



The effect of change leadership on employees' readiness to change through self-efficacy and resilience

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Article Info

Article history:

Received 10 April 2023

Revised 24 August 2023

Accepted 28 August 2023

Available online 22 April 2024

Keywords:

change leadership,
employee readiness,
resilience,
self-efficacy

Abstract

The merging of two different corporate cultures has risk to decrease company's performance due to major organization changes impacting employees' readiness to embrace and implement changes. This study aims to reveal the interaction of constructs that predict employees' readiness to change within the employees of termination block in Indonesia's upstream oil and gas industry. This study uses a relational research method with a quantitative approach. The 353 samples from 5071 populations are given 59 questions to measure the change leadership, employee readiness to change, self-efficacy, resilience, and trust in leader. The results show that the effect of change leadership on individual readiness to change is fully mediated by self-efficacy and resilience and moderated by trust in leader. Change leadership will basically increase confidence level (self-efficacy) in individuals toward change and motivate them (resilience) to face obstacles and challenges in the change. This will increase the individual's readiness to change and is reinforced by employees' trust toward leader.

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Introduction

Developments and competition in the business world encourage companies to be ready to face the dynamics of environmental changes. Adapting to the changes cannot be avoided by companies if they want growth in the current situation. In 2018, the Indonesian government through the policy of the Minister of Energy and Mineral Resources (ESDM) released a new regulation (number 15, 2015) to give mandate to the state-owned oil and gas company to manage terminated oil and gas block due to

contract expired (hereinafter referred to as termination oil and gas division), which was previously managed by foreign operators. This strategic regulation should encourage the company to improve the performance and strengthen the efforts to become the world's largest oil producer in Indonesia through the realization of synergies and technology transfer, integration of human resources, culture, systems, and work processes from foreign companies. Unfortunately, the company actually showed decrease lifting performance in 2019. The five subsidiaries of the company could not achieve the lifting target set by APBN, and 4 of them were termination block with an average decline production rate of 4 percent after block transfer (Setiawan, 2019).

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Decreasing performance after the merging of two companies, especially between foreign private companies and state-owned enterprise with different work cultures, is a common thing and should be anticipated. The common issues are triggered by a few factors, such as the inability of an organization to prepare its employees readiness to go through major changes before, during, and after the merger process (Dauber, 2012).

There are researches on individual readiness to change, but the experts still continue to invite more research related to construct of worker readiness due to the complexity of concept, variety of influencing factors in different organization, cultural, and individual settings (Lizar et al., 2015; Fachruddin & Mangundjaya, 2015). Previous studies showed the employees with higher level of change readiness in early phases of organizational change tended to be more supportive during the change implementation phase.

One of the factors affecting employees' readiness to change is change leadership. Holt et al. (2007) in theoretical framework stated that change leadership was part of change context to reduce uncertainty in change process which creating employees' willingness to change and foster employee affective commitment (Liu, 2010) as a psychological reaction to determine employees attitudes to accept changes.

There is an abundance of literature on change leadership, but there are very limited measurements to capture the key elements of change leadership behavior, as a construct to promote employee attitudes and behavior to support the change (Liu, 2010). Previous researches also show inconsistency in explaining the effect of change leadership on employees' readiness to change. Some researchers reveal a direct and significant effect (Balogun & Hailey, 2008; Choi, 2011; Graetz, 2000; Wulandari et al., 2015; Saragih, 2015), while other researchers prove that there is no direct effect, except through job satisfaction before, during, and after the change (Mangundjaya et al., 2015). These different research results are related with difference in research object.

This study attempts to fill the gap in previous research by examining the mediating effect of self-efficacy and resilience as the most common constructs related to employees' readiness to change (Luthans, 2002). Self-efficacy is the belief to motivate oneself, cognitive abilities, and ability to carry out tasks well and successfully. Meanwhile, resilience is the ability to bounce back from adversity when individuals experience failure or unpleasant experiences and adapt to the situation (Luthans, 2002).

Trust in leader is also considered as one of the significant organizational attributes to understand employee readiness for change (Oreg et al., 2011, Suthatorn & Charoensukmongkol, 2023), but there is confusion whether trust is a mediating or moderating factor in relationship between change leadership and employee readiness to change. Previous research has proven that trust is a mediating factor (Saruhan, 2013; Thakur & Srivastava, 2018; Walumbwa et al., 2009). Goodwin et al. (2011) also stated that trust does not act as a moderator in relationship between leadership and follower behavior even though it is proven to be a mediator in this relationship. This is also a gap in previous research. Therefore, this study aims to reveal the interaction of constructs that predict employees' readiness to change within the employees of termination block in Indonesia's upstream oil and gas industry. The research questions are stated below.

1. Does the self-efficacy mediate the effect of Change leadership on employees' readiness to change?

2. Does the resilience mediate the effect of Change leadership on employees' readiness to change?

This article will examine the effect of change leadership on employee readiness to change mediated by self-efficacy and resilience. The article starts with an introduction to explain the research aim and research question. Part two examines related literature, continuing with the research method in part three. Part four explains the research results and discussion. This article closes with conclusions and suggestion.

Literature Review

Worker Readiness to Change

Mangundjaya et al. (2015) stated that employee readiness to change is shown through promoting, resisting and participating. The promotion includes beliefs, attitudes and intentions manifested in active behavior to encourage the change, have a positive perception of individual and organizational capacity to make a successful change. This behavior indicates a person's desire to push and drive the implementation of change process

Resistance includes individual beliefs, attitudes, and intentions to resist the change and negative perceptions of individual and organizational capacity to implement change. Participation includes beliefs, attitudes, and intentions to support the change, and have a positive perception of individual and organizational

capacity to implement change. This behavior indicates individual participation in change process.

Change Leadership

Change leadership is the leader's ability to influence and stimulate subordinate through strong advocacy, vision and energy and having access to the necessary resources to build a strong foundation to implement the change. Herold and Fedor (2008); Liu (2010) stated that change leadership behavior leads to specific behaviors to create a change vision, gathering ideas, empowering workers, monitoring the change process and assisting workers in adaptation process (Mangundjaya, et al., 2015).

Change leadership is an independent factor in change management and has 2 behavioral aspects (Liu, 2010). Leader Change Selling Behavior is actions to encourage change during the unfreezing stage which explains why the change is necessary. The behavioral aspects of change selling reflect the efforts of leaders to promote and sell certain changes to participants. Change selling behavior is positively related to affective commitment to change.

Leader Change Implementation Behavior is action to drive change forward and success consolidation during change implementation (Burke, 2013). The behavior of implementation change is not related to an affective commitment to change.

Self-Efficacy

The concept of self-efficacy in social-cognitive theory is the most powerful mechanism to regulate the self-motivation in influencing behavior and is defined as "individual perceptions or beliefs about how well a person can carry out the actions needed to handle certain situations" (Bandura, 1997). Furthermore, Luthans (2011) defined self-efficacy in more detail as "an individual's belief about his or her ability to mobilize the motivation, cognitive resources, and actions necessary to successfully carry out certain task in a certain context".

Resilience

Resilience is successful adaptation to life tasks in face of social disadvantage or extremely adverse conditions. These adjustments under challenging environmental conditions will create resilience, organizations getting stronger, and creating more new ideas.

The field of positive psychology defines resilience as "the positive psychological capacity to recover from adversity, uncertainty, conflict, failure, or even positive change, progress and increased responsibility" (Luthans, 2011). Clinical psychologists also note that resilience can increase and even grow when individuals have returned to their normal stages after adverse events. Individuals tend to become more resilient to adverse situations whenever they effectively bounce back from previous challenges.

Methodology

This study used a relational research method with a quantitative approach to test exogenous and mediation variables on endogenous variable. The data were collected by questionnaires and recapitulated in excel form to facilitate data analysis.

The employees' readiness to change was measured by indicators of promoting, resisting, and participating. Promoting was an attitude manifested in active behavior to sponsor and succeed the change plan. Resisting was a refusal attitude to the change, while participating is a behavior to support the execution of change program, it was a positive perception to implement and carry out the change plan.

The change leadership was measured by two indicators proposed by Liu (2010), namely, change selling behavior and change implementing behavior. Change selling behavior was an action to encourage change during the unfreezing stage by explaining the change need, including efforts to promote and sell change ideas. Change implementing behavior was an action to encourage execution and consolidation of the changes implementation.

The measurement of self-efficacy and resilience constructs were based on psychological capital theory of Luthans et al. (2002), where self-efficacy uses 3 indicators, namely, belief in self-cognitive ability to overcome difficulties, ability to motivate oneself and others, and ability to act to complete tasks. The resilience variable had 2 indicators of capacity to bounce back from changing situations as a source of psychological tension, and the ability to accept reality and improvisations based on past experiences.

Results and Discussion

Results

PLS analysis to test the effect between variables can be done after the model is proven fit. It tests the direct, indirect and total effects. The bootstrapping method is used with 500 samples as a reference for testing the effect between variables. The explanations for results in PLS SEM model are shown below. The test results are shown in Figure 1 and Table 1.

Figure 1 and Table 1 become the basis to test the hypothesis 1 and hypothesis 2. The explanation is shown below.

Hypothesis 1: Change leadership has a significant positive effect on employees’ readiness to change through self-efficacy

The PLS analysis produces a T statistic of 14.350 and a *p*-value of 0.000 (significant). It means that self-efficacy fully mediates the relationship between change leadership and employee readiness to change leadership. The results of this analysis accept hypothesis 1.

Hypothesis 2: Change leadership has a positive and significant effect on employees’ readiness to change through resilience

The PLS analysis produces a statistic value of 2,526 and a *p*-value of 0.006 (significant). It means that resilience fully mediates the relationship between change leadership and employee readiness to change leadership. The results of this analysis accept hypothesis 2.

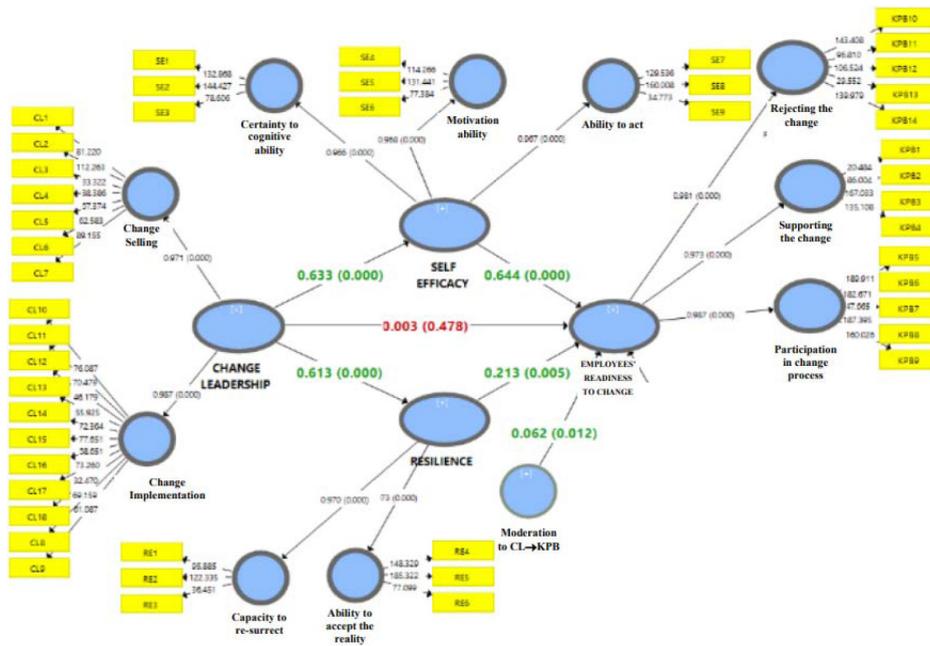


Figure 1 Direct effect test results
Source: Primary Data Processed, 2022

Table 1 Indirect effect test results

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	pValues
CL → SE → KPB	0.612	0.614	0.043	14,350	0.000
CL → RE → KPB	0.130	0.128	0.052	2,526	0.006

Source: Primary Data Processed, 2022

Discussion

Change leadership is one of the critical factors impacting individual readiness to face major organizational changes. The change leadership is a construct to provoke attitudes and behavior of employees to support change (Liu, 2010). However, this study did not find a significant direct effect of change leadership on employees' readiness on change, but reveals the existence of mediating variables, which is consistent with previous research. Self-efficacy (Charoensukmongkol, 2017) and resilience are proven to fully mediate the relationship between change leadership and employee readiness to change. In other words, an employee may demonstrate high level of readiness to change if he has the capability to solve challenges faced during change process (self-efficacy) and rise from adversity (resilience) even though the leader may not demonstrate strong change leadership behavior. On other hand, employees from transfer companies may demonstrate unreadiness to embrace change despite being led by a leader with strong change leadership due to low level of self-efficacy and resilience as their attribute individual.

This phenomenon can occur in the context of merging of two companies with unique employee characteristics from transfer companies. Respondents are employees from transfer companies who previously worked for foreign oil and gas companies. They are majority male employees aged between 30–49 years and with an average tenure of more than 10 years. They are employees who have been accustomed to work in a foreign private company's culture which required them to work efficiently, independently, and with minimal supervision and are used to working with clear work system according to the interview results with key personnels within the companies. This work situation indirectly creates conducive conditions to create self-confidence to perform duties (self-efficacy), and strengthen their resilience to cope with pressure and to adapt continuously (resilience) during their careers in previous company.

The empirical facts show a tendency for high levels of self-efficacy and resilience from the respondents. The level of self-efficacy of transferred employees is quite good, especially related to willingness to progress and ability to manage resources well, ability to compete with colleagues, and ability to provide the highest performance. However, they are not too confident in the area of developing company's business, less willing to accept the consequences and uncertainty of organizational change. The level of self-resilience is also quite good, which is

manifested in the ability to accept reality. However, employees resilience is lower for their ability to work alone in new situations with unclear transition plan, and to carry out multitasking assignments under time pressure. Based on interview results, this may be because foreign private companies are more likely to assign employees as specialists, which will provide an opportunity for in-depth knowledge and competencies, while in state-owned enterprises, employees are required to work as generalists with more multitasking roles, something that the transferred employees are not used to do.

The good level of self-efficacy and resilience among transferred employees lead to good level of individual readiness to change although change leadership does not directly affect the employees readiness. Only about 15 percent of respondents do not agree to current change initiatives. The majority of respondents are open with ideas to the change and desire to participate in successful change even if they have to do extra work in new ways. Therefore, level of employees' readiness to change is largely determined by level of self-efficacy and resilience, which is empirically proven to have a significant effect on individual readiness to change. However, self-efficacy has a stronger effect than resilience.

The change leadership variable has a significant effect on self-efficacy and resilience. This means that change leadership plays an important role to create conducive psychological conditions to strengthen the self-efficacy and resilience of employees in face of difficulties that make them goal-oriented and thinking clearly under the change pressure. (Bobbio & Manganelli, 2009). Change leadership can provoke the emergence of individual will, motivation and attribution as well as being ability to increase efforts to strengthen resilience (Liu, 2010).

The manifestation of change leadership in the form of selling ideas for change have a stronger effect in predicting the level of change leadership than leaders' behavior to implement the change programs. The change leadership focuses on employees stimulation to accept the change ideas, communicating the urgency of organizational change (Liu, 2010), and helping employees through the transition process becomes more important than leadership behavior that focuses merely on imposing the change programs and monitor the implementation of it. A leader with strong capacity and behavior to sell the change concept, ideas, and plan is more likely to be able to create a sense of urgency to determine the need for organizational change and to strengthen commitment and employees motivation.

The perspective of change readiness theory by Hanpachern et al., (1998) showed that employees's

readiness to change is more manifested in the form of promoting behavior by supporting company propaganda regarding why changes are needed, actively sponsoring the change ideas and reflected in willingness to promote changes. It becomes a stronger indication of employees readiness than the active participation behavior during implementation phase. This is consistent with the concept of CAT (change as three steps) that unfreezing phase, as preparation phase before change, plays an important role in determining individual readiness to make organizational change. The company's ability to create psychological comfort during the unfreezing phase is very important, including conveying the positive impact of change on employees, how the changes will be implemented, and the support provided to employees. Therefore, efforts to strengthen cognitive commitment become very important before merger or transfer process.

The employees' readiness level manifested in the form of participating behavior is still low among the employees of transferred companies, especially related willingness to work extra as a consequence of change and reluctance to continue the change program if there is failure indication. The employees of transferred companies do not demonstrate resistance behavior to change programs, but their commitment to actively participate in implementing these change programs is weak. The impetus to implement policies in new organization can still be more optimal.

Another finding is related to trust in leader as a construct with significant role as a moderating variable to strengthen the relationship between change leadership and individual readiness to change. Trust in leader is one of the driving forces (Holt et al., 2007) to indicate a high collective support from employees for their leaders. It has potential to reduce the level of uncertainty and resistance (Saruhan, 2013). Low level of trust in leadership will lead to the emergence of resistance to change behavior as a manifestation of low employees' readiness to change (Saruhan, 2013) because employees will be less likely to accept the change propaganda from their leaders (Tsui & Lee, 2018). In addition, social relations between employees and leaders will activate the employees resilience thereby increasing the individuals opportunity to work harder to overcome difficulties in change implementation that comes from good intentions of leaders.

Conclusion

This study confirms the role of self-efficacy and resilience as mediator variables in relationship between change leadership and individual readiness to face change. The implementation of change leadership creates a conducive psychological condition to generate confidence (self-efficacy) for individuals to embrace changes and motivating them (resilience) to face obstacles and change challenges. Leaders' efforts to communicate the reasons and importance of change prior to change implementation are also involved, and rewarding individuals during change implementation phase will increase confidence and motivation for individuals leading to high level of readiness to the change. This study confirms the role of self-efficacy and resilience to mediate the effect of change leadership on employee's readiness to change.

Conflict of Interest

The authors declare that there is no conflict of interest.

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