

**TRANSFORMING ORGANIZATIONAL CULTURE IN IMPROVING
THE PERFORMANCE OF EMPLOYEES OF PT. PEGADAIAN
(PERSERO) AT REGIONAL OFFICE VII DENPASAR**

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ABSTRACT

The research results in 1. Organizational culture transformation that occurred seen from background for transformation is driven by extraordinary technological developments, this situation initiated the creation of a new business model that requires financial service products to be more efficient, fast, easy, and customer-friendly; the process and form of transformation includes business and the operational transformation that focuses on the customer and the HR transformation and the form of digital transformation; Standard provisions and SOPs; socialization, the process of transforming organizational culture should be communicated and assured by the leader to all employees as clearly as possible; the facilities and infrastructure owned in general are quite adequate, but for the need for digital transformation, these facilities and infrastructure still needs to be revitalized and modernized; the condition of human resources still have to be improved for the competence; and the impact or the outcome of the transformation of organizational culture cannot be said to improve employee performance; 2. The constraints on transforming organizational culture to improve employee performance include constraints due to communication, infrastructure, and HR; and 3. The solutions to overcome the obstacles to the ongoing transformation of organizational culture. The method used in this research is descriptive qualitative.

Keywords: *Transformation, Organization Culture, Pawnshop, Performance.*

A. INTRODUCTION

Entering the era of disruption and market competition, PT. *Pegadaian* (Persero) including PT. *Pegadaian* (Persero) Denpasar Regional Office VII takes a strategic step to transform. All sectors move to make changes and create innovation for the achievement of the ideals of the company. No less important,

this change was rolled out to keep the company's sustainability strong amid the mushrooming finance technology (fintech) presence.

The Pawnshop transformation step starts with drawing up a blueprint transformation of the company's business through the 4D stages, namely Discover, Dream, Design and Deliver. From this stage Pawnshop sets the company's Vision to become The Most Valuable Financial Company and a leading Financial Inclusion Agent in the next five years.

However, the transformation of the Pegadaian is not without challenges. The biggest challenge in starting the transformation step is to communicate the vision of transformation and build commitment from all levels of the Pawnshop. Because transformation is a process carried out by all layers of Pawnshop employees. The success in achieving the vision of transformation depends on successfully aligning the vision with Pawnshop employees throughout Indonesia.

The process of transforming socialization to all levels in Pawnshop, carried out through several stages. First, creating awareness of transformation through various media that reaches all layers of Pawnshop employees throughout Indonesia. The second stage, building the alignment of the vision of transformation, through several workshops involving top management and holding various roadshows to all regional offices in Indonesia. Third, is building employee engagement through forums in various media and internal competition related to the transformation process. While the latter, providing advocacy to all employees through success story sharing.

Another challenge relates to the application of technology supporting the transformation process, to the composition and capabilities of Pawnshop Human Resources (HR). A few more years, maybe customers will want to use a machine more than waiting in line at the outlet. Like bank customers who choose to come to an ATM rather than to the office, then switch to EDC (electronic data capture), car banking and tap the QR Code. This change might make some parties concerned, about the shifting role of HR with the large use of technology in the Pawnshop environment.

Recognized or not, the organizational culture transformation at Pawnshop affects employee performance. Employee performance is the result or level of success of an employee as a whole during a certain period in carrying out the task compared with work standards, targets or criteria that have been determined in advance and have been mutually agreed upon [1]. In theory Organizational Culture according to is "a part of organizational life that influences the behavior, attitudes and effectiveness of all employees" [2]. Transforming organizational culture with members of the organization that support it will encourage employees to improve their performance better.

Pawnshop performance seen from total assets increased from Rp. 46,874 billion in 2016 to Rp. 48,700 billion or an increase of 3.90%. This total asset increased again in 2018 to Rp. 52,790 in 2018 or an increase of 8.40% compared to 2017. In terms of net income increased from Rp. 2,210 billion in 2016 to Rp. 2,500 billion, an increase of 13.12%. This total asset increased again in 2018 to Rp. 2,780 in 2018 or an increase of 11.20% compared to 2017. Furthermore, seen from the amount of loans provided (Outstanding Loans) increased from Rp.

35,465 billion in 2016 to Rp. 36,900 billion or an increase of 4.05%. This total asset increased again in 2018 to Rp. 40,890 in 2018 or an increase of 10.81% compared to 2017.

Throughout 2017, Pawnshop managed to book an Out Standing Loan (OSL) of around Rp 36.90 trillion or 95% equivalent to the total pawn market share. However, the various positive performance achievements did not make Pawnshop feel established. With the issuance of the Financial Services Authority Regulation (POJK) Number 31 / POJK.05 / 2016 concerning Pawnshop Business, the pawnshop market is becoming more open and competitive [3]. This, among others, was marked by the start of operation of private pawnshop companies. Moreover, in the current era of the digital economy, the pawnshop business has very different conditions. In addition, the pawnshop business competition is also enlivened by the presence of conventional and sharia banks and financial institutions. The rapid growth of financial technology companies (fintech) must also be calculated carefully and seriously.

For the scope of Regional Office VII PT. *Pegadaian* (Persero) a number of problems encountered related to performance, especially the performance of human resources or employees. These problems can be summarized as discrepancies between old employees and new top leaders are found, socialization of organizational culture transformation has not been comprehensive, there are no standard provisions or SOPs related to the implementation of organizational culture transformation, technological facilities and infrastructure are not ready, HR capabilities are not aligned with organizational culture transformation. These problems have been found for a solution, but solutions are still not yet found to the maximum. Thus the reason for taking location at PT. *Pegadaian* (Persero) Denpasar Regional Office VII has not been able to improve employee performance.

The above mentioned condition serves as background of this research in frame of disclosing and analyze (1) organizational culture transformation that occurred at PT. *Pegadaian* (Persero) Regional Office VII Denpasar; (2) constraints on transforming organizational culture to improve employee performance at PT. *Pegadaian* (Persero) Regional Office VII Denpasar; and (3) solutions to overcome the obstacles to the ongoing transformation of organizational culture at PT. *Pegadaian* (Persero) Regional Office VII Denpasar. The method used in this research is descriptive qualitative. The collection of data is used, as is common in qualitative research are observation, interviews and documentation. The collected data were analyzed with interactive model of Miles and Huberman [4].

B. ORGANIZATIONAL CULTURE TRANSFORMATION THAT OCCURRED AT PT. PEGADAIAN (PERSERO) REGIONAL OFFICE VII DENPASAR

Transformation “is a process of change in stages so that it reaches the ultimate stage, changes made by responding to the influence of external and internal elements that will direct changes from forms that have been previously known through the process of multiplying repeatedly or multiplying” [5].

The ideas in the Corporate Work Plan and Budget (RKAP) are formulated as a vision and mission that has been set out in the 2019-2023 Long-Term Corporate Plan (RJPP), which is a description of the process and form of transformation that will transform the Pawnshop into a Financial Company and play an active role in the inclusion program finance through the ease of products and services as well as the ease of access.

Table 2.1 Process and Form of Transformation of PT. *Pegadaian* (Persero)

Tranformation	Currently	Become and Digital
Business Focus	Pawn Loan Institution	Mortgage institutions and other financial services, with a large portfolio of unsecured loans
Operational Model	Traditional, paper based, and based on the assessment of collateral items	Digital, based on analysis of collateral items and customer profiles
Sales Channel	Single channel: branch	Multi-channel: Branch, Sales Force, Agent, & Digital
Customer Focus	Focus on the middle class and below	Lower middle society and specific upper middle society

Source: processed data from observation

Organizational culture according to "as a system of values and beliefs shared by people who interact with people of a company, organizational structure and supervision systems to produce norms of behavior" [6]. The system of shared meaning, when examined more closely, is a set of main characteristics valued by the organization. There are 7 primary characteristics that can together explain the nature of an organization's culture, namely:

- 1 Innovation and Risk Taking. The extent to which employees are encouraged to be innovative and take risks.
- 2 Attention to Details. The extent to which employees are expected to demonstrate precision (accuracy), analysis and attention to details.
- 3 Outcome Orientation. The extent to which Management focuses its attention on results, not on the techniques and processes used to achieve those results.
- 4 People Orientation. The extent to which management decisions take into account the effects of results on people in the organization.
- 5 Team Orientation. The extent to which work activities are organized around teams, not individuals.

- 6 Aggressiveness. The extent to which people are aggressive and competitive rather than casual.
- 7 Stability. The extent to which organizational activities emphasize maintaining the status quo rather than growth.

According to "performance (performance) is a picture of the level of achievement of the implementation of an activity / program / policy in realizing the goals, objectives, mission and vision of the organization contained in the strategic planning of an organization" [7]. Organizational Culture Transformation Occurred at PT. *Pegadaian* (Persero) Regional Office VII Denpasar.

a. Background / Reason for Transformation

Background / reasons for organizational culture transformation at PT. *Pegadaian* (Persero), including in Regional Office VII Denpasar, was driven by extraordinary technological developments that led to the birth of the phenomenon of disruption. This situation initiated the creation of a new business model that implements a Disruptive Innovation strategy. The change is very fast, "ruffling" the business order that has been a guide for industry players, and at the same time creating a new business model. This, certainly requires financial services products to be more efficient, fast, easy, and customer-friendly.

b. Process and Form of Transformation

The process and form of transformation includes business and operational transformation that focuses on customers and the transformation of its human resources. Another form of transformation is digital transformation. A form of pawnshop digital transformation is the addition of digital pawnshop services. Despite this the existence of a physical Pawnshop outlet is still needed. They will not be closed and the company will still prepare a pawn agent at the available outlets. Growing non-pawn products is another form of Pawnshop transformation.

c. Standard Operating Procedures (SOP)

Standard provisions and Standard Operating Procedures (SOP) become mandatory if a company intends to do the transformation. The transformation blueprint that applies as a standard provision and SOP is made by the head office and implemented in the Regional Office including Regional Office VII Denpasar. Making this transformation blueprint is a business strategy step in the next five years. Estuary, the future of Pawnshop is not just pawnshop, but financial company. The company also intends to go public to measure how much value can be created through transformation.

d. Socialization

The process of organizational culture transformation must be clearly communicated and assured by leaders to all employees so that they can understand the direction of change they aspire to. Thus, leaders must be able to implement 'how to communicate' which is good and effective, of course. This good communication will later help change the culture of the company.

e. Facilities and infrastructure

Facilities and infrastructure owned by PT. *Pegadaian* (Persero) Regional Office VII Denpasar in general is sufficient, but in terms of the need for digital transformation, facilities and infrastructure, especially in the field of technology and information owned by PT. *Pegadaian* (Persero) Denpasar Regional Office VII

still needs to be revitalized and modernized. Seen from the physical building, not all of the buildings have been repaired, and computer equipment may be replaced by old computers that will gradually be repaired by new computers.

f. Human Resources (HR) Conditions

HR conditions at PT. *Pegadaian* (Persero) Denpasar Regional Office VII still needs to be increased in competence so that through this transformation process, it is hoped that reliable Pawnshop HR can be born and always follow the development of the financial services industry so that it can bring Pawnshop to have high competitiveness and become the Best Financial Services Company in Indonesia.

g. Employee Performance Improvement

The impact or outcome of the organizational culture transformation at PT. *Pegadaian* (Persero) Regional Office VII Denpasar cannot be said to be able to improve employee performance. The transformation is just in the initiation stage, there is still a lot of improvement needed. To be able to see the effect of organizational culture transformation on new employees can be seen after a period of 2 years, 3 years or even 5 years, after the transformation process runs.

C. CONSTRAINTS ON ORGANIZATIONAL CULTURE TRANSFORMATION TO IMPROVE EMPLOYEE PERFORMANCE OF PT. PEGADAIAN (PERSERO) AT REGIONAL OFFICE VII DENPASAR

a. Constraints due to Communication / Socialization

The biggest obstacle in initiating the transformation step is communicating the vision of transformation through the process of socialization and gathering commitment from all levels of the Pawnshop. Because transformation is a process carried out by all layers of Pawnshop employees including in Regional Office VII Denpasar. Communication / outreach is easier for mid-level employees. For employees with lower levels of implementation, this becomes an obstacle because they show resistance to all kinds of changes

b. Constraints because of Facilities and Infrastructure

Constraints concerning facilities and infrastructure are mainly due to digital transformation processes. This becomes an obstacle because what is the goal of digital transformation is not yet supported by IT facilities and infrastructure owned by PT. *Pegadaian* (Persero) Regional Office VII Denpasar. These facilities and infrastructure are still far from what is needed by digital transformation, such as a loan system that Pawnshop does not yet have, Pawnshop service software that is outdated, master data is still conventional and other IT infrastructure that still needs improvement.

c. Constraints because of Human Resources

The obstacle because HR in transforming is communicating transformation to all employees of *Pegadaian* (Persero) Regional Office VII Denpasar. In this case, the biggest obstacle is the existence of a mindset of pawnshop employees who argue that with the current conditions, without having to transform, the Pawnshop can still live. Thus, the obstacle that must be faced is resistance from employees who have long been employees at Pawnshop, who feel experienced

and know everything so that the view that without transformation pawnshop is still there.

D. SOLUTION TO OVERCOME OBSTACLES FOR THE ORGANIZATIONAL CULTURE TRANSFORMATION IN PT. PEGADAIAN (PERSERO) REGIONAL OFFICE VII DENPASAR

a. Solution of Constraints because of Communication / Socialization

The solution to the constraints due to communication / socialization that must be done to all employees of various levels can be done through intense communication and can be done through tiered training. Training is held for branch leaders, followed by branch leaders who must provide training to their subordinates. So, training for branch managers is also a training for trainers who require branch leaders to socialize the understanding of organizational culture transformation received during the training, to their subordinates. "Based on social behavior toward friends and based on structural information like number of friends, groups joined and likes etc. can be used to successfully predict some of the personality traits" [8].

b. Solutions from Constraints because of Facilities and Infrastructure

The solution to the constraints of facilities and infrastructure especially IT owned by Regional Office VII Denpasar needs to be revitalized and modernized. Strengthening IT facilities and infrastructure, cloud services, as well as Pawnshop IT cyber security will also be prepared to support business growth quickly and safely. Given that in the digital base era, threats come from all directions. In the future, PT. *Pegadaian* (Persero) Regional Office VII Denpasar will have a more modern IT structure and digital business. So, "Backpressure scheduling and routing, in which packets are preferentially transmitted over links with high queue differentials, offers the promise of throughput-optimal operation for a wide range of communication networks" [9].

c. Solution from Obstacles due to HR

The solution of the constraints because HR is done by changing the mindset of all pawnshop employees so that their insight is opened that the transformation of the organizational culture at PT. *Pegadaian* (Persero) in general from Denpasar Regional Office VII will make a better pawnshop in the future. The goal transformation is not for the Pawnshop business now, but for the Pawnshop business in the future, in the industrial era 4.0 which is full of digital and online competition.

E. CONCLUSIONS

The research result indicated (1) Organizational culture transformation that occurred at PT. *Pegadaian* (Persero) Regional Office VII Denpasar seen from (a) background/reason for transformation driven by extraordinary technological developments, this situation initiated the creation of a new business model that requires financial service products to be more efficient, fast, easy, and customer-friendly; (b) the process and form of transformation includes business and operational transformation that focuses on the customer and the HR transformation and the form of digital transformation; (c) Standard provisions and

Standard Operating Procedures (SOPs) are mandatory if a company intends to transform, the blueprint transformation that applies as a standard or SOP is made by the head office; (d) socialization, the process of transforming organizational culture should be communicated and assured by the leader to all employees as clearly as possible; (e) the facilities and infrastructure owned in general are quite adequate, but for the need for digital transformation, these facilities and infrastructure still need to be revitalized and modernized; (f) the condition of human resources still has to be improved for the competence; and (g) the impact or outcome of the transformation of organizational culture cannot be said to improve employee performance; (2) The constraints on transforming organizational culture to improve employee performance at PT. *Pegadaian* (Persero) Regional Office VII Denpasar includes constraints due to communication/socialization, infrastructure and human resources; and (3) The solutions to overcome the obstacles to the ongoing transformation of organizational culture at PT. *Pegadaian* (Persero) Regional Office VII Denpasar includes solutions to constraints due to communication/socialization, facilities and human resources.

F. SUGGESTIONS

The suggestions that can be put forward are as follows:

- a. For the Top Leaders, for the successful transformation of organizational culture at PT. *Pegadaian* (Persero) Denpasar Regional Office VII is suggested that socialization be made more intense and more detailed so that it is easily understood by employees at the executive level.
- b. For Middle Managers / Middle Leaders it is recommended that organizational culture transformation not only focus on digital transformation, because in reality there are still customers who carry out conventional transactions face to face, then it is recommended that outlets be maintained.
- c. For Deputy Regional Lead Operational Areas and Deputy Regional Lead Regional Business Areas, to find solutions to the constraints faced, it is advisable to adjust to the conditions of the Regional Office concerned, for example for Denpasar Regional Office VII adjusted to the conditions of Bali, NTB and NTT that are different from Other Regional Offices.

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