UNIVERSITI PUTRA MALAYSIA

MEDIATING ROLE OF RESISTANCE IN RELATIONSHIPS BETWEEN ORGANIZATIONAL CULTURE, CHANGE, INNOVATION, AND ORGANIZATIONAL EFFECTIVENESS IN COMMERCIAL BANKING SECTOR OF PAKISTAN

RANA TAHIR NAVEED

FEP 2017 7
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By
RANA TAHIR NAVEED

Thesis Submitted to the School of Graduate Studies Universiti Putra Malaysia, in Fulfilment of the Requirement for the Degree of Doctor of Philosophy

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DEDICATION

To my father Rana Khushi Muhammad and my mother Rabia (may ALLAH rest her soul in peace) for their patience, encouragement and support. Especially my mother, she passed away during my PhD journey. I dedicate my hard work to her.

To all my brothers, sisters and family members for their support

To all my friends in Pakistan and in Malaysia for their role in my PhD journey
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

MEDIATING ROLE OF RESISTANCE IN RELATIONSHIPS BETWEEN ORGANIZATIONAL CULTURE, CHANGE, INNOVATION, AND ORGANIZATIONAL EFFECTIVENESS IN COMMERCIAL BANKING SECTOR OF PAKISTAN

By

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March 2017

Chairman : Amer Hamzah bin Jantan, PhD
Faculty : Economics and Management

The purpose of the current study is to examine the mediating role of organizational resistance in the relationship between organizational culture; organizational change and organizational innovation with organizational effectiveness of commercial banking sector in Pakistan. A total of 380 bankers from six banks (UBL; ABL; MCB; HBL and BAF) participated in the current study. A survey was conducted and questionnaires were used to collect data from bankers. SPSS, AMOS and PROCESS statistical software were used to analyze the data collected.

The results provide details of descriptive statistics data. 510 sets of questionnaires were distributed, but only 380 sets were used for further analysis. Confirmatory factor analysis (CFA) is used for every variable conducted to verify the loading factor of each and every item. The measurement model and structural model indicate that the items in the current structural model fit indices, convergent validity, average variance extracted (AVE), composite reliability (CR) and validity. The loading factor of every variable reaches the threshold value, AVE values (5.55, 2.09, 0.92, 2.52, and 2.26). The CR values are as follow (0.98, 0.98, 0.94, 0.97, and 0.96) and the overall structural model can be considered as an excellent model because it fits the indices.

The seven hypotheses on direct relationships between independent variables to mediator and mediator to dependent variables are significant (p < 0.05). Consequently, all hypotheses on direct relationships are supported. Moreover, the results show that organizational resistance is significant and partially mediate the relationships between organizational culture and organizational effectiveness. The results also indicate organizational resistance is significant and partially mediate the relationships between organizational change and organizational effectiveness. Similarly, organizational
resistance is significant and partially mediate the relationship between organizational innovation and organizational effectiveness.

Organizational resistance in the context of studying organizational development, change management and organizational behaviors in the banking sector should be considered as an important factor, which could contribute to understanding, explaining and improving organizational effectiveness of the banking sector. Future researchers could bring new perspectives to management practitioners, organizational development practitioners, business leaders, bankers as well as change agents in the banking sectors. The new perspective should thus consider organizational resistance as an undeniable factor among employees and at the same time it can help them to improve organizational effectiveness and to achieve the desired outcomes.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PERANAN PERANTARA TENTANG DALAM HUBUNGAN ANTARA BUDAYA ORGANISASI, PERUBAHAN, INOVASI DAN KEBERKESANAN ORGANISASI DALAM SEKTOR PERBANKAN KOMERSIAL DI PAKISTAN

Oleh

RANA TAHIR NAVEED

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Pengerusi : Amer Hamzah bin Jantan, PhD
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Objektif kajian ini adalah untuk mengenalpasti peranan mediator tentangan dalam hubungan antara budaya organisasi, perubahan organisasi dan inovasi organisasi dengan keberkesanan organisasi dalam sektor perbankan komersial di Pakistan. Bagi memenuhi objektif kajian ini, kaedah kuantitatif digunakan. 510 borang soal selidik diedar kepada enam buah bank (UBL; ABL; MCB; HBL dan BAF), tetapi hanya 380 sahaja (84%) sahaja yang digunakan bagi tujuan analisis. Data yang diperolehi telah dianalisis menggunakan perisian statistik SPSS, AMOS dan PROCESS untuk mendapatkan maklumat data deskriptif. Beberapa siri analisis faktor telah dijalankan untuk mengesahkan korelasi antara variabel independen yang diselidik.

Selepas itu Analisis faktor pengesahan (CFA) bagi setiap pembolehubah dijalankan untuk mengesahkan pemuatan faktor bagi setiap item yang terdapat di dalam soal selidik. Di peringkat akhir, Model Pengukuran dan Model Struktur digunakan untuk mengesahkan padanan indeks, kesahihan kesahan menumpu, purata varians yang varians purata diekstrak dan kebolehpercayaan komposit dan kesahihan. Semua pemberatan faktor yang terkandung dalam setiap pembolehubah mencapai nilai ambang, nilai AVE (5.55, 2.09, 0.92, 2.52 dan 2.26). Nilai CR adalah seperti berikut (0.98, 0.98, 0.94, 0.97 dan 0.96) dan keseluruhan struktur model boleh dianggap sebagai model yang baik sepadan dengan indeks.

Tujuh hipotesis mengenai hubungan secara langsung antara pembolehubah bebas kepada perantara dan perantara kepada pembolehubah bersandar adalah signifikan (p < 0.05). Maka, semua hipotesis bagi hubungan secara langsung telah disokong. Selain daripada itu, hasil kajian menunjukkan bahawa perantara tentangan adalah separa signifikan dalam menjadi perantara hubungan antara budaya organisasi dan

iiii
Tentangan organisasi dalam konteks mengkaji pembangunan organisasi, pengurusan perubahan dan gelagat organisasi dalam sektor perbankan dianggap sebagai satu faktor yang penting. Yang boleh membantu memahami, menjelaskan dan meningkatkan keberkesanan organisasi sektor perbankan. Penyelidik masa hadapan boleh membawa perpektif baharu kepada para pengamal pengurusan, pengamal pembangunan organisasi, pemimpin perniagaan, pengurus bank serta ejen perubahan dalam sektor industri perbankan. Perspektif baharu perlu mempertimbangkan tentang sebagai satu faktor yang tidak dapat dinafikan kewujudannya dalam kalangan pekerja dan pada masa yang sama ini boleh membantu mereka untuk mempertingkatkan keberkesanan organisasi dan mencapai hasil yang diingini.
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My heartiest gratitude to Pakistani Banks which include Habib Bank Limited (HBL), National Bank of Pakistan (NBP), United Bank Limited (UBL), Muslim Commercial Bank (MCB), Allied Bank Limited (ABL) and Bank Alfalah (BAF) for their cooperation and support which enable me to conduct the research.

Last but not least, I would like to express my sincere gratitude to my dear mother (late) and father whose support and patience is undeniable throughout my journey.
I certify that a Thesis Examination Committee has met on 29 March 2017 to conduct the final examination of Rana Tahir Naveed on his thesis entitled "Mediating Role of Resistance in Relationships between Organizational Culture, Change, Innovation and Organizational Effectiveness in Commercial Banking Sector of Pakistan" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ABSTRACT</td>
<td>i</td>
</tr>
<tr>
<td></td>
<td>ABSTRAK</td>
<td>iii</td>
</tr>
<tr>
<td></td>
<td>ACKNOWLEDGEMENTS</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>APPROVAL</td>
<td>vi</td>
</tr>
<tr>
<td></td>
<td>DECLARATION</td>
<td>viii</td>
</tr>
<tr>
<td></td>
<td>LIST OF TABLES</td>
<td>xiv</td>
</tr>
<tr>
<td></td>
<td>LIST OF FIGURES</td>
<td>xvi</td>
</tr>
<tr>
<td></td>
<td>LIST OF ABBREVIATIONS</td>
<td>xvii</td>
</tr>
<tr>
<td>1</td>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Background of Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2</td>
<td>Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3</td>
<td>Research Questions</td>
<td>7</td>
</tr>
<tr>
<td>1.4</td>
<td>Research Objectives</td>
<td>7</td>
</tr>
<tr>
<td>1.5</td>
<td>Significance of the Study</td>
<td>8</td>
</tr>
<tr>
<td>1.5.1</td>
<td>Theoretical Significance</td>
<td>8</td>
</tr>
<tr>
<td>1.5.2</td>
<td>Practical Significance</td>
<td>9</td>
</tr>
<tr>
<td>1.6</td>
<td>Scope of the Study</td>
<td>10</td>
</tr>
<tr>
<td>1.7</td>
<td>Organization of Thesis</td>
<td>10</td>
</tr>
<tr>
<td>1.8</td>
<td>Terms Defined</td>
<td>12</td>
</tr>
<tr>
<td>1.8.1</td>
<td>Organizational Culture</td>
<td>12</td>
</tr>
<tr>
<td>1.8.2</td>
<td>Organizational Change</td>
<td>12</td>
</tr>
<tr>
<td>1.8.3</td>
<td>Organizational Innovation</td>
<td>12</td>
</tr>
<tr>
<td>1.8.4</td>
<td>Organizational Effectiveness</td>
<td>12</td>
</tr>
<tr>
<td>1.8.5</td>
<td>Organizational Resistance</td>
<td>13</td>
</tr>
<tr>
<td>1.8.6</td>
<td>Change Agent</td>
<td>13</td>
</tr>
<tr>
<td>1.8.7</td>
<td>Organizational Development Practitioner</td>
<td>13</td>
</tr>
<tr>
<td>1.8.8</td>
<td>Banker</td>
<td>13</td>
</tr>
<tr>
<td>1.9</td>
<td>Chapter Summary</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>BANKING SECTOR OF PAKISTAN</td>
<td>14</td>
</tr>
<tr>
<td>2.1</td>
<td>Background of Banking Industry</td>
<td>14</td>
</tr>
<tr>
<td>2.2</td>
<td>Banking Sector of Pakistan</td>
<td>15</td>
</tr>
<tr>
<td>2.3</td>
<td>Current Era of Pakistani Banking Sector</td>
<td>17</td>
</tr>
<tr>
<td>2.4</td>
<td>Composition of Banking Sector in Pakistan</td>
<td>18</td>
</tr>
<tr>
<td>2.5</td>
<td>Organizational Behavior of the Pakistani Banking Sector</td>
<td>24</td>
</tr>
<tr>
<td>2.6</td>
<td>Chapter Summary</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>LITERATURE REVIEW</td>
<td>25</td>
</tr>
<tr>
<td>3.1</td>
<td>Concept of Organizational Effectiveness</td>
<td>25</td>
</tr>
<tr>
<td>3.1.1</td>
<td>Theoretical Models for Organizational Effectiveness</td>
<td>26</td>
</tr>
<tr>
<td>3.2</td>
<td>Concept of Organizational culture</td>
<td>30</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Theories/Models of Organizational Culture</td>
<td>31</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Competing Values Framework (CVF)</td>
<td>34</td>
</tr>
<tr>
<td>3.2.3</td>
<td>Organizational Culture in Work setting</td>
<td>37</td>
</tr>
<tr>
<td>3.3</td>
<td>Concept of Organizational Change</td>
<td>37</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------</td>
<td>----</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Dimensions of Organizational Change</td>
<td>39</td>
</tr>
<tr>
<td>3.3.2</td>
<td>Organizational Change Theories and Models</td>
<td>42</td>
</tr>
<tr>
<td>3.3.3</td>
<td>Organizational Change in Work setting</td>
<td>43</td>
</tr>
<tr>
<td>3.4</td>
<td>Concept of Organizational Innovation</td>
<td>44</td>
</tr>
<tr>
<td>3.4.1</td>
<td>Dimensions of Organizational Innovation</td>
<td>45</td>
</tr>
<tr>
<td>3.5</td>
<td>Concept of Organizational Resistance</td>
<td>46</td>
</tr>
<tr>
<td>3.5.1</td>
<td>Dimensions and Theoretical Model of Organizational Resistance</td>
<td>47</td>
</tr>
<tr>
<td>3.5.2</td>
<td>Organizational Resistance in Work setting</td>
<td>51</td>
</tr>
<tr>
<td>3.6</td>
<td>Significant Gaps in the Literature</td>
<td>52</td>
</tr>
<tr>
<td>3.7</td>
<td>Theoretical Framework</td>
<td>52</td>
</tr>
<tr>
<td>3.7.1</td>
<td>Change Theory</td>
<td>52</td>
</tr>
<tr>
<td>3.7.2</td>
<td>Competing Values Framework Theoretical Model</td>
<td>55</td>
</tr>
<tr>
<td>3.8</td>
<td>Research Framework and Hypotheses Development</td>
<td>56</td>
</tr>
<tr>
<td>3.9</td>
<td>Hypotheses Development</td>
<td>60</td>
</tr>
<tr>
<td>3.9.1</td>
<td>Relationship between Organizational Culture and Organizational Resistance</td>
<td>60</td>
</tr>
<tr>
<td>3.9.2</td>
<td>Relationship between Organizational Innovation and Organizational Resistance</td>
<td>61</td>
</tr>
<tr>
<td>3.9.3</td>
<td>Relationship between Organizational Change and Organizational Resistance</td>
<td>62</td>
</tr>
<tr>
<td>3.9.4</td>
<td>Relationship between Organizational Resistance and Organizational Effectiveness</td>
<td>64</td>
</tr>
<tr>
<td>3.9.5</td>
<td>Relationship between Organizational Culture and Organizational Effectiveness</td>
<td>64</td>
</tr>
<tr>
<td>3.9.6</td>
<td>The Mediating Role of Organizational Resistance between Organizational Culture and Organizational Effectiveness</td>
<td>65</td>
</tr>
<tr>
<td>3.9.7</td>
<td>Relationship between Organizational Change and Organizational Effectiveness</td>
<td>66</td>
</tr>
<tr>
<td>3.9.8</td>
<td>The Mediating Role of Organizational Resistance between Organizational Change and Organizational Effectiveness</td>
<td>67</td>
</tr>
<tr>
<td>3.9.9</td>
<td>Relationship between Organizational Innovation and Organizational Effectiveness</td>
<td>67</td>
</tr>
<tr>
<td>3.9.10</td>
<td>The Mediating Role of Organizational Resistance between Organizational Innovation and Organizational Effectiveness</td>
<td>68</td>
</tr>
<tr>
<td>3.10</td>
<td>Chapter Summary</td>
<td>68</td>
</tr>
</tbody>
</table>

4 RESEARCH METHODOLOGY

4.1 Research Design | 69 |
4.2 Population and Sampling | 70 |
4.3 Measurement and Instruments | 73 |
| 4.3.1 Demographic Section | 73 |
| 4.3.2 Instrument for Organizational Culture | 73 |
| 4.3.3 Instrument for Organizational Change | 74 |
| 4.3.4 Instrument for Organization Innovation | 74 |
| 4.3.5 Instrument for Organizational Resistance | 74 |
6 CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS 113
6.1 Conclusion 113
6.2 Implications of Research 114
   6.2.1 Theoretical Implications 115
   6.2.2 Managerial Implications 116
6.3 Contribution to Knowledge 117
6.4 Limitations of the study 118
6.5 Recommendation of the study 119

REFERENCES 120
APPENDICES 141
BIODATA OF STUDENT 179
LIST OF PUBLICATIONS 180
**LIST OF TABLES**

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1: Definitions of Bank &amp; Banker</td>
<td>15</td>
</tr>
<tr>
<td>2.2: Reforms History of Pakistan Banking Sector</td>
<td>17</td>
</tr>
<tr>
<td>2.3: Taxonomy of Pakistani Scheduled Banks Branches</td>
<td>20</td>
</tr>
<tr>
<td>3.1: Determinants of Organizational Effectiveness</td>
<td>29</td>
</tr>
<tr>
<td>3.2: Dimensions of organizational change</td>
<td>39</td>
</tr>
<tr>
<td>3.3: Organizational Innovation Dimensions</td>
<td>45</td>
</tr>
<tr>
<td>3.4: Dimensions of organizational resistance</td>
<td>50</td>
</tr>
<tr>
<td>4.1: Summary of the Research Design</td>
<td>70</td>
</tr>
<tr>
<td>4.2: Total Number of Employees of the Banks</td>
<td>71</td>
</tr>
<tr>
<td>4.3: Determining Sample Size from a Given Population by Morgan (1970)</td>
<td>72</td>
</tr>
<tr>
<td>4.4: Author/Developer, Purpose and Items Summary Table of each Construct</td>
<td>75</td>
</tr>
<tr>
<td>4.5: The results of Reliability of Pilot study</td>
<td>79</td>
</tr>
<tr>
<td>4.6: Normality Table</td>
<td>81</td>
</tr>
<tr>
<td>5.1: Respondents Profile</td>
<td>84</td>
</tr>
<tr>
<td>5.2: Mean and standard deviation of variables (n=380)</td>
<td>85</td>
</tr>
<tr>
<td>5.3: Existing culture of Pakistani commercial Banks (n=380)</td>
<td>86</td>
</tr>
<tr>
<td>5.4: Model fit indices of Organizational culture</td>
<td>88</td>
</tr>
<tr>
<td>5.5: Model Fit Indices of Organizational Change</td>
<td>89</td>
</tr>
<tr>
<td>5.6: Model fit indices of organizational innovation</td>
<td>90</td>
</tr>
<tr>
<td>5.7: Model Fit Indices of Organizational Resistance</td>
<td>91</td>
</tr>
<tr>
<td>5.8: Model Fit Indices of Organizational Effectiveness</td>
<td>92</td>
</tr>
<tr>
<td>5.9: Model Fit Indices of Measurement Model</td>
<td>94</td>
</tr>
<tr>
<td>5.10: The Convergent Validity of the Measurement Model</td>
<td>94</td>
</tr>
<tr>
<td>5.11: The Discriminant Validity of the Measurement Model</td>
<td>97</td>
</tr>
<tr>
<td>5.12: Fit Indices for Structural Model</td>
<td>100</td>
</tr>
<tr>
<td>5.13: Squared Multiple Correlations</td>
<td>100</td>
</tr>
<tr>
<td>5.14: Mediating Effect of Organizational Resistance in Relation to Organizational Culture and Organizational Effectiveness</td>
<td>103</td>
</tr>
<tr>
<td>5.15: Mediating Effect of Organizational Resistance in Relation to Organizational Change and Organizational Effectiveness</td>
<td>105</td>
</tr>
</tbody>
</table>
5.16: Mediating Effect of Resistance in Relation to Organizational Innovation and Organizational Effectiveness 106
5.17: Covariance of Independent Variables 110
6.1: Mediation Effect Size Among Relationships 116
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1: Composition of banking group in Pakistan</td>
<td>21</td>
</tr>
<tr>
<td>3.1: Organization and its sub system</td>
<td>26</td>
</tr>
<tr>
<td>3.2: Organizational effectiveness model</td>
<td>27</td>
</tr>
<tr>
<td>3.3: Schein's model of organizational culture</td>
<td>32</td>
</tr>
<tr>
<td>3.4: Hofstede’s Onion Model</td>
<td>33</td>
</tr>
<tr>
<td>3.5: Competing Values Framework</td>
<td>34</td>
</tr>
<tr>
<td>3.6: Taxonomy of Change Literature</td>
<td>44</td>
</tr>
<tr>
<td>3.7: Conceptual Model of Organizational Resistance</td>
<td>48</td>
</tr>
<tr>
<td>3.8: Research Framework (Reflective-reflective Mediation Model)</td>
<td>59</td>
</tr>
<tr>
<td>4.1: G-power Sample Size</td>
<td>71</td>
</tr>
<tr>
<td>5.1: Measurement Model</td>
<td>93</td>
</tr>
<tr>
<td>5.2: Estimated Path Coefficients of the Hypothesized (Mediation) Model</td>
<td>99</td>
</tr>
<tr>
<td>5.3: The mediating effect of organizational resistance in relation to organizational culture and organizational effectiveness</td>
<td>103</td>
</tr>
<tr>
<td>5.4: The mediating effect of organizational resistance in relation to organizational change and organizational effectiveness</td>
<td>104</td>
</tr>
<tr>
<td>5.5: The mediating effect of organizational resistance in relation to organizational innovation and organizational effectiveness</td>
<td>106</td>
</tr>
</tbody>
</table>
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFA</td>
<td>Confirmatory Factor Analysis</td>
</tr>
<tr>
<td>SME</td>
<td>Structural Equation Model</td>
</tr>
<tr>
<td>OE</td>
<td>Organizational Effectiveness</td>
</tr>
<tr>
<td>OD</td>
<td>Organizational Development</td>
</tr>
<tr>
<td>CVF</td>
<td>Competing Value Framework</td>
</tr>
<tr>
<td>SBP</td>
<td>State Bank Of Pakistan</td>
</tr>
<tr>
<td>HBL</td>
<td>Habib Bank Limited</td>
</tr>
<tr>
<td>MCB</td>
<td>Muslim Commercial Bank</td>
</tr>
<tr>
<td>ABL</td>
<td>Allied Bank Limited</td>
</tr>
<tr>
<td>NBP</td>
<td>National Bank Of Pakistan</td>
</tr>
<tr>
<td>BAF</td>
<td>Bank Alfalah</td>
</tr>
<tr>
<td>UBL</td>
<td>United Bank Limited</td>
</tr>
<tr>
<td>S.D</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Research and Development</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Background of Study

In the current global economy, organizational effectiveness is the first priority of every organization. Every organization face some challenges in the form of culture, technological changes and upcoming innovations (Ahmad et al., 2009). Therefore, in order to survive the organization should manage and maintain organizational behaviors in tandem with the dynamic global environment.

Organizational culture, organizational change and organizational innovation are dominant features of organizational behaviors and organizational development. Organizational behavioral studies investigate how these factors (culture, change, innovation) affect the organizational effectiveness and how they could be used to improve effectiveness (Ahmad et al., 2009; Kim, 1986).

The factors that influence organizational effectiveness are explored with great interest by researchers. The organizational culture is one of the factors which had been identified. (Heracleous, 2001; Kim & Kim, 2015; Sun, 2009). Misalignment between an organization’s culture and its values, beliefs, ways of getting things done, communications and its strategic vision may limit the effectiveness of the organization (Aktas, Cicek, & Kiyak, 2011). Understanding the archeology, cultural dimensions and behaviors thought processes “that create and sustain organizational culture” are essential in optimizing the effectiveness of the target organization (Cameron & Quinn, 2011).

Organizational culture decides the way employees interact at their workplace. The culture of the workplace also goes a long way in promoting healthy competition at the workplace (Kim & Kim, 2015). The culture of an organization represents certain predefined policies that guide the employees by giving them a sense of direction at the workplace. The workplace culture goes a long way in creating the brand image of the organization. Organizational culture brings all the employees onto a common platform (Cameron & Quinn, 2006; Cooke, 1987; Schein, 2010). Organizational culture unites the employees from different backgrounds. The workplace culture promotes healthy relationships among the employees. It is the culture of the organization that extract the best (or worst) out of each team member and increase the effectiveness individually and collectively (Aktas, Cicek, & Kiyak, 2011; Hofstede, 1980; Taylor, 2014; Zheng, Yang, & McLean, 2010). Organizational culture is the result of interaction between the staff and managers at the same time.

Organizational changes in organization are persistent due to the haste of changes in the external and internal environment (Cameron & Quinn, 2011). All organizations
desire and struggle to change positively to maintain their competitive advantage over the competitors. Organizations need to employ different strategies to ensure that they remain ahead of their competitors (Zhu, 2015).

Sometimes, top management wants change to increase the efficiency of the employees. So organizations promotes change hoping the employees would perform better and develop their understanding (AlHrassi, Masa, Al-Lozi, & Irtaimeh, 2016). On the other hand the employees might look at it negatively and thus resist to change (Armenakis, Harris, & Mossholder, 1993; Kelly, 2008; Oreg, 2006; Perkov, Perkov, & Papic, 2014). Their negative attitude towards change can affect the performance of the organization, and cause failure to the effort on organizational change (Eby, Adam, Russell, & Gaby, 2000; Maheshwari & Vohra, 2015; Vakola & Nikolaou, 2005a).

Organizational innovation is the key factor in promoting effectiveness in any organization (Zhu, 2015). Organizational innovations also contribute to those organizational behavioral factors which play a vital role in improving organizational effectiveness. Innovation distinguishes an organization from its competitors (Ahmad et al., 2009; Wang & Ahmed, 2004). Therefore, innovation acts the stimuli to drive organization towards creativity.

Organizational resistance is the main challenge faced by top management and leaders in the process of changing existing values and promoting innovation (Dent, 2003; Nov & Ye, 2009; Trader, 2002). Employees’ attitude towards change in the change process sometimes could not be compromised due to resistance (Buick, Blackman, O’Donnell, O’Flynn, & West, 2015). Changes in organizations whether structural, people, technological or culture are essential because the external and internal environment are changing rapidly (Bajaj, 2009; Cameron & Quinn, 2006; Hughes, 2011). However resistance plays a negative role when the organization is in the process of imposing change and innovation. As a result, organizational effectiveness is decreased.

In the 90’s Hammer (1993) states that 70% of all Business Process Reengineering (BPR) projects were unsuccessful due to technological changes . In the 80s, the failing ratio of change project is approximately 60% due to the release of computer-based technological innovation (Bessant, 1983). Moreover, Crosby (1979) mentions that 90 percent of quality-improvement projects become unsuccessful due to organizational culture issues and mismanagement in leadership. It has been noticed that for the last 40 years, projects related to organizational changes were unsuccessful. In the light of the above statistics, it has been proven that before the 20th century, fundamental changes and organizational innovation issues were not given much attention.

During the implementation of organizational changes, the management has to take care of organizational culture and its effects on organizational rules, policies and values (Galpin, 1996; Loi, Lam, Ngo, & Cheong, 2015). Organizational resistance can cause the failure of organizational change, so organizational change becomes a cause of discomfort (stress and pain) in the organizational environment (Zabid, Sambasivan, & Azmawani, 2004). Normally employees think that organizational change would
cause additional workload and will be unproductive (Reichers, 1997). Resistance towards change is also due to amalgamation of two or more different factors such as change in the basic nature of job, decline of financial security, psychological issues, and interruption in social arrangements and status issues (Dawson, 1994).

The banking culture is also affected due to cultural differences among bankers within the organization. Moreover, most banks follow specific values and it is difficult to introduce changes in the system especially in improving the existing culture (Deloitte, 2013). Therefore the banking sector needs a flexible organizational culture that promotes innovation, change and allow the bankers to accomplish their responsibilities (Hassan et al., 2012). Nevertheless, conventional banking system is different from the 21st century banking system. Nowadays, bank’s cultures are different from the past (Fareed, Akbar, Shahzad, Arshad, & Rakha, 2014) because of technology, globalization and a mature banking system (Hassan et al., 2012). These rapid changes have received considerable attention from bankers, practitioners and researchers. According to Deloitte (2013) and Deloitte (2014) reports, 65% of seniors bankers believe that banking problems are mostly due to the ineffective banking culture. In a survey conducted by Deloitte (2013) 76% of the bankers who were interviewed pointed out that salary could be the main cause of cultural problems. Deloitte's (2013, 2014) surveys indicate that poor leadership is the main cause of cultural change problems in the banking sector. 90% of the bankers feel that leadership and senior management are responsible for unnecessary cultural changes in the banking sector.

Organizational culture and organizational change are major areas of study in the field of change management. Consequently organizational culture and organizational change are also the challenge that the Pakistani banking sector faces these days (Akhtar, 2006; M. ul Hassan et al., 2012; Shar, Shah, & Jamali, 2010). Just like the other organizations, banks need to remain competitive always. Continuous organizational development can be one of the way to handle those challenges (Austin & Bartunek, 2003; Weeks, 1991).

Competitiveness and survival of the banking sector depend on new and improved products, services and improved employee’s behaviors. Continuous improvements on these areas could only be gained through innovation (Hadi Razavi, 2013) and innovation could be highly correlated with change. Strategic innovation might not be able to create awareness between employees and top management. The growth rate and market share of non-innovative organizations are much less compared to innovative organizations (Meroño-Cerdan & López-Nicolas, 2013). Therefore managing innovation is really crucial for the organizations to remain competitive.

The Pakistani banking sector has a complex background and stressful process of restructuring since 1997 (Ahmad, Malik, & Humayoun, 2010). It becomes worse due to the competitive environment. According to Husain (2005), “the former Governor of State Bank of Pakistan”, economy could not grow without a well-established financial sector. In Pakistan, 95% of the economy depends on the money involved in
the banking sector. Therefore a healthy banking sector is directly related in developing Pakistan (Husain, 2005).

1.2 Problem Statement

The business world is changing rapidly. Globalization has created borderless economy and organizations have to encounter severe competitions (Ahmad et al., 2009). Therefore, behaviors are changing on individual or in the organizational bases. Organizational culture, change and innovation are some of the behavioral challenges which the banking sector has to face in managing the country’s financial need (Deloitte, 2014). Constant changes and innovations are encountered by financial markets and the effectiveness of the bank has great influence in this matter. Moreover, organizational culture challenges are not only related to change and innovation but also to the organizational effectiveness of the banking sector (Belias, Koustelios, Vairaktarakis, & Sdrolias, 2015; Haleem, 2015; Kranti & Prabhjot, 2015). The Pakistani banking sector has to compete with other financial sector in order to contribute efficiently to Pakistan’s economy. As such change and innovation are the only ways to explore new cultures and operate their organization more effectively (Rasool, Kiyani, Aslam, Akram, & Rajput, 2012).

The banking sector needs organizational culture which support change and explore innovations to maintain organizational effectiveness. Organizational culture of the Pakistani banking sector supports a slow change process without any innovation for a long time (OSEC, 2011; SBP, 2005; Shah & Jan, 2014). Banking responses towards upcoming changes and innovations can lead them to ineffectiveness. The Pakistani banking sector is seeking a healthy organizational culture which leads bankers to adopt change and innovation.

The link between non-financial parameters like organizational culture, organizational change and organizational innovation are considered as an important part in the banking industry. It is as important as financial parameters like profitability, loss and financial ratios (Deloitte, 2013). Therefore, these factors could contribute to the organizational effectiveness and organizational performance.

Researchers found that organizational culture, change and innovation are strong predictors of organizational effectiveness in the banking sector context (Denison, Nieminen, & Kotrba, 2012; Kim, 1986; Newton & Mazur, 2015). Therefore it can be assumed that healthy organizational culture, ongoing changes and innovational strategies would enhance organizational effectiveness in the banking sector. Economists in Pakistan acknowledged that non-financial aspects of the banking sector also plays an important role to achieve the desired outcomes (Rasool et al., 2012; Shah & Jan, 2014).

The organizational culture of the banks has influenced the way bankers conducted their daily duties and might affect organizational effectiveness. The academic studies
shows that organizational effectiveness and organizational culture are highly related, therefore in order to get high organizational effectiveness; it is essential to maintain healthy organizational culture (Cameron & Quinn, 2011; Cameron & Quinn, 2006; Quinn & Rohrbaugh, 1983). Some recent studies show that organizational changes (structure, technology) could influence organizational effectiveness and performance of the Pakistani banking sector (Iqbal & Ahmad, 2016; Pahi, Hamid, & Khalid, 2016; Samim & Rashid, 2016; Shah, Hamid, Memon, & Mirani, 2016). Deloitte, (2014) has shown that the banking industry is under pressure to take care of organizational culture and organizational changes in banks.

It emphasizes that, organizational change becomes a prerequisite for the banking sector in gaining competitive advantage (Haleem, 2015; Zogjani, Shoraj, & Govori, 2014). Thus, banks need to adopt organizational change so as to attain competitiveness among the fast-paced banks of the current environment. Similarly, organizational innovation is the key strategic resources for banks to achieve a competitive advantage (Haleem, 2015). Therefore, top management and managers should adopt effective ways in which they could increase their banks’ effectiveness. More specifically, the banking sector has shifted themselves towards utilizing full technological benefits (Teece, Pisano, & Shuen, 1997). However top management faces resistance from employees and managers due to e-technology. In the banking sector, organizational culture, organizational change and organizational innovation accelerate the organizational effectiveness. However, still organizational development projects fail and managers are not comfortable with culture (Deloitte, 2013). Resistance within the banking sector is considered as the main source of hindrance.

Deloitte (2013) conducts a banking survey and found out that 65% of bankers think most banking problems are related to banking culture and leadership. Technological changes and banking innovations such as online banking, E-banking in the banking sector have influenced the ways the employees perform their tasks and may affect organizational effectiveness and lead them to resist those changes and innovations (Khajeh, 2011; Schiavone, 2012; Woszczyna, 2014). Studies show that organizational culture, change and innovation are essential in maintaining organizational effectiveness (Frambach & Schillewaert, 2002; Haned, Mothe, & Nguyen-Thi, 2014; Seen, Singh, & Jayasingam, 2012). Structure, technology, and people could be changed but changing organizational culture could be a game changer. The failure ratio in a common change is 70% (Senturia, Flees, & Maceda, 2008) whereas it increases up to 90% for cultural change (Rogers, Meehan, & Tanner, 2006).

As mentioned earlier in the chapter, the banking sector plays a very important role in Pakistan’s economy. Pakistani banking industry encountered radical changes which effected competitive banking sector (Nisar, Susheng, Ahmed, & Ke, 2015). To remain competitive, banks have to show high organizational performance and effectiveness (Hassan et al., 2012). Most importantly performance of the commercial banks play an important role for the state and growth of the banking system (Kranti & Prabhjot, 2015). But in a recent SBP (2014a) survey, SBP Statistics & DWH Department show that the number of employees is decreasing continuously. According to Husain (2005) the former Governor of the State Bank of Pakistan (SBP), the Pakistani banking
sector is facing organizational bureaucratic problems, employee’s bad attitudes, and ineffective administrative approaches. These behaviors lead them to organizational ineffectiveness. Nowadays the Pakistani banking sector is facing intense competition with other financial organizations and its effectiveness has been put at stake (Asrar-ul-Haq & Kuchinke, 2016).

Hassan et al., (2012) state that in the Pakistani banking sector, innovation play a crucial role in improving effectiveness. On the other hands, organizational culture provide a platform to enhance organizational innovativeness. Hanif, Khan, & Zaheer (2014) conduct a study on resistance in the banking sector of Pakistan and point out employees resist change in the Pakistani commercial banking sector and there is extremely less chance to change the attitude of employees towards change. They also discover that technological change is one of the major factors which contribute to organizational resistance. Similarly, Ahmed, Rehman, Asad, Hussain, & Bilal (2013) conduct a research on organizational change in the banking sector of Pakistan and point out that employees can play a negative role during the organizational change process. The empirical result shows that Pakistani banking sector is less tolerant to change. Moreover the rapid changes in the banking sector have caused serious effects on banking effectiveness.

There is negligible empirical investigation carried out from the Pakistani perspective in order to deal with the occurrence of organizational resistance within banks while introducing culture, new changes or innovations. Although in the existing literature and empirical evidences organizational resistance has not been explored; this factor has been playing a mediating role in the relationship to organizational behavior and response regarding to culture, change and innovation with organizational effectiveness. Moreover, Gibson, Ivancevich, & Donnelly (2000) emphasize that organizational effectiveness is dependent upon innovation, technology, strategies, structure, and work culture.

The researcher believes that many managers, leaders, change agents, organizational development practitioners, academic scholars and organizational studies experts believe that organizational ineffectiveness and inefficiency result from mismanaged organizational culture, poor organizational change strategies and less tolerance regarding innovations (Acar, Kiyak, & Sine, 2014; Denison et al., 2012; Newton & Mazur, 2015; Zhu, 2015). But all these stakeholders fail to take into account that organizational resistance has a vital role for the ineffectiveness of any organization (Oreg, Vakola, & Armenakis, 2011; Oreg, 2006). If they do not take into consideration the resistance factor, effectiveness cannot be achieved. Organizational effectiveness can be achieved through culture, change and innovation when organizational resistance is clearly understood.
1.3 Research Questions

The study attempts to find out whether there are any relationships between major variables which include organizational culture, organizational change, organizational innovation, organizational resistance and organization effectiveness. In this current study, the researcher also attempts to investigate whether there is a mediating role played by organizational resistance in these relationships. Hence the current study would attempt to answer the following questions:

1.3.1: What is the existing organizational culture of the commercial banking sector in Pakistan?
1.3.2: Is there any relationship between organizational culture, organizational resistance and the organizational effectiveness?
1.3.3: Is there any relationship between organizational change and organizational effectiveness?
1.3.4: Is there any relationship between organizational innovation and organizational effectiveness?
1.3.5: Is there any relationship between organizational culture, organizational change and organizational innovation?
1.3.6: Does organizational resistance mediate the relationship between organizational culture, organizational change and organizational innovation in relation to organizational effectiveness?

1.4 Research Objectives

The main research objective of this study is to determine the relationship between organizational culture, organizational change, organizational innovation and organizational effectiveness. It will also examine the mediating role of organizational resistance in relation to organizational culture, organizational change, organizational innovation and organizational effectiveness in Pakistan commercial banking sector.

The specific objectives of the study are outlined as the following:

1.4.1 To determine the existing organization culture of commercial banks in Pakistan.
1.4.2 To determine the relationships between organizational culture, organizational change and organizational innovation.
1.4.3 To determine the influence of organizational culture, organizational change, organizational innovation on organizational effectiveness.
1.4.4 To determine the mediating effect of organizational resistance in the relationship between organizational culture and organizational effectiveness.
1.4.5 To determine the mediating effect of organizational resistance in the relationship between organizational change and organizational effectiveness.
1.4.6 To determine the mediating effect of organizational resistance in the relationship between organizational innovation and organizational effectiveness.

1.5 Significance of the Study

Organizational resistance, organizational culture, organizational change and organizational innovation have been discussed in management and psychological studies in literature simultaneously. This study would contribute academic value to the practical and theoretical perspectives of organizational culture, change and innovation. The study combines change theory with the competing value theoretical model in the banking sector settings.

1.5.1 Theoretical Significance

This study is significant in the field of organizational behaviors and change management in the banking sector, both theoretically and practically. There are theoretical justifications for studying the organizational resistance, organizational culture and change in the banking sector. This study investigates the role of resistance in relationships to organizational culture, organizational change, organizational innovation and organizational effectiveness. This study also contributes to the theoretical understanding of these concepts in the context of the banking sector in Pakistan.

This study examines the competing value framework (CVF) as an organizational culture assessment tool and model. CVF would be used to explain the impact of organizational culture on organizational effectiveness, and simultaneously investigate the mediating role of organizational resistance. Based on previous literature, the researcher identifies less contribution in the literature regarding CVF in the context of the commercial banking sector. Oreg, Vakola, & Armenakis (2011) find out that the mediating role of organizational resistance and change related variables must be explored further by change management and organizational development researchers. Moreover, they emphasize that there is little research work on Oreg’s “Resistance Framework’. Therefore there is a need to give further attention to validate that framework. Based on this fact, the current research thus provides academic contribution with a unique conceptual structure model for organizational culture, organizational change, organizational innovation and organizational resistance. The competing values theoretical framework is used to provide empirical evidences to show the relationships between organizational culture and organizational effectiveness. Limited studies have been carried out to investigate the reason behind this relationship and how organizational resistance affects them. Moreover, Oreg (2006) has pointed out that organizational resistance has an ability to explain the relationships of change related factors.
Employees’ resistance perspective could be used to explain the role of organizational resistance in relationship to organizational culture, change, innovation and organizational effectiveness. Therefore, the change theory points out that cognitive, affective and behavioral attitude (resistance) should be explored. The Change Theory is a general (mother) theory about change and change related factors, but there is less empirical contribution in change theory (Miles, 2012). Therefore, the current study will provide empirical contribution regarding change and innovation in the banking sector setting. The CVF theoretical framework could also be used to understand the consequences of organizational culture, change and innovation on organizational effectiveness as well.

Within the context of the banking sector, organizational development practitioners, change agents and top management might want to review and analyze organizational development theories and frameworks related to organizational resistance. Since organizational resistance could affect organizational effectiveness, it could also be used by academicians and bankers to find the ways which could enhance organizational effectiveness in banking sector without resistance or minimizing it.

The findings of the current study will provide more knowledge about organizational response and behaviors. This information can be used further by adding new knowledge to the organizational behaviors and attitudes concepts regarding to change, culture, innovation and organizational effectiveness, particularly in the commercial banking sector.

### 1.5.2 Practical Significance

Normally, when banks want to introduce innovations or to do implement some essential changes especially related to culture, there will be resistance among the employees. Thus this research provides a practical scenario for managers and change agents to address the problem. Since this study is based on commercial banks in Pakistan, the researcher will provide an overview of the banking environment in order to understand the current scenario with regards to organizational culture, change, innovation and resistance. In every organization, employees and top management have different points of view about change and innovations. As a result there will be different kinds of resistance. Most importantly, the current research tries to find out the current organizational culture of commercial banks and how they contribute towards achieving organizational effectiveness. This will help top management or change agents to find out the exact culture of organizations that can be introduced to the employees so that the desired changes can be facilitated. This is indeed an important solution to bankers and top management in their effort to introduce organizational culture in order to achieve organizational effectiveness. As the concept of organizational behaviors and responses is not new, the banking sector needs to know exactly which organizational behavior receive less attention and thus improve their behaviors.
This study enables some recommendations to be made for adoption of future policies by the commercial banking sector in Pakistan in order to reduce the resistance factor experienced by leaders, top management or change agents.

1.6 Scope of the Study

The current research is restricted in its scope to only focus on organizational culture, organizational change and organizational innovation that affect organizational effectiveness in the commercial banking sector of Pakistan. The current study also discusses the role of organizational resistance as a mediator between organizational culture, organizational change, organizational innovation and organizational effectiveness. The study design is hypotheses testing and there are lot of predictors and determinants the exist regarding organizational effectiveness but all the predictors related to organizational effectiveness were not considered in this study. Other factors, predictors and determinants can play an important role to increase organizational effectiveness but the current study is limited to organizational culture, change and innovation. Moreover, the current research is restricted in its scope to only focus to the commercial banking sector in Pakistan, therefore the results may not be representative of other banks. The current research is restricted in its scope to only specific measurement scales of organizational culture, change and innovation. The current study is restricted in its scope to Change Theory by Lewin (1951) which explain the change phenomenon in organization and resistance among employees and competing values framework by Cameron & Quinn (2006) explain the relationships between organizational culture and innovation with organizational effectiveness.

1.7 Organization of Thesis

The chapters of thesis are organized in the following order:

The first chapter consists of the background of the study, the problem statement, the research objectives and the significance of study. This chapter also includes scholarly discussions on the reasons why employees resist during and after organizational change and when the innovation is introduced. The main purpose of this chapter is to put into context issues regarding organizational culture, change, innovation and organizational effectiveness and the need for this research for the banking sector.

The second chapter consists of the background of the Pakistani banking sector. This chapter highlights the banking sector particularly in the commercial Pakistani banking sector and how the banking sector as an industry came into being. The chapter also includes a discussion on the structure and culture of the banking sector. It also includes the total number of banks operating in Pakistan and the banks which are selected to be involved in the current research.
The third chapter critically reviews the literature on organizational culture and its possible dimensions. Organizational culture is postulated as an independent variable in the current study. The literature review describes the arguments behind the use of organizational culture as an independent variable. The chapter also outlines related theories regarding organizational culture; and specifically the competing values framework. The first section of the chapter covers previous researches on organizational culture. The second section discusses organizational change and the Change Theory. The chapter also outlines the relationship between organizational culture and organizational change as well as organizational innovation. The third section of the chapter explores the resistance to change phenomenon. Organizational resistance is used a mediator to explain the relationships between organizational culture, organizational change and organizational innovation with organizational effectiveness. The existing literature shows a significant and negative relationship between resistance and organizational culture, organizational change and organizational innovation. The existing literature also shows a significant and positive relationship between organizational culture, organizational change and organizational innovation with organizational effectiveness.

The fourth chapter explains the research methodology and the research design of the study. The development of the research hypotheses is also discussed. This chapter is divided into discussions regarding the research design, the research framework, location, instrumentation, population and sample size, factor analysis, data screening, normality, outliers and the multicollinearity of variables. This chapter also includes the adaption of measurement scales from scholars.

The fifth chapter is based on the analysis of results. This chapter includes the characteristics of respondents, means and standard deviation of variables, confirmatory factor analysis (CFA) of variables, the measurement model and the structural model. This chapter also presents the mode fit indices of these models. The chapter also includes an empirical analysis of the variables and the mediation analysis. The fifth chapter shows that all research questions have been answered and all research hypotheses have been supported. Thus, concluding the chapter by declaring that all the objectives of the current study have been achieved.

The sixth chapter discusses the summary of the research, conclusion, the implications of the research and limitations of the study. The purpose of the current study is to examine the relationship between organizational culture, organizational change and organizational innovation with organizational effectiveness. In addition, the roles of resistance as mediators are also investigated. Chapter six also includes the contribution of the study and how the research gap is being filled by the current research. The chapter also includes theoretical and managerial implications, and thus provides recommendations for academic researchers, change management practitioners, organizational development practitioners, business leaders, bankers as well as change agents.
1.8 Terms Defined

1.8.1 Organizational Culture

Organizational culture is based on the structures and systems of some combined assumptions, values, and beliefs, which determine the act of the employees within the organization. Organizational culture has a strong influence on employees and guides them on their performance, appearance and behavior. “A system of shared values and beliefs that produce norms and behaviors and establish an organizational way of life” (Cameron & Quinn, 2006; Hofstede, & Minkov, 2010; Kim, 1986; Schein, 2010).

1.8.2 Organizational Change

Organizational change can be defined as a state of transaction between the current state and the future, towards where the organization is directed (Lewin, 1951). Organizational change is based on those changes which affect new business processes, changes in organizational structure or technological changes and attitudes of employees regarding change within the organization. So organization can develop and become more effective (Austin & Bartunek, 2003; Briody, Pester, & Trotter, 2012; Smollan & Sayers, 2009).

1.8.3 Organizational Innovation

Organizational innovation is a process which produces new knowledge geared towards the development of commercial and organizational solutions. Organizational innovation is based on adopting new organizational ways and methods to get competitive edge over competitors (Ashraf & Khan, 2013; Birkinshaw, Hamel, & Mol, 2008; Cohen & Levinthal, 1990; Wang & Ahmed, 2004).

1.8.4 Organizational Effectiveness

Organizational effectiveness is defined as a degree to which an organization realizes its goal. Organizational effectiveness is a phenomenon that shows the effectiveness of any organization in achieving the outputs. Organizational effectiveness is based on the coordination of employees, anticipation of organization, adoption of new ways, reacting to downfalls and anticipating the future (Gold, Malhotra, & Segars, 2001; Grabowski, Neher, Crim, & Mathiassen, 2014; Hartnell, Ou, & Kinicki, 2011).
1.8.5 Organizational Resistance

Organizational resistance can be defined as a force that slows or stops movement. Resistance means the refusal to accept, oppose by actions or argument or the ability to stop change by any means (Lewin, 1951; Oreg et al., 2011; Oreg, 2006).

1.8.6 Change Agent

Change agent is the person that execute the process of transformation and change. He or she can be employees of the organization or can be outsider. His responsibility is to facilitate the organizational effectiveness and development of organizations by taking into consideration the employees resistance factor (Burke, 1935).

1.8.7 Organizational Development Practitioner

Organizational development practitioner are those which helps leaders and managers to improve organizational effectiveness and give strategy to implement new changes and innovations with in organization (Senior & Swailes, 2010).

1.8.8 Banker

A banker is dealer in capital or more specifically, a dealer in money. He is intermediate party between the borrower and the lender. He borrows of one and lends to another (Gilbert and Michie, 1919).

1.9 Chapter Summary

The first chapter focuses on the overview of organizational behavioral, a factor which plays a vital role in organizational effectiveness specifically in banking industry. The current problems faced by the Pakistani banking sector has been presented to justify the background of this study. In the background of the study, the researcher looks into organizational behavioral factors. Discussion is based on organizational culture, organizational change, organizational innovation and organizational resistance and how these factors affect an organization’s effectiveness. Generally the problem statement argues precisely on the Pakistani banking industry behaviors that are affecting the current scenario. In the second part of the chapter, the research questions and objectives are outlined followed by suggestions on the methodology to be used throughout the research. Finally, the research points out the significance of the study and its contribution to academicians, practitioners and the banking industry.
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