



The Effect of Change of Leadership and Trust in Leader on Employee Readiness to Change

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Abstract — Lifting performance of terminated oil and gas blocks has decreased after acquired by Pertamina. This became a concern to observers of oil and gas industry and government regarding the readiness of employees to change after an acquisition. This study aims to examine the effect of change leadership and trust in leaders on employee readiness to change. This study uses a quantitative method with PLS analysis to examine the effect of change leadership and trust in leaders on employee readiness to change. The 353 samples from 5071 populations were given questionnaires with 59 questions to measure the change in leadership and trust in leadership on employee readiness to change. The results show that change leadership directly has no significant effect on employee readiness to change. Adversely, trust in leaders has a significant effect on employee readiness to change.

Keywords — acquisition, change leadership, employee readiness to change, Pertamina

I. INTRODUCTION

Fahmy Radhi, an Energy Economics UGM observer, in Public Discussion on Extension of Oil and Gas Block Between Nationalization vs State Interests at Center for Mineral and Energy Studies at UPN Veteran Yogyakarta campus (August 2019) stated that production of Mahakam block, one of terminated oil and gas blocks, has decreased lifting from 50.46 thousand barrels of oil to 44.63 thousand barrels after acquired by Pertamina. Also some of other terminated oil and gas blocks experience similar situation with the reduction rate of 4% in average. This is of concern to oil and gas industry observers and government because the decline in lifting occurred after the merger of foreign private companies with state-owned companies.

Related to the affecting factors of employee readiness to change, leaders are agents of change who will become the driving force to direct and managing the change process. Change leadership is not a style of leadership, but rather reflects the ability of leaders to influence and stimulating others through strong advocacy, vision and energy to implement change, communicate determination and clearly articulate change performance expectations [8].

The direct effect of change leadership on employee readiness to change still not well tested in quantitative

methods [8] and empirical facts, relationship between the two still gives inconsistent results. Some experts like Choi (2011) [1]; Graetz (2000) [5]; Wulandari et al. (2015) [18]; Saragih (2015) [15] change leadership has a positive and significant effect on employee readiness to change. The results of this study are also supported by Saragih (2015) [15] which states that leadership behavior during organizational change will affect the attitude of workers in dealing with change. However, Goodwin et al. (2011) [4] proved that leadership does not have a direct influence on attitudes and behavior of its followers. It was confirmed by Mangundjaya et al. (2015) [11] by revealing a mediating effect in relationship between the two in form of job satisfaction, both in phases before, during, and after changes occur in relationship between the two.

Inconsistency in relationship between change leadership and employee readiness to change it could be due to dynamics of interaction between organizational factors and individual attributes [6], one of which is reflected in individual's psychological condition. Luthans (2002) [9] and Luthans et al. (2007) [10] revealed that self-efficacy and resilience are the most influential psychological elements on employee readiness to change, in line with Schein (1996) in Choi (2011) [1] that psychological comfort most determines employee attitudes in responding to change.

The impact of trust on leaders has been well documented in academic publications, namely when workers trust a leader, they tend to listen, follow, and perform more productive actions (Mayer et al., 1995; Coloquitt et al., 2007). Workers who believe that their leaders can be trusted, can act positively and support workers, will display behaviors that tend to be more accepting and support the change (Martin, 1988; Wanberg and Banas, 2000; Vakola, 2014).

The inconsistency of research results is a research gap requiring further research. Researchers need to test and prove whether stronger trust in leaders and effectiveness of change leadership will affect on employee readiness to change. In other words, this study will test whether stronger trust in leaders and change leadership will improve the employee readiness to change. The novelty in this study relates to reconstruction of readiness for change conceptual model from Holt et al. (2007) [6] in examining the

interaction of influence of change leadership and trust in leaders on employee readiness to change.

II. THEORETICAL BASIS

Worker Readiness to Change

Managing change in organizations is one of most critical organizational challenges today. History shows that organizations that consistently and continuously strive to adapt to change will achieve success because organizational change will change employee actions, reactions, and interactions to move the organization towards expected future conditions.

The reality shows many change efforts have failed to bring the company to the expected conditions and do not encourage sustainable change [7][12][16] (Oreg, 2003; Saruhan, 2013; Idris et al., 2015), one of which is the result of organization's inability to prepare workers in face the change [3]. Readiness at organizational and employee levels to change is important for success of change [13][14] because it is these workers who must bear the responsibility for bringing, implementing and managing change [1][12][17] and an important factor that determines success in context of merging two or more companies [2] (Sobirin, 2019).

Holt et al. (2007) [6] defines worker readiness for change as individual readiness psychologically and physically in form of individual understanding of changes required by organization, individual belief in being able to implement the planned changes and believing that these changes can have a positive impact, both for themselves and organization. Armenakis (2007) further revealed that individual readiness is a comprehensive attitude and influenced by organizational factors and characteristics of individuals involved in the change. Worker readiness to change is manifested in behavior to accept or rejects change to indicate one's capacity on a continuum ranging from strong positive attitudes (e.g. openness to change) to strong negative attitudes such as cynicism about organizational change or resistance.

Change Leadership

The concept of change leadership stems from theory of change implementation which focuses on establishing change strategies and action plans to successfully implement the organizational change [8] because basically humans are not passive recipients of change [19]. Change leadership is one of most important factors in leadership concept of managing change,

A previous empirical study by Liu (2010) [8] showed results of hierarchical linear modeling of two aspects of change leadership above that two aspects have different effects on employee affective commitment to change. Change selling behavior positively influences affective commitment to change, while the effect of change implementation behavior on change commitment is not significant.

This indicates that followers play an important role in effectiveness of change leadership. This facilitates explain why leaders can do all the right things while leading change and still not make a significant impact on change.

Trust in Leadership

Trust implies a belief that leader will do action favorable positively or at least do not detrimental to worker. Trust comes from roles and connection structured in organization, belief on objective company to give benefit for employee.

Employees who believe that their leaders can be trusted will act positively and supportively, will display behaviors that tend to be more accepting and supporting the change. When employee trust in their leaders is low, all forms of change will look suspicious and threaten workers [16] and one of main reasons why workers display an attitude of resistance is because of fear of unknown or lack of transparency of communication and emergence of "uncertainty".

Trust influences the process of balancing decisions through employee cognitive and affective processes because "people choose whom we will trust in what matters and under what circumstances, and based the choices on what perceived as 'good reasons', which is evidence of trust" [16]. As a result, workers who have trust in their leaders will consider the change ideas "sold" by their leaders as something positive and are ready to follow the changes.

III. RESEARCH METHODOLOGY

This research can be classified as explanatory research because it wants to explain relationship between change leadership and trust in leaders towards employee readiness to change. The location of research is working area of a subsidiary of PT. Pertamina as an ex-termination block spread across all regions in Indonesia. The unit of analysis used is full time workers from 4 PT Pertamina subsidiaries that have undergone management transfers from 2018-2021, namely Pertamina Hulu Mahakam (PHM), Pertamina Hulu Sanga-Sanga (PHSS), Pertamina Hulu Kalimantan (PHKT) and Pertamina Hulu Rokan (Rokan Working Area). Random sampling technique was used to select respondents because the survey population in each subsidiary has been identified as having heterogeneous members so that everyone has the same opportunity to become sample.

Data collection from respondents was carried out using a five-point questionnaire. The score used starts from 1 (Strongly Disagree), 2 (disagree), 3 (neutral), 4 (agree) and finally 5 (strongly agree). The 353 samples selected from 5071 populations were given questionnaires with 59 questions to measure the change in leadership and trust in leadership on employee readiness to change. The data obtained was analyzed using two stages. The first stage was descriptive analysis followed by a smartPLS analysis used to test the hypothesis.

IV. RESEARCH RESULTS AND DISCUSSION

Descriptive Analysis

PT Pertamina Hulu Indonesia (PHI) was established by Indonesian laws and regulations on December 28, 2015 to manage a number of ex-termination oil and gas working areas in Kalimantan region with headoffice located in Jakarta. The presence continues a partnership with local

community that has lasted for more than a century through the discovery of oil in Louise-1 Sanga-Sanga Field in 1897.

Based on results of filling out the questionnaire by respondents, following is a description of characteristics of respondents in terms of gender and age in old company before transferring management. Most of respondents were male workers (79.3 %), while the remaining 20.7 % of respondents were female workers. Workers aged 30-49 years (74.5 %) dominate while the remaining 25.5 % of respondents are workers aged > 50 years with service year with former companies > 10 years (67%).

Analysis the Effect of Exogenous Variables on Endogenous Variable

This research model uses 2 exogenous variables. The first variable is Change Leadership and second variable is trust in leadership. The endogenous variable is the workers readiness to change. The analysis was carried out to determine the effect of exogenous variable on endogenous variable. Figure 1 shows the research model.

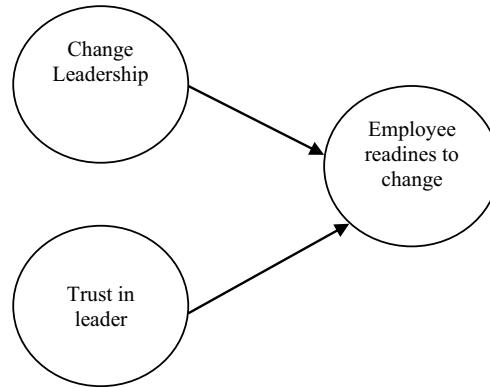


Figure 1. Effect of exogenous variables on endogenous variables

Figure 1 shows a research model that has a relationship, namely the effect of change leadership on employee readiness to change and second is the influence of trust in leaders on employee readiness to change. The results of research hypothesis test using SEM PLS are presented in table 1 below.

Table 1: Value of Testing the Direct Influence between Variables

Path Coef	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	t -s statistics ((O/STDEV))	P Values
Change Leadership ->Worker readiness to change	0.003	-0.001	0.059	0.056	0.478
Trust in leaders ->Worker readiness for change	0.181	0.180	0.056	3,263	0.001

Meanwhile, other variables are shown to have a direct positive significant effect as shown in Table 2.

Table 2. Conclusion of Testing the Direct Effect between Variables

Path Coef	Direct Influence
Change leadership->Worker readiness to change	Not significant
Trust in Leader->Employee readiness to change	Significant

Source: Research Primary Data Processed, 2022

Direct effect or often referred to as the direct effect is the influence of exogenous variables directly on endogenous variables. In PLS SEM analysis, significance and direction of direct influence can be seen from p value, t-statistics and path coefficient connecting endogenous to exogenous. If the p value is <0.05 and t-statistic is >1.65 (one-tail t value), it can be concluded that exogenous variable has a significant effect on endogenous variable with direction of influence according to sign attached to path coefficient. Furthermore, if the p value is obtained > 0.05 and t-statistic is <1.65 (one-tail t value), then it is concluded that exogenous variable has no significant effect on endogenous. The research hypotheses analysis can be shown below.

Hypothesis 1: Change leadership has a positive and significant effect on employee readiness to changed

The path coefficient between change leadership and employee readiness to change produces a p-value of 0.478 with a t-statistic of 0.056 with a path coefficient (+) of 0.003. Because the p value > 0.05; t-statistic < 1.65, it is

concluded that change leadership does not have a direct significant effect on readiness to change because it only has an effect of 3%. In other words, there are other variables that have a more significant to affect employee readiness to change. Therefore, results of this study **reject** hypothesis 1, which means that change leadership has no significant effect on employee readiness to change.

This study did not find a significant direct effect of change leadership on employee readiness to change. This means that in context of workers transferring management at Pertamina, change leadership behavior from leadership does not increase the readiness of workers to deal with post-management organizational changes.

The findings explain perspective of specific conditions of workers, causing a unique pattern of interaction between research variables. First, it relatesto adaptation process experienced by foreign private workers when joining a state-owned company. It is related to acculturation issue, e.g leadership ambiguity [2]. Workers just built short period of

interaction with the new leaders when research conducted, thus, they did not have strong perception of leaders behavior in leading changes post acquisition. Change leadership is perceived weak by the workers and therefore give no significant affect to change readiness. Second, workers somehow demonstrated sufficient level of self-organizing mechanism that based on behavioral patterns learned and internalized by workers transferred from foreign private companies (previously), especially when facing organizational changes that happen frequently in previous companies.

Interestingly, although change leadership tends to be low, results of this study reveal that out-of-manage workers actually have a fairly strong level of readiness to change, especially in relation to attitudes supporting propaganda, vision and goals for change (source: average value of variable readiness of workers to change). Empirical facts show that only about 15% of respondents who gave a response agreed to statements of resistance to change. Field facts shows that majority of respondents are open to ideas for change and have a desire to participate in success of change, including when they have to do work in new ways. In other words, although experts in many literatures reveal that low change leadership should reduce employee readiness to change [1][5][15][18], it is specific to phenomenon of shifted workers. management, this research proves that low change leadership behavior from a change leader, will not always reduce the employee readiness to change.

Hypothesis 2: Trust on Leader influential in a manner positive significant to readiness worker for changed

The path coefficient between employees trust in leaders and employee readiness to change produces a p-value of 0.001 with a t-statistic of 3.263 with a path coefficient (+) of 0.633. The p value > 0.05; t-statistic < 1.65 showed that employee trust in leaders has a direct significant effect on readiness to change because it has an effect of 18.1%. In other words, employee's trust variable in leadership significantly has a direct effect on employee readiness to change. Therefore, the study results **accept** hypothesis 2, which means that employee trust in leaders has a significant effect on employee readiness to change.

This study results indicate that trust in leaders has a significant effect on employee readiness to change. Trust in leader will reduce the level of uncertainty and thereby help embrace change [17]. This research result is consistent with previous studies which stated that trust in leaders has a significant effect on employee readiness to change [17].

Previous studies have proven that trust in leaders is significantly related to employee acceptance of change [17] because it increases individual opportunities to work harder to implement changes that are believed to be for their good and come from good intentions of impartial leaders [17].

V. CONCLUSION

This study examine the effect of change leadership and trust in leaders on employee readiness to change. This study findings lead to following conclusions.

1. Change leadership directly has no significant effect on employee readiness to change. Change leadership behavior from leaders does not increase the readiness of workers to face organizational changes after management transfer.
2. Trust in leaders directly has a significant effect on employee readiness to change. Trust in leadership will reduce the level of uncertainty and thus help change.

This research has limitation. It examines the direct effect of two exogenous variables on one endogenous variable. There are many other variables besides change leadership and trust in leaders that have an influence on employee readiness to change. Therefore future researchers are expected to develop this research by including other variables that are relevant to this research, such as self-efficacy or resilience.

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