

THE ROLE OF DIGITAL TRANSFORMATION IN FACING THE BANKING COMPETITION AT BTN BANK HARAPAN INDAH BEKASI BRANCH

Bintang Narpati¹, Dian Sudiantini², Kardinah Indrianna Meutia³, Diana Noviyanti⁴

^{1,2,3,4} *Economic and Business Faculty, University of Bhayangkara Jakarta Raya, Bekasi, West Java, Indonesia*

Email: bintang.narpati@dsn.ubharajaya.ac.id (corresponding author)

Received Date: 2nd October 2022

Accepted Date: 3rd January 2023

Abstract

This research has the purpose of measuring the impact of digitization and employee engagement on organizational transformation. The hypothesis of the study was formulated to find the relationship between organizational transformation and digitalization as well as employee engagement. A quantitative analysis was applied as a study method. Descriptive statistics and regression analysis were conducted for data evaluation. The result of this research revealed that there is a positive and significant influence between the variables of digital transformation and employee engagement on organizational transformation both in partial and simultaneously.

Keywords: *digitalization, employee engagement, and organizational transformation.*

1.0 INTRODUCTION

The digital era is an era that is now echoing not only in Indonesia but also throughout the world. Several countries utilize in the strategic selection of IT in various organizations (Sibanda & Ramrathan, 2017) both the government and the private sector needed to build, among others, mental self-driving, self-power, creativity, and innovation. Artificial technology (Artificial Intelligence) was created to assist humans in increasing higher performance reliably, safely, and reliably (Shneiderman, 2020).

Daily transactions can be made through applications that support the transaction platform. Before the industrial revolution 4.0, the transactions used were usually manual. People ordering food still have to queue in front of the cashier or if delivery orders, waiting for the junk food employees to stop at a lot of places, then it's our turn to get them. Whether it is in the afternoon, evening, or night because of the loading of the junk food order or even our order was rejected because the employee who delivered it wasn't there. In the banking industry, daily transactions are still done manually. Customers come to the bank and queue to make transactions, but with e-commerce applications encourage transactions to be done digitally ("Payment Banks: Digital Revolution in Indian Banking System," 2020).

According to some consumers, who still do manuals for this method because this method is considered to still have advantages, namely, the customer has to go out to meet the store he or she or she is going to order from so that social relations can occur (Fong & Hou, 2017). Whether it is food or consumer goods. In this sense, there is an activity or movement of the body that is carried out by someone in ordering goods. There is a physical activity that helps the organs of the body move. But on the other hand, unfavorable conditions such as traffic jams, and the air temperature may be rainy or hot (extreme) which can make body temperature have to adjust to environmental conditions, including for adults and children (Nguyen et al., 2021). If the body temperature is healthy, it is not a problem, but if the body temperature is not good or sick, it will make things worse. The time it takes to order or buy a product sometimes takes a lot of time. This is because there are still limited courier services

or services between services that have not developed at that time and of course the costs incurred are not small. In general, people want to use internet-based services (Mikheev et al., 2020).

1.0 LITERATURE REVIEW

1.1 Digitalization

Digitalization is now a habit for people to carry out their daily activities. According to (Wikipedia, n.d.) there is a set of sophisticated equipment including a computer and a processor, and there is a series of complex binary calculations. Digitization is a tool that can be used in various tasks. For that, digitization is also a key. Digitization is also the process of giving or using a digital system. The conclusion is that digitization is a set of tools or digital keys with a processor inside which is used to make it easier for humans to assist in their work.

Very rapid changes occur in the banking sector, where transactions must keep up with the times. Banking is a leader in digital transformation because there are fundamental, disruptive & very dynamic changes (Winasis et al., 2020). The company must have a network or system that is integrated between sections and between branches so that they can quickly provide services to their customers. Digital indicators in banking services are divided into three parts, namely indicators of digital banking platform, indicators of bank digital service, and digital communication indicators with bank customers (Zamaslo et al., 2021).

Commercial banks must rely on a comprehensive approach to digital transformation to ensure a long-term competitive advantage. The Swiss model is based on tackling bank strategy, organizational structure, and corporate culture together (Galper, 2020). Since online banking was introduced to the public, people's lives have become more comfortable and fast. However, because of low market penetration and low community utilization rates, banking performance has not improved much (Shu et al., 2020).

1.2 Employee engagement

Employee engagement is interpreted as a positive, quench, work-related mood characterized by passion, dedication, and permeation (AB & E, 2008). Employees in an organization are required to have an engagement or an attachment to the company so that the company can develop together with stakeholders and shareholders. Employee engagement (S. et al., 2008) describes employee engagement as a behavior that is specified by the extent to which folk use their own cognitive, physical, and emotional degrees in performing their roles. The conclusion of employee engagement is the spirit of employees with positive thoughts in showing the role of employees at work.

Employee engagement indicators by (Sabir & Khan, 2018). There are 3 (three) categories, namely:

1. Say it means employees have a positive view of the organization and co-workers, prospective employees, and customers.
2. Stay that means employees have a strong aspiration to become members of the organization.
3. Striving means employees provide more effort and engagement that contributes to business success.

2.3. Organizational Transformation

Organizational transformation is the application of every business organization and adapting to changes in the environment and increasing the capacity of human resources as an important organizational asset. This change links to a company's capability to be able to

change successfully and optimize its resources to give opportunities and good service delivery practices that produce results and outcomes (Schalock et al., 2018).

Organizational transformation is the achievement of science and technology that has the characteristics of bringing assured social and public advantages, participating in the transformation of the achievement of science and technology through interaction with both parties, and providing professional services (Ke & Bing, 2021). The conclusion is organizational transformation is the development and change in the organization regarding the structure, process, culture, and orientation by increasing human resources as assets through science and technology that provide benefits and provide professional services.

In making organizational changes, the company's management makes changes to its organizational structure but it does not necessarily change the company's capital. Growth and tangibility have a positive relationship but are not statistically significant to capital structure (Sastrodiharjo & Utama, 2016). This is done so that the company can keep up with current market needs. There are two things related to organizational change or transformation, namely context, and complexity.

Factors such as history, politics, society, ecology, and culture constitute a phenomenal context and are complex, multifaceted, and highly interactive. While the attachments that influence transformational thinking and actions are contextual factors (Chouinard & Milley, 2016), (Shogren et al., 2017). Previous researchers (Sibanda & Ramrathan, 2017) with the title Influence of Information Technology on Organization Strategy conducted research with the results showing that consumers or customers are becoming more transacted with companies; therefore, flexibility in the form of business models and strategies is needed in an organization.

The use of digitalization is a natural thing in daily transaction operations. Many are using digitalization services currently, which often use the banking industry, telecommunications, tourism, and others. The use of digitalization is in the form of work operations and following work culture to enhance organizational transformation. But does it apply to all industrial sectors?

As for employee engagement, whether employees who are involved in the company's operations and work culture can help improve organizational transformation.

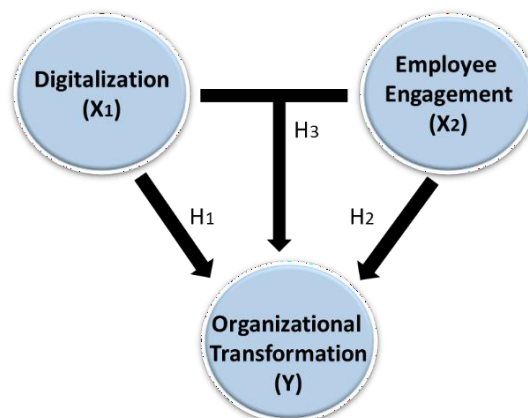


Figure 1. Hypothesis Test

Hypothesis test

The form of hypothesis testing for this research is as follows:

- 1) \longrightarrow It is suspected that there is a partial effect of the X_1 and X_2 variables on Y .
- 2) $-\ - - \blacktriangleright$ It is suspected that there is an effect of variables X_1 and X_2 on Y simultaneously.

A. The Effect of Digital Transformation on Organizational Transformation

The existence of a transformation in digital equipment will make work operations change. This change was followed by a change in the work culture. The use of digital transformation also has an influence on existing human resources. They will learn more about digitization. The role of digitization is important in the world of work and daily transactions. Management will provide training to its employees to be more skilled in using digitalization through a managerial approach in the context of digital transformation (Baiyere et al., 2020). Thus, the influence of digital transformation will have an influence on the development of organization transformation.

B. The Influence of Employee Engagement on Organizational Transformation

The role of employee engagement is a factor that has an influence on organizational change towards improvement or organizational transformation. The involvement of employees in organizational structures and processes plays an important role by shaping the behaviors that lead to the formation of management and organizational change: Engagement can be a multi-faceted development (cognition, emotion, and behavior) and as an entity construct (positive thinking, willpower). Dedicated, is the reverse of exhaustion (Sun & Bunchapattanasakda, 2019). Through employee engagement, can shape organizational transformation in the direction desired by the organization.

C. Research Methodology

This study took fifty-one employees as respondents of BTN Bank Harapan Indah Bekasi Branch and used quantitative descriptive analysis. Employees who are respondents consist of several divisions in the company.

3.0 RESULTS AND DISCUSSION

In table 1, the output of the validity test describes whether each variable is valid or not. From the output of the validity test, both independent and dependent variables have validity because $r\text{-count} > r\text{-table}$ (0.2820), 5% significance, and the sample used is $N = 51$.

Table 1. - Validity Test

Statement	r - count				r-Table 5% (N=51)	Description
	Digitalization (X1)	Engagement (X2)	Organizational (Y)			
1	0.716	0.934	0.941	0.2820	valid	
2	0.734	0.916	0.900	0.2820	valid	
3	0.669	0.911	0.892	0.2820	valid	
4	0.763	0.825	0.934	0.2820	valid	
5	0.723	0.904	0.878	0.2820	valid	

In table 2 the reliability test, each variable has a Cronbach alpha > 0.60 , which means that the index variable is reliable or reliable and is said to be reliable.

Table 2. - Reliability Test

Variable	Cronbach's Alpha	N of Items
X1	0.695	5
X2	0.845	5
Y	0.852	5

In the Kolmogorov – Smirnov test, the significance of which is 0.083 or greater than 0.05, it can be said that this study meets the requirements for normality.

In the Multicollinearity Test, the cut-off value is the value of Tolerance 0.10, which is 0.998 or VIF 10. In this test, VIF has a value of 1.002 or less than 10, so that there is no multicollinearity problem. The Heteroscedasticity Test measures the inequality of variance and residuals. In addition to being able to use a scatter-plot by looking at the scattered points in the image, this test can use Spearman's rho to measure the correlation of each variable using unstandardized residuals.

In the output correlations, Digitalization Transformation with Unstandardized Residual sig. (2-tailed) of 0.10 and Employee Engagement sig. The sig (2-tailed) is 0.252, and it is concluded that there is no heteroscedasticity problem because it has a sig value above 0.05.

In the partial test (table 6) it can be concluded:

- a. Digitalization Transformation (X_1) has a value of sig. $0.00 < 0.05$ (α sig) and t-hit 2.041 > t-table 2.010 so that there is an effect of Digitalization Transformation (X_1) on Organizational Transformation (Y).
- b. Employee Engagement (X_2) has a value of sig. $0.00 < 0.05$ (α sig) and t-hit 2.715 > t-table 2.010, namely that there is a significance effect of Employee Engagement (X_2) on Organizational Transformation (Y).

Table 3. – Partial Test

Coefficients

Model	Unstandardized Coefficients				
		B	Std. Error	t	Sig.
1	(Constant)	2.194	6.801	0.323	0.748
	Digitalization	0.621	0.304	2.041	0.047
	Engagement	0.292	0.107	2.715	0.009

Simultaneously, both Digitalization Transformation or X_1 and Employee Engagement (X_2) variables have a significant impact on Organizational Transformation (Y), the significance value is $0.00 < 0.05$ and for F count > F table, F count is $6.011 > 3.19$.

The coefficient of determination (R^2) was obtained at 0.20 or 20.0% with the understanding that the influence of the independent variables both X_1 and X_2 had a value of 20.0% on the dependent variable Y, and the remaining 80.0% were variables that were not studied.

Table 4. – Determination Coefficient

Model Summary

Model	R	Adjusted R Square		Std. The error of the Estimate	Durbin-Watson
		R Square			
1	0.448	0.200	0.167	5.131	1.538

The Effect of Digital Transformation on Organizational Transformation at BTN Bank Harapan Indah Bekasi Branch

The outputs explain that there was a significant effect, namely the Digital Transformation (X_1) variable on Organizational Transformation (Y) with a T-hit of $2.041 > 2.010$ T-Table and a significance of $0.000 < 0.047$. Digital Transformation has indicators of digital banking platform, bank digital service indicators, and digital communication indicators with bank customers (Zamaslo et al., 2021). The study shows that with these three indicators, banks can serve their customers quickly and safely, supported by highly confidential codes. These three indicators are tools needed by banks at this time. To face the era of society 5.0, the banking needs are more complex but simple. Digitization offers new opportunities for banks to place customers at the center of the development process (Khanchel, 2019). In this case, banking is assisted by artificial intelligence which is created according to banking needs in the future.

The Effect of Employee Engagement on Organizational Transformation at BTN Bank Harapan Indah Bekasi Branch

There is a significant and also positive effect of employee engagement, namely T- hit $2.715 > 2.010$ T-Table with sig. $0.00 < 0.05$ indicates that employee engagement has an effect on organizational transformation. One indicator of employee engagement is that employees give more effort and involvement, which contributes to business success (Sabir & Khan, 2018). For employee engagement to be well-formed, working conditions become the prominent driver in escalating employee engagement, followed by working relationships and promotions. Working conditions include job security, work convenience, stress level, working hours, and management policies (Djoemadi et al., 2019). Employee involvement in the business development or operations of the company is very much needed. Through employee involvement, this will provide a new pattern or the best solution that can be used by the company in organizational change.

1.0 CONCLUSION

The results of the research above can be concluded that:

1. Digital transformation (X_1) has a significant positive effect on organizational transformation at BTN Bank Harapan Indah Bekasi Branch. If there is an increase in digital transformation, it will have a positive effect on organizational transformation. Digital transformation is a necessity for the banking world today with a disruptive presence, but in this case not all banking transactions must be carried out through

2. digital transformation, there are still traditional ones, namely services such as safe deposit boxes, the spot for loan customers, and depositing large amounts of money. That requires customers to come to the bank and also have a meeting with bank officers.
3. Employee engagement (X_2) has a significant positive effect on organizational transformation (Y) on employees of BTN Bank Harapan Indah Bekasi Branch. An increase in employee engagement will have a positive impact on organizational transformation. A comfortable working atmosphere and conditions will make employees feel more ownership of the organization, thus employee engagement will be stronger.
4. Simultaneously, the digital transformation variable (X_1) and Employee engagement (X_2) on the employees of BTN Bank Harapan Indah Bekasi have a significant effect on Organizational Transformation (Y).
5. The dominant variable in this study is employee engagement (X_2) compared to the digital transformation variable (X_1).
6. As a follow-up to the next research, conduct research on work-life balance, training, and development, and leadership variables so that the impact on organizational transformation can be known, especially during the current pandemic. With this disruptive era, companies will incur relatively large costs for digital transformation, but this needs to be done so that companies can survive and thrive. While on employee engagement, company leaders can improve a conducive work atmosphere by providing direction and, of course, job satisfaction for employees.

REFERENCES

- AB, B., & E, D. (2008). Towards a model of work engagement. *Career Development International*, 13 (3)
- Baiyere, A., Salmela, H., & Tapanainen, T. (2020). Digital transformation and the new logic of business process management. *European Journal of Information Systems*, 29(3), 238–259. <https://doi.org/10.1080/0960085X.2020.1718007>
- Chouinard, J. A., & Milley, P. (2016). Mapping the spatial dimensions of participatory practice: A discussion of context in evaluation. *Evaluation and Program Planning*, 54,1–10. <https://doi.org/https://doi.org/10.1016/j.evalprogplan.2015.09.003>
- Djoemadi, F. R., Setiawan, M., Noermijati, N., & Irawanto, D. W. (2019). The effect of work satisfaction on employee engagement. *Polish Journal of Management Studies*, 19(2), 101–111. <https://doi.org/10.17512/pjms.2019.19.2.08>
- Fong, E., & Hou, F. (2017). Neighbours helping neighbours in multi-ethnic context. *Population, Space and Place*, 23(2). <https://doi.org/10.1002/psp.1991>
- Galper, M. A. (2020). Digital transformation of banks: The Swiss experience. *Economics and Management*, 2. <https://doi.org/10.35854/1998-1627-2020-2-199-204>
- Ke, X., & Bing, X. (2021). A research on the classification system of scientific and technological achievements transformation organization based on the boundary organization. *Science Research Management*, 42(4), 113–122. <http://www.kygl.net.cn/EN/abstract/abstract22406.shtml>
- Khanchel, H. (2019). The impact of digital transformation on banking. *Journal of Business Administration Research*, 8(2), 20. <https://doi.org/10.5430/jbar.v8n2p20>
- Mikheev, A., Serkina, Y., & Vasyaev, A. (2020). Digital transformation of social institutions. *Talent Development & Excellence*, 12(2).
- Nguyen, H. T., Le, H. T., & Connelly, L. B. (2021). Weather and children's time allocation. *Health Economics (United Kingdom)*, 30(7). <https://doi.org/10.1002/hec.4264>
- Payment Banks: digital revolution in Indian banking system. (2020). *International Journal of Management and Humanities*, 4(6). <https://doi.org/10.35940/ijmh.f0626.024620>
- S, K., M, G., C, R., E, S., & K, T. (2008). *Employee engagement: A literature review*. Kingstone University.
- Sabir, S., & Khan, A. (2018). Impact of political stability and human capital on foreign direct investment in East Asia & Pacific and South Asian countries. *Asian Journal of Economic Modelling*, 6(3), 245–256.

- https://econpapers.repec.org/article/asiajemod/2018_3ap_3a245-256.htm
- Sastrodiharjo, I., & Utama, I. P. (2016). Faktor-faktor yang mempengaruhi pertumbuhan aset perusahaan asuransi jiwa non syariah di Indonesia. *Akuntabilitas*, 8(1). <https://doi.org/10.15408/akt.v8i1.2759>
- Schalock, R. L., Verdugo, M. A., & van Loon, J. (2018). Understanding organization transformation in evaluation and program planning. *Evaluation and Program Planning*, 67. <https://doi.org/10.1016/j.evalprogplan.2017.11.003>
- Shneiderman, B. (2020). Human-centered artificial intelligence: Reliable, safe & trustworthy. *International Journal of Human-Computer Interaction*, 36(6). <https://doi.org/10.1080/10447318.2020.1741118>
- Shogren, K. A., Luckasson, R., & Schalock, R. L. (2017). an integrated approach to disability policy development, implementation, and evaluation. *intellectual and development disabilities*, 55(4), 258–268. <https://doi.org/https://doi.org/10.1352/1934-9556-55.4.258>
- Shu, Z., Tsang, S.-Y., & Zhao, T. (2020). Digital transformation of traditional chinese banks. *Open Journal of Business and Management*, 8(1), 68–77. <https://doi.org/10.4236/ojbm.2020.81005>
- Sibanda, M., & Ramrathan, D. (2017). Influence of information technology on organization strategy. *Foundations of Management*, 9(1). <https://doi.org/10.1515/fman-2017-0015>
- Sun, L., & Bunchapattanasakda, C. (2019). Employee Engagement: A Literature Review. *International Journal of Human Resource Studies*, 9(1). <https://doi.org/10.5296/ijhrs.v9i1.14167>
- Wikipedia. (n.d.). *Digital*. <https://id.wikipedia.org/wiki/Digital>
- Winasis, S., Riyanto, S., & Ariyanto, E. (2020). Digital transformation in the Indonesian banking industry: Impact on employee engagement. *International Journal of Innovation, Creativity and Chan*, 12(4)
- Zamaslo, O., Kovalenko, V., & Lozynska, O. (2021). Digital transformation level indicators of banks. *Baltic Journal of Economic Studies*, 7(2), 77–82. <https://doi.org/10.30525/2256-0742/2021-7-2-77-82>