Global Conference on Business & Social Science-2014, GCBSS-2014, 15th &16th December, Kuala Lumpur

The role of leadership and employee's condition on reaction to organizational change

Wustari L.H. Mangundjaya[a], Dharmayati B. Utoyo[a], and Permata Wulandari[b]*

[a,b] *Faculty of Psychology, Universitas Indonesia, Depok 16424, Indonesia*
[c] *Faculty of Economic,Universitas Indonesia, Depok 16424, Indonesia*

Abstract

Organizational change plays an important to achieve the success of organizational change. The objective of this paper is to identify the role of leadership and employee condition on reaction to organizational change. This study was conducted at state-owned organizations with 539 respondents. The results showed that job satisfaction act as mediator between change leadership and individual readiness for change and commitment to change, and employee engagement was not significantly correlated with commitment to change. This research is important for organizational change management in order to plan and implement changes more effectively.

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Peer-review under responsibility of GLTR International Sdn. Berhad.

Keywords: Commitment to change; individual readiness for change; change leadership; job satisfaction; employee engagement.

1. Introduction

In order to survive in the competitive world like today, every organization has to be aware with the external demands of the environment, and organizational change is one of the strategies to adjust the environment. However, not every organizational change program was successful, there are even more than 50% of the change program were failed (Pritchett, 1997). There are many variables that influence the results of change such as the content of the change; the

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* Corresponding author. Tel.: +627272425;
  E-mail address: permata.w@ui.ac.id

process of the change; the context of the organization and the people in the organization that involve with the change (Walker, Armenakis, & Bernerth, 2007; Galpin 1996).

On the other hand, many researches showed that the important variable in terms of the success of change is people, as without the supports of the people, whatever good the change program was developed, the change program cannot be achieved successfully. In this regard, people not only should be ready to organizational change, but they also have to be committed with the change (Herscovitch & Meyer, 2002).The success of organizational change lies on people, in this regard on their employee's commitment to change. As a result, it is very important to identify what are the variables that might increase people's commitment to change.

In relation with organizational change, previous research always mention about the importance of leader and its leadership style in organizational change, as with a good leader organizational change can be achieved successfully (Balogun & Hailey, 2008). On the other side, researchers also mentioned the importance of people and its characteristics in order to achieve organizational change. Based on that discussion, this study will identify the importance and the contribution of people, in this regard the condition of people in reaction to organizational change, (which will be discussed by individual readiness for change and commitment to change) as well as the importance of leadership when they led the process of change (change leadership) on commitment to change.

2. Literature Review

Literature review will discuss about commitment to change, individual readiness for change, change leadership, job satisfaction and employee engagement.

- Commitment to Change

The concept of Commitment to Change by Herscovitch & Meyer (2002) was derived from the concept of organizational commitment (Meyer & Allen, 1991) as an extension of the concept of organizational commitment at the special condition of the organization, that is during the organizational change (Herscovitch & Meyer, 2002). In this regard, Herscovitch & Meyer (2002) define commitment to change as a force (mind-set) that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative.

Furthermore, Herscovitch & Meyer (2002) have mentioned that there are three types of Individual Commitment to Change as follows: a) Affective commitment to change (AC2C) refers to a desire to support a specific change being introduced in the workplace, or desire to provide support for the change based on a belief in its inherent benefits to change; b) Continuance commitment to change (CC2C) refers to the employees understanding that resistance to change is associated with specific costs to the company and to themselves; they remain committed due to the high cost of leaving; and c) Continuance commitment to change (CC2C) refers to the employees understanding that resistance to change is associated with specific costs to the company and to themselves; they remain committed due to the high cost of leaving.

- Change Leadership

Herold et al. (2008) and Liu (2010) stated that change leadership is the behaviours that target at the specific change consist of visioning, enlisting, empowering, monitoring, and helping with individual adaptation (Herold, 2008; Liu, 2010). Moreover, Liu (2010) mentioned that there are two factors in Change Leadership namely, a) Leaders' Change Selling Behavior, action that attempts to promote the change during the unfreezing stage, make it clear why the change was necessary, and b) Leaders Change Implementing Behavior, action to push a change forward and consolidate success throughout the implementation.

- Individual Readiness for Change

Hanpachren (1997) definediindividual readiness for change is the extent to which individuals are mentally, psychologically, or physically ready, prepared, or primed, to participate in organization development activities. He further developed the instrument to measure individual readiness for change based on three dimensions as follows; (1) resisting; (2) participating; and (3) promoting. Resisting is the negative attitude of the individual toward change. Participating is the individual participation in the change process. Promoting is about how far a person would like to implement the change process. In this paper the researchers used the concept by Hanpachern (1997).

- Job Satisfaction

There are many definitions about job satisfaction, namely: Job satisfaction is the degree to which people like (satisfaction) or dislike (dissatisfaction) their jobs (Spector, 2002). Another definition of job satisfaction and job dissatisfaction is that job satisfaction is a pleasurable emotional state resulting from the appraisal of one's job as

achieving or facilitating one's job values while job dissatisfaction is the un-pleasurable emotional state resulting from the appraisal of one's job as frustrating or blocking the attainment of one's values. Furthermore, Jewell (2009) introduced the facet concept of job satisfaction.

According to Jewell (2009), job satisfaction is employee satisfaction consists of many aspects in their works, which can be measured totally or partly. The facets of job satisfaction according to Spector (1997) are as follows: Pay, promotion, fringe benefit, supervision, and co-worker, operating conditions, nature of work, communication, and reward. In this research, researchers will use the concept of job satisfaction by Spector (2002).

- Employee Engagement

Employee Engagement *consists of energy and passion that possess by the employee to work according their roles and status* (Hewitt, 2010). Furthermore, Hewitt (2010), mentions that employee engagement consists of three dimensions, namely: a) Stay, that is the willingness of the employee to continue as being part of the organization; b) Strive, the willingness of the employee to give maximum efforts to do things that increase the organization productivity; and c) Say, the willingness of the employee to express about the pride of the organization.

3. Methods

Participants for this study were 539 employees who worked at two financial state-owned organizations. Sample was collected from two financial state-owned companies that had undergone some organizational changed, such as restructuring the organizational, development of strategic marketing, and changes on general system and procedures. Sampleswere chosen by convenience sampling.

Data was collected through 5 types of questionnaires, namely: 1) *Commitment to ChangeInventory*,(Herscovitch & Meyer, 2002), which was developed and modified to Indonesian language, consists of 18 items;2) *Change Leadership Inventory*, which was developed and modified from the concept of Herold, Fedor,& Liu(2008), consist of two factors in Change Leadership namely: a) Leaders' Change Selling Behavior; b) Leaders Change Implementing Behavior; 3) *Individual Readiness for Change Inventory* (Hanpachern, 1997); 4) *Job Satisfaction Inventory*(Spector, 2002); and 5) *Employee Engagement Inventory*(Hewitt,2010). All data were collected and administered on site during work time. Data were analysed using SEM (LISREL) and Descriptive Analysis.

4. Hypotheses

Hypothesis 1: Change Leadership has positive and significant impact on Commitment to Change with the mediator of Job Satisfaction.

Hypothesis 2: Change Leadership has positive and significant impact on Individual Readiness for Change, with the mediator of Job Satisfaction.

Hypothesis 3: Change Leadership has positive and significant impact on Commitment to Change with the mediator of Employee Engagement.

Hypothesis 4: Change Leadership has positive and significant impact on Individual Readiness for Change, with the mediator of Employee Engagement.

5. Results

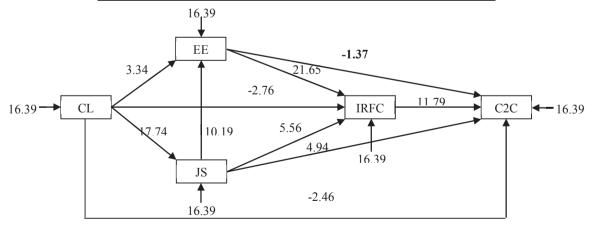Results will be discussed by SEM/LISREL and Descriptive Analysis.

5.1. Respondent's Profile

Table 1: Profile of respondents

Demographic Variables	N	%		DemographicVariables	N	%
Gender				Tenure		
Male	334	61.97		2-10 years	259	48.05
Female	205		38.03	>10 years	280	51.95

Age			Position		
<25 yr. old	12	2.23	Non Staff	78	14.47
25−44 yr. old	422	78.29	Staff	234	43.42
45−56 yr. old	105	19.48	Section Head	79	14.66
Education			Dept. Head	100	18.55
Sr. High School	7	1.30	Division Head	44	8.16
Bachelor Deg	439	81.45	Management	4	0.74
Post Grad	93	17.25			
Total	539	100.00	Total	539	100.00

From Table 1, it shows that the profile of the respondents are as follows: male (61.97%), range of age between 25−44 years old (78.29%), bachelor's degree (74.77%), staff (43.42%), length of works more than 10 years (51.95%).

5.2. The Results of SEM

Table 2: Results of SEM

No	Path	Coefficient	t-value	Conclusion
1.	CL → EE	0.10	3.34	Significant
2.	CL → JS	0.46	17.74	Significant
3.	CL → IRFC	-0.06	-2.76	Significant
4.	CL → C2C	-0.09	-2.46	Significant
5.	EE → C2C	-1.37	-1.37	Not Significant
6.	EE → IRFC	0.70	21.65	Significant
7.	JS → C2C	0.25	4.94	Significant
8.	JS → IRFC	0.19	5.56	Significant
9.	JS → EE	0.42	10.19	Significant
10.	IRFC → C2C	0.74	11.79	Significant

Chi-square = 0.00, df = 0, P-value = 1.0000, RMSEA = 0.000

Figure 1: Model Testing

From Figure 1, and Table 2, the results show as follows:
1. Change Leadership has positive impact significantly on Employee Engagement
2. Change Leadership has positive impact significantly on Job Satisfaction.
3. Change Leadership has negative impact significantly on Individual Readiness for change
4. Change Leadership has negative impact significantly on Commitment to change.
5. Employee Engagement has not significantly have an impact on Commitment to Change.
6. Employee Engagement has positive impact significantly on Individual Readiness for Change.
7. Job satisfaction has positive impact significantly on Individual Readiness for Change
8. Job Satisfaction has positive impact significantly on Commitment to Change.
9. Individual Readiness for Change has positive impact significantly on Commitment to Change.
10. Job satisfaction is a mediator between Change Leadership and Individual Readiness for Change.
11. Job satisfaction is a mediator between Change Leadership and Commitment to Change.

Table 3: Goodness of Fit (GOFI)

GOFI	Result Value	Standard Value of Fit	Conclusion
P value	1.0000	p-value $\geq$ 0.05	Good Fit
RMSEA	0.0000	RMSEA $\leq$ 0.08	Good Fit
GFI	1.00	GFI $\geq$ 0.90	Good Fit

The results show that the t value has filled the requirement of goodness of fit.

Table 4: Hypotheses Testing Finding

Hypothesis	Description	Findings
H1	Change Leadership has positive and significant impact on Commitment to change with the mediator of Job Satisfaction.	Supported
H2	Change Leadership has positive and significant impact on Individual Readiness for change with the mediator of Job Satisfaction.	Supported
H3	Change Leadership has positive and significant impact on Commitment to change with the mediator of Employee Engagement.	Not Supported
H4	Change Leadership has positive and significant impact on Individual Readiness for change with the mediator of Employee Engagement.	Not Supported

5.3. Descriptive Analysis

The followings discussion showed the results of descriptive analysis of change leadership, employee engagement, job satisfaction, individual readiness for change and commitment to change based on the demographic profile, as follows:

a) Change leadership

Results showed that gender had significant differences (p=0.045, p< 0.05), which showed that male has higher score on Change Leadership. Furthermore, the results also showed that position had significant differences (p=0.000, p< 0.01), however it can be said that there was significant correlation with their perception on change leadership, as section head had the lowest score amongst all position (from staff to division head). Furthermore, it also showed that other demographic profiles (age, education and tenure) had no significant difefrences.

b) Job Satisfaction

Results showed that demographic variables (age, education, tenure and position) had significant differences in terms of job satisfaction, and only gender that had no significant differencece. Results also showed that there was positive and sinificant correlation between educational background and job satisfaction (p=0.01, p<0.05). Furthermore, it also showed that position had positive and significant correlation with job satisfaction (p=0.000, p<0.01), the similar results also found for tenure and age, it showed that there was positive and significant correlation between tenure and job satisfaction (p=0.01, p<0.05), as well as there was positive and significant correlation between age and job satisafction (p=0.04, p<0.05).From the results, it can be concluded that the higher the duaction that people had, the hogher position that people hold, the older the person is, and the longer they work in the organization, will be followed with higher score on job satisfaction.

c) Employee Engagement

Results showed that gender and age had no significant differences on employee engagement, and other variables, such as educational background, position and tenure showed significant differences. Furthermore, the results also showed that there were positive and significant correlation between educational background with employee engagement (p= 0.01, p<0.05), between position and employee engagement (p=0.000, p< 0.01); and between tenure and employee engagement (p=0.001, p< 0.01). It can be concluded that the higher educational background of a person,the higher position of a person hold, as well as the longer of a person stay in the organization will be followed by the higher score on employee engagement.

d) Individual Readiness for Change

Results showed that in general, only age that has no significant differences on Individual Readiness for Change. The results show that gender has significant difference which show that male has higher score on Individual Readiness for Change (p=0.000 , p< 0.01). The other variable, such as educational background, position and tenure showed significant differences. Furthermore, the results also showed that educational background had positive and significant correlation with individual readiness for change (p= 0.01, p<0.05), which can be concluded that the higher educational background of a person, it will be followed with the higher score on Individual readiness for change. Moreover, the study showed that (p=0.000, p< 0.01).

e) Commitment to Change

The results showed that all demographic variables had significant differences on commitment to change. It showed that male had higher score on commitment to change (p=0.02, p< 0.05), Furthermore it also showed that there was positive correlation between educational background (p = 0.01, p<0.05); position (p=0.000, p< 0.01), tenure (p=0.000, p< 0.01) and age (p=0.000, p< 0.01) with commitment to change. It can be concluded that the higher the educational background that people had, the higher the position of a person in the organization, the longer the employee work in the organization as well as the older they are, will have the higher score on commitment to change.

6. Discussion

The study showed that change leadership by itself cannot develop individual readiness for change and commitment to change. This study was supported the previous study conducted by Mangundjaya (2013) who found that there was nopositive and significant correlation between change leadership with ccommitment to change. However, the study had contradictory results from the previous study conducted by Herold et al., (2008) who mentioned that there was positive and correlation between change leadership and commitment to change. It is assumed that differences on the types of organization, types of organizational culture as well as types of organizational change will have an effect on the result. The results of the study also showed that Job Satisfactionis important in reaction to change, both in developing individual readiness for change and commitment to change, a job satisfaction act as mediator between change leadership to individual readiness for change and between change leadership on commitment to change. In this regard, it can be concluded that change leader should develop job satisfaction in order to develop individual

readiness for change and/or commitment to change. On the other hand, the study also showed that eemployee eengagement had no significant impact on commitment to change. This finding was quite surprising, as employee engagement had significant impact on individual readiness for change. The findings were also not supported the previous study conducted by Mangundjaya (2014a) in different types of state owned organization. On the other hand, the positive contribution of employee engagement to individual readiness for change was also supported the previous study conducted by Mangundjaya (2011).

This study also challenged the previous findings that mention leader and their leadership style can play an important role in organizational change (Balogun & Hailey, 2008), however with these findings it showed that change leadership only played an important rol,e if they can develop job satisfaction in their employees (before, during, and after the organizational change), withoutthe existence of job satisfaction, that change leadership by itself cannot develop readiness for change and commitment to change.

Furthermore, the results also showed that in terms of commitment to change there was positive correlation between age, tenure, position and educational background with their score on commitment to change. These results supported the previous study conducted by Mangundjaya (2014b) in construction state-owned companies which stated that age and tenure have positive correlation with commitment to change. It can be concluded that the older of a person, and the longer people work in the organization will have positive impact on their commitment to change.

7. Conclusion & Implication

This research showed that change leadership by itself cannot have a positive impact on people reaction to change that is to their readiness for change and commitment to change. Furthermore, it also showed that job satisfaction act as mediator between change leadership and individual rreadiness for change and commitment to Change. It can be concluded that a leader as a change agent should make sure that they have developed satisfaction and wellfare amongst employees, before they want to conduct organizational change, in order to develop positive reaction to organizational change, both in readiness for change and in commitment to change.

These findings can be used for management in implementing change management in their organization, such as providing job satisfacion and or workplace well-being for their employees. Furthermore, the study also showed that age, position, and tenure had correlated with commitment to change; in this regard management can assign their employees who are senior, respected, and has higher position to act as change agent in their organizational change program.

8. Limitation & Further Studies

This study was held at a state-owned organizational that conducted organizational changes in terms of organizational structures, strategy and operating procedures, however it is not large scale and radical types of organizational change, in this regard, generalization cannot be done, and further study should be conducted in various types of organizations, as well as various types of organizational changes. Moreover, from the study it showed that age, position, and tenure had correlated with high commitment to change, in this regard these results should be taken into consideration, as the change program in these two organizations were not radical such as merger and acquisition, in which the results might be different.

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