Managing Change for Radical Business Process Improvement: Effects on Islamic Banks’ Performance

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Abstract

Managing change is difficult as the change is constant. Organizational resources have to be wisely utilized in order to maximize the outcome of change management project. The rapid rate of change has imposed many companies to radically change to improve their current business processes. Financial sector is one of the main drivers of economy in any nation and has been experiencing drastic change in its operations. This paper examines the effect on Islamic banks’ performance due to change management initiatives. The performance of Islamic banks differs from any conventional banks due to three main aspects namely, (1) educating individual, (2) public interest, and (3) establishing justice. In this study, the performance is measured by the cost spent by the banks to fulfill those three aspects. The direct relationship effect was analyzed using the Partial Least Square (PLS) structural equation modeling. Collectively, the results show the significant effect of change management on the performance of Islamic banks. The outcome of this study provides the important insights to both managers and researchers for further understanding of managing change to yield improved bank’s performance.

Keywords: Business Process, Bank Performance, Islamic Bank, Change

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