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# Transformational Leadership vs Change Self-Efficacy and Its Impact on Affective Commitment to Change

Denvi Giovanita<sup>1</sup>, Wustari L. Mangundjaya<sup>\*2</sup>

<sup>12</sup> Faculty of Psychology, Universitas Indonesia, Kampus Baru UI, 16424, Depok, Indonesia

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## ABSTRACT

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**Objective** – It is essential for organizations in 21st century to evolve with time. In this regard, both the management and employees of an organization play an essential role in the implementation of change. One way of determining the success of organizational change is by identifying the employees' commitment to change. This research aims to identify the effect of transformational leadership (organizational factors) and employees' change self-efficacy (individual factors) on effective commitment to change, to identify which of those two factors has a more significant effect on affective commitment to change.

**Methodology/Technique** – The respondents of this study are employees in the finance sector. The data was collected using commitment to change, change self-efficacy and transformational leadership inventories. The data was analyzed using multiple hierarchical regressions.

**Findings** – The result show that both transformational leadership and change self-efficacy have a positive and significant effect on affective commitment to change. Furthermore, change self-efficacy proved to have a more significant effect on affective commitment to change compared to transformational leadership. Based on these results, organisations may wish to further focus on the development of change self-efficacy of individuals.

**Novelty** – This study can be used by HR practitioners when dealing with organizational change, as a guide to improving the success of such change.

**Type of Paper:** Empirical.

**Keywords:** Affective Commitment to Change; Change Self-Efficacy; Leadership; Organizational Change; Transformational Leadership.

**JEL Classification:** M10, M19.

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## 1. Introduction

In the era of technology and globalization, organizations are continuously evolving with time, in order to maintain their relevance and operation (Cummins and Worley, 2009). However, organizational change is not always easy to implement.

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\* Corresponding author:

E-mail: [wustari@ui.ac.id](mailto:wustari@ui.ac.id)

Affiliation: Faculty of Psychology, Universitas Indonesia, Kampus Baru UI, 16424, Depok, Indonesia

In fact, a study conducted by McKinsey&Company found that two out of three organizational changes eventually lead to failure (Aiken and Keller, 2009).

One of the reasons organizational change often fails is due a the lack of commitment by the employees to change; this refers to the employee's willingness to individually perform the actions deemed necessary to effect the change (Herscovitch and Meyer, 2002). Commitment to change is considered very important to the success of organizational change (Mangundjaya, 2016). Commitment to change consists of three dimensions, however, this study focuses only on the affective dimension of commitment to change. Herscovitch and Meyer (2002), defines affective commitment to change as a desire to support organizational change based on a belief in its benefits for the organization. (Herscovitch and Meyer, 2002). According to Herold et al., (2008), affective commitment to change is the most important dimension in predicting an employees' effort in supporting organizational change. This is because the affective dimension describes an individual's commitment to change based on their belief of the benefit of the change (Herscovitch and Meyer, 2002).

There are many variables that may influence employees' affective commitment to change. This can be sourced from the organization or the individual. Previous studies have shown that leaders are one of the important factors in the success of organizational change (Herold, Fedor, and Caldwell, 2007; Anderson and Anderson, 2010). Leaders should guide, motivate, and empower their followers; this is referred to as transformational leadership (Chou, 2013; Herold, etc., 2008; Shin et al., 2015). Transformational leadership refers to a style of leadership where leaders constantly encourage and inspire their subordinates to perform better, and become their mentors to further improve their skill set (Bass and Riggio, 2005). Northouse (2012) explains that transformational leadership is the process by leaders in which they identify their subordinates' motives and goals, satisfy their needs, and treat them as individuals.

However, Herold, Fedor, and Caldwell (2007) are critical of the fact that many studies only this topic only focus on the factors sourced from the organization's neglect of individual elements. This raises the question as to whether individual factors are less critical than organizational factors. Previous studies have also shown that an individual's level of commitment to change is often related to their sense of willingness and ability. For instance, a sense of competence in situations of change may have an impact on affective commitment to change; this is referred to as change self-efficacy (Aini, 2016; Herold, Fedor, and Caldwell, 2007), or psychological empowerment (Spreitzer, 2007). Wanberg and Banas (2000) define change self-efficacy as one's perception of their ability to deal with change, and to continue performing their tasks in spite of the demands of the change. Caprara and Steca (2005) state that self-efficacy is a cognitive structure that has the most significant impact on individual behavior. In this case, it is argued that employee's change self-efficacy is a crucial factor in determining whether they will commit to supporting organizational change. This study aims to examine the impact of transformational leadership (organizational/corporate factors) and employees' change self-efficacy (individual factors) on affective commitment to change, and to identify which of those two influencing factors has a more significant effect on affective commitment to change.

### **1.1 Transformational leadership, change self-efficacy, and affective commitment to change.**

A leader with a transformational leadership style will inspire, motivate, stimulate and care for their followers; this kind of behavior attracts a sense of compliance, particularly when it comes to employee's commitment to change. However, people with a natural sense of confidence and efficacy will likely also be committed to change. Previous studies have shown that transformational leadership has a positive effect on affective commitment to change (Herold et al., 2007). Based on this, the following hypotheses are suggested

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H1: Transformational leadership has a positive impact on affective commitment to change.

H2: Change self-efficacy has a positive impact on affective commitment to change.

H3: Change self-efficacy has a more significant impact on affective commitment to change compared to transformational leadership.

## 2. Materials and Methods

The participants in this study were employees from 5 finance sector organisations that have recently undergone some level of organizational change, and who had been working for at least two years. There was a total of 207 participants, and 66.7% of the participants were male. Most of the participants have at least a bachelors degree, and the majority of participants are under 30 years old (35.3%). Most participants have between 2 and 10 years of service (86%). Three types of questionnaires were used to collect data. The first tested Affective Commitment to Change Instruments, based on the questionnaire developed by Herscovitch and Meyer in 2002, and adapted to Bahasa Indonesia by Mangundjaya (2012). This questionnaire uses a 6-point Likert scale that ranges from 1 (strongly disagree) to 6 (strongly agree). The second was used to measure transformational leadership, based on the Multifactor Leadership Questionnaire Form 5 (MLQ 5X), adapted to Bahasa Indonesia. This also uses a 6-point Likert scale. The third was used to measure change self-efficacy, using the Change Related Self-Efficacy instrument as developed by Ashford's Change Self-Efficacy Instrument (1988) and adapted by Aini (2016) to Bahasa Indonesia again using a 6-point Likert scale. Hierarchical multiple regression was used to analyze the magnitude of the independent variables (transformational leadership and change self-efficacy) on the dependent variable (affective commitment to change). ANOVA was also used to determine the description of affective commitment to change on the characteristic of respondents, being gender, age, education, and length of service.

## 3. Results

### 3.1 Descriptive Analysis of Affective Commitment to Change

To identify the profiles of the respondents regarding their affective commitment to change, the t-test and ANOVA were conducted.

Table 1. Affective Commitment to Change Profile Based on Demographic Characteristics (N=207)

Characteristics	N	Percentage	Mean	SD	F	Sign.
Gender					1.175	0.311
Male	138	66.7%	4.26	0.73		
Female	64	30.9%	4.29	0.73		
Unknown	5	2.4%	-	-		
Age					1.277	0.283
<30 years old	109	52.7%	4.24	0.71		
31-44 years old	73	35.3%	4.25	0.79		
>45 years old	9	4.3%	4.63	0.46		
Unknown	16	7.7%	-	-		
Education					0.311	0.871
High school diploma	28	13.5%	4.20	0.71		
Associate degree	28	13.5%	4.38	0.59		
Bachelor degree	136	65.7%	4.29	0.75		
Master degree	7	3.4%	4.12	0.56		
Unknown	8	3.9%	-	-		
Length of service					0.137	0.711

Characteristics	N	Percentage	Mean	SD	F	Sign.
2-10 years	178	86%	4.27	0.73		
>10 years	29	14%	4.32	0.74		

The analysis of ANOVA reveals that there is no significant differences in affective commitment to change scores based on the characteristics of gender, age, education, and length of service.

### 3.2 Regression Analysis

Table 2. Results of Multiple Hierarchical Regression (N=207)

Variable	r	R2	$\Delta R2$	Sig	$\beta$	Sign.
<b>Stage 1</b>	0.404*	0.163	0.163	0.000*	-	-
Change Self-efficacy					0.404*	0.000**
<b>Stage 2</b>	0.445*	0.198	0.035	0.003*	-	-
Change Self-efficacy					0.398*	0.000**
Transformational Leadership					0.188*	0.003**

\*\*significant at l.o.s  $p < 0.01$  (one-tailed)

A two-stage multiple hierarchical regression was conducted to analyze and compare the contribution of each independent variable to affective commitment to change, after controlling the other variable. The hierarchical multiple regression reveals that in stage one, change self-efficacy contributed significantly to the regression model,  $F(1,205) = 39.890$ ,  $p < 0.01$ . This accounts for 16.3% of the variation in affective commitment to change. The introduction of the transformational leadership variable explained an additional 3.5% of the variation in affective commitment to change. This change in R2 was significant,  $F(1,204) = 8.968$ ,  $p < 0.01$ . When both independent variables were used in stage two of the regression model, both change self-efficacy, and transformational leadership were significant predictors of affective commitment to change. Together, both independent variables explained 19.8% of the variation in affective commitment to change. The most important predictor of affective commitment to change was changing self-efficacy, which independently explained 16.3% of the variation in affective commitment to change.

### 4. Discussion

The results show that transformational leadership has a significant effect on affective commitment to change. This finding is consistent with previous studies conducted by Herold et al., (2008); Chou (2013) and Shin et al., (2015). This study also shows that change self-efficacy has a significant effect on affective commitment to change, which which is also consistent with previous studies (Herold, Fedor, and Caldwell, 2007). However, the results of this study are more specific than the results produced by Herold, Fedor, and Caldwell (2007), as this study specifically measures the affective dimension of commitment to change, and in doing so, has demonstrated the role of change self-efficacy as a predictor of affective commitment to change.

This study also reveals that change self-efficacy serves as a more significant predictor of affective commitment to change, when compared to transformational leadership. In this regard, an employees' belief that they are able to effectively manage change actually contributes to their proven ability to manage change. The study concludes that self-efficacy is essential for successful change to occur. This condition is similar to psychological empowerment (Spreitzer, 2007), which consists of a sense of meaning, determination, competence and impact, that has a positive effect on affective commitment to change (Mangundjaya, 2014).

These findings support the criticisms of Herold, Fedor, and Caldwell (2007) which suggests that practices and studies in change management have tended to ignore the role of individual differences. It is

therefore evident that individual differences, particularly change self-efficacy, have a stronger role in building affective commitment to change than leadership factors. Moreover, affective commitment to change is the best to predict the efforts of employees when supporting organizational change (Herold et al., 2008).

However, further study is needed to identify the relationship between demographic characteristics and affective commitment to change. This study is limited as it focused only on financial institutions, and as a result, the study cannot be generalized. In addition, this study was conducted using self-reports, which increases the potential for bias in the results (Podsakoff, 2003).

## 5. Conclusion

This study concludes that change self-efficacy and transformational leadership are predictors of affective commitment to change. Also, change self-efficacy has a greater impact than transformational leadership on affective commitment to change in employees. Based on these findings, together with the limitations of the study, future research should examine different industries and use additional methods of predicting affective commitment to change, to gain a more comprehensive understanding of the phenomenon.

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