



Faculty of Cognitive Sciences and Human Resource Development

**THE EXPERIENCES OF EMPLOYEES IN MANAGING THEIR READINESS
TOWARDS CHANGES IN BANKING SECTOR IN SARAWAK**

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**Bachelor of Science with Honours
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THE EXPERIENCES OF EMPLOYEES IN MANAGING THEIR READINESS
TOWARDS CHANGES IN BANKING SECTOR IN SARAWAK

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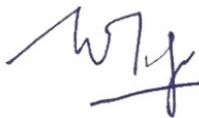
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ABSTRACT

This study was conducted to examine the experiences of customer service employees in managing their readiness towards changes in banking sector in Sarawak. Qualitative research was used in this study in order to gain a better understanding of the experiences of employees. This study used a sampling method aimed at choosing only a total of 10 participants from customer service employees in banking sector. An in-depth qualitative phenomenological approach was used to explore employee perceptions. The data were collected and analysed using thematic analysis. The interview data shows the type of changes experienced by participants are operational change, structural change, policy change, and branch remodeling/transformation. The findings show that the role of employees, employer, and organisations is crucial in improving level of readiness for change. This is because employee acceptance of change is vital to successfully implement the changes. Employees' commitment, training and cooperation are factors affecting employees' readiness for change. Therefore, this study demonstrates some strategies in improving level of readiness for change. Employees should make efforts to engage in the change, prepare for change, and set personal goals. Besides, employer and organisations should pay close attention to motivate employees, apply effective leadership style, and provide training. Overall, this study provides ideas and illustrations to organisations, human resource practitioners, and future researchers about the importance of employees' readiness in establishing successful organisational change.

Keywords: organisational change, readiness for change, banking sector, qualitative research, phenomenology, in-depth interview, thematic analysis

ABSTRAK

Kajian ini dilakukan untuk mengkaji pengalaman pekerja perkhidmatan pelanggan dalam mengurus kesediaan mereka terhadap perubahan dalam sektor perbankan di Sarawak.

Kajian kualitatif digunakan dalam kajian ini untuk mendapatkan pemahaman yang lebih baik mengenai pengalaman pekerja. Kajian ini menggunakan kaedah persampelan bertujuan untuk memilih hanya 10 informan dari pekerja khidmat pelanggan di sektor perbankan.

Pendekatan fenomenologi digunakan untuk meneliti persepsi pekerja dengan menggunakan temubual secara mendalam untuk pengumpulan data. Data dikumpul dan dianalisis menggunakan analisis tematik. Data temubual menunjukkan jenis perubahan yang dialami oleh informan adalah perubahan operasi, perubahan struktur, perubahan polisi, dan pembentukan semula/transformasi cawangan. Hasil kajian menunjukkan bahawa peranan pekerja, majikan, dan organisasi sangat penting dalam meningkatkan tahap kesediaan untuk perubahan. Hal ini demikian kerana penerimaan pekerja terhadap perubahan sangat penting untuk kejayaan pelaksanaan perubahan. Komitmen, latihan dan kerjasama pekerja adalah faktor yang mempengaruhi kesediaan pekerja untuk berubah. Oleh itu, kajian ini menyatakan beberapa strategi dalam meningkatkan tahap kesediaan pekerja untuk perubahan. Pekerja harus berusaha untuk melibatkan diri dalam perubahan, bersedia untuk perubahan, dan menetapkan matlamat yang ingin dicapai. Selain itu, majikan dan organisasi harus memberi tumpuan kepada pekerja untuk meningkatkan motivasi, menerapkan gaya kepemimpinan yang efektif, dan memberikan latihan. Secara keseluruhannya, kajian ini memberikan idea dan gambaran kepada organisasi, pengamal sumber manusia, dan pengkaji akan datang tentang kepentingan menguruskan kesediaan pekerja dalam memastikan organisasi dapat melakukan perubahan dengan jayanya.

Kata Kunci: perubahan organisasi, kesediaan untuk perubahan, sektor perbankan, kajian kualitatif, fenomenologi, temubual secara mendalam, analisis tematik

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter consists of a few sections such as the background of study, the problem statements, research objectives, research questions, the significance of study, and the definitions of conceptual and operational.

1.2 Research Background

Change is seen as an ever-present feature of organisational life; both at an operational and strategic level (Burnes, 2004). Change aims an intentional attempt to enhance in some essential way, the operational effectiveness of the organisation. It is the process of making individuals, teams and organisations to work better (Mullins & Riseborough, 1999). There are two types of change within the organisation; strategic change and operational change (Nadler, 2006). Strategic change happens mainly at the corporate level and requires major changes in the organisation's operation and its future direction. Operational change happens mostly at the corporate level and includes repetitive tasks to achieve efficiency within the organisation. Therefore, it is essential for an organisation to change, that the organisation's employees also change.

Readiness is often seen as a vital precursor to successful organisational change, since organisational members want to preserve a state of affairs that gives them a sense of psychological protection, control and identity (Andrew, 2017). When organisational readiness for change is high, experts argue that organisational members are more active in the initiative to change, are more engaged in the change process, and are more resilient of challenges or

failures—all of which lead to a more effective adoption of change (Weiner, Amick, & Lee, 2008). Organisations are therefore gradually expected to increase their potential to help or embrace employees for change strategies through their readiness and confidence in the change (Choi, 2011). The concept of employee readiness to change in the organisation is widely acknowledged as a crucial precondition for the process of change in the organisation to be successful (Armenakis, Harris, & Mossholder, 1993). According to Klynveld Peat Marwick Goerdeler (KPMG) International (2019), Malaysia ranked 24th in the 2019 Change Readiness Index (CRI) among 140 countries (increased from 37th in the 2017 CRI). As stated by Kotter and Schlesinger (2008), organisational change implies or have the similar meaning as organisational transformation. However, change implementation is a more meticulous activity than it is frequently being seen and that is the reason why some of the effort for organisational change does not succeed (Szabla, 2007). The development of technologies and dynamic communication are increasing. It affects the organisation continually as they are facing some challenging obstacles such as competitions, development, general instability, mergers and reengineering of work processes. Organisations have to implement changes in their current mission, strategies, structure, policies, operations, processes, culture and others to fit in the current situation that they are facing.

It is often contested that organisational change is likely to happen during corporate merger. According to Howard (1996), the decision to merge will cause a dramatic enactment of organisational change. It is obvious that merging will affect organisational processes and discourse on all levels. However, they are concerned with the discourse that, demanding to make sense of the merger to find the answer for questions such as “Why should we change?” and “What should we change to?”.

For example, business organisation has to implement change in order to survive with other competitors due to development in technology. Employees have to be psychologically

and behaviourally prepared to implement organisational change. This is because when employee readiness is high, they are more likely to initiate change, exert greater effort and persistence, and exhibit great cooperative behaviour (Weiner, Lewis, & Linnan, 2009). To ensure the success of organisational change, they have to plan a change process as a guideline.

As studied by Kotter (2008), 100 organisations have been analysed on organisational change. Kotter also proposed his own theory of leading change in 1995. The result shows that 70% of companies are struggling with the effort to change. Their effort leads to failure, increased in budgets and extended timeline.

According to Beer and Nohria (2000), change is difficult to achieve, as most companies have shown a low success rate and almost 70% of all reform efforts fail. Macredie, Sandom, and Paul (1998) have concluded that the successful company of the future, whether private or public, must be ready to embrace the idea of change management in order to avoid elimination. Beer and Nohria (2000) have reported that many companies are failing to make improvements because some managers tend to force changes to their organisations. It is because they are losing concentration and becoming distracted by the suggestions on why organisations need to improve, what companies are attempting to do, and how organisations can implement change. Therefore, it can be claimed that it is not an easy task to drive change.

Moreover, negative feelings such as uncertainty, stress and anxiety may arise in workers as employees have to try to master challenging procedures and processes and are in a constant state of change that is difficult to perceive (Fullan, 1997). Resistance to change fall into two types, namely active and passive resistance (Hultman, 1995). Employees exhibit actions of coercion, apprehension and fault-finding in active resistance. Passive resistance is linked to the removal of information lack of response and indifference.

To accomplish the change in the organisation, it is important to have a strategic direction which can help the organisation to prepare the implement of change effectively (Kotnour, 2011). Organisational structure with a clear plan and operation system can affect the change process in a positive way (Hall, Rosenthal, & Wade, 1993). This is because it can provide employees with an indicator of real change. It will help the employees to overcome the employee resistance and encourage them to participate in accomplishing the change initiatives. Kanter (1984) also emphasised that a flexible policy and positive organisational environment help in inspiring organisational change readiness. Burke and Litwin (1989) suggested that leadership, structure, strategy, and culture play an important role for change.

Organisational change is inevitable. The fact that individual have different perception towards change make it harder for them to participate with the process of learning and relearning. It will also create the feeling of anxiety and tension among employees to deal with the changes.

The banking industry in Malaysia has changed significantly since the Asian economic crisis (Ibrahim, 2011). Malaysia faced a lot of imperialism following 62 years of independence from Britain. Employees in the banking sector were confronted with structural shifts, such as restructuring and additional workload, due to rapid technological innovation. Employees in the banking sector may be sceptical regarding developing the working environment, the atmosphere of the workforce and corporate governance. It is important when workers feel emotionally committed to their jobs. They may have an influence on the efficiency and effectiveness of their work performance. Therefore, it will also affect the organisational achievement to accomplish the organisational goals. The goal of this research is therefore to examine the experience of employees in handling their preparation for change in the banking sector.

1.3 Problem Statement

A result of a computer search by Scopus from 2011 to 2020 shows that there 570 researches when searching with the keywords “readiness for change”, which are mostly conducted in the Western setting. In addition, there are only 19 researches related to Malaysia context. Another search keywords “change management” shows that there are 6, 459 researches conducted on this issue from 2011 to 2020. However, there are only two researches found in the context of the banking sector in Malaysia. This supports that there is still lack of studies in Malaysia regarding the readiness for change. According to the report of 2019 Change Readiness Index (CRI) among 140 countries, Switzerland topped for two consecutive years in the ranking of readiness for change. Aside from Switzerland, Singapore, Denmark, Sweden, the United Arab Emirates, Norway, Germany, the United Kingdom, New Zealand and the Netherlands are also in the top 10 rankings. This indicates that countries from the region of Northern, Southern and Western Europe pay more attention to the readiness to change. The countries highlight the importance of readiness for change initiatives that occur throughout the organisations. Malaysia ranked 24th and although Malaysia is ranked 1st among the upper middle-income countries, it is still considered inadequate since Singapore ranked 1st and 2nd in the overall rankings among all the East Asia and Pacific region.

As employees are facing the changes in the organisation, it would be great if they are able to start it with an organisational readiness assessment. Based on the past research, other researchers have found that there are some concerns that will happen during change (Ashford, Lee, & Robertson, 1989; Duck, 1993; Qian, 2007).

First, some employees might feel nervous, stress and not ready with sudden changes in the organisation because they are already accustomed with the similar organisational environment (Ashford *et al.*, 1989). The sudden changes in the organisation might lead to

decrease in productivity and morale of the employee and this will cause negative impact towards performance and motivation of the employees.

Next, as stated by Duck (1993), employees are most concern about their employment, benefits and welfare in the organisation after the changes. This statement is supported by Pietersen (2002) where the resistance to change among employees will make them feel uncertain and fear. This is because they are not sure whether the change will affect them in a good or bad way. Thus, this will affect their motivation and their performance to work effectively and efficiently for the organisation.

Other than that, communication plays an important role between the employees and employers where communication is the platform for organisational change (Qian, 2007). The communication network will become more important when the climate is changing significantly. Hence, the employees willingly accept the change if there is an effective communication between both parties and an effective distribution of the information regarding the change.

The banking sector is experiencing a number of changes. Some of the improvements were major branch growth, new products, consolidation of consumer banking, change of Information Technology (IT) system, online banking system and cheque truncation system of replacing cheques with electronic information. These changes may have negative effects in terms of resistance from stakeholders and employees, and high staff turnover. Employees may feel threatened by these changes due to loss of job, security, change in work schedule, and learning new skills. Organisation will face a lot of challenges if they are not managing the changes effectively.

Many researchers were very interested in studying factors related to employee readiness and organisational change (Armenakis *et al.*, 1993; Cunningham, Woodward, & Shannon,

2002; Madsen, Miller, & John, 2005; Miller, Johnson, & Grau, 2006). However, most studies are done in western cultural work settings. There is very little research that has been conducted to determine how the factors can affect employee readiness in developing countries (Demissie & Zhou, 2018; Holten & Brenner, 2015; Weiner, 2009). In Malaysia, some researcher has been conducted and investigated on this topic especially in Peninsular Malaysia (Ahmad, Ismail, & Saleh, 2018; Thien, 2019). It is discovered that the current practice of organisation and employees in the organisation towards change management includes three key factors, namely trust in management, communication and organisational commitment; while the optimistic vision for the future is viewed by the management team as a measure of trust in management, meanwhile for communication, it is shown that there is clear communication between managers and employees on the organisation's policy towards change. The element found in the organisational commitment is that employees like interacting to outsiders about their organisation. Therefore, this research aims to study the customer service employees' experiences in managing their readiness towards changes in banking sector in Kuching, Sarawak to bridge the gap of the studies.

1.4 Research Objectives

Research objectives are divided into two which are general objective and specific objectives. General objective will explain the overall of the research while specific objectives will explain the point of the research specifically.

1.4.1 General Objective

The general objective of this research is to study the experiences of customer service employees in managing their readiness towards changes in banking sector in Sarawak.

1.4.2 Specific Objectives

The specific research objectives for this research are:

- i. To study the contextual data regarding the experiences of customer service employees in managing their readiness towards changes in banking sector in Sarawak.
- ii. To examine the factors affecting the customer service employees' readiness towards change in banking sector in Sarawak.
- iii. To investigate the ways to improve level of readiness towards change by the employees in banking sector in Sarawak.
- iv. To investigate the ways to improve level of readiness towards change by the employer in banking sector in Sarawak.

1.5 Research Question

Research questions are divided into two which are general research question and specific research questions.

1.5.1 General Research Question

The general research question is what are the experiences of customer service employees in managing their readiness towards changes in banking sector in Sarawak?

1.5.2 Specific Research Questions

The specific research questions for this research are:

- i. What are the contextual data regarding the experiences of customer service employees in managing their readiness towards changes in banking sector in Sarawak?
- ii. What are the factors affecting the customer service employees' readiness towards change in banking sector in Sarawak?
- iii. What are the ways to improve level of readiness towards change by the employees in banking sector in Sarawak?
- iv. What are the ways to improve level of readiness towards change by the employer in banking sector in Sarawak?

1.6 Significance of Study

This research is to study the employees' readiness towards changes. The organisation change can be in terms of structure, policies, processes, culture, technology and others.

When organisation change occurred, each of the employees will have different reaction to the change. Feeling stress because of the increased of tasks and job security will happen among employees as well. Thus, the performance of employees and organisation's goals will be affected (Yu, 2009). Therefore, this study is important for a better understanding on the readiness of employees towards changes.

Furthermore, this study is useful as a reference for future researchers who would plan to study related topic and also can be a guide for students who are undertaking similar studies. Besides, the study of readiness to change among employees might help employers when they

want to implement change and identify the best mode of implementing those changes. Last but not least, this research can be applied in another sector as well.

1.7 Definition of Terms

This section will explain some terms that will be used in this research such as employee, readiness for change and banking sector.

1.7.1 Customer Service Employees

Conceptual Definition

Lucas (2005) defined customer service employees as knowledge-based, competent and enthusiastic employees to offer goods and services to their internal and external customers in a manner that meets the known and unknown needs of consumers and ultimately results in favourable word of mouth advertising and customer loyalty.

Operational Definition

In this study, customer service employees refer to people who take care of the customers' need in banking such as responding to customers; questions and complaints in a thorough and timely manner. Customer service employees are divided into three career developmental stages which are early career, mid-career, and late career in banking sector in Sarawak.

1.7.2 Readiness for Change

Conceptual Definition

Elias (2009) viewed readiness for change as a process of developing the expertise of employees in order to implement organisational change.

Operational Definition

In this study, readiness refers to how customer service employees react towards changes implemented in banking sector in Sarawak. It is in term of their beliefs, attitude, and behaviour during the implementation of the organisational changes.

1.7.3 Banking Sector

Conceptual Definition

According to Department of Statistics, Malaysia (2016), banking refers to the financial services activities covered including banking, insurance and takaful, financial leasing, and factoring activities.

Operational Definition

In this study, banking refers to financial institution that accepts deposits from public and create credit. Banking is an industry that handles cash, credit, and other financial transactions in Sarawak.

1.8 Conclusion

In conclusion, this chapter will help to understand how the researcher will conduct the study in order to address the research issues and to identify the problems that will arise in the research background. At the same time, from the research objectives, the research questions have been developed where it will help to develop the literature review with the relevant past studies. This literature review will be explained more in the next chapter which will be discussed on the concept of the readiness to change, theory and model that are connected with this research.