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CULTURE TRANSFORMATION: LESSONS FROM BANK MANDIRI AND BANK BRI

Mahmuddin Yasin
Ministry of State-Owned Enterprises
m.yasin@bumn.go.id

ABSTRACT

This research aims at exploring organizational culture in state owned enterprises; Bank Mandiri and Bank BRI, and its contribution to financial performance, before and after restructuring/initial public offering (IPO). The research used qualitative approach with case study method that used coupled with exploratory and descriptive design, supported by successive approximation of technical data analysis. Eight propositions were raised from the findings regarding: (1) integration human resources planning with corporate plan, (2) skill development accommodating individual, organizational and business needs, (3) effective strategy aligned with appropriate system and proper business orientation, (4) suitable organizational structure with internal and external business environment, (5) system development oriented to customer satisfaction, (6) proper style of leadership that affects organizational culture and financial performance, (7) implementation of organizational culture in increasing corporate performance, and (8) consistency in socializing and implementing corporate culture.

Keywords*:* *state owned enterprises, organizational culture, restructuring/IPO, successive approximation, proposition.*

Organizational culture is presumed has an important role in affecting performance and efficiency of an organization, e.g. if it is well functioning, it could increase organization efficiency significantly. The culture of an organization is also presumed significantly determine the success of human resource (HR) empowerment in an enterprise/organization in achieving organization’s shared goals/objectives. Competitive and innovative culture, for example, will affect enterprise’s performance. The culture of an organization will also affect style of leadership which in turn will affect performace.

Human resources as a member of an organization can not walk on their own will with their own values and characters, or with their own attitudes and behaviour, instead they have to refer to the guidance rules, values which adopted by the organization, which is generally known as organizational culture. It is in this way, organizational culture could be motivator and spirit for HR to work harder and better in achieveing organization’s goals and objectives, and in presenting good governance in an organization. In other words, any efforts or activities in developing an organization will be affected by organizational culture.

State-owned Enterprises (SOEs) in Indonesia has a strategic position in national development and economy. Right at the beginning of revolution decade up to now, and especially at the earlier time of independence era, the SOEs is the “soko guru” (the pilaster) of national development and economy. In the next era after independence, the SOEs retain an important role in many sector development of the country, sectors which are still undeveloped or not yet touched by private sector. The SOEs play the role as agent of development and as resources of state revenues, with huge amount of assets, big scale and various business activities, spreading all over Indonesia.

SOEs in banking sector no doubt also play a very important role in national economy as national payment system. State banks' culture, will then, directly or indirectly, also colour the development of banking industry, or even national economy. State banks, particularly, could colour more clearly and strategically the management of SOEs in the future.

Bank Mandiri and Bank BRI are very well known banks in Indonesia which large business scale. Banking statistic as of December 2011, showed that out of 10 biggest banks in Indonesia, Bank Mandiri is number 1 in total assets of Rp. 551.892 trillion, and Bank BRI number 2 with total assets of Rp 456,531 trillion.

Both Bank Mandiri and Bank BRI, each has similarity and differences. Both are public listing companies and has its own market segment. Bank Mandiri focuses on corporate banking while Bank BRI focuses more on small-medium enterprises (SMEs). Bank Mandiri was established in October 2, 1998, a merger of 4 legacy banks (Bappindo, Bank BBD, Bank Exim, and Bank BDN), while Bank BRI was established in December 16, 1895, stand alone since the establishment and went through few times change in name of the bank. The similarity and differences of both banks, will off course affect organizational culture of the banks.

The restucturing process of Bank Mandiri and Bank BRI, and transformation taken place in the banks related to HR, skill, strategy, structure, system, style of leadership, and the importance of organiztional culture itself, interestingly support this research with case study of Bank Mandiri and Bank BRI.

This research focus on organizational culture of state banks, which is in this case is limited in Bank Mandiri and Bank BRI, with two sub focuses: (1) organizational culture of Bank Mandiri and Bank BRI, before and after restructuring/IPO from perspective of 7-S McKinsey, and (2) contribution of organizational culture to key success factor, in this case limited to financial performance of the banks, comprises asset growth, profitability (return on assets/ROA, return on equity/ROE, net interest margin/NIM, net profit), capital adequacy ratio/CAR, loan to deposit ratio/LDR, non performing loans/NPL, and operational cost over operational revenues/OCOR.

Research questions disscussed in the study are as follows: (1) "How organizational culture of Bank Mandiri and Bank BRI before and after restrtucturing/IPO?", and (2)"How organizational culture of Bank Mandiri and Bank BRI contribute to financial performance of the banks?"

METHOD

Qualitative approach with case study is used in this research. This research used 7-S McKinsey model to see the organizational culture of Bank Mandiri and Bank BRI before and after restructuring/IPO and try to explain the elements/components which may affect culture (shared values): structure, strategy, system, style, staff, and skill.

Both primary and scondary data are used in this study. Primary data were obtained through observation/ questionaire, interview, and focus group discussion (FGD). Observation/questionaires were addressed to Board of Directors (BOD) of

Bank Mandiri and Bank BRI (although not all of directors), and interview also involved the BOD and some of related Division Head involved in restructuring and organizational development. The FGD held involving the BOD or representatives, Capital Market Supervisory Board and Financial Institution/Bapepam-LK (now merged in Financial Services Authority/OJK), Bank of Indonesia, Indonesian Stock Exchange, Ministry Of SOEs, capital market practitioner/securities sompany, and academist from State University of Jakarta/SUJ.

Secondary data were obatained through literatures study, management reports, website, related government regulation, Presidential Decree, Ministerial Decree, publicised and unpublicised regulation, and documents from MSOE, Bank of Indonesia, and other institutions.

Successive approximation technique (Neuman, 2003), was used to analyse the data gathered from questionaire, interview, and FGD, interpretated and then pin-pointed the relatedness of the data, before coming to the conclusion.

RESULTS AND DISCUSSION

7-S McKinsey Model

7-S McKinsey model was first introduced by Waterman, Peter, and Philips in Business Horizon Journal of June 1980, used as a model to analyse organizational effectiveness. In 1981, Pascale and Athos used the model to evaluate Japanese companies compared to American companies, poured into the book "The Art of Japanese Management". Later, Waterman and Peter, in "In Search of Excellence: Lesson from America's Best Run Companies" 1982, studied American companies using the model. In 1990, Pascale in "Managing on The Edge" explored the advantages of the model. Next, Kaplan (2005) in "How the Balance Scorecard Complements the McKinsey 7-S Model", described the meaning of each component of 7-S with more up to date business context.

7-S McKinsey model which put "shared values" as a "platform/central point" wich is interconnected or will affect and be affected by the other 6 components of "S", directly or indirectly, awaredly or unawaredly, placed the shared values/organizational culture as a central movement of organizational effectiveness.

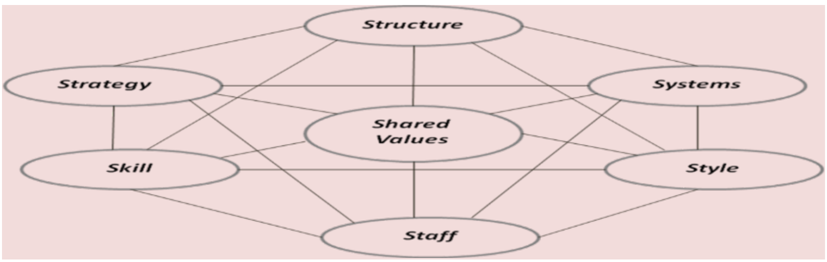


Figure 1. 7S McKinsey Diagram. Sources: Waterman, et al. (1980) and Peter and Waterman (1982)

This study used Waterman et al. (1980) and Pascale and Athos points of understanding of all components of 7-S McKinsey, while for the sub components of each components, this study referred to some literatures. For sub component "staff" this study used what had beed explained by Schiemann (2011), Noe et al, (2008), and Mathis and Jackson (2010), comprises 11 points regarding HR planning. For sub component “skill”, points stated by Fietzark and Fraum (2005), was used in trying to relate skill/attitude with culture, communication, and success factors. In regard with sub component “strategy”, points regarding innovation, market differentiation, market development, and cost control, which are closely related to business context, adaptability to change, and competitiveness, this study referred to what Robbins (1990) described.

Sub component “stucture” referred to Robbins (2011) and Freeman (1999) comprise specialization, departmentalization, chain command, span of control, centralization/decentralization, formalization, simple structure, machine bureaucracy, professional bureaucracy, divisional, and adhocracy. For sub component “system”, Fleisher and Bessousan’s (2007) : core process and support activities, were used. Finally, for sub component “style” (direction setter, counselor, carreer maker, change agent, charger, and confident builder) from AB. Susanto et al. (2008) was used coupled by what was explained by Mullins (2005) : autocratic, democratic, and genuine (laissez-faire), and enriched by Hofstede’s culture dimensions.

Organizational culture (OC)

The important of organizational culture can be reffered to some literatures and relevant researchs which had been conducted by, among others; Anderson and Anderson (2010), Ogbonna and Harris (2000), Furnham and Gunter (2003), Kotter and Haskett (1992), Flamholtz (2001), Lok and Crawford (2005), Martins and Terblanche (2003), Alhstrom (2010), Chatterjee (2009), Scott et.al (2003), Balzac (2011), Marcoulides and Heck (1993), and Harorimana (2010), which basically stated that OC plays a strategic roles/ has an important meaning/affect significantly: organizational performance, organizational strategy, system reformation, knowledge management, employee satisfaction, retention level, communication, and leadership in an organization.

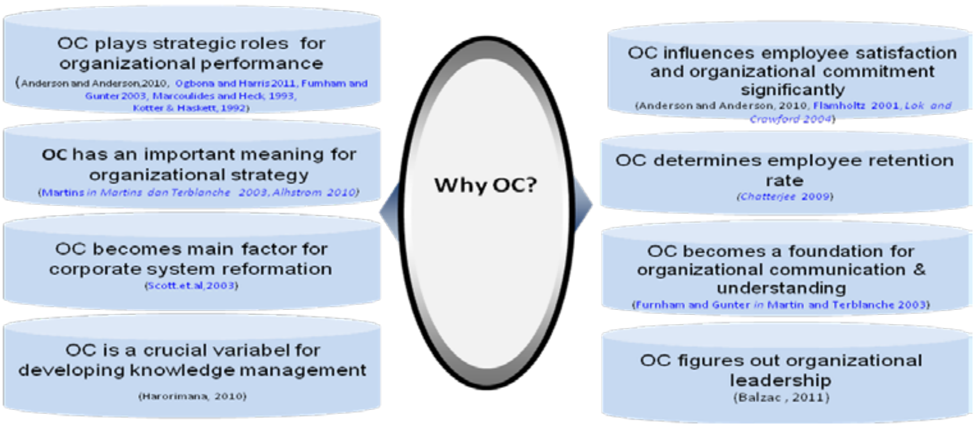


Figure 2. The important of organizational culture

Profile of Bank Mandiri and Bank BRI

Bank Mandiri, a merger of 4 legacy banks in July 1999, launched an initial public offering (IPO) in July 14, 2003 by floating 20% of the Government shares with initial price of Rp. 675,- (nominal value Rp. 500,-). Further divestment of 10% Government shares through private placement was done in 2004, followed later by 6,97% in 2011 in trying to gain fiscal incentives for floating shares not less than 40%. Current ownership compositions are Government of Republic of Indonesia (GOI) 60% and Public 40%. Total assets os of end of 2011 amounted Rp 552 Trillion, NII Rp. 23,6 Trillion, Net Profit Rp. 12,2 Trillion, ROA 3,4%, ROE 22%, domestic branches 1.537, foreign branches 7, with 28.000 employees.

Bank Mandiri has gone through 4 stages of consolidation and transformation periods. Stage 1 Consolidation Period of 1999-2003, pasca merger consolidation period. Stage 2 Consolidation Period of 2003-2004, consolidation post IPO. Stage 3 First Transformation Period of 2005-2010, transformation period to be a "Regional Champion Bank". Stage 4 Second Transformation Period of 2010-214, revitalised Vision to be "Most Admired and Progressive Indonesian Financial Institution".

Bank BRI launched an IPO in November 10, 2003 with initial price of Rp. 875,- (nominal value Rp. 500,-) through divestment of the GOI shares of 30 % and issuing new shares of 15%. Current ownership compositions at the time this study taken place are GOI 56,75% and Public 43,25%. At the end of 2011, total assets of Bank BRI was Rp. 457 Trillion, NII Rp. 32,9 Trillion, Net Profit Rp. 11,5 Trillion, ROA 4,64%, and ROE 43,8%, total branches 8.000 and total employees more or less 50.000. Four bussiness transformation periods of Bank BRI included Stage 1 (2000), comprised system, structure, HR, and capital enhancement. Stage 2 (2001-2002), IPO preparation and international standard implementation. Stage 3 (2003-2006), IPO and consolidation after IPO, and Stage 4 (2007-2011), bussiness expansion and all network interconnection.

Shared values become a "platform/central point"

Organizational culture "map" of Bank Mandiri and Bank BRI, before and after restructuring/IPO, from 7-S McKinsey perspective, are as follows.

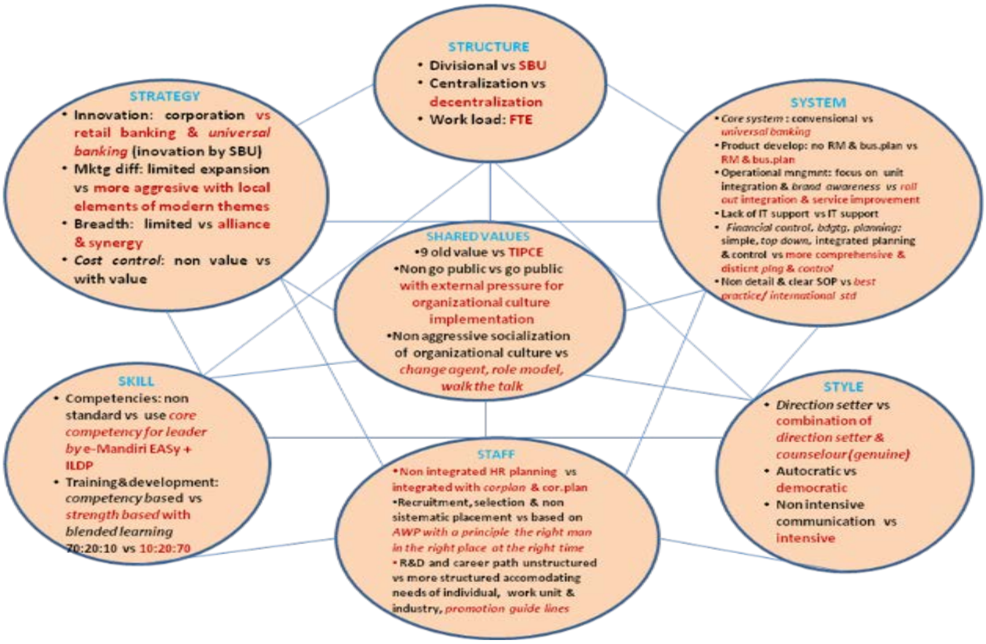
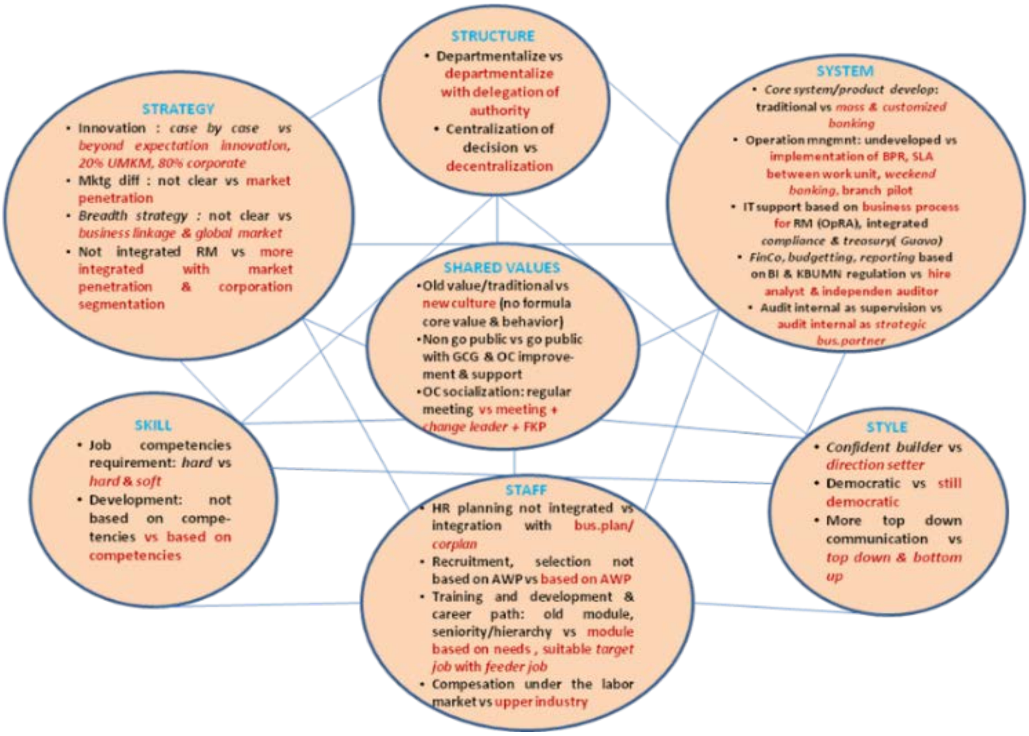


Figure 3. Organizational Culture Map of Bank Mandiri from 7-S McKinsey Perspective



Picture 4. Organizational Culture Map of Bank BRI from 7-S McKinsey Perspective

Staff Component

HR planning Bank Mandiri has not been an integrated one before IPO in which recruitment, selection, placement of HR. training and development, and carreer path, has not yet systematically planned. After IPO period, HR planning has been integrated with corporate plan, in which recruitment, selection, and placement has been in line with annual workforce planning and the principle of "the right man in the right place at the right time". Training and development became more structured and in accordance with individual, corporate, and industry needs, and clearly stated in the "promotion guideline".

Prior to IPO, HR planning in Bank BRI also has not been integrated yet with annual workforce planning. Carreer development still mostly referred to seniority and compensation still below market practice. Pasca IPO, HR planning has been integrated with bank business plan/corporate plan. Recruitment and selection match with annual workforce planning. Training and development and carreer planning has been adjusted with target job and feeder job in which compensation referred to industry/market price and adjusted periodically.

Both in Bank Mandiri and Bank BRI, for component "staff", this study raised the propotition: "Integration HR planning with corporate plan increases HR management effectivity".

Skill Component

Competency standard for any position both in Bank Mandiri and Bank BRI, had not been fully applied yet before IPO program, For a manager position, competency standard was still mostly based on individual initiative. The bank still experienced competency gap in providing service to customers. Framework for people development were still unstructured and unsystematic, resulted in weak leadership. After IPO, Bank Mandiri applied global best practice for HR competency reform, through setting up competency standard for core competency. Individual learning and development plan has accommodated training and development program needed by the company, by applying the system called strength based development program coupled with blended learning system 10 (classes training) : 20 (couching and mentoring) : 70 (on the job). HR management in Bank BRI prior IPO had not been fully based on competency yet. Bank BRI developed a system comprises soft and hard compentency as a requirement for manager potition.

From skill compenent point of view, this study has promoted the propotition: “Skill/competency development which is in line with individual, organization, and business needs, support company’s competitiveness”.

Strategy Component

Bussiness strategy of Bank Mandiri before IPO focused merely on corporate segment. Investor relationship strategy had not been applied yet structurally. The bank’s business expansion was still limited to traditional banking products. After IPO, the strategy has changed and directed not only to corporate segment but also to retail banking and various banking products, including bancassurance, securities, syariah, and multifinance, in line with Bank Mandiri’s revitalized Vision.

In the case of Bank BRI, business strategy focused on micro finance and SMEs segment before IPO. Bussiness process and innovation carried out case by case with low risk management. After IPO, the bank has aggressively expanded bank products and market by optimalising existing products in the existing market and intensifying trickle down business effect and linkage supported by enterprise wide risk management. Innovation strategy has been implemented aggressively with more product fitures to satisfy customers needs (beyond expectation).

This study raised the propotition: “Right strategy that matched with system and business orientation, determine the success of business expansion”.

Structure Component

The organizational structure of Bank Mandiri before IPO was divisional structure. Job distribution was based on manning analysis using full time equivalent (FTE) tools. Bank Mandiri applied SBU structure pasca IPO (still using FTE tools), with more clear cut delegation of authority, decentralized span of control, supported by more detail SOP.

Structure in Bank BRI before IPO quite the same compare to that after IPO, departementalization. The difference lies on delegation of authority and decision making process, in which Bank BRI applied more centralized process and limited delegetaion of authority before IPO, compare to that after IPO which became more decentralized and more delegation of authority based on geographic and business process. Business process became more accelerated supported by clear cut SOP.

From component “structure” this study raised the propotition: “Flexible organization structure which fit to both external and internal environtment, support business expansion”.

System Component

Core system/core business of Bank Mandiri prior to IPO was more directed toward convensional business development focusing on traditional products. Product development had not been accommodated in bank business plan. Risk management had not been applied properly, The development of technology and operational system was carried out more to support business and regulatory needs with centralized financial management. After IPO, universal business process and good corporate governance (GCG) supported by appropriate risk analysis, has been implemented. Compliance to international best practice rules, development of IT, and more decentralized financial management, has also been applied.

In regard with Bank BRI, product development and customer service before IPO which were relatively done traditionally,has changed after IPO with more advanced development (mass banking products and customized banking products) supported by service quality standard. Business process reengineering, service level agreement (SLA), center of excellent to accommodate customer complains in each branch, has also been activated.

This study promoted the propotition: “System development oriented to customer satisfaction, governance, and result/outcomes, needed to support business development”.

Component Style of *Leadership*

Style of leadership adopted by Bank Mandiri before IPO was direction setter with style of decision making more toward authocratic with less intensive communication. After IPO, the style of leadership has become a combination of direction setter, counselor and change agent approaching laissez-faire style with more democratic decision making style. Communication culture between top and down has been built through impact planning to increase employee engagement level.

In Bank BRI, style of leadership before IPO was confident builder to encourage mind set and behavior change, compare to that after IPO which has been changed to direction setter, which has lead the company to a sustainable growth with democratic tipe of decision making style supported by top down/directive and bottom up communication.

The propotition raised in regard with component “style” is: “Suitable style of leadership positively affecting organizational culture and performance achievement”.

Component Shared *Values*

Before IPO, Bank Mandiri had issued code of conduct as a guidance that rules relation of all level of employees with customers, partners, and suppliers with “3 nos policy”: no mistakes, no late deliveries, and no asking/receiving tips/gifts, and 9 basic values, which unfortunately were not fully implemented.

After IPO, the bank has been simplified the basic values (the “TIPCE”) adjusted with modern business environtment and socialiced intensively through change agents. Bank Mandiri status as a public company also encourage the bank to implement GCG and organizational culture/values.

In Bank BRI, before IPO, “old” values was applied which didn’t match with modern business environment. After IPO, the values has been simplified and alligned with modern business environment, and socialized through management meeting. Like Bank Mandiri, Bank BRI status as a public company has also put a pressure on the bank to implement bank's basic more modern values.

The propotition regarding this component is raised: "Shared values which is implemented in daily behavior plays a strategic roles in increasing company's performance".

Financial performance of Bank Mandiri pre and post IPO (Rp Billion)

Account	PRE Go Public			Go Public	POST Go Public						
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assets	253.355	262.291	250.395	249.436	248.156	263.383	267.517	319.086	358.439	394.617	449.775
Earning Assets	222.852	236.408	226.433	218.807	214.214	229.059	229.004	271.227	320.573	354.963	392.875
Loans	43.023	48.186	65.417	75.943	94.403	106.693	117.671	138.53	174.498	198.547	246.200
Liabilities	239.089	251.511	235.957	229.037	223.218	240.169	241.176	289.842	327.925	359.508	408.232
Deposits	163.375	190.446	184.114	178.811	175.838	206.289	205.708	247.355	289.112	319.55	362.212
Equities	14.262	10.777	14.435	20.395	24.935	23.215	26.341	29.244	30.514	35.109	41.543
Net Interest Income	6.404	7.109	6.862	8.007	9.534	8.955	10.345	12.355	14.8	16.777	20.072
Other Operating Income	3.942	1.456	3.633	3.746	4.047	2.489	2.733	3.377	4.6	5.663	8.696
Other Operating Expenses	3.672	5.865	5.083	4.132	5.415	9.655	9.774	9.191	11.021	11.173	14.221
Profit before Tax	2.023	3.850	5.811	7.032	7.525	1.233	2.831	6.333	8.069	10.824	13.972
Net Profit	1.181	2.746	3.586	4.586	5.256	603	2.421	4.346	5.313	7.155	9.218

Source: Bank Mandiri Annual Report and SOE's

Bank Mandiri Financial Ratio (%)

Financial Ratio	Pre-Go Public			Go Public	Post-Go Public						
(%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ROA	0.50	1.10	2.30	4.11	5.77	5.04	4.36	2.30	2.50	3.00	3.40
ROE	8.10	21.50	38.81	44.73	42.76	38.00	33.75	15.80	18.10	22.10	24.40
NIM	2.70	3.00	8.12	9.50	12.16	12.18	11.17	5.20	5.50	5.00	5.30
NPL - Net	6.60	2.70	1.60	1.80	1.60	15.30	5.90	1.50	1.10	0.40	0.60
LDR	26.30	25.30	55.55	62.37	75.69	77.83	72.53	54.30	59.30	61.40	67.60
CAR	31.30	26.40	12.62	19.64	16.19	15.29	18.82	21.10	15.70	15.60	14.70
Oprt. Exp to Oprt. Income	39.90	31.10	42.80	40.40	45.20	55.60	48.90	46.70	42.30	44.60	42.00

Source: Bank Mandiri Annual Report and SOE's

Financial performance of Bank BRI pre and post IPO (Rp Billion)

Account	PRE Go Public			Go Public	POST Go Public						
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assets	66,334	76,195	86,345	94,710	107,040	122,776	154,725	203,604	246,026	316,947	404,285
Earning Assets	61,501	70,126	79,864	84,255	97,962	111,731	138,872	169,046	228,807	299,063	404,272
Loans	27,030	33,529	39,373	47,599	62,368	75,533	90,283	113,853	161,061	208,123	232,972
Deposits	49,217	57,758	69,627	76,316	82,400	97,046	124,469	165,475	201,495	255,928	333,652
Liablities	62,281	71,381	80,551	86,256	94,590	109,423	137,846	184,166	223,669	289,690	367,612
Equities	4,053	4,814	5,794	8,454	12,450	13,353	16,879	19,438	22,357	27,257	36,673
Net Interest Income	2,793	4,962	6,080	8,027	11,258	12,437	13,770	16,697	19,639	23,049	32,889
Other Operating Income	754	1,153	1,045	820	1,477	390	1,509	1,822	2,492	3,270	5,545
Other Operating Expenses	3,881	3,396	3,908	5,616	6,089	7,103	7,646	9,020	10,971	11,960	16,114
Profit before Tax	336	1,141	1,471	3,636	5,731	5,608	5,907	7,780	8,823	9,891	14,402
Net Profit	339	1,072	1,525	2,579	3,633	3,809	4,258	4,838	5,958	7,308	11,472

Source: Bank BRI Annual Report and SOE's

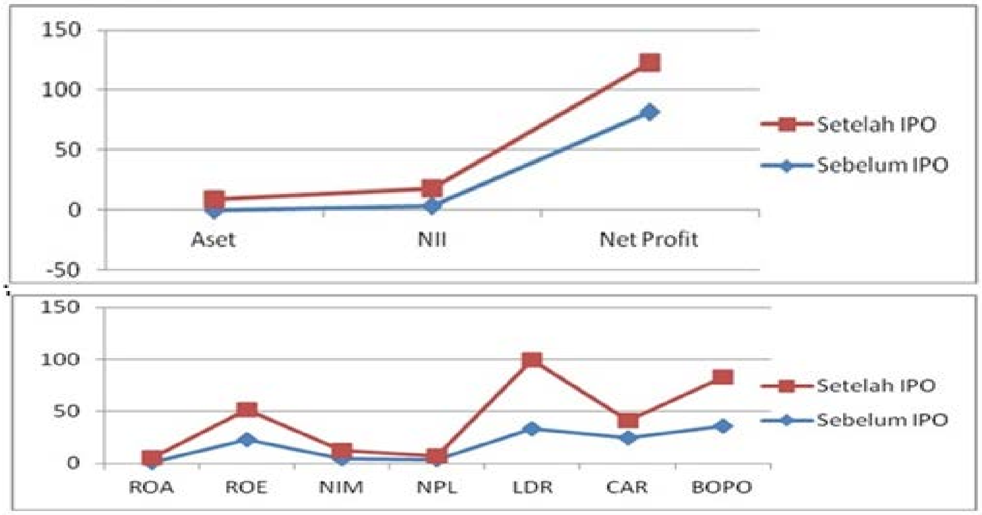
Bank BRI financial ratio (%)

Financial Ratio (%)	PRE Go Public			Go Public	POST Go Public						
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ROA	1.52	1.62	1.83	4.02	5.77	5.04	4.37	4.61	4.18	3.73	4.64
ROE	8.3	30.36	38.81	43.41	42.76	37.92	33.75	31.64	34.5	35.22	43.83
NIM	6.6	7.6	8.12	9.54	12.16	12.17	11.16	10.86	10.18	9.14	10.77
NPL	5	4,9	6,74	6,03	4,19	4,68	4,81	4,07	3,20	3.52	2.78
LDR	53,61	56,08	56,55	62,37	75,69	77,83	72,53	66,32	74,54	80.88	75.17
CAR	6,47	9,34	12,62	19,64	16,19	15,29	18,82	19,30	16,76	13.2	13.76
Oprt. Exp to Oprt. Income	96.05	90.81	89.92	799.19	68.86	70.45	74.38	69.8	72.65	77.64	70.86

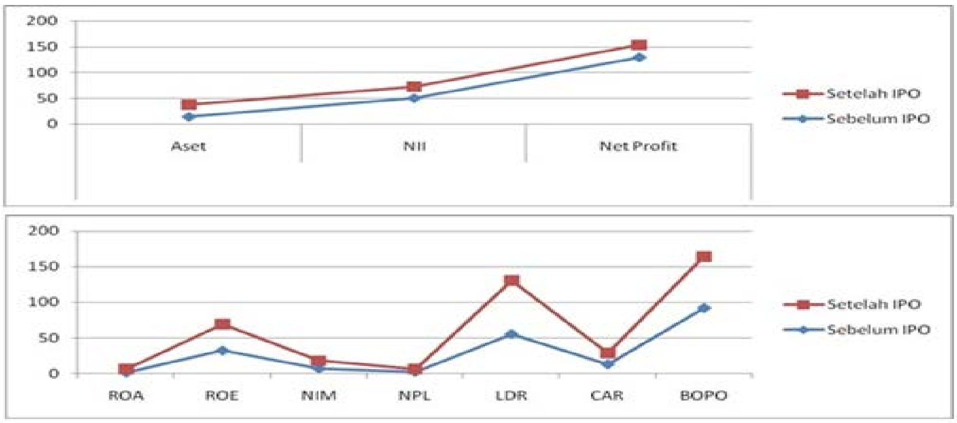
Source: Bank BRI Annual Report and SOE's

Organizational Culture Determine Company's Performance

Contribution of organizational culture to financial performance of Bank Mandiri and Bank BRI can be figured in the following graphics.



Graphic 1 and 2. Financial figures of Bank Mandiri (%)



Graphic 3 and 4. Financial figures of Bank BRI (%)

Financial performance of Bank BRI improved after IPO in terms of Assets, NII, Net Profit, ROA, ROE, NIM, LDR, CAR, and OCOR. For Bank Mandiri, eventhough also experienced an improvement after IPO, however, due to “crisis” in 2004-2005, the bank still experienced the downturn in NPL, CAR, and OCOR, and this showed that organizational culture has an important contribution to organization’s performance. Hard side development without soft side development, in the case of Bank Mandiri, clearly decreased the bank’s performance and even threatening the going concern of the company.

The contribution of organizational culture of Bank Mandiri and Bank BRI (3 years before and 7 years after IPO), are as follows.

1. Assets of Bank Mandiri and Bank BRI after IPO has grown better compare to those before IPO;
2. After IPO, growth of NII of Bank Mandiri has shown a better figure, while Bank BRI nominallly keep declining and then increased after IPO but with growth range less than before IPO;

3. Net profit Bank Mandiri before IPO grew better compare to that after IPO, while Bank BRI, after IPO has experienced bigger nominal growth before IPO eventhough with smaller growth range. After IPO, ROA of Bank Mandiri and Bank BRI have shown a better figure compare to those before IPO;
4. After IPO, ROE of Bank Mandiri and Bank BRI also have shown a better figure compare to those before IPO;
5. After IPO, NIM of Bank Mandiri and Bank BRI is better than before IPO;
6. NPL of Bank Mandiri and Bank BRI have fluctuated but with better tendency compare to those before IPO;
7. LDR of Bank Mandiri and Bank BRI after IPO is better than before IPO;
8. CAR of Bank BRI has shown a better figure after IPO compared to that before IPO, and vice versa for Bank Mandiri;
9. After IPO, OCOR Bank BRI is better compared to that before IPO, and vice versa for Bank Mandiri.

CONCLUSION AND RECOMMENDATION

Conclusion

In general, this study concluded that “shared values” component which is a “platform/central point” in 7-S McKincey model, is embedded in, and become a spirit for, other “S” components. This brings an implication that the implementation of basic values of Bank Mandiri and Bank BRI, will result in providing contribution to the achievement of financial performances of the banks. Research findings drive the following conclusion below.

Firstly, components of 7-S McKinsey, i.e. staff, skill, strategy, structure, system, and style of leadership, are inter affecting and being affected by shared values, in such that any reform or refinement of any “S” components will be affecting the shared values, and vice versa.

Secondly, both Bank Mandiri and Bank BRI experienced that condition of “S” components of 7-S McKinsey before restructuring/IPO still not fully organized. Reforms taken place after IPO was in line with the transformation process in the banks, and resulted in raising 8 propositions.

Thirdly, any business transformation cannot put aside cultural transformation and should maintain the balance between hard side (strategy, structure, and system) and soft side (style, staff, and shared values) of the “S” components (skill embedded in both hard and soft sides).

Fourthly, organizational culture needs to be socialized, fully understood, and being implemented by the whole members of organization, from all levels, consistently, so that the culture/basic values of the organization become a guidance for any individual behavior, which in turn will affect both individual and organization performances.

Fifthly, cultural reform or refinement carried out by Bank Mandiri and Bank BRI in line with the banks' transformation process provided positive contribution to the achievement of the banks' financial performances.

Sixthly, as long as organizational culture is implemented consistently with appropriate engagement in which "everybody lives the culture", it will not only support performance improvement, but also supports the sustainability of the company/organization.

Seventhly, the power of vision, mission, well prepared business planning, structure, strategy, system with international/industry standard, and suitable style of leadership and decision making, which are in nature inter affecting, and be affected by, organizational culture, at the end result in the contribution to financial performance.

Eighthly, IPO encourages companies to comply (forcedly or voluntarily) capital market protocol, market discipline, enhances GCG implementation, prepare and submit reports consistently, and motivates the companies to improve performances.

Ninthly, both Bank Mandiri and Bank BRI have experienced some improvements in terms of applying best practices or gaining something after IPO, such as: (1) reward and punishment policy that based on pay for performance principle using international best practice, (2) very tight individual KPI settlement, and (3) encouragement to implement GCG by long term foreign investors.

Tenthly, the impact of IPO to organizational culture and company performance depends on some factors such as: (1) the number of floating shares in stock exchange, (2) competence and professionalism of management team, and (3) implementation of international standard in systems and procedures.

Recommendation

1. Culture transformation should always be embedded in any business/organization transformation, and basic values of organizational culture should simply be formulated in order to be easily memorized, understood, and implemented. IT support is undoubtedly needed to support any transformation process.
2. The appearance of "silo" culture due to ex legacy factor or disharmony among business segments, need to be resolved to avoid any obstacle in performance achievement.
3. The possibility of any pressure of "unforgiving" KPI, applied in line with pay for performance principle to any individual employee, need to be taken into account by controlling, evaluating, and paying attention to fatigueness or mental strain which might appear and disturb employee's loyality.
4. The number of floating shares of public companies and its market capitalization seems to be appropriate enough for the long term investors to provide pressure to encourage GCG become effective.
5. For next researches, study on possibility of social and phsycological impact of outsourcing workforce, might be conducted, also, the study on the efficiency of values dissemination and technical training for outsourcing workforce. Research

on the effect of "unforgiving" KPI to loyality in the long run versus the implementation of pay for performance principle, can also be conducted.

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