Motivating Change, Continuous Innovation and Revitalization in the Management of Change: A Case Study in a Malaysian Public Financial Institution

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Abstract

Revitalization is a crucial factor of a successful change process. This study was designed to investigate the relationship between motivating change and continuous innovation with revitalization. It employed quantitative research methodology in examining the said relationship against real-life scenarios of major change in a Malaysian public financial institution – Bank A. Through mail survey questionnaire, a total of 74 managers at all level completed the said questionnaires and made of the case study of this research. The findings of the study confirmed the positive relationship (association) of motivating change and continuous innovation with revitalization. Other than contributing to the body of knowledge over a subject which is empirically scarce, the study further renewed the importance of micro level analysis of a Malaysian public financial institution i.e. managers rather than only the macro level. The study prides its originality and ends with comprehensive practical recommendations for organization in blending the elements of motivating change and continuous innovation into arriving to the desired state of revitalization.

Keywords: Continuous innovation, Motivating change, Management of change, Public financial institution, Revitalization.

Introduction

The Asian financial and economic crises in the last few years acted as a motivation for change in Malaysian financial institutions [1]. Studies have shown that a crisis is a strong motivator to change the status quo and most importantly, it creates a new set of realities, opportunities, and challenges to be explored and exploited by local financial institutions [2]. Therefore, managers must design and adopt new survival strategies not only to cater for the short-term but new forward-looking strategies for the future survival [3]. A majority of the managers have identified globalization and liberalization as the driving forces of change in the Malaysian financial institutions [4]. This is fully supported by Bank Negara Malaysia in their corporate bulletins disclosed that Malaysian financial institutions believed that this massive change brought about by globalization and liberalization was unavoidable [5] therefore, the need for change (revitalization) is a must. Furthermore, Malaysian financial institutions not only face stiff competition among themselves and from foreign banks, but also from alternative source of financing, such as the capital markets. Whereby, our local companies are increasingly opting to meet their financial needs from the equity and bond markets instead of going to local financial institutions. This is evident by the growth of outstanding private debt securities in the market by 10.7% to RM160 billion as of the end of 2004, accounting for approximately 25% of the total financing channeled to the economy [6].

In addition, Chew and Choo [4] claimed that almost all managers shared the same opinion that increasing customer complaints and customer demands for new products and services signaled a need for organization to take immediate action (change). As evidence, the result of a 2003 national survey reinforced the urgent need for local financial institutions to further improve customer services and relationships, specifically in addressing numerous changing needs of consumers as according to the survey results there was a down trend in demand for
conventional banking products and services [7]. Therefore, for long-term survival and sustainable growth and profitability, managers must change or revitalize their business culture and business processes to encourage continuous innovation, creativity, and original thinking [4]. Furthermore, their employees must be far more flexible so that they can easily adopt and adapt to continuous changes in its internal and external conditions [2]. Here, the responsibility to kick start the change process is on the shoulders of the management (managers) who are charged with the responsibility of steering and shaping their organizations. Thus, to jump start the change initiatives, managers must have the motivation, vision, innovation and courage to transform their businesses and accelerate the change process in their organization so that the organization can easily adapt to continuous changes in its internal and external conditions [8].

**Problem Statement**

Two previous studies in determining the relationship between motivating change and continuous innovation and the change (revitalization) yield conflicting result. Cummings and Worley [9, 10] suggest that “motivating change” would have the greatest amount of influence on the change (revitalization). However, Hayden [11] found insignificant relationship between motivating change with the change (revitalization). In addition, Hayden [11] also found insignificant relationship between continuous innovation and the revitalization. Therefore, Mitchell and Jolley [12] urged a repeat study on previous researches that yield conflicting results.

In addition, there were also few apparent gaps in Hayden's work. The study was conducted in the United States, other than the argument of cultural ideology biases [13], the study respondents, as stated in her declaration of study limitation, were made of top management. Therefore, in the effort to address the gaps from the work of Hayden's, the current study focusing on managers (respondents) at various organizational level in a Malaysian public financial institution.

Lawler and Worley [14] posited that traditional concepts of change focus on a temporary transition of organizational components-work, structure and processes, and culture—from a current “steady state” to a new “steady state” and then stops until further need for change arises. Lawler and Worley further claimed that this type of change is viewed as a discrete event with definable beginning and end, not as a continuous process. Hayden [11] suggested that these traditional concepts are less effective in light of the rate and pace of change in contemporary environments.

To address the gap, it is possible, however, to view change differently: as an on-going part of organizational operational philosophy. In this context, the capacity to change becomes the emphasis. That is, the capacity to handle change becomes part of the daily practice of the organization as managers routinely shape the organization both in anticipation of and in response to its internal organizational conditions and external environmental conditions. This approach to change treats the issue as the ability of the organization in terms of cumulative past efforts as well as current actions to adapt to change. In general the literature calls this notion revitalization [15-17]. It is in this sense that revitalization is treated in this study. The burning question is then; what are the factors that contribute to the revitalization? In the context of this study – how do the motivating change and continuous innovation related to the revitalization?

**Research Questions**

By identifying the gaps in the previous studies as well as the context of this study, the study has established two research questions as below:

- Is there a significant positive relationship between motivating change and the revitalization?
- Is there a significant positive relationship between continuous innovation and the revitalization?

**Research Objectives**

The purpose of this study is to determine the answers for the two research questions. Therefore, this study has established the following research objectives:

- To investigate the significant positive relationship between motivating change and the revitalization.
- To investigate the significant positive relationship between continuous innovation and the revitalization.

**Significance of the Study**

The current study hopes to make an important contribution to the management of change area, by examining the relationship between motivating
change and continuous innovation with revitalization. If indeed the motivating change and continuous innovation can be used as predictors of revitalization, employers would be able to gauge the organization’s readiness for revitalization. Questions to be answered on which variables (motivating change and continuous innovation) would be readily favorable to revitalization and which variables in contrast that needed additional steps to work on for an improved level of revitalization. In addition, the findings of this study effort might have practical implications for organizations that strive to revitalize their organizations in order to accomplish their corporate objectives. Finally, this study might encourage further study and provide useful guidelines for these types of researches.

**Case Study Organization: Bank A (a Public Financial Institution)**

Bank A is a public financial institution that participated in this study. Its principle activities involving the carrying out of banking and finance related services. Currently Bank A has 13 state branches and 82 district branches throughout Malaysia and as a public financial institution Bank A provides a variety of services, among them: Loan products, Savings products, Cards products, Islamic banking products, and Services products. In order to strengthen its position and to ensure that it remains strong and able to face challenges in the progressively intense circumstances of the financial industry, a shift and transition from the aspects of the mind, work culture, and optimum use of existing resources were implemented, besides increasing efficiency of service delivery.

Most importantly, Bank A has presented an attractive study target because it has developed a well focused long-term goal. Bank A plans to be one of the dynamic banking institutions in Malaysia capable of playing its role in balancing its commercial goals and social obligations. In line with this, in 2008, several programs and initiatives were carried out to strengthen and maintain its position in terms of continuous income and sustainable growth. Bank A’s intensive efforts have enable it to implement a number of programs including: Products and Services (public housing financing, money transfer facility (Western Union), mobile banking units, cash deposit machines, credit clinic, banking operations on weekends, SMS banking, micro finance centers, young generation savings, and tutor online study package), Upgraded Operations (broadband and branch rationalization project) and others including “Amal Jariah” project and human capital development [18].

**Literature Review**

Beer et al. [19] conceptualized change as revitalization and defined it as the planned effort to renew the capacity of an organization. Here, revitalization is the extent to which the organization possesses routine structures and functions designed to assist changes initiated by managers, for instance, developing the capacity to adapt to change. While the intent of organizational change is to improve factors which influence the quality of work performance, for these authors, those factors are: (1) inter-functional coordination – the extent to which different parts of an organization plan and coordinate their efforts; and the extent to which each part of an organization receives cooperation and assistance from other parts of the organization, (2) organizational decision making – the extent to which managers at various levels of an organization delegate decision making authority to others within the same organization level, (3) work organization—the extent to which an organization quickly uses improved work methods; the extent to which an organization has goals that are clear-cut and reasonable; and the extent to which decisions are made at levels where the most adequate and accurate information is available, and (4) concern for people—the extent to which an organization has a real interest in the welfare and overall satisfaction of employees; and the extent to which an organization tries to improve working condition.

According to Cooper [20], the idea in the revitalization concept discussed above is the need for organizations to respond quickly to changes in their internal and external environments. The unstable environments in organizations now exist demand speed, innovation, participation, and flexibility therefore, continuous organizational effectiveness, and in some cases, survival, requires managers to recognize the need to revitalize, and also to recognize that among the many change management strategies, there are some common characteristics, which if carefully observed increase the probability of successfully implementing a revitalization program [21].

**Factors Associated with Revitalization**

In this study the Cummings and Worley [9,10] change model (motivating change; creating a vision; developing political support; managing the
transition; and sustaining momentum) primarily guided this study; the change model is an enlargement of Lewin’s [22] three phase model and was well supported by Kotter [23] and Kanter [24] change model. Furthermore, Cummings and Worley’s model was selected for its parsimony, and use of readily understandable terms and concepts. However, current study only utilized the “motivating change”; “developing political support”; and “managing the transition” (independent variables) in the Cummings and Worley change model. However, since revitalization does not target a specific organizational change, the ideas of “developing political support” and “managing the transition” demand some modification. Political support suggests a process of identifying and accommodating particular opponents to a single idiosyncratic change. Similarly, managing the transition relates to the idea of a single change from one condition to another condition. Here, the scope of revitalization is broader conceptually than what is intended in either of these ideas. The corresponding issue of concern in predicting revitalization is the creation of an environment that fosters change or adaptation. Thus, these variables are combined into a single variable (predictor variable) called- continuous innovation [11,23,24,25,26].

Hypotheses Development

Motivating Change and Revitalization

Organizational revitalization involves moving from the known to the unknown. Because the future is uncertain and may adversely affect people’s competencies, worth, and coping abilities. Therefore, motivating change includes creating a readiness for revitalization among organization members and helping them address resistance to revitalization. Leadership must create an environment in which people accept the need for revitalization and commit physical and psychological energy to it. Motivation is a critical issue in starting revitalization because ample evidence indicates that people and organizations seek to preserve the status quo and are willing to revitalize only when there are compelling reasons to do so [10,26]. Based on this assumption, the following hypothesis is postulated:

H1: There is a significant positive relationship between motivating change and the revitalization.

Continuous Innovation and Revitalization

According to Kanter [24], in her conceptualization of “Change Masters” believes that the key to surviving in the ever-changing, global environment is to revitalize organizations by developing cultures that promote and encourage continuous innovation at all organizational levels. She further defines the word “continuous innovation” frequently carries a connotation of “invention”, which is often refers to a physical thing rather than a process, for her, continuous innovation refers to the process of revitalizing to bring any new, problem-solving idea into use. Continuous innovation is the generation, acceptance, and implementation of new ideas, products, or services [25]. Based on this assumption, the following hypothesis is postulated:

H2: There is a significant positive relationship between continuous innovations and the revitalization.

Theoretical Framework

Based on the literature review, the present study develops a theoretical framework that incorporates the importance and contribution of motivating change and continuous innovation to revitalization. The relationship among the components discussed in this literature is depicted in a framework for this study shown in Fig. 1 below.

Fig. 1: Theoretical framework

From the literature, the study develops a linkage that an understanding and knowledge of the “motivating change” and “continuous innovation” are likely to contribute positively or negatively to the revitalization. Organizational leaders must give careful attention to each component when planning and implement organizational revitalization. Unless individuals are motivated and committed to revitalization, getting movement on the desired revitalization will be extremely difficult. This is important because if managers do not gain the cooperation of employees, efforts to routinize the capacity for revitalization will be less successful or may not occur at all. Motivating the process of revitalization consists of readying employees for and helping them overcome their natural resistance to revitalization which is rooted in self-interest, lack of understanding and trust,
uncertainty and different goals. Furthermore, the key to surviving in the ever-changing global environment is to revitalize organizations by developing corporate cultures that promote continuous innovation at all levels. Therefore, the two components (independent variables) discussed above must be managed effectively to realize success in managing organizational revitalization.

Research Methodology

The main purpose of this section is to provide a detailed description of the research methodology utilized for the study. It encompasses the overall review of the research design, population and unit of analysis, and data collection techniques. The discussion of these aspects provides better understanding on the appropriateness of the study approach employed and its ability to provide sufficient answers to the study questions. This can be considered as an attempt to enhance the value of the study approach adopted for this study.

Research Design

This is a case study approach which dominantly a deductive approach, while utilizing in tandem with the quantitative and cross-sectional approaches. The method of data collection was mainly on survey. The study is focused on operating environment of a Malaysian public financial institution namely Bank A which is consistently proactive to change as part of its survival in sustaining in competitive, turbulent, dynamic and global environment. Case study is being deployed in this study to verify the meaning of the bounded system, hence the outcome is to describe and interpret the case [27]. A scale [28] was developed to contribute to the literature in the field, and indirectly assist leaders of organization to gauge the level of revitalization at any one time of its employees in embracing change [11, 29]. There are 25 items instrument questionnaires and directly administered to all the managers in the studied organization. The independent variables (motivating change and continuous innovation) have been drawn to predict the relationship to the dependent variable (revitalization).

Unit of Analysis

The study context for this case study is a Malaysian public financial institution namely, Bank A. The case was defined as an organization and as an entity which considered holistic design and type [30]. In the case organization, the total population was 223. The population is summarized in Table 1. This study used all respondents in the setting in order to provide all the information as a whole and breadth [31] and since this study has no constraints in terms of the costs and feasible to be embarked [32]. Therefore, it enables the study to collect data from all managers of the case organization under investigation, which is in line with Hair et al. [31]. Therefore, the relevant unit of analysis for this study was all the managers at different levels; General Manager/President, Deputy General Managers/Deputy Presidents, Senior Managers/Vice Presidents, and Managers/State Managers on their perception of revitalization in their organization.

Data Collection Techniques

Data for this study was collected through the distribution of questionnaires by using mail survey to 223 managers (head offices and branches throughout Malaysia) from a Malaysian public financial institution (Bank A). Mail survey was used as it is a more economical and efficient method of data collection and it reaches all the respondents involved nationwide at a certain time. A grand total of 74 responses were received and this was considered sufficient on the basis that this is a normal rate of response in Malaysia, where questionnaires distributed tend to obtain a response rate of between 15 to 25 percent, for example, in the studies conducted by Rozhan, Rohayu and Rasidah [33], and Hazman [34]. This study utilized statistical technique – correlation, to analyze the data and test the proposed hypotheses [35].

Result and Discussion

Bank A (a Public Financial Institution)

This section presents the results and discussion of the data analysis. Data collected for the study has to be interpreted and analyzed for it to be meaningful. The reliability test scores on all of the scales met the standard for scale reliability of 0.60

Table 1: The distribution of managers at Bank A

<table>
<thead>
<tr>
<th>Location</th>
<th>Position</th>
<th>Approximate number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head office</td>
<td>President/Chief Executive Officer (CEO)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Deputy Presidents/ Deputy CEOs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Vice Presidents</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Departments/Sections/Units Managers/Senior Managers</td>
<td>59</td>
</tr>
<tr>
<td>Branch</td>
<td>State Managers and Department Managers</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>District Managers</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>223</td>
</tr>
</tbody>
</table>
or higher [36]. The reliability coefficients, using Pearson’s product-moment correlation coefficient, obtained for each scale were: motivating change is 0.86; continuous innovation is 0.89; and revitalization is 0.92. Each of the two scales (independent variables) was scored on a 5-point response continuum, with 1 representing “Strongly disagree” which reflects the lowest level of the attribute being measured, while 5 represents “Strongly agree” indicating the highest level of the measured attribute. The measures of central tendency and dispersion on these scales portrayed the managers’ perceptions of motivating change and continuous innovation in Bank A.

Correlates of Revitalization

The aim of this study is to search for the answers to the two research hypotheses formulated from two research questions as follows: Is there a significant positive relationship between motivating change and the revitalization?

\[ H_1: \] There is a significant positive relationship between motivating change and the revitalization.

In relation to the above research question and research hypothesis, the mean score for motivating change is 3.58 (SD = 0.49) to indicate that the respondents are positive that motivating change is present in Bank A. In addition, motivating change coefficient is statistically significant at the 1 per cent alpha level or lower. Thus, the hypothesis presented in this research question is well supported by the results obtained from Bank A. That is, motivating change is positively correlated with revitalization. Is there a significant positive relationship between continuous innovation and the revitalization?

\[ H_2: \] There is a significant positive relationship between continuous innovation and the revitalization.

In relation to the above research question and research hypothesis, the mean score for continuous innovation is 3.36 (SD = 0.61) to indicate that the respondents are positive that continuous innovation is present in Bank A. In addition, continuous innovation coefficient is statistically significant at the 1 per cent alpha level or lower. Therefore, the hypothesis presented in this research question is well supported by the results obtained from Bank A. That is, continuous innovation is positively correlated with revitalization. In conclusion, Table 2 presents these bivariate correlations. Whereby, all correlations are in a positive direction as predicted by the hypotheses and correlated with revitalization at quite similar magnitudes (explaining between 39 to 23 per cent of the variance). In addition, all coefficients are statistically significant at the 1 per cent alpha level or lower. Thus, taken individually each independent variable (predictor) is positively correlated with revitalization.

Table 2: Correlates ($r^2$) of Revitalization – bank A

<table>
<thead>
<tr>
<th>Scale</th>
<th>$r^2$ with Revitalization</th>
<th>M</th>
<th>SD</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivating change</td>
<td>0.39</td>
<td>3.58</td>
<td>0.49</td>
<td>&lt;0.00**</td>
</tr>
<tr>
<td>Continuous innovation</td>
<td>0.23</td>
<td>3.36</td>
<td>0.61</td>
<td>&lt;0.00**</td>
</tr>
</tbody>
</table>

Note: **Significant level at 0.01; *Significant level at 0.05

Conclusions and Recommendations

The study has divided the discussions into the theoretical and practical contributions as below.

Contribution to theory

This study contributes to the stream of management of change research and particularly scope to the revitalization. It provides further supportive evidences to substantiate the relationship found in previous studies relating to the key factors for the revitalization. The study was set to find clarity over previous conflicting findings of researches in the same subject and further attempt to overcome the limitations highlighted by the previous studies. Therefore, the study findings have contributed to advance the body of knowledge pertaining to the relationship between the motivating change and continuous innovation to the revitalization. It has been asserted by the study that the area in which the study explored is empirically scarce. In this study, “motivating change” was evidenced to have a positive relationship with revitalization, which is consistent with Cummings and Worley [37] study. Thus, would further enhance the theoretical foundation in the area of management of change. Furthermore, the findings on the relationship between motivating change, continuous innovation and the revitalization would offer added-value to the relevant literature. For example, the current study respondents were made of all levels of managers as compare to previous study by Hayden [11], thus, compensate the weaknesses in such study.
Practical Implication

Embarking on major change effort is a daunting job that faces any organization. Statistics of change failures are plenty and potential disruptions are not only limited to reputation risk but include long term deterioration of staff motivation and morale, “if in doubt – don’t” warned. Based on the findings, current study proposes two recommendations; first, the current study framework works well that is, each independent variable showed positive relationship at a relatively medium level with the dependent variable. Therefore, there is strong support that the framework is equally applicable in other organizations. Second, traditional concepts of change are useful when the change occurs in stable environments. However, traditional concepts that views change as a discrete event are problematic because isolating the change event- removing or controlling for all other factors that impact the organization is difficult, if not impossible. Organizations are complex and composed of a plurality of views that come from individuals and groups with different, and often competing mental models. These differences in view impact organizational strategies and motivate people in their pursuit of personal goals within the context of work. As such, the concept of revitalization is a viable concept because it tacitly recognizes the “ever-present” nature of change as a process that occurs over time, not as a discrete event. Revitalization recognizes that factors in the organizations environments are in continuous flux. Revitalization provides the potential for organizations to stay ahead of the change curve. The concept helps all members grasp the inevitability of change as well as helping them to pursue a course of action that will build-in the capacity to adapt to change.

Limitations of the Study

Current study proposes two limitations; firstly, the study has no control on who actually responds to the questions. Even though, the questionnaires are personally addressed and sent directly to the particular personal, some staffs may delay the response. This may lead to the questions being answered beyond the time frame, which will affect the data entry for the study. However, to mitigate Contrast to the statistical research, which are used to consider whether the findings can be generalized from the sample to the universe, a “weak” form of generalization often associated with case studies is ‘naturalistic generalization’ [38]. However, the generalization of the sub-theory, making knowledge that is transferable, with external validity. This is known as the naturalistic generalization, which concerns on the real-life findings to inductively contribute to the development of sole theory or branch of theory. Therefore, in this study context, hopefully to give rise to the developed concepts and framework which is in line with Strauss & Corbin [25] and Yin [30].

Recommendations for Future Research

There are two issues that could be addressed to further improve or extend the conceptualization of the proposed change management model. Firstly, the unit of analysis in the current study was individual managers in Bank A. The improvement would be to differently define the unit of analysis as well as making some changes in the composition of the sample. By defining the unit of analysis by department, section, or unit within an organization, then it is possible that there would be more variation in the independent variables and dependent variable. This method would allow surveying respondents within a department, section or unit and averaging their responses into a single observation. Secondly, with respect to the composition of the sample, the majority of the respondents were first-line managers (70-80 percent) and the sample may have been under-represented by the middle and top-level managers. A sample representative of all employees of an organization would have the tendency of producing more variation and valuable information. For example, middle or top-level managers could be compared to first-line managers. In addition, by increasing the number of organizations studied would have increased the potential of producing more variation and richer information, thus, the outcomes would be more generalizable.

References


