disasters

Source: Processed by the author (2017)

The RBS is a financial institution that has existed and survived for several dozen decades since its founding; it proved its ability to withstand all kinds of difficulties and stay in business corridor amid global competition. They have had some four subsidiary companies renowned four (Royal Bank of Scotland, NatWest, Coutts, and Ulster Bank), and much more are also equally engaged in financial. Moreover, they already have tens of millions of customers spread throughout the world and centred in the UK. Also, the number of employees had already reached tens of thousands which mean fewer have contributed in reducing the unemployment rate in the world. Based on the information author got on the site advisoryhq.com, the amount of assets owned by RBS so far is \$ 1,635.93 billion, and it put him in the third place behind HSBC and Barclays banks in the 2016's. Thus, overall the RBS is a bank that has access widely, and it is very realistic when they put the targets in 2020 as the number one leading bank in the UK.

The company realised that the crisis that swept in in 2008 had damaged his reputation in the eyes of consumers. However, the RBS Group indirectly discouraged, but still fight for the sustainability of the company by creating a new strategic plan to continue the company's ideals. Corporations realise that to regain the trust and respect back from the people is not easy. Therefore, RBS apply many different tactics of sustainability regarding environment,

justice banking, enterprise support, employee involvement, security and privacy of consumers. Suffered losses in recent years in a row are also bad for RBS in the face of the shareholders. Therefore, this becomes a huge chore for RBS to restore his good name in front of shareholders and customers.

The using of the Internet and social media as a promotional tool to bring a positive impression of the company's trademark. They managed to convey a new image to the public that RBS is the company to contribute to environmental sustainability by reducing the use of energy and carbon. Thus it is a step forward for RBS itself. And as a global company that is spread all over the world, of course, RBS keen to establish cooperation and build partner with local Vendor, as he had done with the Bank of China in 2005. It was able to strengthen the position of RBS in the domestic market.

The impact and threat of Brexit have front-face, political and economic change can happen dramatically (Hall, 2022). Accuracy and precision of the decision makers in the companies imperative to be able to keep the RBS remain in the corridors. Although become one of the banks that owned by the British government, a healthy competition still takes place. In the UK, RBS will compete with some other reputable companies such as HSBC, Barclays, TSB, Santander, Nationwide, and so forth. Finally, natural disasters can also be a factor in unexpected ways.

Nevertheless, Brexit is not the end of the cooperation between the UK and the EU. The British government is still able to access the EU market, but it depends on the model of trade association relationship that will be taken by the UK. Several types available include the Norway model, the Switzerland model, the South Korea model, the Turkey model, the Canada model, or the WTO model (Foster, 2016). Taking views of a wide range of possibilities, it seems that the last option that is the WTO model will be the selection of the UK policy makers. According to a successful escape from the EU, the UK hopes to be able to determine its strategic economic direction without any external intervention and the burden of rules that harm the state. Even so, it is possible for the UK to choose one of the other options, and it depends on how the decision-making process in parliament.

Implement change in a company is much more complicated than applying them in government institutions. Many companies fail when trying to make changes, and many of it happens because of the lack of adequate preparation such as readiness of workers. Moreover, a change management model is needed to understand a manager took steps to be taken in the face of change. There is a type of change management that developed by John Kotter, a Professor at the Harvard Business School, namely Kotter's 8-step change model. In this example, he voiced the eight steps to be taken in the shift management process; "raise awareness of the importance of the modification; forming a team of change; developing the organization's goals; communicating the vision changes to each line; empowering employees; generate short-term wins; announces profits and create more innovation; and cultivate change" (Kotter, 2007). These steps are illustrated in Figure 2.3 below:

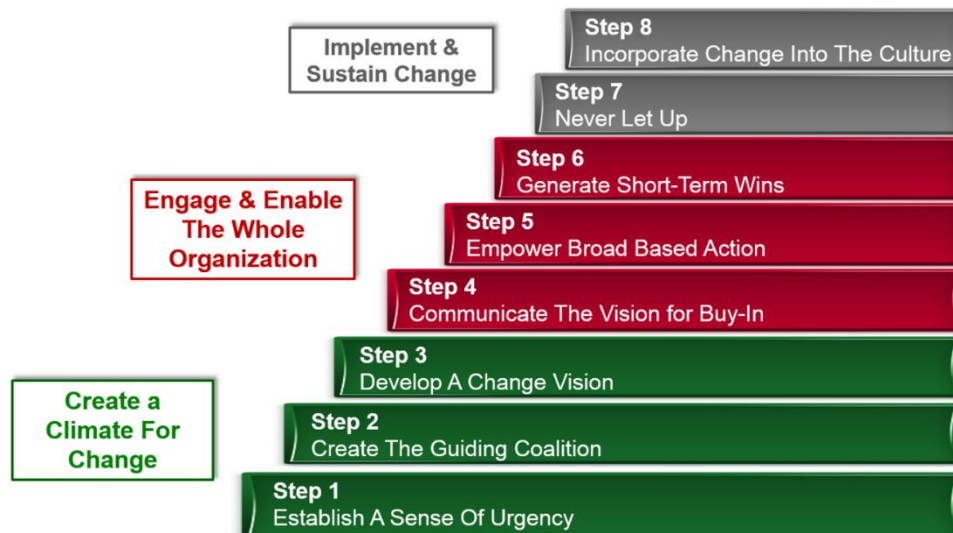


Figure 3. Kotter's 8-step change model

Not everyone can provide a solution to a problem, but almost everybody can feel a problem and the possible impact that will be caused. Therefore in the first three steps are necessary to build awareness of the collectivity all management and employees at RBS, that it is important to make changes. Moreover, convince people to do a job change is something that is not easy, here the required level of strong leadership to bring together a coalition between superiors and subordinates alike to make changes. Besides, when the coalition was formed, in one entity will be a lot of opinions will emerge, and here it takes a unanimous decision in which all parties agreed.

After successfully creating a vision for a shared, in the three subsequent phases required fast communication among members of the coalition so that they are clear about the importance of this mission and they take full responsibility for the success of the plan to change this. The next takes real action of the members to be able to implement the changes that have been proposed. Furthermore, a change management is a process that requires an extended period, but it can make the worker bored in waiting for the results to be achieved. Therefore, a much-needed short-term program to determine the extent of the progress of the success of a plan change. When it has reached the stage of success, then the workers would be motivated to achieve success in the next stage to ultimately achieve success in the last scene is a long-term project.

Kotter (2007) argued that a lot of change projects have failed in the middle of a trip As already celebrating victory too early. Indeed, in the previous stages required a short-term program to measure success, but the celebration of the continuing negative impact. Hence, the management should be able to sensitise its employees to move forward from the euphoria of the moment towards a real success. Finally, the eighth stage is the most decisive stage. When it has reached success, such changes should be used to a new culture in the organisation without losing the original value of the company.

This model can address the shortcomings in previous models, such as the continuous improvement or organisational learning (Burnes, 2009). Also, a changes instantaneously will not be able to bring a good effect, but there need a planning and preparation to identify problems and take the necessary steps (Kanter, 1992). Moreover, this approach can change the traditional perception that regards change as a linear series of events within a certain timeframe, thought to be a more moderate is a continuous process, open, and adaptive (Dawson, 1994). Also, Dawson (1994) stated that the process of change is not just the

practice of changing the organisational structure, but must also be associated with the learning process. Thus, the organisation's ability to learn and adapt will also significantly influence the success or failure in change management.

Kotter (2007) claimed that most significant change effort begins on the various projects of small and medium changes. He also stated that the perception that emerged from the assumptions on is that change is a continuous process, open to anyone, and the process that is unexpected from an attempt to align the organisation to the changing environment. As a result of this, Kotter approach has become very popular among organisations in the contemporary world because it recognises the fact that organisations must adapt to meet the changing practice of internal and external (Burnes, 2009).

This method has its advantages, i.e., easy to be understood and applied for consists of a step-by-step with each other continuously. But for the record, this model will only work if the eighth stage is applicable without anyone missed, then it must be ensured that everything is done according to the order. If no one steps have been missed, then the process of change will fail, further in this method requires a time-consuming process (Appelbaum et al., 2012). Thus, a model of management change that represent RBS condition is Kotter's model.

CONCLUSION

Brexit has produced its own challenges for the banking sector in the face of external changes. Royal Bank of Scotland (RBS) is a bank that is quite ambitious in developing its business, its target to become number one is quite realistic considering its capacity. If it is able to follow the flow of John Kotter's model of change, then it is not impossible for RBS to be able to survive the impact of Brexit and be able to realize its dreams in the future.

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