"Employee perceptions towards organizational change and leadership in the banking industry"

| AUTHORS | Harnida W. Adda
Syahir Natsir
Niluh Putu Evvy Rossanty |

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Harnida W. Adda (Indonesia), **Syahir Natsir** (Indonesia),
Niluh Putu Evvy Rossanty (Indonesia)

EMPLOYEE PERCEPTIONS TOWARDS ORGANIZATIONAL CHANGE AND LEADERSHIP IN THE BANKING INDUSTRY

Abstract

Organizational change involves participation of leaders, employees, structures, and systems as a strategy in anticipating and adapting to environmental changes. Leadership as a reflection of leaders' behavior in managing organizations not only influences the policy and decision making but also indicates the approach to all members as the most important element in achieving organizational goals. This study explores perceptions of employees toward the implementation of organizational change and leadership in two leading banks in Palu City, namely, PT Bank Negara Indonesia (Persero) Tbk (BNI) and PT Bank Syariah Mandiri (BSM). The sample is purposively determined by 48 people, with 24 employees in each bank. This study is conducted using a quantitative approach with descriptive statistical data analysis and analyzed descriptively. Then it is tested with the Independent Sample T-Test. The results show that there are no differences in perceptions of employees regarding organizational change despite their experience on different levels of change, but reveal different perceptions in a leadership aspect. Organizational change at BNI is at the moving stage, while BSM has been in the last stage of organizational change, namely refreezing. The difference in leadership behavior between these two banks is very significant. Leadership at BNI is charismatic by giving idealized influence, while BSM prioritizes inspirational motivation.

Keywords	employee perceptions, organizational change, leadership, banking
JEL Classification	F65, P34

Harnida W. Adda, Lecturer, Faculty of Economics and Business, Department of Management, University of Tadulako, Indonesia.

Syahir Natsir, Lecturer, Faculty of Economics and Business, Department of Management, University of Tadulako, Indonesia.

Niluh Putu Evvy Rossanty, Lecturer, Faculty of Economics and Business, Department of Management, University of Tadulako, Indonesia.

INTRODUCTION

This research is conducted at PT Bank Negara Indonesia (Persero) Tbk and PT Bank Syariah Mandiri, Palu. The study emphasizes employees' perceptions towards organizational change and leadership as key aspects in banking, because they are providing services to customers through facilities and programs. The study considers the importance of employee perceptions of the current organizational change as an effort to provide better services to customers in harmony with leadership behavior so that they are conditioned to work optimally.

The process of change carried out by the organization has a risk of failure because of high resistance. However, to answer the challenge of change, organizations have no choice and must change to stay competitive. The possibility of high failure gives space for leaders and employees to think of mechanisms that are appropriate for their organization so they can implement and manage the desired changes. Lewin's change approach, unfreezing, moving, and refreezing, implies that organizations that carry out the mission of change will achieve stability that is preceded by some instability. The ability of

organizations to go through unstable conditions characterized by shifts and transitions must be followed by its capacity to maintain stability in new conditions.

Furthermore, an understanding of the impact of organizational change in achieving organizational stability will not show maximum results without the role of a leader. The leader, who is assumed as a figure who knows the practical steps in advancing the organization, needs to take the initiatives of change. The leadership role is very important in managing the organization and bringing it to a better direction. Leadership behavior in the process of organizational change is not only required to initiate a vision of change but must provide direct support to employees by showing appropriate behavior models (Jones et al., 2008). Harmonious relations between leaders, employees, and organizations are required to achieve the goals of organizational change. Different perceptions between leaders and employees regarding the process of change that is currently ongoing can present various barriers to change that require more time for the organization to increase its competitiveness.

Based on dynamic perceptions, organizational change is a positive reaction to the environment that is always changing or in response to urgent situations. Changes include the leader's approach to transitioning teams and individuals to work systems that are more appropriate to their organizational needs. Organizational change is a necessity as a part of an organizational development in anticipating the conditions expected to seize opportunities. Basically, managing organizational change is a forecasting process and a realization of changes in the organization to optimize efficiency and maximize the organization's added value (Rebeka & Indradevi, 2015).

Banking as an industry whose main focus is providing services to customers is an organization that has a dominant role in society today. The high level of competition and the increasing importance of the functions and roles of banks for the community have made bank management more complex and therefore more difficult to manage. In fact, some changes to various aspects of bank management need to be done to maintain the existence of the bank and its progress. In order to be successful in managing change, the bank must continue to make improvements and propose solutions to manage it. Leading change is the most important task for leaders or managers today (Gotsill & Meryl, 2007). They are not only required to control production, but also must handle the process of change as needed. Yet, the perpetrators of change are not only leaders. Employees have a very important role in change, not only infrastructure and working mechanisms, but more important are changes in mindset (Gladwell, 2000). Shifting mindset for professionals in Palu City has not been fully realized by all employees working in institutions such as banking. This is reflected in the resistance to improving attitudes and behavior in providing services to customers. This study examines the perceptions of employees regarding the change and leadership in banks in Palu City, Central Sulawesi. The perception of changes that are not at the same level can affect the organization's image. On the contrary, the same perception will be the main force for the development of human and organizational resources to strengthen competitiveness.

1. LITERATURE REVIEW

The change process includes the implementation of activities in new ways, following new paths, adopting new technologies, installing new systems, following management procedures, merging, reorganizing or having disruptive events that are very significant, while change management is an approach rational-empirical in managing and preparing to face change (Davidson, 2010).

Organizational change is any change from person/employee, structure or technology (Robbins & Coulter, 2009). Organizational capacity to manage changes in a sustainable manner depends largely on how organizational management intents pay attention to these changes (Heckmann, Steger, & Dowling, 2016). To deal with change, change agents are needed to adjust the organizational structure to be more efficient and can increase work output (Iljins, Skvarciany, & Gaile-Sarkane, 2015).

Change agents are needed to be able to properly manage the change, to move forward and follow new trends in business, to offer the latest new products and services because everything is needed to succeed in today's competitive environment which is intended for the success of the organization in facing changes (Iljins, Skvarciany, & Gaile-Sarkane, 2015). Generally, everyone is resistant to change, therefore, anything that helps overcome resistance can be a catalyst and anything that supports resistance can be a barrier (Král & Králová, 2016). There are many ways to reduce resistance to change, including leaders giving rewards or sanctions that guide employee behavior, explaining why the change is needed, negotiating with employees, giving inspirational words, and asking employees what they think to help design change (Dessler, 2013).

Resistance can be avoided by making changes according to the stages. It can be seen from Lewin's view that the change process consists of three steps comprising of unfreezing, moving, and refreezing (Lussier, 2008). Unfreezing is the planning stage and the beginning of the change process. In this case, all parties involved must be convinced that the change is necessary and this process needs to involve all employees. Providing clear and transparent information on the process and results of changes will greatly help reduce the possibility of resistance. In this phase, organizations need to undermine the strength of the current stabilization conditions through unfreezing to allow change. The second step, moving, implies a transition from an old situation to a new and acceptable situation. The final step, refreezing, is an attempt to stabilize the new phase created. New things in this case include habits, patterns or behavior, knowledge or commitment. Furthermore it is said that open communication, cooperation, continuous learning and authorization for employees to act are strategies to achieve dynamic change goals (Dawson, 2003, p. 30).

The suitability of the theory with phenomena is the reason for using it as an analytic tool, where phenomena show that organizational changes in banks (BNI and BSM) are not maximal, because employees are relatively slow in implementing new work behavior, even less accepting and refusing to learn a much proper attitude from their new leaders. Based on that, the organizational change in this study applied the stages of change proposed by Lewin. Various organizational aspects, including leaders, followers, as well as work design and mechanism, must support the success of change in organizations. Changes can be increased by strategies and policies of a leader (Kulich, Iacoviello, & Lorenzi-Cioldi, 2018). In this case, a leader has the ability to communicate his or her change initiatives to followers and other parties involved by using 'languages' that can be easily understood.

A leader has an impact on the survival of the organization. Leadership is the main determinant of employees, teams, and organizational creativity and innovation (Hughes, Lee, Tian, Newman, & Legood, 2018). In particular, there is a clear theoretical and empirical evidence that leadership is an important variable that can increase or inhibit creativity and innovation in the workplace (Hughes et al., 2018). Leadership has important implications for groups, organizations, and communities (Thoroughgood, Sawyer, Padilla, & Lunsford, 2018). One of the biggest challenges facing leaders today is the need to position and enable organizations and people to adapt in the face of an increasingly dynamic environment (Uhl-Bien & Arena, 2018). Leadership is the main force behind successful change, as a leader must certainly empower employees to act to achieve a vision (Simons, 2011). Leadership is more than a leader. Leadership should be able to motivate and encourage people to maximize their potentials as it is: a way of leaders inducing followers to act for certain goals that represent the values and the motivations – the wants and needs, the aspirations and expectations – of both leaders and followers. And the genius of leadership lies in the manner of which leaders see and act on their followers' values and motivations (Burns, 1978, p. 19).

Leadership is a matter that greatly influences change where leader's behavior can target specific changes consisting of perspectives, things to be done, empowerment, monitoring, and helping individual adaptation to change itself. Leadership involves change that may be dramatic or radical, subtle or incremental, and continuous or discontinuous (Klenke, 1996; Mangundjaya, Utoyo, & Wulandari, 2015). Leaders' influence

on change is twofold: first, a leader is a promoter who will always promote change itself during the unfreezing stage; second, leaders change the behavior of their subordinates and take action to encourage future changes (Mangundjaya et al., 2015). Leadership is also used to make organizational elements adapt and deal with change and uncertainty more effectively (Uhl-Bien & Arena, 2018). Change initiatives often fail because leaders often underestimate the challenges of organizational culture change to support change itself (Seijts & Gandz, 2018). A more appropriate leadership style for leading companies in the change process is a transformational leadership style, if compared to transactional leadership (Bass & Avolio, 1990).

Transformational leadership consists of three types of behavior, namely:

1) idealized infuence, a leaders' behavior that increases followers' emotions and identification with leaders;

2) individualized consideration, where a leader is giving support, encouragement, and guidance to followers;

3) intellectual stimulation is leaders' behavior that increases followers' awareness of problems in influencing followers to see problems with new perspectives (Bass & Avolio, 1990).

Bass suggested one more type of behavior from the transformational leadership, namely inspirational motivation, which is a behavior to communicate the vision that will come using symbols to focus on subordinate efforts, and provide examples of appropriate behavior to followers (Bass & Avolio, 1990). Transformational leadership allows leaders to show more concern for employees and make them aware of working as a team that places group needs above their own needs. These results can be achieved through the behavior of charismatic leaders and inspiring, and touching their potential intellectually. Charisma is important to inspire and influence employees, because they usually trust transformational leaders. They consider all employees individually and recognize everyone in detail and help employees see possibilities from an empowering side, not difficulties.

Leadership competency in initiating and leading organizational change is the key to success of the change process itself. Leaders who have superior competence can bring organizations to realize successful organizational changes through efficient and effective mechanisms (Virtanen, 2000; Gruban 2003). Leaders who are sensitive to the needs of the organization and are able to identify available resources that have adequate potential are among the things that can accelerate the process of change. Therefore, visionary leadership who has innovative thoughts and ideas is the key to successful change (Gesell, 2010).

2. RESEARCH METHOD

The study takes place in two leading banks in Central Sulawesi that are required to adapt to environmental changes in order to maintain their position. Organizational changes are analyzed by adopting stages of Lewin's theory: unfreezing, moving, and refreezing; while leadership variable is adopting the theory suggested by Bass and Avolio: idealized influence, individualized consideration, intellectual stimulation, and inspirational motivation. Indicators of each variable are described in Likert-scale questionnaires. Furthermore, the study applies a quantitative approach with statistical data analysis. Sample in this study consists of 48 employees at two banks, BNI and BSM.

The hypotheses of the study are formulated as follows:

H1:   Organizational change.

Subhypothesis H0: There are no differences in employees' perceptions regarding organizational change at BNI and BSM.

Subhypothesis Ha: There are differences in employees' perceptions regarding organizational change at BNI and BSM.

H2:   Leadership.

Subhypothesis H0: There are no differences in employees' perceptions regarding leadership at BNI and BSM.

Subhypothesis Ha: There are differences in employees' perceptions regarding leadership at BNI and BSM.

The results of the hypotheses are based on the following:

H1: *If the value of significance or sig. (2-tailed) > 0.05, then H0 is accepted and Ha is rejected.*

H2: *If the value of significance or sig. (2-tailed) < 0.05, then H0 is rejected and Ha is accepted.*

3. RESULT

The finding of this study is presented in descriptive and comparative test results. Descriptive analysis discusses the average value, while the comparative test compares the alpha value of 0.05 with the significance of the results of the Independent Sample T-Test.

Table 1 shows that statement number 6 about organizational change at BNI has the highest mean value of 4.00, which means that employees need to immediately think of improved new products to attract customers. While the lowest mean value of 3.66 in the statement number 4 means that employees have not yet experimented with new behavior. These results indicate that in dealing with changes, employees at the BNI Palu are still in the stage of thinking of the need to change their behavior, but have not yet developed initiatives to implement new ways of giving service to customers. On the other hand, BSM employees are ready to acquire and implement new rules and targets but are less willing to learn the character of the leader.

Overall, employees' perceptions of organizational change at BNI and BSM differ slightly based on the level of change proposed by Lewin. BNI employees just enter the initial stage, namely moving. In this case, they are in the stage of looking at the appropriate programs to be carried out in order to provide optimal solutions to reduce resistance to change. Whereas BSM employees have entered the final stage, refreezing, by helping people affected by change, integrating behaviors and attitudes into daily activities. Maintaining and strengthening these changes can be done by setting new rules and policies, creating new cultures, and implementing a new reward system. By doing these things, the change is expected to be stable.

The results described in Table 2 show perceptions towards leadership differences between the conventional and Sariah bank. Leadership in BNI emphasizes the aspects of charisma through idealized influence. It is seen from the behavior of leaders who can influence subordinates emotionally, able to give and generate enthusiasm with a

Table 1. Descriptive statistics of organizational change

Organizational change	Dimensions	Item number	N	Mean	Mean cumulative
PT BNI	Unfreezing	1	24	3.7917	3.80
		2	24	3.8333	
		3	24	3.7917	
	Moving	4	24	3.6667	3.84
		5	24	3.8750	
		6	24	4.0000	
	Refreezing	7	24	3.9167	3.83
		8	24	3.8333	
		9	24	3.7500	
PT BSM	Unfreezing	1	24	4.2500	4.02
		2	24	3.8333	
		3	24	4.0000	
	Moving	4	24	3.8750	4.01
		5	24	4.0417	
		6	24	4.1250	
	Refreezing	7	24	4.0417	4.05
		8	24	3.9583	
		9	24	4.1667	

Table 2. Descriptive statistics of leadership

Leadership	Dimensions	Questions	N	Mean	Mean cumulative
PT. BNI	Idealized Influence	1	24	3.3750	3.72
		2	24	3.5833	
		3	24	4.2083	
	Individualized Consideration	4	24	3.0000	3.18
		5	24	3.1667	
		6	24	3.3750	
	Intellectual Stimulation	7	24	3.1667	3.11
		8	24	3.1250	
		9	24	3.1250	
		10	24	3.0417	
	Inspirational Motivational	11	24	3.7083	3.27
		12	24	3.1667	
		13	24	2.9583	
PT. BSM	Idealize Influence	1	24	3.6250	3.75
		2	24	3.8333	
		3	24	3.7083	
	Individualized Consideration	4	24	3.7917	3.69
		5	24	3.7083	
		6	24	3.5833	
	Intellectual Stimulation	7	24	3.6667	3.71
		8	24	3.4583	
		9	24	4.0000	
		10	24	3.7500	
	Inspirational Motivational	11	24	4.0000	3.98
		12	24	3.9167	
		13	24	4.0417	

vision and mission that encourages subordinates to make more effort, and have high standards and set challenging goals. Whereas BSM employees perceive leadership on the aspect of inspirational motivation such as communicating future visions, using symbols to focus on subordinate efforts, and giving examples of appropriate behavior to subordinates. This style of leadership is able to inspire and motivate subordinates more effectively because it follows with leaders' behavior as examples.

4. DISCUSSION

The results show that employees at BNI and BSM have similiar perceptions on organizational changes in their institutions. Though their different characteristics as conventional and syari'ah banks are significant, employees believe that changes in terms of human resource, structure, and system have motivated them to be working in a more efficient and dynamic way despite the different level of change they experience.

The stages of organizational change at BNI emphasize the moving stage, which has designed appropriate change programs so that they can provide optimal solutions to internal and external problems faced. While BSM has entered the final stage of Lewin's change process, namely refreezing, with more concrete actions. In addition to helping employees undergo the change process, BSM management has integrated change through behavior and attitudes, which accelerates the achievement of new conditions. This achievement provides enormous benefits and impacts on employee performance and work atmosphere so that these changes must be strengthened and enacted.

The results of descriptive statistics show that leadership in BNI is strongly influenced by the dimensions of idealized influence with results that show that leaders have high standards and set challenging goals for their employees but lack examples of appropriate behavior. While leadership in BSM is strongly influenced by the dimensions of inspirational motivation, where leaders have been able to provide examples of

behavior. But in other cases, leaders give less guidance and direction to subordinates. This means that leaders guide and direct their subordinates through behavior without much technical instruction. However, the employees felt that they still needed instructions both in writing and verbally relating to the implementation of their work. They point out that the exemplary behavior has not fully helped in achieving their goals although they can benefit from it.

In general, it can be said that the leadership at BNI emphasizes the charisma of the leader through an idealized influence that is able to manage emotions, arouse enthusiasm with vision and mission and have high standards, and set challenging goals. While leadership in BSM leads to inspirational motivation that provides inspiration and motivation by communicating visions, using symbols, and giving examples of appropriate behavior to subordinates.

CONCLUSION

This study shows that employees have the same perception of organizational changes that occur at BNI and BSM even though the two banks are at different stages of change. Organizational change at BNI is at the moving stage, which examines appropriate change programs to be carried out in order to provide optimal solutions to reduce resistance to change, while BSM at the last stage, refreezing, increases efforts to maintain new conditions that have been created. They help people affected by change, integrate new behaviors and attitudes in work practices that are in line with environmental needs and challenges. Constraints faced relate to the enthusiasm of BNI employees who are still minimal in implementing new work behaviors, while BSM employees have not shown enthusiasm to learn the attitudes and character of their new leaders.

To improve their organizational performance, BNI employees are expected to make a breakthrough by implementing new work behaviors. Employees at BSM are expected to proactively recognize and learn the nature and character of new leaders so that the work atmosphere that is characterized by a family spirit and professionalism can be maintained. Regarding leadership, BNI leaders are expected to provide examples through proper behavior to subordinates, and BSM leaders provide guidance and direction to subordinates in carrying out their duties and functions as bank employees. Thus, the interaction of leaders and employees can take place in a harmonious manner so that services to customers can be carried out optimally so as to win competition among other banks in Central Sulawesi.

To simplify the adaptive process for the environment, leaders need to encourage employees to create space for the development of ideas so that they can be involved in the process of change. Leaders need to stimulate employees to recognize their ability to adapt to organizational change as a result of leadership that is critical for adaptive organizations.

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