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## **Organizational Development Model of Commercial Banks in Indonesia Based on Performance in Improving Competitiveness**

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### **Abstract**

Research on the model of organizational development on commercial banks based on performance in Indonesia has not been done in particular, especially by incorporating elements of ethics as moderator variables. The purpose of this study is to analyze the influence and the relationship of organizational structure, organizational culture and Human Resources (HR), ethics and performance of commercial banks in Indonesia as well as provide an alternative recommendation strategy changes in organizational structure, cultural orientation, human resource development and the ethical focus of commercial banks in Indonesia based on performance in improving competitiveness. The hypothesis was tested by using 84 respondents representing 84 commercial banks in Indonesia, which is obtained through an online survey sampling techniques census and 12 economists, banking experts, financial experts, technology experts, operational experts, authorities and academics through surveys and interviews. Data were analyzed by multivariate regression, Spearman correlation and analytical hierarchy process (AHP). Multivariate regression and Spearman correlation results indicate that the organizational structure, organizational culture and HR has a significant effect on the performance of commercial banks in Indonesia where ethics as moderator variables.

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Furthermore, the results of AHP analysis showed the main factors that have a significant effect on the model of organizational development on commercial banks in Indonesia based on performance in increasing competitiveness is human resources, the second priority and the third priority are management and technology.

**Keywords:** commercial banks' performance; organizational development; competitiveness

## **1. Introduction**

Financial institutions, particularly banks, have long characterized the economic activity of the country. The existence of financial intermediary institution and the banking system are very important in modern economy. Bank has a highly strategic function in national development aimed at supporting the implementation of national development to improve the distribution of economic growth and national stability towards improving people's welfare. The Bank has a very strategic functions in national development which aims at supporting the implementation of national development to enhance equitable economic growth and national stability toward augmenting the welfare of society. Bank as a financial intermediary institutions bring together owners and users of funds, then the activities of the bank should be run efficiently, both micro as well as macro-scale. As an institution, banking intermediation must have good performance, because with good performance of banks will be easier to gain the trust of the community or client (agent of the trust). The Bank is an institution built on the basis of trust, so that the principle of prudence in carrying out its activities must uphold it well. The Bank should implement the principle of its operational activities in running disclosure based on Good Corporate Governance (GCG). The implementation of GCG in the bank is an implementation of the application of ethics in business. Application of weak corporate governance becomes one of the main triggers the onset of various financial scandal or fraud in a business, so according to the authors have started many people who thought that the application of good corporate governance is becoming a necessity in the business world as a barometer of accountability and performance of an enterprise [1]. The banking industry has certain characteristics that are very different from other industries, so according to the author required regulation and legislation to set it up, so that its main target goes according to, i.e. be healthy banking [2]. Competition businesses are too tight (over competition) in the banking industry will force banks taking higher risks (excessive risk), especially in market competition and credit deposits. The higher the climate of competition in the banking industry gave considerable influence against the production efficiency, economic growth and welfare of society (consumer welfare). The authors predicted the level of banking competition in 50 countries including Indonesia using Panzar-Rosse during the period 1994-2001 [3]. The study found that the structure of the banking industry Indonesia belongs in the category of monopolistic competition. The results of this research are supported by author in [4] concluded that overall Indonesia banking competition in his monopolistic competition. Furthermore, the author stated that the higher the level of market competition in the industry, then the lower the direct influence of human resource management (HRM) against the performance of the organization [5]. Conversely, the lower the level of market competition in the industry, then the higher the HRM direct influence on performance of the organization. Indonesia's banking industry until now has low competitiveness. It can be seen from some of the banks that the majority of its shares are already owned by foreign investors. The arrival of foreign investors in a bank, will build a new culture to be able to improve the performance of the bank. The demands will increase the performance of a bank that is owned by the foreign impact on the governance structure of the Organization,

from which it is definitely changing, because there will be adjustments to the competence of employees according to the demands of the owner, a new organizational culture, because the culture of the Organization will drive the entire employee elements to have the same view in reaching the ultimate goal, as well as adjustment of the required HR competence, so that the impact on the replacement of employees who are considered less qualified. The importance role of HR who have the competence of being one of the issues that will be faced by the banking industry in Indonesia, because the performance of a bank is not only seen from the financial side, but no less important from the strengthening of the non-financial side, is HR. Cases of banking crimes several times struck the banking industry in Indonesia become a compelling reason that the performance of the bank is not necessarily focused in yielding a ratio-financial ratio is a healthy, but more than these HR into important points that should be managed with good management, especially in propping up the performance of a bank. Important factors in the HRM which support the performance of the bank consists of organizational structure, organizational culture and HR who are competent. These factors have the influence and relationship with ethics, because it has an important role in the achievement of optimal commercial bank performance. Companies that ignore the role of ethics in conducting its business activities proved unsuccessful in his journey. One example which can serve as an important lesson is the case of Lehman Brothers, its impact on the American economy are quite influential, in addition some countries in Europe are also affected. This is a valuable lesson that the role of ethics cannot be avoided in running a company. Some banking cases in Indonesia, of which occur due to ignoring the application of ethics in the conduct of its business. The author mention that the failure of the bank always related to action fraud, either from the owner or at least involves an element of bank management [6]. The author stated in almost 70 Bank Perkreditan Rakyat (BPR) and banking fraud cases occurred nationwide of BPR that is currently in a special supervision, 60% of whom rest due to fraud and mismanagement [7]. LPS announced through April 2014 already 59 bank closed consists of 58 RB and 1 commercial banks customer claims with a total Rp737,22 billion. According to the author, an organization's performance is influenced by the structure of the Organization and the competent HR [8]. The organizational structure is good and obviously will affect the elements in it in doing the duties charged to him. author revealed that some of the research that shows that organizations with strong cultural influence towards the success of the organization. Organizational performance is the result of market behavior and performance also illustrates how well the market is working, that is most widely seen from the level of profit achieved and owned the organization [9]. Market performance dimension analysis the efficiency shows that justice and progress, growth and development of products, inventions and innovation in organizations. Of the various research results regarding the organizational structure, organizational culture, human resources, ethics and organizational performance [8, 10], then conducted a study entitled: "Organizational Development Model of Commercial Banks in Indonesia are based on Performance in Improving Competitiveness".

## **2. Theoretical Review**

### ***2.1. Organizational Structure***

Organizational structure (OS) is an independent which has been widely examined, both in the field of management or organization. The author stated that OS is the way the task or job sharing, grouped and coordinated formally [11]. By looking at how the division of tasks or jobs performed, grouped and coordinated [11], there are six essential elements in designing OS, i.e. specialization, departmentalization, chain of

command, span of control, centralization and decentralization, as well as formalization. Based on the application of this OS theories and concepts [11] in profit organization, this OS theories used in this research because it is more appropriate with the banking industry OS particularly commercial banks in Indonesia.

## **2.2. Organizational Culture**

Organizational culture (OC) is one of the dimensions that affect the climate of the organization and became the main force driving factor of a business. Good OC reflected how the task is completed, goal setting and how to lead the people in accomplishing the goal. Culture affects decision-making, ways of thinking, feeling and response to the opportunities and threats. The OC also affects how the election of a person to complete a task, which influence on decision making and performance [12]. The authors in [13] interpret the OC as assumptions, expectations and collective memory includes what people bring in his mind, so difficult to measure. The authors developed a model of measurement and diagnosis organizational culture based on the framework of quantitatively Competitive Values (Values of Competing Frameworks). In general the results from this model divides organizational culture into four types [13], the clan culture, adhocracy culture, market culture and hierarchy culture. Based on the classification of OC developing research tools that have been tested and showed positive results in environmental organizations in Indonesia, then in this study uses the theory of OC described by the authors in [13].

## **2.3. Human Resource**

The Organization sees that the functions of the human resources (HR) is the main contributor to the achievement of an organization's vision and mission, as well as a source of excellence in competing, so attention to HR. The author interprets the HR strategy design, implementation and maintenance in managing human to achieve optimal organizational performance including development policies and processes that support the strategy [14]. Competency-based HR management is one of the implementation strategies of the business management. The quality of the organization competitiveness is determined by the quality of HR, so the specific competencies of HR such as knowledge, skills, attitudes, and behaviors is urgently needed to support the successful implementation of the jobs and organization [15]. The authors divide competences in two categories (threshold and differentiating) based on the criteria used to predict the performance of a job with five characteristics (knowledge, skills, motives, traits and self-concept) and the characteristics of differentiating competence (relationship and communication) [16].

This research use the competencies described by the authors, for the HR competency has the characteristic in question are indispensable organization to support the successful implementation of the work and the organization [16].

## **2.4. Ethics**

Indonesian Language Dictionary (1988) describes the sense of ethics (E) and distinguish three meanings, i.e. the science of what is good and bad, a set of principles or values and values about right and wrong [17]. The author divides ethics into two, namely normative and descriptive ethics. Descriptive ethics is ethics which examines

critically and rationally about the attitudes and behaviors of human beings, as well as the goal of every person in his life as the value of something. That is, descriptive ethics is the fact of what it is. While normative ethics is the ethics, which sets out a range of attitudes and behavior of ideal and should be owned or run by humans and the action value in his life [18]. Business ethics is the application of ethics in business. This study concentrates on moral standards as applied in the policy, institutional and business conduct said by the author [19]. According to the author, government ethics is the teaching of behaving well and correct according to the precedence values of the human nature [20]. The ethics of the community is a set of rules, norms or guidelines that govern human behavior, whether that should be done or who should be abandoned by a group or community group or profession concluded by the authors [21]. In this study uses the concept of ethics (business, government and society), since the concept of ethics in question applied more generally in an organization to support the implementation of the work and goals of the organization.

### ***2.5. Organizational Performance***

Organizational performance (OP) interpreted different by different stakeholders based on the environment circumstances of the business and the organization location. Therefore, the emphasis of the OP in developed countries like Europe and America has a tradition of management and union relationship which are strong and democratic. While the emphasis of the OP in Asian countries such as India, China and Indonesia more influenced by politic factors. OP is an indicator of the level of achievements reached and reflects the success of an organization, as well as the results achieved by the members' behavior of the organization. Performance can also be said as a result (output) of a specific process conducted all components of the organization against the specific sources used (input). In this study used the banking industry OP which is based on the measuring the performance of a commercial banks in Indonesia in accordance with the regulations of Bank Indonesia (PBI) No. 13/1/PBI/2011 about the assessment of the level of soundness of commercial banks [7].

### ***2.6. Commercial Banks***

Commercial banks in Indonesia in doing his business based on economic democracy by using the principle of prudence. The main function of commercial banks in Indonesia as generating and placing funds to the community. The funds collected by the bank is a savings entrusted to him by the community. These funds are then distributed by the bank to the public effectively and efficiently in the form of granting credit facilities as well as the provision of funds to the community in the form of either investment or financing, working capital (Act No. 10 of 1998) [22].

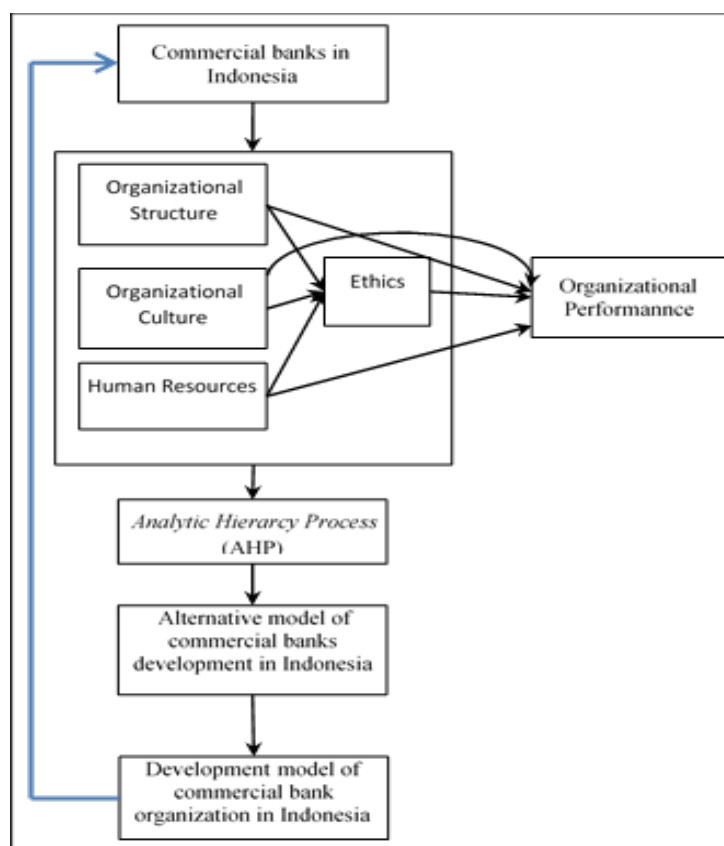
### ***2.7. Competitiveness***

The continuous development of technology and innovation is to be one of the triggers the industry growth, because it can increase business competition. Companies that want to succeed, survive and have the ability to compete in the future, should not depend on the past way of working that is less efficient, less expert and unprofessional. Competitive advantage is defined as "a condition that allowed the company to operate more efficiently and high quality compares to the competitors and generate benefits for the company [23]. There are

two basic ways to create a competitive advantage, namely the cost leadership and differentiation. Cost leadership is when a company decided to become a low-cost producer in the industry or market. The costs' leader usually achieves competitive advantage in economic of scale. Differentiation is a decision of the company to be unique in some factors appreciated customers [24].

### 3. Methodology

Research methods used are descriptive and analytical multivariate regression method, correlation of Spearman and Analytical Hierarchy Process (AHP). A quantitative approach is underway to clarify the influence and relationship of the independent variables (organizational structure, organizational culture and HR) with the dependent variables (ethics and performance) of commercial banks in Indonesia, can be seen in Figure 1.



**Figure 1:** Conceptual Thinking Framework

Based on the conceptual framework and research purposes, then drafted seven hypotheses on this research, namely:

- Hi1: Organizational structure has the influence and relationship with the ethics of commercial banks in Indonesia
- HI2: Organizational culture has influence and the relationship with the ethics of commercial banks in Indonesia
- Hi3: HR has influence and relationship with the ethics of commercial banks in Indonesia.

- Hi4: Organizational structure has influence and relationship with the performance of commercial banks in Indonesia.
- Hi5: Organizational culture has influence and relationship with the performance of commercial banks in Indonesia.
- Hi6: HR has influence and relationship with the performance of commercial banks in Indonesia.
- Hi7: Ethics has influence and relationship with the performance of commercial banks in Indonesia.

### ***3.1. Location and Time***

Research done on 84 commercial banks in Indonesia with two stages, namely the first stage last November to January 2014-2015 distributed questionnaires to the Head of Risk Management Unit (Head of RMU) or Division Head of Business Development/ Organization of commercial banks in Indonesia that categorize as respondent and the second stages in December 2014 – February 2015 distributed questionnaires and interviewed 12 experts who are Head of Planning and Development Division of PT Bank Papua, Director of PT Bank Central Asia, Rector of the University of Trilogi, President Director of PT Bank Mandiri, Independent Commissioner of PT Bank Central Asia, President Director PT Bank Muamalat Indonesia, Board Member Commissioner of Indonesia Financial Services Authority (IFSA)/ Deputy Governor of BI, Independent Commissioner of PT Bank Rakyat Indonesia, Chairman of the Board Commissioner of IFSA, Deputy Commissioner of Banking Supervision IFSA, Head of SME, Funding and Network PT Bank Sahabat Sampoerna and the last is the Director of Human Resources Citibank Indonesia, as well as analysis of research data in April-May 2015.

### ***3.2. Data Collection***

Primary data obtained through the distribution of questionnaires to all commercial banks in Indonesia. Distribution of the questionnaire and the interviews done to the banking authorities, experts and academics that have an important role in decision making. Secondary data obtained from the study of literature through books, dissertations, journal, articles, commercial banks annual report data in Indonesia, the internet and other publications. The technique of determination of the sample in this study using census population and the withdrawal of the examples include RMU or business development/organization officer of the commercial banks in Indonesia. Data analysis used multivariate regression and Spearman correlation with Statistics Software Analysis System (SAS). There are 118 respondents in this research which represents 118 commercial banks (OJK data per December 2014), and there are 84 questionnaires returned by the respondent and others did not return the questionnaire due to the limitation of the availability of the data and human resources in the bank as can be seen in Table 1. To review the alternative strategies of the organizational development model of commercial banks in Indonesia based on performance in improving the competitiveness used AHP method which is involving 12 experts in the field of banking, authorities and academics. Questionnaires were distributed to the Head of RMU or Division Head of Business/Organization Development of commercial banks in Indonesia and to 12 experts through email. Questionnaires in the form of closed questions to find out which level of assessment with a choice answers according to the Likert Scale, that is very good (5), good (4), sufficient (3), less (2) and very less (1) and in the form of a comparative assessment statement.

**Table 1:** Distribution of Commercial Bank’s Respondents

Commercial bank	Disproportional sampling
State-owned bank	4
Private bank	42
Foreign bank	9
Islamic bank	6
Local bank	23
Total	84

#### 4. Result and Decision

The total respondents are 118 commercial banks with the category of respondents 118 Head of RMU or Head of Business/Organization Development Division represent the entire commercial banks. The questionnaire has been filled out and mailed back as much as 84 questionnaires (71, 19%) of the total population. The results of the descriptive analysis illustrates in a general profile of respondents of commercial banks with a head of RMU or Division head of business /organization development, the majority of respondents age  $\leq 35$  years (15 people), 36-40 years (21 people) and 41-50 years (31 people), the majority of respondents sex is male (69 people), the majority of the last educated are bachelor (45 people) and master (38 people), as well as the length of the work more than seven years ( $> 5$  years) 65 people. Furthermore, there are 12 experts with expertise in the field of conventional and Islamic banking, finance, economics, operations, technology, Small Medium Enterprises and statistics. The analysis results of the influence and relationship of the independent and dependent variables used multivariate regression and Spearman correlation as follows:

##### 4.1. Multivariate Regression Analysis

The results of the regression analysis of the variable indicators (organizational culture, organizational structure and HR) against ethics as follows:

**a. Result of regression analysis of independent variable indicators to the business ethics indicator (E1) can be seen in Table 2.**

From Table 2 Multivariate regression equation is obtained:

$$E1 = 8.61644 + 0.27213 OS6 + 0.44202 OC1 + 0.28701 HR6$$

The equation shows that the OS6, OC1 and HR6 has a dominant contribution and influence on the business ethics (E1), because the code of ethics is the strength of the culture of the organization to maintain high ethical standards, so that a successful business is mastering the market and survive (Raza and Ramzan, 2013).



**Table 2:** Regression of Independent Variable Indicators to Indicator E1

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	8.61644	6.18014	174.80286	1.94	0.1671
OS6	0.27213	0.10708	580.78701	6.46	0.0130
OC1	0.44202	0.11414	1348.51983	15.00	0.0002
HR6	0.28701	0.09045	905.37532	10.07	0.0021

b. *Result of regression analysis of independent variable indicators to government ethics (E2) can be seen in Table 3.*

**Table 3:** Regression of Independent Variable Indicators to Indicator E2

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	33.00706	6.23119	3431.11899	28.06	<.0001
OC4	0.22986	0.10693	565.11757	4.62	0.0346
HR2	0.36553	0.10144	1587.93513	12.99	0.0005

From Table 3 Multivariate regression equation is obtained:

$$E2 = 33.00706 + 0.22986 OC4 + 0.36553 HR2$$

It means that the indicator OC4 and HR2 have a dominant contribution and influence on government ethics (E2), because the application of hierarchy culture and skills/expertise of HR within the commercial banks in Indonesia have an effect on the implementation of the government ethics to achieve its goals.

c. *Result of regression analysis of independent variable indicators to community ethics (E3) can be seen in Table 4.*

**Table 4:** Regression of Independent Variable Indicators to Indicator E3

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	24.51000	4.53598	1881.27940	29.20	<.0001
HR4	0.28274	0.11020	424.16444	6.58	0.0122
HR5	0.20048	0.09089	313.49765	4.87	0.0303
HR6	0.21710	0.08792	392.84339	6.10	0.0157

From Table 4 Multivariate regression equation is obtained:

$$E3 = 24.51000 + 0.28274 HR4 + 0.20048 HR5 + 0.21710 HR6$$

The equation shows that HR4, HR5 and HR6 have dominant contribution and influence on the community ethics (E3), HR competencies concerning behavior, self concept and build relationships with internal and external parties to either consumers or public to support the success of commercial banks reached its goal and survival.

d. *Result of regression analysis of independent variable indicators to Performance Indicator (P1) can be seen in Table 5.*

**Table 5:** Regression of Independent Variable Indicators to Indicator P1

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	6.55634	5.74978	100.37359	1.30	0.2576
OS6	0.31712	0.10032	771.38060	9.99	0.0022
OC4	0.21547	0.08964	446.10266	5.78	0.0185
HR2	0.36828	0.08680	1389.84404	18.00	<.0001

From Table 5 Multivariate regression equation is obtained:

$$P1 = 6.55634 + 0.31712 OS6 + 0.21547 OC4 + 0.36828 HR2$$

This can be interpreted that OS6, OC4 and HR2 have dominant contribution and influence on improving the performance of inherent risk (P1), because the organizational structure set according to the bank needs, certainly performed with Standard Operating Procedure (SOP) is supported by the implementation of loyalty, collaboration, high commitment and trust in teamwork by giving moral encouragement and concern for employees as well as HR who have the skill/expertise to achieve optimal P1. Result of regression analysis of independent variable indicators to Performance Indicator (P2) can be seen in Table 6.

**Table 6:** Regression of Independent Variable Indicators to Indicator P2

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	5.06938	5.75268	61.52353	0.78	0.3808
OS6	0.32661	0.10233	807.00668	10.19	0.0020
OC1	0.29913	0.11220	563.12099		
HR2	0.31103	0.10572	685.75682	8.66	0.00143

From Table 6 Multivariate regression equation is obtained:

$$P2 = 5.06938 + 0.32661 OS6 + 0.29913 OC1 + 0.31103 HR2$$

This can be interpreted that the OS6, OC4 and HR2 the dominant contribution and have influence in improving the performance of inherent risk (P1), because the organizational structure according to your needs, certainly performed with Standard Operating Procedure is supported with the implementation of loyalty, collaboration,

high commitment and trust in teamwork by giving moral encouragement and concern for employees as well as HR have the skill/expertise to achieve optimal P1.

*e. Result of regression analysis of independent variable indicators to Performance Indicator (P3) can be seen in Table 7.*

**Table 7:** Regression of Independent Variable Indicators to Indicator P3

Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	26.11741	5.78620	1686.37958	20.37	<.0001
OS6	0.38709	0.09846	1279.37470	15.46	0.0002
HR2	0.34573	0.08126	1498.43828	18.10	<.0001

From Table 7 Multivariate regression equation is obtained:

$$P3 = 26.11741 + 0.38709 OS6 + 0.34573 HR2$$

It means that OS6 and HR2 have dominant contribution and influence on P3, because the organizational structure set according to the bank needs, certainly performed with SOP by HR that have the skill/expertise to achieve optimal P3.

*f. Result of regression analysis of ethics indicators to performance indicators can be seen in Table 8*

**Table 8:** Regression of Ethics Indicators to Performance Indicators

Dependen	Variable Independen	DF	Parameter Estimate	Standar Error	t Value	Pr >  t
P1	Intercept	1	11.72794	7.4797	1.57	0.1208
	E1	1	0.39139	0.11007	3.56	0.0006
	E2	1	0.31599	0.10039	3.15	0.0023
	E3	1	0.02489	0.13177	0.19	0.8506
P2	Intercept	1	9.9509	7.41482	1.34	0.1834
	E1	1	0.53806	0.10912	4.93	<.0001
	E2	1	0.22106	0.09952	2.22	0.0292
	E3	1	0.01627	0.13063	0.12	0.9012
P3	Intercept	1	21.60052	6.41584	3.37	0.0012
	E1	1	0.39692	0.09442	4.2	<.0001
	E2	1	0.2854	0.08611	3.31	0.0014
	E3	1	0.02878	0.11303	0.25	0.7997

From Table 8 Multivariate regression equation is obtained:

$$P1 = 11.72794 + 0.39139 E1 + 0.31599 E2 + 0.02489 E3$$

$$P2 = 9.9509 + 0.53806 E1 + 0.22106 E2 + 0.01627 E3$$

$$P3 = 21.60052 + 0.39692 E1 + 0.28540 E2 + 0.02878 E3$$

This means that ethics (E1, E2, E3) have dominant contribution and influence on the performance of commercial banks, because the ethical values that belong to the employee and applied in the implementation of the work supporting and achieve optimal performance (P1, P2, P3) commercial banks.

#### 4.2. Spearman Correlation Analysis

Results of correlation analysis of independent variable indicators (organizational culture, organizational structure and HR) to ethics and performance can be seen in Table 9 and Table 10.

**Table 9:** Correlation of Independent Variable Indicators to Ethics (E1, E2 dan E3) and Performance (P1, P2, dan P3)

	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>
<b>OS1</b>	0.4530**	0.2948**	0.5096**	0.5500**	0.5598**	0.4666**
<b>OS2</b>	0.5165**	0.4079**	0.5648**	0.6573**	0.6096**	0.5924**
<b>OS3</b>	0.5647**	0.3699**	0.4948**	0.5985**	0.6336**	0.4858**
<b>OS4</b>	0.3733**	0.2280**	0.3382**	0.3917**	0.2641**	0.3130**
<b>OS5</b>	0.3944**	0.3862**	0.3665**	0.4623**	0.3945**	0.4415**
<b>OS6</b>	0.5227**	0.3753**	0.4853**	0.6480**	0.5818**	0.4956**
<b>OC1</b>	0.6991**	0.4400**	0.6532**	0.6491**	0.7375**	0.6379**
<b>OC2</b>	0.5972**	0.3973**	0.5324**	0.5462**	0.5226**	0.4768**
<b>OC3</b>	0.6153**	0.5193**	0.5998**	0.6142**	0.6064**	0.5385**
<b>OC4</b>	0.5524**	0.4718**	0.5204**	0.5817**	0.5602**	0.5283**
<b>HR1</b>	0.6289**	0.4385**	0.6234**	0.6066**	0.6196**	0.5277**
<b>HR2</b>	0.6736**	0.4761**	0.7052**	0.6707**	0.6920**	0.6200**
<b>HR3</b>	0.7107**	0.4566**	0.7322**	0.5323**	0.5957**	0.5329**
<b>HR4</b>	0.6634**	0.4645**	0.7211**	0.5038**	0.6145**	0.5661**
<b>HR5</b>	0.6355**	0.4816**	0.6616**	0.5276**	0.5774**	0.6014**
<b>HR6</b>	0.6544**	0.3790**	0.7059**	0.6102**	0.6199**	0.5628**
<b>HR7</b>	0.5698**	0.3858**	0.6199**	0.6214**	0.5599**	0.4847**

Table 9 above shows that:

- 1) OS (OS6), O.C. (OC1 and OC4) and HR (HR4, HR5 and HR6 ) have significant relationship with ethics (E1, E2 and E3), it means the implementation of OS according to the needs of the banks supported by the application of OC and HR competencies is able to improve the application of

ethics better as indicated in the results of multivariate regression.

- 2) OS6, OC (OC1 and OC4) and HR2 have significant relationship with performance (P1, P2 and P3), meaning the implementation OS in accordance with the needs of the banks supported by the application of OC and HR who has the skills/expertise is able to improve the performance of commercial banks as indicated in the results of multivariate regression

**Table 10:** Correlation of the Ethics Dependent Variables with the Performance Indicators

	<b>P1</b>	<b>P2</b>	<b>P3</b>
<b>E1</b>	0.587**	0.604**	0.591**
<b>E2</b>	0.536**	0.466**	0.477**
<b>E3</b>	0.499**	0.518**	0.545**

From Table 10 shows that ethics (E1, E2 and E3) have significant relationship with performance (P1, P2 and P3), meaning the application of ethics, both support the achievement of goals and optimal performance of commercial banks in Indonesia.

Based on the research objectives, the conceptual thinking framework research, as well as the results of multivariate regression and correlation of Spearman analysis, obtained seven research hypothesis as follows:

- 1) Hi1: OS6 has an influence and significant relationship with E, meaning the application of OS6 in accordance with the needs of banks, the implementation of the work based OSP and employees comply with the rules support the application of the ethical values of commitment, integrity, honesty, discipline and responsibility.
- 2) HI2: OC1 and OC3 has an influence and significant relationship with E1 and E2, which means that the implementation of the OC with loyalty, collaboration, high commitment and mutual trust supports the application of the ethical values of commitment, integrity, honesty, discipline, responsibility and adherence to the rules of the authority is better.
- 3) Hi3: HR2, HR4, HR5 and HR6 have an influence and significant relationship with E, meaning HR who have skill/expertise, good attitude in doing and complete the work, maintain the image of the work, interact, build relationships and expand its network supports the implementation of norms, customs and manners of employees both internal and eksternal better in the commercial banks.
- 4) Hi4: OS6 has influence and significant relationship with KI, meaning that the application of the OS according to the banks needs, certainly performed with SOP and employees comply with the SOP supports the achievement of optimal P1.
- 5) Hi5: OC1 and OC4 have an influence and significant relationship with P2 of commercial banks, meaning the application of OC with the collaboration, high commitment and trust supports the optimum P2 of commercial banks reached.
- 6) Hi6: HR2 has an influence and significant relationship with P3 of commercial banks, meaning the commercial banks that has skilled and expert HR supports the achievement of optimum P3.
- 7) Hi7: E (E1, E2, E3) have an influence and significant relationship with K (P1, P2, P3) of commercial

banks, meaning that the application of the ethics values by employees in the performance of the job supports optimal performance of commercial banks reached.

The analysis results of the alternative strategy on the organizational development model of commercial banks in Indonesia in improving competitiveness using the AHP method as follows:

### ***Analytical Hierarchy Process***

The results of the AHP first level shows that the main factors which influence on organizational development of commercial banks in Indonesia is HR (0.491), meaning that HR which consist of management and employees have a very important role in decision making for choosing alternative strategies on the organizational development of commercial banks in Indonesia in improving the power for competition. The main actors have an important role is the Board of Directors (0.358), it means the Board of Directors as the primary decision makers set priorities and choose the alternative strategies that have to be done in developing the organization to enhance the competitiveness of commercial banks. Priority objective is to improve competitiveness (0.372), meaning that the main purpose of the development of the commercial banks' organization is improving competitiveness through the determination and selection of alternative strategies of organizational change factors, cultural orientation, HR development and ethics focus improve the performance of commercial banks. The top priority of the alternative strategies is the HR development (0.328), meaning that the management as the main decision makers and managers in commercial banks set, select and implement HR development such as risk management, internal audit, financial analysis, accounting, and information technology by including HR on the job training/orientation, comparative study, knowledge management, training, international certification program and formal education (undergraduate and graduate). This is very important so that HR owned by commercial banks have competencies, able to compete internally and externally due to the success of an organization can be achieved depends very much on competent HR, as found the author research [25]. Detailed results of AHP regarding the organizational development of commercial banks in Indonesia based on performance in improving competitiveness can be seen in Figure 2.

Furthermore the results of the second level AHP indicates as follows:

- 1) Priority goals of the organizational structure change of commercial banks is more integrated (0.371), meaning that management chooses the main strategy more integrated so that the whole elements of the organization to be integrated to achieve its goal as commercial banks which has the ability to compete both national, regional and international through changing the organizational structure. The first priorities selected in the change of organizational structure with the chain of command (0.209), meaning that management implement the organizational structure of the chain of command because the line authority of the highest to the lowest level not interrupted with a clear reporting line. This organizational structure is appropriate and fit for the commercial banks in Indonesia to be able to achieve optimal performance and have high competitiveness.
- 2) In cultural orientation, the top priority objective is competitiveness (0.332), meaning that commercial banks' management selects this goal so that commercial banks are able to achieve optimal performance

and have high competitiveness through the implementation of cultural orientation that focus on market (0.287) is supported by implementing competitive cultural values through mutual motivating in work, adapt human needs, simplifying cost measurements, focus on main goal and profit oriented.

- 3) The priority goals of HR development is competitiveness (0.523), meaning that HR competencies of commercial banks developed by focusing on the motives (0.188) through promote, build and improve high motivation to achieve good performance and communication and build relationship internally and externally.
- 4) The main priority of the ethics focus is more in tune/aligned (0.329), meaning that the entire job in all division have to be aligned to avoid the execution of the overlap work that could result inefficiency. The implementation of business ethics (0.399) as first priority of the strategies improves commercial banks performance and competitiveness through the application of ethical values, namely a high commitment, integrity, honesty, discipline, moral responsibility and effort reduce deviations and violations

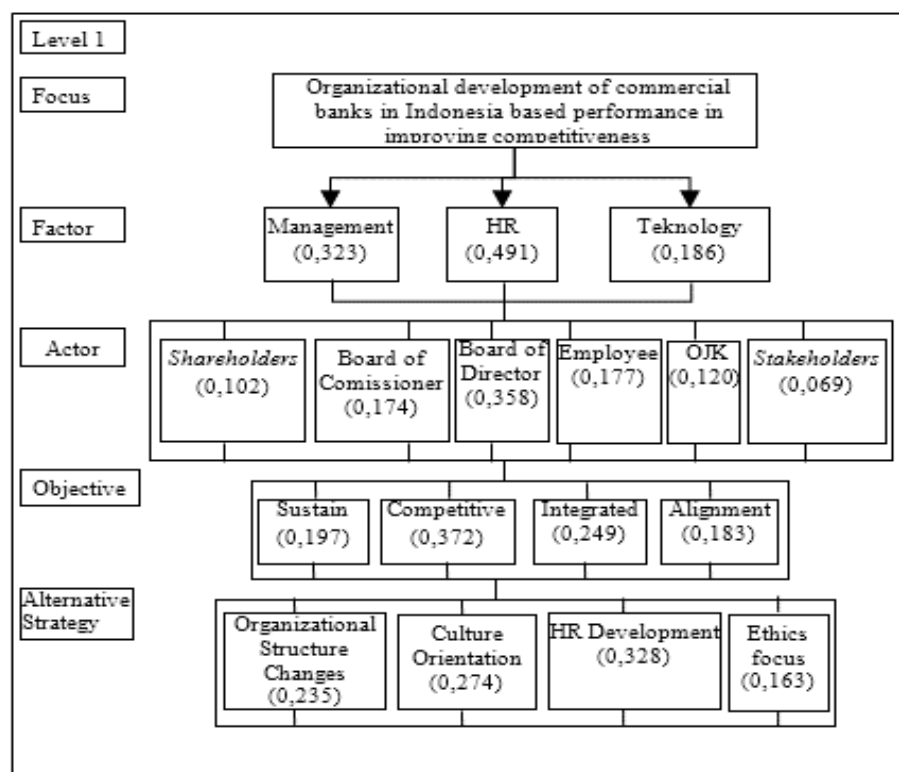


Figure 2: Detailed Results of AHP

## 5. Conclusion

### 5.1. Conclusion

The results of the discussion of organizational development model for commercial banks in Indonesia based on performance in improving competitiveness shows the following important points:

- 1) The chain of command and formalization of organizational structure have an influence and significant relationship with business ethics of commercial banks in Indonesia. In this case the organizational culture plays an important role in maintaining ethical standards to improve skills/expertise of HR who has capability to support organizational competitiveness.
- 2) The formalization of organizational structure has an influence and a significant relationship with the performance of commercial banks in Indonesia. This shows that the right and the effective organizational structure supported by organizational culture, as well as the skills, expertise and creativity of HR can improve the performance of commercial banks in Indonesia.
- 3) Ethics has an influence and a significant relationship with the performance of commercial banks in Indonesia.
- 4) The results of the AHP method on the organizational development model of commercial banks in Indonesia based on performance in improving competitiveness is determined by the HR (management and employees) who has highly motivated, skilled and experts in their field as a primary indicator of the performance of commercial banks in Indonesia is supported by organizational culture which is focused on the competition to improve competitiveness.

## **5.2. Managerial Implication**

Organizational development of commercial banks in Indonesia based on performance in improving competitiveness identified truth appropriate factors, such as the existence of the relevance of the objectives to be achieved, namely examining alternative strategies development organizations more precisely a commercial banks.

The systematic alternative strategy of the organizational development and its elements, influence and relationship with organizational development of commercial banks appropriate with conceptual thinking framework research and experts assessment are convinced the truth of the alternative strategy of organizational development and its implementation. To realize the organizational development of commercial banks in Indonesia based on performance in improving competitiveness required operational implications as follows:

- 1) The role of the commercial banks' management is to implement the strategy change of organization structure with the chain of command supporting by cultural orientation focus on clan and market culture, HR the development which focus on increasing the motivation and skills/expertise and ethics focus on high commitment by applying the business ethics values and build good relationships internally externally.
- 2) The role of the government/authorities is to regulate and supervise commercial banks through supervision which ensure the commercial banks adhere to operational activities regulations and put on sanctions on commercial banks that do the deviation and violation of regulation. However, the main task of the authority is to do prevention coaching and character education.



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