

## Leadership Effectiveness for Change Transformation

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**Abstract.** There is an increasing demand by both internal and external factors for organizational leadership to respond to challenges that call for change. The dynamism in the environment in which banks operate in has prompted many banks to implement its transformation program. However, such response to a change initiative may not always end positively. The objective of this study is to highlight the role of leadership in a local bank in leading the transformation programs towards change. The results showed the bank's the failure in achieving the change targets set through many change initiatives in the past which included Total Quality Management (TQM) and Business Process Re-engineering. It demonstrated the challenges the bank's management faced when implementing its new Transformation Program.

**Keywords:** Change management, Leadership, Transformation and Malaysia

### 1. Introduction

There are three types of organizational change which received widespread attention in the last three decades namely: the introduction of new technology in the 1980s, the adoption of Total Quality Management (TQM); and, from the early 1990's, the application of Business Process Re-engineering (BPR) [1]; However, studies conducted on technology change projects by [2] found the failure rate of these projects to be between 40 percent and 70 percent.[3], one of the founders or the TQM movement, claimed that over 90 percent of TQM initiatives by American organizations fail. Studies in the UK and other European countries showed similar high failure rate of up to 80 percent or more [4]. BPR initiatives seem no better with its failure rate at 60 percent or more [5]. The high failure rates go to show that leading organizational change is a path fraught with danger even if the perceived rewards are great.

In the 1960s and 1970s, planned change became the dominant approach to managing organizational change, whereas from the 1980s onwards the emergent approach started to gain popularity. The emergent approach came to prominence partly due to criticisms of planned change; "the main ones relating to its perceived inability to cope with radical, coercive change change situations or ones where power and politics are dominant"[6]. However, the defendants of planned change rejected the validity of that these criticisms. They argue that planned change is a more flexible and holistic approach than its critics would acknowledge and that it is capable of incorporating transformational change [7]. The new emergent approach tends to see change as driven from the bottom rather than from the top; it stresses that change is an open-ended and continuous process of adaptation to changing conditions and circumstances; and it also sees the process of change as a process of learning, and not just a method of changing organizational structures and practices [8].

However, a major debate in leadership literature is whether the effectiveness of an organization change is due to its chief executive. Critics bemoan the absence of strong and consistent findings in the literature on

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leadership effectiveness due to constraints such as powerful stakeholders, internal coalitions, a strong culture, scarce resources, strong competitors, and unfavourable economic conditions [9]. Some writers, however, contend that leaders have a major influence on organizational performance [10]. Furthermore, some theorists argue that leading change is the fundamental role of a leader and everything else is secondary [11] (Yukl, 1998). In this instance, Schein [12] aptly defines “leadership..... is the ability to step outside the culture..... to start evolutionary change processes that are more adaptive”.

Change management may be a much researched topic in America and Europe but there is generally very little insight from the Malaysian context. Despite change being carried out in Malaysia, there is generally very little being researched and published due to the difficulty of obtaining information or management’s reluctance to participate in such studies. A local Malaysian bank management’s approach in managing change and the type of leader that drives such a challenging initiative is the focus of this study. This study intended to address one of the major issues in change management, which is to identify what are the types of leadership needed in driving such change.

## **2. Initiatives for Change**

According to [13], the initiatives for change can be due to the organisations internal environment such as new vision or priorities by the management or some crisis regarding internal skills or resources. However, the internal triggers are often due ultimately to a significant issue or trend in the external environment. [14] concur that an organization’s existing internal skills and business processes, or status quo, are susceptible to the same pressures. They put forward four such pressures challenging the status quo; they are leadership, abrupt intervention, dysfunctional or non-competitive practices and self-renewing.

Abrupt intervention refers to unexpected events or change in basic conditions that creates a visible need for change. These include catastrophic events such as earthquake, tsunami and terrorism or a significant breakthrough in technology. The need to change becomes visible and it is a gradual process where such as organizations practices become dysfunctional or technologically outdated. These conditions often happen when organisations find their products and services no longer competitive in the marketplace. A new leader’s vision can often be the stimulus to change. However, a leader’s vision is also a response to some kind of environmental forces. A vision drives the organization to develop new mindsets and implement them. Adaptive or growing organizations are those that recognised the importance of self-renewal and find ways to continuously improve their existing practices. As [15] summarised, organizations should be built for change rather than built to last.

There are three models of organisational changes that centred on how organisations perceive and deal with change. Whether or organisational change is seen as a one-off event or a continuing process and whether it is on a small or large scale determine the appropriateness of the approaches to change management. [16] believes that all three models of change are present in organisational life which each sharing equal importance. His belief is supported by [17] Kimberley and Miles (1980) in that sectoral, temporal and organizational life cycle differences can account for whether organizations experience incremental, punctuated equilibrium or continuous change.

## **3. Leadership and Change**

[18] Defines the transformational leader as one who “transforms and motivates followers by: (1) making them more aware of the importance of task outcomes, (2) inducing them to transcend their own self-1998, p. 325). According to [19], “charisma is a necessary ingredient of transformational leadership, but by itself it is not sufficient to account for the transformational process”. Followers of the charismatic leader may identify and imitate the leader’s behaviour and appearance but they seldom become motivated to transcend their self-interest for the sake of the organization or team [20]. Transformational leaders seek to empower and elevate followers, whereas many charismatic leaders seek to keep followers weak, dependent and loyal rather than commitment for the benefit of an abstract cause [21]. However this view of the linkages between charismatic leader and transformational continue. There are few like [22] rejects Bass’ notion that charisma is necessary for transformational leaders as descriptive research suggests that most transformational leaders are not charismatic.

There are some theorists argue that leading change is the fundamental role of a leader and everything else is secondary. While [23] has stipulated the importance of “revitalization” in any organization, [24] mentions that a leader is only effective if he or she is successful in revitalizing and facilitating its adaptation to a changing environment. He adds that understanding the reasons for resistance to change, the sequential phases in the change process, and different strategies to change will greatly enhance its likelihood of successful change implementation.

## 4. Methodology

A case study approach was adopted since this research required a specific insight into the organization. In order to utilise the case study approach effectively, the researcher had selectively turn to Yin’s case study procedures. The main reasons for such an approach are that:

- a) there are no any significant research study in the Malaysian context done on the researcher’s chosen topic to be used as a meaningful reference and baseline;
- b) the research study requires specialised insight from subject matter experts in which most are either newly recruited into the organization or contracted consultants;
- c) a significant sample size of subject matter experts cannot be generated for quantitative study to be useful; and,
- d) the abstract nature of study which focuses on strategic thinkers of the organisations which are positioned as Vice Presidents (VP) of business units and Group Strategy, Program Directors (PD) of the change implementation and above.

Three primary data collection methods are used in this case study namely; document review, interviews and observations.

### a) Document Review

The document review process provides most of the base information in which the case study approach can be effectively utilised.

### b) Interviews

There are information required for this research which are not available from documents. Interviewing consultants, Program Directors and Vice Presidents of business units enable information on different strategic thinking perspective being garnered. The data collected from these interviews assist the author in supplementing the data in the documents by understanding how and why certain decisions were made, the strategic intent of top management, change approach and perceived leadership effectiveness.

### c) Observation

With collaboration of the bank's employee act as a researcher and being directly involved in the Transformation Program able to gather much information in attending presentations, requirement study workshops and discussions with the main participants such as the Vice Presidents, Program Directors and consultants. Therefore, the writer be able to add valuable insight to the study as he has been involved in various areas of change initiatives covering all four strategic imperatives such as business case preparation, business case review (to determine if other business unit projects fit into the defined strategic imperatives), project prioritization, project governance policy and procedure review and benefits and costs financial modelling.

The study site is a local bank in Malaysia given a pseudo-name, Aira Bank.

## 5. Findings

All respondents, except two, agreed that the CEO or top management or both were the main drivers of change. The definition of top management during the interview was a group consisting of the CEO and his top executives whereas the CEO was referred to an individual. The other driver was the head of Group Strategy Division who was also a top executive and reported directly to the CEO while one respondent stated that the respective business unit heads were the drivers of change, all respondents agreed that the significance of power and politics in organizations and conflicts in organizations were undeniable. However, from an interview question, it was indicated that only one respondent agreed to the statement “the new CEO of a mature company inherits an organization with various strengths and weaknesses, and the potential for making improvements is severely limited by political constraints and uncontrollable external conditions”. One the respondents who disagreed added that “to be an effective leader, he or she must have the necessary

skills to overcome” these political constraints. Together with the response to related interview question “only political coalitions, not individuals, have enough influence to make major changes in organizations” where five respondents (71%) disagreed, further strengthen the belief that the CEO, as an individual, can have sufficient influence to be the maker of major changes and political constraints are not seen as a limitation that cannot be overcome.

## 6. Discussion

The above findings was able to provide some form of an idea on the personal qualities or personal traits related to Aira Bank’s leadership as perceived by the respondents under the intra-individual processes identified by [25]. On the significance of effective leadership in Aira Bank’s transformation program, all respondents agreed on its significance with statements ranging from “moderately significant”, “significant”, “very significant”, “great significance” to “critical and crucial”. Two of the respondents explained the significance due to “Aira Bank doesn’t have its own culture yet” and “without top management commitment the transformation cannot be percolated” as “the transformation has to be sold to the people down below by top management” with the “CEO actively participates in various commissions and a key player in decision making”. Clarity of vision and consistency, ensuring pyramid of leadership populated and functional by picking the right people, and tell the people where they are headed and give confidence to them that they would reach the destination by:

- being the main change agent (as he himself must buy-in and preach) and develop more change agents and have an effect on the development process to spiral down;
- selling the dream and “walk the talk”, garnering support and be an example;
- communicating the right message at right time, listening and addressing the concerns;
- aligning vision with execution, engaging key sponsors and stakeholders, growing a team of people to support change; and,
- continuously communicating to impacted parties.

The general responses showed that a great majority of the respondents believed that the leadership of Aira Bank would be able to exercise significant influence in the context of a number of questions posed, supporting their earlier claims that effective leadership is significant in Aira Bank’s transformation program.

## 7. Research Limitations

Qualitative research methods have often been criticized as not being rigorous enough as compared to their quantitative counterparts. The results of this research may not be applicable to other organizations as all the data collected came from one organization. The chosen research study requires specialised insight from subject matter experts which the researcher believes may best be tackled by qualitative methods. However, the problem associated with this method of data collection is potential bias of the observer [26]. In order to minimise the participant-observer bias, in the second phase of the study the researcher will triangulate data from multiple sources and maintain an independent database of all interviews and research materials that will form the backbone of this research study.

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