

# The Success Factors of Conversion Process Using Adkar Model: A Case Study of Islamic Savings Loan and Financing Cooperative

DOI: <https://doi.org/10.18196/afkaruna.v18i1.10207>

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### **ABSTRACT**

This study aims to analyse the conversion-related issues from Savings and Loan Cooperative (SLC) into Islamic Savings Loan and Financing Cooperative (ISLFC) using a case study of Tunas Artha Mandiri (TAM) Cooperative, located in Nganjuk, East Java. Five main research questions include: exploring reasons for conversion, explaining the conversion process, assessing the level of conversion effectiveness, identifying obstacles during the conversion and analysing key success factors of conversion. This study applied a mixed method. A qualitative method was applied to answer the first four questions and a quantitative method with a structural equation model was used to answer the fifth question. Using 120 members of TAM as our respondents, this study found that the success of conversion depends on the awareness of human resources to emigrate and the reinforcement to emigrate, especially from the founders. In addition, this awareness indirectly affects the success of conversion through desire, knowledge, ability and reinforcement. In order to succeed, the cooperative management should provide socialization on how to run ISLFC effectively as well as gradual training.

Keywords: Islamic Cooperative, Conversion, ADKAR, Key Success Factors, Training

## INTRODUCTION

The Indonesian Government issued Ministerial Regulation No. 16/Per/M.KUKM/IX/2015 to regulate the implementation of Islamic Savings Loan and Financing Cooperative. This regulation provides an opportunity for SLCs to operate their business based on the Islamic financial system. As a result, from the conventional to the Islamic system, the data from the Ministry of Cooperatives and SMEs shows the number of SLCs and their Islamic Financing unit has achieved 4,046 units or 3.29% of the total national cooperatives, which amounted to 123,048 units.<sup>1</sup> It is estimated that all Islamic Savings-Loan and Financing Cooperatives (hereafter known as Islamic Savings-Loan and Financing Cooperatives, abbreviated as ISLFC) or Koperasi Simpan Pinjam Pembiayaan Syariah (KSPPS) can distribute financing up to IDR 19.07 trillion or equivalent to US\$13,3 million.<sup>2</sup>

One of the SLCs that has converted from conventional to Islamic systems is Tunas Artha Mandiri (TAM). The head office of TAM is located in the city of Nganjuk, East Java, Indonesia. TAM is a primary cooperative established in 1970. TAM continues to expand its business by conducting mergers and acquisitions of small cooperatives across cities. In 2013, the founders started to convert from conventional to Islamic cooperative with the assistance of advisory services by Batasa Tazkia Islamic Finance and Training Consultant. TAM has been operating for more than 40 years using conventional systems. Therefore, this research aims to explore the conversion process with all related issues. Specifically, this study identifies key reasons for conversion. It also investigates constraints faced in the conversion process. Lastly, this study unveils key success factors in converting from a conventional to an Islamic system.

The main revenue of TAM, in particular and conventional cooperatives, in general, come from interest on loans. When converting into the Islamic system, revenues may be generated from several sources, including margins or a portion of profit sharing of financing as well as fee-based revenues. In terms of revenue persistency, conventional cooperatives have more stable and higher persistence of revenues, thereby leading to lower risk. With a business process similar to Islamic banks, cooperatives may

have a similar pattern of risk dan revenues. Miah and Uddin<sup>3</sup> stated that conventional banks are more efficient in managing costs than their Islamic counterparts. Wahid and Dar<sup>4</sup> also find that Islamic banks are significantly less stable than conventional banks, particularly large Islamic banks. Therefore, it is very interesting to analyze the case of TAM, which decided to move into a riskier business with lower persistency of revenues and income.

Besides converting conventional into Islamic products, a conversion process involves changes in organizational structure and other supporting systems to run Islamic cooperatives. The Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 11 of 2017 stipulates that each Islamic Savings and Loan Cooperative and its units must have a Sharia Supervisory Board (SSB). SSB members also must have a certificate of education and training from the National Sharia Board Indonesian Ulema Council (DSN-MUI). The SSB board has to supervise cooperatives in product development as well as operations to comply with Sharia law. Even though in providing services, SSB may also pay attention to the economic values of the products.<sup>5</sup>

At the operating level, employees at all levels, especially account officers, should have adequate knowledge of Islamic products. They meet directly with customers, explaining the products and convincing them to be interested in engaging with the cooperatives. They can even function as consultants in supervising customers' business until their financing is approved, particularly for small financing customers.<sup>6</sup>

These research findings can be a best practice in the process of converting from conventional into Islamic systems, including financial institutions. Currently, the official guidelines about the conversion from the regulators are not yet available. The Indonesian Government, through the Ministry of Cooperatives and SMEs, has issued Ministerial Regulation No. 16/PER/M.KUKM/IX/2015 regulates the implementation of management of Islamic cooperatives. However, the regulation is still general. The conversion process requires operational guidelines. Therefore, this study is expected to complement the existing references and facilitate SLCs' interest in converting their business into a sharia system.

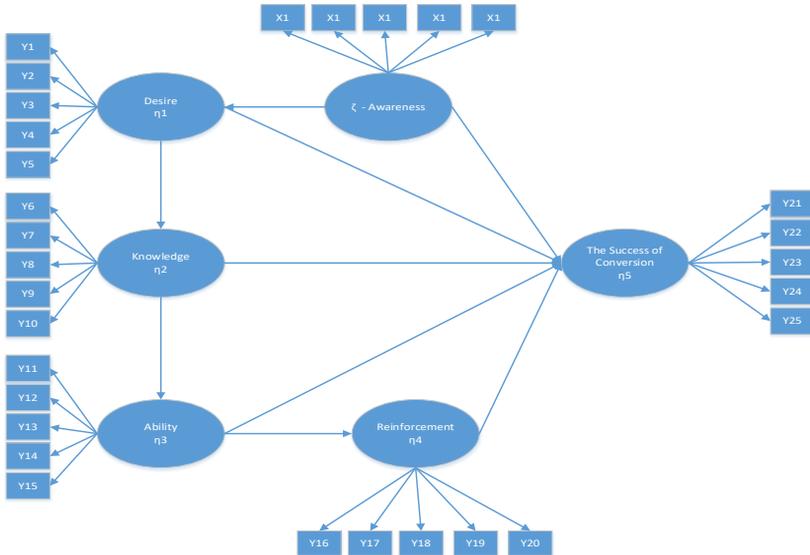
## Research Method

This research uses a case study approach of Tunas Artha Mandiri (TAM) Savings and Financing Cooperative. TAM work area covers West Java, Central Java and East Java. The study was conducted for two months, from November until December 2016. To explore the conversion process with all related issues, this study uses action research which refers to Mcniff and Whitehead.<sup>7</sup> He states that action research refers to a practical way of looking at our own work to check that it is as we would like it to be. It is also known as a practitioner based-research, and because it involves our thinking about and reflecting on our work, it can also be called a form of self-reflective practice. Through this action research, this study illustrates how the implementation of the conversion process is carried out. The authors are also a part of a management consulting team as the team leader. They are able to evaluate what has been done, how far the effectiveness of its implementation and what constraints they may face, including the possible solutions.

To identify key reasons for conversion and investigate occurring constraints in the conversion process, this study used qualitative analysis. The reasons for the conversion were extracted from the documents and remarks from the management board. The conversion process was observed from the documents and work plans. The level of conversion effectiveness was measured through the number of funding and financing products that had been converted and also operating measures. Conversion constraints were also extracted from interviews with TAM officers and discussions with administrators and management board members.

This study also uses quantitative analysis to unveil key success factors in converting process. Using questionnaires distributed to 120 respondents, this study observes their beliefs about the chances of success. This study uses the ADKAR model to analyze the key success factors of the conversion process. ADKAR is an acronym that represents the five important factors that people need to achieve for lasting change, namely: Awareness, Desire, Knowledge, Ability and Reinforcement. ADKAR provides the building blocks for the successful implementation of

organizational change. It can help organizations to achieve the benefits from their change initiatives.<sup>8</sup>



**Figure 1: The Relationship Between ADKAR Variables and The Success of Conversion**

Figure 1 presents the relationship between ADKAR variables and the success of conversion. ADKAR is used when an organization wants to implement changes on a large scale and affects many parties in the organization. ADKAR model consists of aspects that need to be met sequentially.<sup>9</sup> When change is to be implemented in an organization, the first step is to ensure a thorough understanding of all members of why the change should be made. The next step is to raise the desire to make these changes. The next is to ensure that the parties concerned have knowledge of how the change will be carried out. The knowledge includes how to change and work after the change has been implemented. Once members have the required knowledge, the next step is to ensure that all members can make those changes. Reinforcement is the last step to assure that the changes that have been implemented are durable and sustainable. These sequential aspects of ADKAR are indicated by the direction of the arrow,

starting from Awareness (A) and ending at Reinforcement (R). This study also directly examines each aspect of ADKAR to the success of conversion. Awareness is an exogenous variable, and the rest of the 5 latent variables are endogenous. Each latent variable is measured using 5 questions. Therefore, this study has a total of 25 questions (X1-Y25).

## Discussion

### TAM Profile

Tunas Artha Mandiri Cooperative (TAM) began to operate in 1970 based on the Legal Entity No.12 / BH / II / 12/70 dated March 31, 1970. The development of TAM continues with the merger and acquisition of other cooperatives inside and outside East Java. In 2013, TAM decided to convert to sharia as a consequence of the awareness of the founders to conduct business in accordance with Islamic teachings. The vision of Islamic Cooperative TAM is to become a national-level model cooperative and an Islamic cooperative. While the missions of TAM after conversion are: (1) Giving prime services to Members (Excellent service), (2) Improving the competitiveness of cooperatives by increasing business volume, investment capability, product/service diversity and efficiency, (3) Creating a cooperative with long-term strength and survival (Viability) to be able to provide a large cooperative effect to members, (4) Developing and strengthen the human resources through the development of information and communication technology systems, and (5) Becoming the best partner in improving the community welfare. TAM's financial performance shows steady growth, both in terms of savings, distribution of financing, own capital and external capital, as shown in Table 1.

**Table 1 Business Development of TAM in 2016-2015  
(in thousand IDR)**

No.	Description	2016	2015	Growth (%)
1.	Saving	366.006.651	334.509.505	9,42 %
2.	Financing	477.238.007	391.157.265	22.01 %
3.	Owner Equity	129.738.675	124.153.040	3,24 %
4.	External Equity	13.361.436	10.502.659	27.22%

Source: TAM Financial Report

### **Key Reason for Conversion**

The first objective of this research is to identify the main reasons for conversion from conventional into the sharia system. Using the study of documentation, including work plans and remarks from the management board, we found the main reason for the conversion into the sharia system is the awareness of the founders. Most managers and employees are aware of the danger and the prohibition of usury. After operating with the interest system for more than 40 years, they believed about the right time to do the conversion referred to the age of 40 when Muhammad PBUH was appointed as the Prophet and Apostle. The important role of founders in initiating change has indeed become a common phenomenon. Founders will usually slowly create an organizational culture according to their values, assumptions and beliefs.<sup>10</sup> In fact, Boers and Ljungkvist<sup>11</sup> found that the ideas of founders who had been inactive for a long time in the organization continued to influence organizational identity. The continuing influence of the founding CEO on governance and ownership arrangements and stock valuation is also explained in Nelson's review of the literature.<sup>12</sup>

The cooperative management, especially those directly involved in the establishment of cooperatives, expects the existence of the sharia cooperative as a part of good deeds, especially for the founders. Religious motives become one of the common reasons to convert to the Islamic model, including banks, as concluded by Alani and Yaacob.<sup>13</sup> In addition, to increase profitability and maintain existing customers, a literature study by Shafii, Shahimi and Saaid<sup>14</sup> noted that 47% of bank conversions in Saudi Arabia were motivated to comply with Shari'ah principles, also followed by other countries such as Libya and Jordan. In the cooperative industry, Aimon et al.<sup>15</sup> concluded factors such *halal & toyyib*, and identity as an Islamic cooperative affect the willingness of cooperative members to convert from conventional into the sharia system.

In addition to the spiritual reason, the cooperative management also expects that the conversion into the sharia system will impact a variety of product schemes and becomes more beneficial according to the needs and economic conditions of the members. Table 2 presents the types of

products offered by TAM. For saving products, TAM applies *wadiah* and *mudharabah*. While for financing products, TAM offers *murabahah*, *istishna*, *ijarah*, *madharabah* and also *musyarakah*.

**Table 2 Savings Products and TAM Syariah Financing Products**

Savings	Financing
a. Member Savings	a. Trading
b. Extraordinary Member Deposits	b. Agriculture
c. Special Member Savings	c. Small industry
d. The sweet	d. MSME Sector
e. Employee Deposits	e. Other Sectors
f. Savings of Hajj and Umrah	
g. Future Savings (Simasda)	
h. Simpenta Savings	
i. Term Deposits (Sijangka)	
j. Welfare Deposits	
k. Mudharabah Savings	

Source: TAM's documents

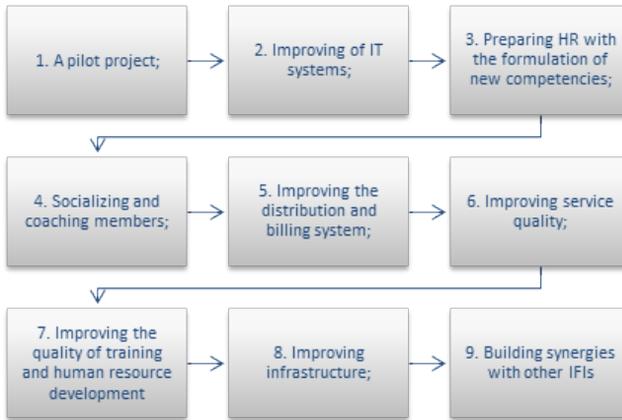
In the official recorded document, the conversion into a sharia cooperative is a mandate from the results of the management workshop, which determines the direction of the future development of TAM. The following management workshop notes show the strong motivation of management to convert its business to a sharia system:

1. Doing business in an Islamic way, both product, service, management and work atmosphere.
2. Growing significantly from time to time.
3. Providing benefits for all the interested parties, especially for members.
4. Still exist in a variety of economic changes
5. Becoming a forum for increasing Faith and Piety for all the administrators and managers.

### **Conversion Process**

Based on the documentation analysis, we found that the conversion process is basically done when the product is due. For weekly conversion products, TAM can complete the conversion process quickly as the tenor is only a maximum of five (5) months. However, for monthly products, the maximum tenor is three (3) years. TAM summarizes nine (9)

conversion steps as presented in Figure 2.



**Figure 2 Steps of Conversion**

**Sources: interview data**

The first step includes several activities, including stipulation of the conversion team, product development analysis, preparation of a business plan, proposal management (Presentation to DSN and Ministry of Cooperatives), Islamic cooperative training, preparation of Standard Operating Procedures (SOP) and financing agreements, completion of SOPs and financing agreements, improvement of information technology systems, replication in other branch offices. The pilot project started in three locations (Nganjuk, Bandung and Purwokerto).

Steps of conversion vary between cooperatives. Normally the more detailed the steps, the easier it is for the implementing team to carry out the conversion process. However, the management may bear more expensive costs and require a longer time. Umar, Ismail and Muhaimin<sup>16</sup> summarize only the four steps for cooperatives in West Lombok to convert their business into shariah principles. The steps include 1) meeting of special members of change, 2) submission of application for approval of the amendment to the articles of association submitted by notary, 3) acceptance and research of application, 4) enactment of the amendment to the articles of association of cooperatives.

### Conversion Effectiveness

This study evaluates the effectiveness of the conversion using a qualitative method by stressing financial and operational indicators. There was a slight improvement in financial achievement in 2016, one year after conversion was completed in 2015, particularly for owner's equity growth. In contrast, financing and external capital show significant growth reaching more than 20%, as presented in Table 3.

**Table 3 Business Development of KSPPS TAM 2016-2015  
(IDR 1.000)**

No.	DESCRIPTION	2016 (IDR)	2015 (IDR)	Growth (%)
1.	Savings	366.006.651	334.509.505	9,42 %
2.	Financing	477.238.007	391.157.265	22.01 %
3.	Owner's equity	129.738.675	124.153.040	3,24 %
4.	External Capital	13.361.436	10.502.659	27.22%

Source: Summarized from TAM financial report

The achievement of financial performance in 2016 was inseparable from the optimistic financial planning made by TAM management. TAM prepares quarterly projections for each financing product, as presented in Table 4.

**Table 4 Target of 2016 TAM Shariah Financing.**

Contract	Installments	Portion of financing			
		Quarter I	Quarter II	Quarter III	Quarter V
Murabahah	Weekly	14%	31%	54%	91%
	Monthly	4%	31%	54%	81%
	Employee	10%	35%	60%	90%
	Soft	10%	35%	60%	90%
	Special	10%	35%	60%	90%
Mudharabah/ Musyarakah	Weekly	1%	4%	6%	9%
	Monthly	1%	4%	6%	9%

\*' Portions are based on ceilings used for employees, soft and special

Source: Report of the RAT KSP TAM for the 2015 financial year.

Based on the 2016 financial report, there were still many branch offices that have not yet been converted to sharia. Of all existing branch offices or sub-branch offices, around 60% have implemented shariah principles. The delay in conversion is mainly due to the IT system.

In addition to financial effectiveness, this study also assesses the operational effectiveness using twelve (12) indicators collected using 120 employees' opinions through questionnaires, as shown in Figure 3. These non-financial indicators need to be considered in complementing financial indicators, as suggested by Shamsuddin et al.<sup>17</sup>



**Figure 3 The Operational Effectiveness Indicators**

**Sources: survey data**

The findings show that the majority of employees agree with the conversion, and only 15% of employees reject the conversion. To ensure the answers are valid, this research repeated asking the same questions related to the rejection of the conversion. The result is quite consistent, which is only 18% of respondents disagreed with the conversion. In general, they believe the conversion process does not significantly affect their productivity, as indicated by 71% of respondents who disagree if there is a decrease in productivity. Most respondents (61%) disagree that there is an increased employee turnover after conversion.

The findings show as much as 55% of respondents disagree that there has been unused capacity. The conversion process does not significantly affect capacity and resource changes. The majority of respondents (56%), however, agree that there has been a delay in the conversion process. This delay relates to all aspects of the conversion process, including IT and

legal requirements. It indicates that conversion is not a simple process. It involves internal and external factors. In the area of organizational change, there are indeed only two issues of decisions (to change) that are taken too slowly or too quickly.<sup>18</sup> Modelling time in the mind of founders and top management of cooperatives is required. Organizational change on a large scale requires change agents who consider various types of interventions, including external parties and regulators, that will affect the change process.

Our findings also show that 63% of respondents disagree that there has been a decline in the use of work guidelines and regulations. The interesting finding is that only 13% of respondents have a concern about the future of TAM after conversion. The majority of them are quite confident and optimistic about facing the new system. There are some resources allocated for conversion. Consequently, it will affect service to customers. 44% of respondents agree about the impact. However, the rest believe there is an insignificant impact of the conversion on the quality of services. One of the concerns after conversion is the decrease in deposits and the increase of Non-Performing financing (NPF). However, 62% of respondents believe that the conversion will not decrease their customer deposits and increase NPF. Making changes is not easy. It makes sense that 58% of respondents still use the previous rules and procedures. They need more time to switch to new work rules and procedures. Wright et al.<sup>19</sup> highlight that “being too reliance on routine” is one of the reasons why organizations are slow to adapt and change. Half of the respondents also agree that the implementation of sharia principles is lower than expected.

In summary, three indicators of operational effectiveness are lower than expected, namely the delay in the conversion process, still use of conventional rules and procedures and slow implementation of sharia principles. Other indicators show that operationally the conversion process is quite effective.

### **Conversion Constraints**

Conversion constraints are also extracted from interviews with the management cooperative and key employees. For a cooperative with large size as TAM, it certainly faces many obstacles in the conversion process. This study classifies these obstacles into three major groups, namely: human resources readiness, members and customer readiness and IT system readiness.

#### ***Human Resources Readiness***

As shown in table 5, more than 30% of employees graduated from a senior high school, and more than 30% of employees also hold diploma degrees. The composition affects the HR competency. The lower the education background in general, the lower the competency and the more difficult to open their mind to accept changes.<sup>20</sup> Change creates stress for most employees which can be overcome by employee competence.<sup>21</sup> The more competent employees, the less stressed in the face of change they are. In general, more than 30% of TAM employees hold bachelor's degrees and have maturity in thinking. As a result, the conversion plan can be done smoothly.

**Table 5 HR Composition Based on Education Level**

<b>Education Background</b>	<b>Number of Employees</b>	<b>Percentage</b>
Senior high school	815	34,13%
Diploma	775	32,45%
Bachelor degree	751	31,44 %
Master degree	47	1,98 %
<b>Total number of Employees</b>	<b>2.388</b>	<b>100,0%</b>

Sources: survey data

The interest of the public in joining cooperatives is lower than banks, especially for undergraduate degrees. To attract the interest of the younger generation, TAM opens an internship program in collaboration with vocational students at the diploma level to take part. TAM also conducts training on operational matters as well as sharia economics and finance.

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### ***Members'/Customers' Readiness***

Members are a very central element of cooperatives. Cooperatives are established to meet the financial needs of members. Members are used to being served with conventional systems. With the conversion to the Islamic system, the members need education and even counseling depending on the product they need. Unfortunately, TAM human resources that handle member counseling are very limited.

### ***IT System Readiness***

In the conversion process, TAM uses offline and web-based systems developed by outside vendors. In the implementation of the circuits, the system experienced a slowdown due to the absence of human resources from the TAM, who were ready to be involved in the program development. In addition, the high dependence on the vendors has slowed service, especially if there are technical issues with vendor applications.

### **The Success of Conversion: Descriptive Analysis**

This study analyses potential factors affecting the success of conversion using the ADKAR model, which includes awareness to convert, desire to convert, knowledge of sharia and the conversion process, ability to convert, and reinforcement for conversion. The descriptive analysis is as follows:

#### **Awareness to Convert**

The majority of them, which amounted to 98%, agree with the conversion process. Only 2% disagree with the conversion. They are also confident by moving into sharia, and the cooperative will promote fair treatment to all parties. Regarding TAM's efforts to increase benefits to members, 44% strongly agree that changes to sharia will increase TAM's ability to provide benefits to members. As many as 42% of respondents strongly agree that changes to sharia will make TAM more attractive to the public. Based on these data, the awareness of employees to convert into sharia is relatively high. The high awareness of members to convert

into sharia cooperatives is a prerequisite for the success of the conversion process, as stated by Kotter.<sup>22</sup> Errida and Lotfi<sup>23</sup> also concluded that the highest awareness makes all parties strongly committed to converting. If the members' commitment is low, it will have a negative effect on employee involvement.

### **Desire to Convert**

As many as 94% of respondents strongly agree that the TAM's conversion is based on their wishes. 98% of respondents agree that the conversion will encourage them to be more enthusiastic in their work. The conversion will increase their morale or passion for work. 96% of respondents believe that their personal worship would be better after TAM conversion. 75 % of them are confident their careers will improve after conversion. The conversion also increases the pride of being part of the company. In summary, the desire of members is relatively high to support the conversion. Although in general, employees are skeptical about changes in organizational culture. It is not easy to rise a desire to 'voluntarily' behave in accordance with new cultural values. Alvesson and Svenings. The desire to change will usually arise when the needs of each person are met with the change. This need serves as a motivator for employees to stay focused on their work .

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Svenings.<sup>24</sup> The desire to change will usually arise when the needs of each person are met with the change. This need serves as a motivator for employees to stay focused on their work.<sup>25</sup>

### **Knowledge**

Knowledge of Islamic finance determines the success of conversion. Knowledge refers to the knowledge and capabilities of employees regarding the conversion. 90% of respondents know well the differences between sharia and conventional cooperative. Only 9% of them are not familiar with the concept of Islamic finance. However, a slightly lower 68 % of them understand details about Islamic financial products and services. The interesting findings are the strong commitment of 78% of respondents to educate members about Islamic products and services. More than 50% of them also noticed the danger of usury in the economy of the community. TAM may implement the following activities to strengthen the knowledge: regular training on Islamic finance, providing modules and related materials on Islamic cooperatives that are readily available and providing access to information about TAM conversion, which can be accessed at the website. Similar activities are suggested by Paramitha et al.,<sup>26</sup>

### **Ability to Convert**

The ability to convert can affect the success of the conversion. 59% of respondents are confident in designing Islamic financial products based on their knowledge of Islamic finance. In addition, about 83% of them believe in being able to run sharia principles in Islamic financial institutions. In more detail, however, only 58% of respondents can read financial statements for Islamic Financial Institutions. In general, respondents feel that they have the ability to convert to Islamic cooperative. Tendelilin<sup>27</sup> suggests employees should have physical skills such as product handling and operationalizing applications, as well as cognitive or analytical abilities such as problem-solving, implementing new business policies and procedures and public speaking.

### Reinforcement for Conversion

Considering that the conversion is started from the initiative of the board, it is necessary to carry out continuous encouragement to all members. 96% of respondents experience that the board always encourage all member to convert. 91% of respondents also agree that the board always encourages members to improve the quality of their worship. A conducive working atmosphere will support the success of conversion. Freedom to conduct worship becomes one of the indicators of the Islamic environment. They will feel comfortable and blessed when they can easily practice their worship activities, including prayer, reciting the Qur'an, fasting and so on.

### The Success of Conversion

The findings show that the majority of members have a strong belief in a brighter future after converting to the Islamic system. They are confident that the cooperative will continue to Islamically and beneficially grow and compete with other cooperatives and financial institutions. 96% of respondents describe being beneficial for people. 97% of respondents state that converting into shariah will lead to a convenient working environment through an increased faith and piety of members. Table 6 summarizes the average perception of respondents for each variable in the ADKAR model.

**Table 6 Summary of HR Perception on Conversion Based on ADKAR Variables**

No	ADKAR based Variables	% of Respondents (average of all observed variables)
1	Awareness to convert	98% - highly conscious of conversion
2	Desire to conversion	94% - strong desire to convert
3	Knowledge of Islamic finance	90% - understand Islamic products and services
4	Ability to convert	96% - highly confident in operating an Islamic cooperative
5	Reinforcement for conversion	90% - experience mutual support and improve the practice of worship
6	The confidence to succeed	96% - highly confident to be better in the future

Sources: Survey Data

### The Success of Conversion: Structural Equation Model

The relationship between ADKAR variables and conversion success is analyzed using SEM, as shown in Figure 4. Awareness to convert significantly affects the desire to convert in a positive direction, with a loading factor of 0.845 and a t-value of 5.808. The increase in employees' awareness of converting from conventional to Islamic cooperatives will lead to an increase in their desire to convert. Likewise, the desire influences knowledge positively, as shown by the loading factor of 0.906 and a t-value of 4.124. Since the employees have a strong desire to convert into shariah cooperatives, they are motivated to learn and acquire knowledge about how to run cooperatives using the Islamic financial system. Furthermore, it makes sense that the increase in knowledge about the Islamic financial system is then followed by an increase in the ability to convert, with a loading factor of 0.877 and a t-value of 5.248. Finally, the ability to convert also affects the reinforcement variable, as shown by the loading factor of 0.675 and a t-value of 4.918.

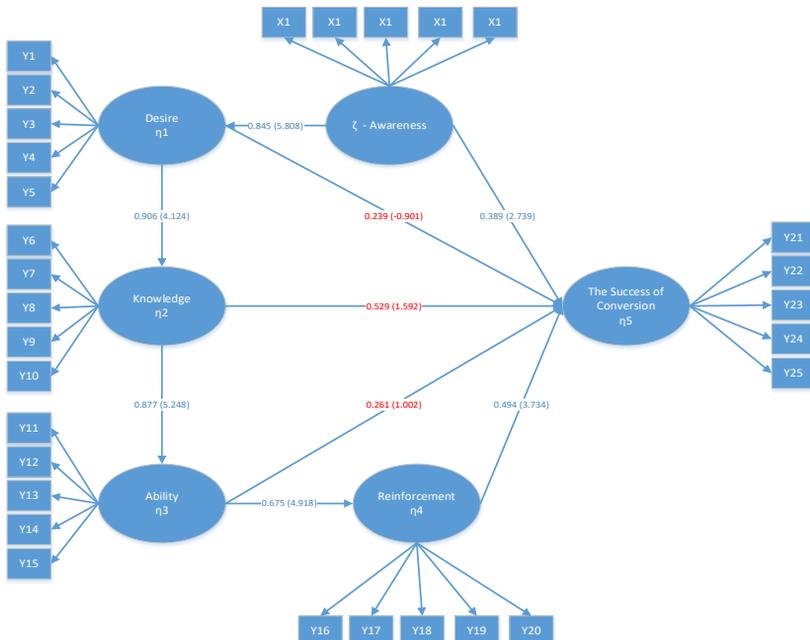


Figure 4: The Success of Conversion

Figure 4 also exhibits the direct relationship between ADKAR variables and the success of conversion. Of the five ADKAR variables, there are two variables, namely Awareness and Reinforcement, which have a significant positive impact on the success of conversion. The loading factor of Awareness-the success of conversion relationship is 0.389, with a t-value of 2.739. The more employees realize the need for conversion from conventional to Islamic financial system, the higher the chances of success. In addition, the Reinforcement variable also has a positive and significant impact on the conversion success, with a loading factor of 0,494 and a t-value of 3.734. The rest of the three variables of desire to convert, knowledge about the Islamic financial system and ability to convert do not indicate a significant effect on the success of conversion.

The existence of a positive relationship between the ADKAR variables indicates that the ADKAR model is a powerful and robust model with a sequence of interrelated variables. A study by Kachian, Elyasi and Haghani<sup>28</sup> also conclude that ADKAR can also be influential in identifying the weaknesses and strengths of an organization. Similarly, The ADKAR model provides a tool for improving the connection between individual performance, organizational change management and business results.<sup>29</sup> The finding shows that awareness has a direct influence on the success of conversion. A high awareness will lead to a high commitment to involve in the process of conversion.<sup>30</sup> Figure 4 also presents the positive relationship between reinforcement and conversion success. Reinforcement can be defined as anything that causes a certain behavior to be repeated or inhibited, which comes from outside. In Lewin's model, reinforcement is the last step after refreezing to ensure the change becomes permanent.

## CONCLUSION

The reasons behind the conversion of TAM are the founder's eagerness, and the majority of members agree to be more Islamic in business activities, provide long-lasting benefits in the world and the hereafter, continue to grow, can be a place to increase faith and piety for all parties involved. The conversion process begins with a pilot project at several

branch offices and sub-branch offices, both for monthly and weekly products at the head office (Nganjuk East Java), then replicated in Central Java (Purwokerto) and West Java (Bandung). Product conversion begins with the *Murabaha* contract.

This study found the two main reasons for the conversion into the sharia system, namely spiritual and non-spiritual motives. The spiritual motives include doing business in an Islamic way and expecting TAM to become a forum for increasing Faith and Piety for all the administrators and managers. While non-spiritual motives consist of growing significantly from time to time, providing benefits for all the interested parties, especially for members and still exist in a variety of economic changes, especially market trends in Islamic economics.

The conversion process is quite detailed and lengthy, which is summarized in 9 stages, starting from the setup of the pilot project in some branches to building synergies with other Islamic financial institutions. The effectiveness of the conversion process is evaluated based on financial performance and operational indicators. In general, the performance of financial indicators shows a positive increase after the conversion, especially in financing and external capital, which reached more than 30% after conversion. While operational effectiveness measures vary and are slightly lower effective, especially for the delay of the conversion process, they still use conventional rules and procedures and slow implementation of sharia principles. Constraints faced by TAM in the conversion process include limited human resources who are competent in Islamic finance, the unpreparedness of members/customers and less supported IT systems.

This study found that all aspects of the ADKAR model have a positive and significant effect on a sequential basis, starting from awareness affecting desire, desire affecting knowledge, knowledge affecting ability, and ability affecting reinforcement. In a direct test, factors that influence the success of conversion are awareness of the conversion and reinforcement for conversion. The purpose of conversion must be continuously socialized to employees and members. The process of conversion should be preceded by a feasibility study, especially regarding

the interests of employees and members of the cooperative. If this conversion is to be applied to other cooperatives, it is necessary to prepare a conversion SOP, namely the steps that must be taken to do the conversion, as well as the SOP after the cooperative has converted into the sharia system.

This study consists several limitations. Using a case study with a single research object leads to research findings and conclusions that cannot be generalized to all sharia cooperatives. Future studies should add some research objects based on specific criteria, such as asset size, products and services offered or the length of operation period. Another weakness is that the parties involved as respondents are limited from the internal management and members of the cooperative. There are no external parties involved, such as supervisors. Further research may invite external parties for a more objective assessment. This research is actually the result of the assistance of researchers in the conversion process of TAM. The reality in the field is more complex than described in the ADKAR model. Further research can be supplemented by testing other organizational change models as robustness tests such as the McKinsey 7S-Model, Bridges Transition Model or Lewin's change management model.

## ENDNOTES

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