

Readiness for Change: An Empirical Study in a Post Merger Company in Indonesia

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Abstract

Mergers have always left problems with the employees. Do they really accept that their company was merged with other companies? Are they ready for that change? These are the questions this study is going to answer. The object of the research is an Indonesian state-owned company that has recently been merged with other state-owned companies. We specifically study the extent to which employees' readiness for change is affected by their commitment to the (merged) company and the quality of relations with their immediate boss as well as by their job satisfaction and attitude towards change. The objective of this research is to shed a light on the importance of the soft side of the change (i.e. merger); that to generate employees' acceptance to change, the management of the company needs to take good care of employees' organizational commitment, job satisfaction, attitude towards change, and the quality of the relationship with their boss.

As we understand, businesses have experienced changes. Companies now conduct businesses across borders more than ever. The advancement of information technology has helped them find their partners and/or buyers from the place they cannot even point on the world atlas. Dealing with new and different kind of partners and/or buyers requires companies to change the way they run the businesses and creates the need for new strategy, structure, process and culture. Accordingly, managers and employees must be ready for working in a changed corporate landscape. Their readiness for change becomes crucial as it may affect the extent to which the companies they work for are able to cope with changes in the business environment.

We could refer readiness for change to Lewin's (1951) unfreezing which essentially is how to convince the managers and employees on whether the changes are needed and whether their companies can successfully make the required changes. If they are convinced, they are likely committed to support and promote their companies' change effort. Building managers' and employees' readiness for change, however, is not an easy task considering it requires them to unlearn their existing ways of doing things and then embrace new work attitudes and behaviors (Lewin, 1951).

Despite its vital role in the success of companies' change effort, managers and employees' readiness for change has largely been overlooked. More literature, for instance, discusses strategies on dealing with resistance to change (Armenakis, Harris & Mossholder, 1993) and on classifying change (Rafferty & Simons, 2006) than on managers' and employees' readiness for change. We often forget that managers and employees will not resist change if they are ready to change.

For that reason, we further study readiness for change. In particular, we study the factors that may generate such a readiness. The results of our study may enhance our understanding on the dynamics of readiness for change, and may benefit the companies in terms of providing them with a reference on how to make their managers and employees ready facing (future) changes. As a starting point, below are the prior studies regarding the (possible) determinants of readiness for change.

Determinants of Readiness for Change

Among the earlier articles that discussed the determinants of readiness for change and are worth to mention is Armenakis et al.'s (1993). They basically argue that managers' and employees' readiness for change depends on four factors. First is the message which has to be communicated in a way that convinces the managers and employees that the change is necessary and that the companies have the abilities to change. Second is interpersonal and social dynamics which highlights the importance of individual's cognitive structures and cultural background. Armenakis et al. (1993) argued that the differences in individual's cognitive structures could create the differences in his/her readiness for change. This argument may explain why certain individuals are ready for change and certain others are resistant to change. The same is true for individuals with particular cultural background.

Third are influence strategies which include (1) persuasive communication to deliver the message regarding the need for change and the extent to which the company is capable for change, (2) active participation where managers and employees learn about change by being involved in the change process, and (3) external information used to bolster change messages sent to managers and employees. Fourth is change agent attributes such as credibility, trustworthiness, sincerity and expertise. These attributes are fundamentals for change agents to be able to establish the case for change as perceived by the rest of managers and employees.

In a related study, Eby, Adams, Russell and Gaby (2000) found that (1) at the individual level, a preference for working in teams increased readiness for change, (2) at the group level, perceived participation within the team and trust in teammates were positively associated with readiness for change, and (3) individuals who regarded company's policies as flexible showed supports for change to a team-based corporate structure. Additionally, Cunningham, Woodward, Shannon, MacIntosh, Lendrum and Rosenbloom (2002) demonstrated that (1) employees who are in jobs with higher demands and greater decision autonomy had higher readiness for change, and (2) employees who had an active

approach to solving work problems and had higher self-efficacy reported greater readiness for change.

Building on the above studies, Rafferty and Simons (2006) conducted a research on readiness for fine-tuning and corporate transformation changes. For the first type of change, they found the following factors had a positive association with readiness for change: (1) self-efficacy for change, (2) trust in peers, (3) participation, (4) logistics and system support, and (5) trust in corporate leadership. For the second one, they found the following factors: (1) self-efficacy for change, (2) perceived organizational support, (3) flexible policies and procedures, and (4) trust in corporate leadership.

In summary, based on previous studies, we could categorize the determinants of readiness for change into: (1) information and communication factors, which include the sources of information, the message, and the way the message is communicated, (2) individual-related factors, such as self-efficacy for change, individual's active participation in the change process, his or her active approach in solving problems, his or her cultural background, his or her interactions with peers, his or her preference for team-based work environment, and the attributes of the individuals who are assigned as change agents (3) contextual factors, which include flexible corporate policies and procedures, dynamic and autonomous jobs, logistics and system support, and corporate leadership.

Research Gaps and Objectives

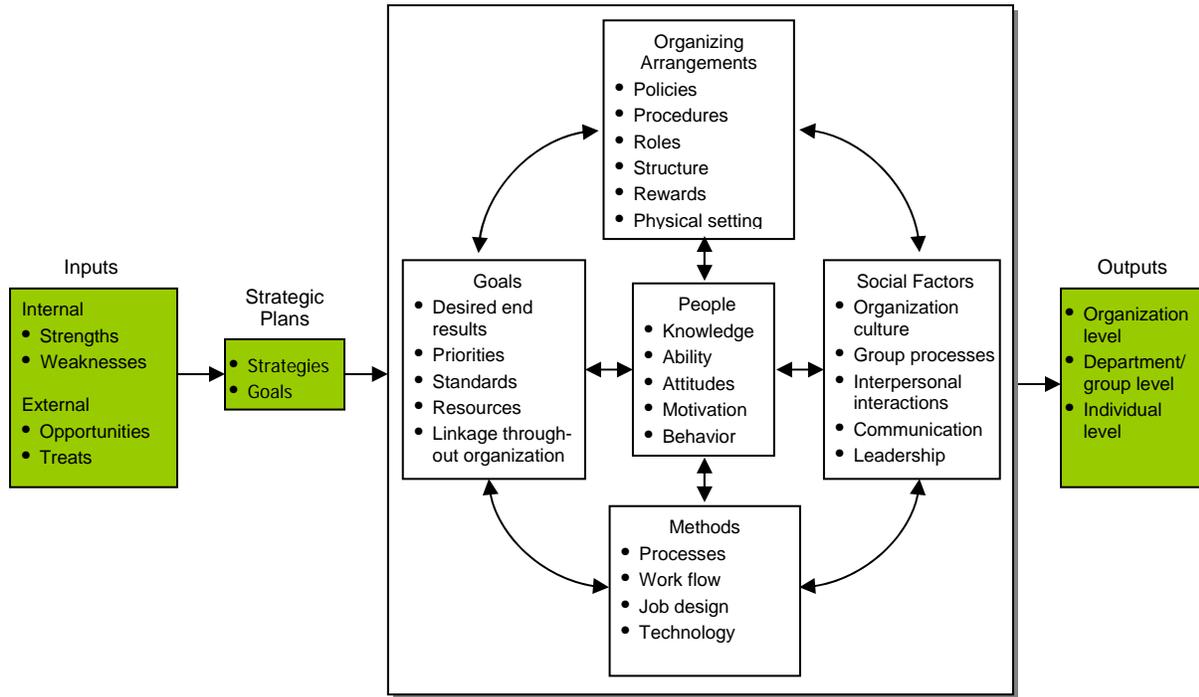
Combining the works of Fuqua and Kurpius (1993), and Nadler and Tushman (1989), Kreitner and Kinicki (2007) offer a systems model for change (see Figure 1). The model essentially follows an input-process-output approach. Inputs include mission, vision and SWOTs (strengths, weaknesses, opportunities and threats) plus strategic plans which provide company's future directions, as outputs represent the desired end-results of a change. The heart of the model is the process or they call it the target elements for change. These are the buttons the management of the company needs to push to launch or execute change. Moreover, the model features two things: (1) dual arrows connecting target elements which indicate the interdependence nature of such elements, meaning that a change in one element affects a change in others, (2) the people element is placed at the center of the model which represents the vital role the managers and employees play in the change process.

Putting the model in the context of readiness for change, the output is the extent to which managers and employees are ready to change, while the input is the change objectives. Though acknowledging information and communication as determinants of readiness for change, literature does not specify information needed to be communicated throughout the company as change objectives. Thus, the importance of such objectives as core messages in change communication may have largely been overlooked in the research on readiness for change.

The contextual factors in the previous readiness for change studies can be classified into organizational arrangements (i.e. corporate policies and procedures), methods (i.e. job

dynamics), or social factors elements (i.e. corporate leadership). The individual-related factors are people element of the model. Previous research on readiness for change has been conducted on such factors as self-efficacy, participation and interactions, yet has overlooked the basic facets of people, namely, knowledge, ability, attitudes, and motivation.

Figure 1
Systems Model of Change
 Target Elements of Change



Source: Kreitner & Kinicki (2007), p. 586.

Considering the central role of people in the change process and the importance of such facets, this study will focus on them. More specifically, this study will focus on individuals' attitudes (toward change), job satisfaction, organizational commitment and relationships with their immediate boss. Job satisfaction and organizational commitment represent and are generally associated to motivation: when individuals are satisfied with their work and committed to the company, they most likely are motivated (to change). Individuals' relationships with their boss simultaneously indicate interactions and corporate (micro) leadership factors. We include this in our study because individuals are not by themselves at work; through daily interactions, immediate leaders (boss) influence individuals' work.

In short, the objective of this research is to examine the extent to which individuals' attitudes toward change, job satisfaction, organizational commitment and relationships with their immediate boss affect their readiness for change.

Research Hypotheses

In order to fulfill the above objective, we need to develop several hypotheses. First is with regard to the relationship between attitude toward change and readiness for change. Fishbein and Ajzen (1975, p. 6) defined attitude as "a learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object." Hence, a person with a positive (favorable) attitude toward change is more likely to support change

effort conducted by the company where he or she works for. Such a supportive attitude may indicate that the person is convinced the change is needed and the company can successfully make the required change. Accordingly, it can be said that:

H1: Attitude toward change is positively related to readiness for change.

The next hypothesis is concerned with job satisfaction and readiness for change. Spector (1997, p. 2) described job satisfaction as "... how people feel about their jobs .. It is the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs." Harter, Schmidt and Hayes (2002) further found that employee satisfaction has positive associations with various organizational outcomes such as customer satisfaction, productivity and profit. In a dynamic business environment, to keep generating those (above average) outcomes, companies are required to continuously change. Thus, a manager or an employee who is satisfied with his or her job will likely support change in order for the company to maintain or increase its customer satisfaction, productivity and profit. Correspondingly, we hypothesize that:

H2: Job satisfaction is positively related to readiness for change.

The third hypothesis relates organizational commitment to readiness for change. Meyer and Allen (1997, p. 3) illustrated organizational commitment as "(the employees') willingness to go to the wall for the organization .." It means the employees are practically willing to do anything required for the goodness of the company. One of the good things that may be required is change. In other words, committed employees will likely support change because they perceive it as part of the effort to improve the company's performance (Madsen, Miller & John, 2005). In other words,

H3: Organizational commitment is positively related to readiness for change.

The last hypothesis regards to boss-subordinates relationship (known as leader-member relationship) and readiness for change. The theoretical basis to explain leader-member relationship is leader-member exchange (LMX) theory. This theory basically argues that leaders develop differentiated (unique) relationship with each of their member. Leaders who develop higher quality (better) relationships with (selected) members tend to engage in extensive exchanges of material and non-material resources, including innovative ideas and challenging tasks (Scott & Bruce, 1994). In many cases, such ideas are encouraged as part of company's change effort. Putting change in action can also be a challenging task for the members. Hence, leaders who develop higher quality relationships will likely stimulate their members to generate innovative ideas and provide them with challenging tasks in order to support company's change execution. On the other hand, members who engage in such relationships will likely invest more time and energy to respond to such leaders' requests or assignments. These members must have been convinced that the change is needed and the company can successfully make the required change. It can be said then that:

H4: The quality of leader-member relationships is positively related to readiness for change.

Research Methods

Our study took place at a state-owned, publicly listed cement company. Few years back, this company acquired two other state-owned cement companies (made them as strategic subsidiaries) and since then has been undergoing a corporate restructuring to adjust to the inclusion of those acquired companies. The respondents of this study were 109 managers and employees at the headquarters and at the manufacturing sites (but not the manufacturing sites under the new subsidiaries). They were mostly men (105 of 109) and married (108 of 109). Majority of them were considered a younger generation in the company (28 percent were between 36 and 40 years of age and 19 percent were between 31 and 35 years of age). Their education mostly was at a high school (41 percent) and undergraduate levels (32 percent). They had been working for the company in average of 18.69 years and had been in the current position in average of 4.63 years.

We distributed a set of questionnaires to the respondents which consists of a questionnaire for: (1) attitude toward change adapted from Dunham, Grube, Gardner, Cummings and Pierce (1989), (2) job satisfaction adapted from Weiss, Dawis, England dan Lofquist (1967), (3) organizational commitment adapted from Meyer and Allen (1991), (4) leader-member relationships adapted from Liden and Maslyn (1998), and (5) readiness for change adapted from Hanpachern (1997). Specifically for leader-member relationships questionnaire, we asked respondents' opinion on the quality of such relationships with their respective immediate boss.

The data collected from such respondents were validated using factor analysis with single-dimensional (one-factor) solution. We found out that one item from attitude toward change and four items from readiness for change had to be taken out because of low factor loadings (less than .40). We then analyze the data using multiple regressions in which attitude toward change, job satisfaction, organizational commitment and leader-member relationships were treated as independent variables, and readiness for change as dependent variable.

Research Results

Descriptive statistics can be seen in Table 1. It shows that the respondents tend to have positive attitude toward change, satisfy with their jobs and be committed to their company (their average answers are 4 on the scale of 6). The quality of relationships with their respective boss, however, is only slightly higher (not bad but need improvement). Readiness for change shows a score of 29.25¹ out of 36 (81.25 percent) which means the respondents in general demonstrate readiness for change. Table 1 also shows significant, positive correlations between variables. The strongest is between attitude and satisfaction (.83), and the weakest is between attitude and leader-member relationships (.50).

¹ Score for readiness for change is calculated by adding the response for items 1-4, 6-7, 9-10, 12 and 14, then subtracted by the response for items 5, 8, 11 and 13 (Hanpachern, 1997).

TABLE 1
Means, Standard Deviations and Correlations

	Mean	s.d.	Attitude	Satisfaction	Commitment	LMX	Readiness
Attitude	4.11	.86	.95				
Satisfaction	4.06	.88	.83**	.95			
Commitment	4.08	.72	.67**	.75**	.93		
LMX	3.61	.88	.50**	.67**	.52**	.95	
Readiness	29.25	8.36	.78**	.73*	.56**	.63**	.93

**p<.01

Table 2 demonstrates the result of hypotheses tests. As can be seen, of four hypotheses, two are supported (H1 and H4). It means our research demonstrates that attitude toward change and the quality of leader-member relationships are, respectively, positively related to readiness to change. In other words, the more positive the managers' and employees' attitude toward change and the better the relationships with their respective boss, the more they are ready to change. Job satisfaction has also positive relation with readiness for change, but it is not significant (H2 is not supported). It means we cannot be sure if the managers and employees are satisfied with their jobs, they are then ready for change.

What is interesting is that organizational commitment has insignificant but negative relation with readiness for change (H3 is not supported). It contradicts to Madsen et al.'s (2005) finding and may indicate that committed managers and employees could resist change. They may love the company too much for what it is now that they cannot let any changes take place.

TABLE 2
Result of Hypotheses Tests

Variable	Estimate	s.e.
Attitude toward change	.611	.969**
Job satisfaction	.071	1.192
Organizational commitment	-.066	.979
Quality of leader-member relationships	.312	.698**

**p<.01

R squared = .690; adjusted R squared = .678

Research Implications

Support for H1 is consistent with the notion in the literature that a person's positive attitude toward change may indicate he or she is convinced the change is needed and the company can effectively execute change, and once convinced, he or she is ready for change. Support for H4 may suggest that it is the boss who convinces him or her to change by, for instance, put change as a challenge. Therefore, it is important for the company to first prepare the bosses at the top as change agents and then trickle the change down in a chain reaction mode.

The weak positive relation between job satisfaction and readiness for change may indicate multi-facet nature of job satisfaction. As literature specifies, such facets range from rewards to the organization itself. Thus, change may pose managers and employees with the following questions: how much change in the organization change its other aspects? Will change in those aspects still be favorable for its managers and employees? In other words, when facing change, managers and employees are basically puzzled; they may want to change, but they may be worried that the change brings new rules, systems and procedures that they are not certain will benefit them as the previous ones have. It means managers and employees may be satisfied with the changes at the corporate level, but may not be (as) satisfied with the new rules, systems and procedures. Top management must be aware of this worry and try to minimize it by communicating all the details about change to all individuals in the company.

Similar is true for organizational commitment. Referring to the literature, organizational commitment has three dimensions: emotional (affective), cost (continuance) and moral (normative) (Meyer & Allen, 1997). Negative but insignificant relation to readiness for change is generated from the mix of them. Change, for instance, could get too emotional and/or costly for the individuals, nonetheless they are obliged to support. Thus, in terms of affective and/or continuance, they may not be committed, but in terms of normative, they may be committed. It makes their total commitment may not be high as expected. Emotion and cost may correspond to the uncertainty nature of the change itself. In other words, there may be an inconsistency among such dimensions related to change. The extent to which each dimension is inconsistent to each other and the extent to which the inconsistency affects readiness for change are the subject for future research.

In addition, negative but insignificant relation of commitment to readiness for change may indicate managers' and employees' escalation of commitment toward the existing condition. Referring to Ross and Staw (1993), such an escalation may be caused by their tendency to stereotype the facts that change is identical to uncertainty and hence too much risks to take. The other possible cause is peer pressure, meaning that a manager or an employee is committed to the existing condition because other managers or employees do the same. These peers are like putting pressures on him or her to conform to them, or else he or she may be alienated at work. The extent to which escalation of commitment affects readiness for change, however, may have to be tested in an empirical study.

Adjusted R squared = .678 may indicate that there are variables not included in this study but can explain about 32 percent of the dynamics of readiness for change. One of those variables is communication (Armenakis et al., 1993). Through communication, top management may convince satisfied and/or committed managers and employees that change is good for both the future of the company and their future in the company. Other possible variables are contextual such as corporate culture (Hanpachern, Morgan & Griego, 1998) and corporate support in terms logistics, systems and procedures (Rafferty & Simons, 2005). Thus, the extent to which the company has adaptive culture may affect managers' and employees' readiness for change should be the focus of future research. So do corporate logistics, systems and procedures.

This study is cross-sectional. Consequently, we could not identify the causality of independent variables (attitude, satisfaction, commitment and LMX) and dependent variable (readiness) although we argue that attitude, satisfaction, commitment and LMX may be antecedents of readiness, and the reverse may be neither logically justified nor empirically sustained. Future longitudinal study may therefore be a better way to understand the causality nature of the present study's model.

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