The effect of leader member exchange to dimension of readiness for change

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Abstract

Organizational change has been a must for companies in preserving their sustainability. PT. Bank Rakyat Indonesia is one of state-owned companies which is now transforming massively both in its human resource sector and business process. The objective of this research is to explore deeper understanding about to what extent the influence of internal interaction between leader and member in organization structure towards employee’s readiness for change. The employee readiness for change itself are viewed from five perception employee’s personal dimensions; appropriateness of the change, need for change, personal valence, principal support and understanding of the change. The result using logistic regression test shows that leader-member interaction (LMX) has significance impact appropriateness of the change, need for change, and understanding of the change. The study can infer that, for organisation, the most important thing to create employee’s readiness for change is to provide adequate support “climate” from top-down to create readiness for change holistically.

Keywords
Organizational Change; Leader-Member Exchange; Readiness for Change; Appropriateness of the Change; Need for Change; Understanding of the Change.

INTRODUCTION

Transformation is one of the organizational agenda whose success can be reviewed from organizational ability to adapt and encourage workers behavior to achieve a standard of behavior that is in line with company strategy (Bouzouita, Chaari, and Tagina, 2017). Organizational change is not only the interests of profit-oriented organizations to win business competition, but organizational change is also increasingly important to be understood by organizations that carry out public service missions, one of which is the banking sector. One of the commercial bank companies that are massively transformed in the field of financial technology is PT. Bank Rakyat Indonesia (Persero) Tbk (BRI). However, in the face of change, of course, it requires a readiness to adapt to the change for all members of an organization both leaders and subordinates (Armenakis, Harris, and Mossholder, 1993). The synergy of the whole organization becomes an important factor in the development of preparedness for change (Smith, 2005).

The effect of a change will lead to two kinds of behavior: resistance or readiness in the form of a high support attitude toward change (Abdel-Ghany, 2014). The readiness of employees to face change is the most fundamental concept and determinant factor for the process of acceptance and adaptation to change (Kelly, Hegarty, Barry, Dyer, and Horgan, 2017). This research will empirically test the role of perception of the quality of supervisors-subordinates interaction in leader-member exchange (LMX) to dimensions of readiness for change (RFC) that are understanding of the change need for change, personal valence, appropriateness for the change and principal support.

LITERATURE REVIEW AND HYPOTHESES

Organizational Change
Change is defined as moving from current state to future state or responding to threats and opportunities coming from outside the organization (George and Jones, 1996; Rashid, Murali, and Rahman, 2004). Much of the failure factor of a change is by the exclusion of the human factor (Evans R., 1994). Therefore, human factor is very...
important to be really prepared to be able to adapt the changes that occur. The success of change driven by factor of organization members' readiness begins with adaptability to change. Adaptability is defined as the ability to adapt, integrate, and reconfigure resources and competencies in order to achieve conformity with changing environments (Evans J. S., 1991). Conceptually, adaptability can be functioned as an individual attribute from a perspective that builds change belief or belief toward change (Holt, Armenakis, Feild, and Harris, 2007). Perspective of individual attribute serves as an individual's level of confidence approach to change because each individual has a different level of confidence with each other.

**Readiness for Change**

Readiness is a cognitive indication that is reflected through cooperative support for a change (Abdel-Ghany, 2014). As long as a worker cognitively accepts, believes, and adopts certain plans that the company decides to move from the status quo is called readiness for change (Rafferty, Jimmieson, and Armenakis, 2012). Therefore, on the basis of perception or belief, an attitude that reflects support is a key indicator of a readiness for change. In principle, there are two pillars that contribute to the development of readiness for change that are rooted in self-efficacy, namely; workplace contribution and individual contribution. There are several dimensions of readiness for change that originate in self-efficacy.

First, appropriateness is a dimension that indicates the level of confidence or belief of workers about feasibility that change will benefit the organization (Holt, Armenakis, Feild, and Harris, 2007). Second, personal valence is a dimension that indicates the level of worker's belief that change will bring benefits to the worker personally (Armenakis and Harris, 2002; Holt, Armenakis, Feild, and Harris, 2007; Shah, Irani, and Sharif, 2017). Third, the understanding of the change or understanding of overall change is gained through optimal organizational communication to the workers so that workers can validate the relevance of the goals of change to their work goals (Van Tonder, 2004). Fourth, need for change. Basically, workers need to be convinced and generated a sense of need to change. This sense can be generated in three ways: creating urgency that changes are a necessity, describing the current and post-change conditions, and expressing a positive expectation of change.

**Leader-Member Exchange**

Leader-member exchange (LMX) is a form of dyadic relations defined as the role-making process between leader and subordinate through a relationship of exchange of needs (generally related to interpersonal competence) in a continuous period (Dansereau, Graen, & Haga, 1975; Yukl, 2013). The basic theory of LMX is social exchange theory.

The role of leaders in the process of organizational transformation is to communicate the message of change to their subordinates by realizing a strong vision, empowering existing resources, and providing confidence motivation during the adaptation of change aimed at achieving change success (Mangundjaya, Utoyo, and Wulandari, 2015). When these aspects are successfully established by the leader then in the subordinate will build a high trust on the organization and positive perceptions as has been assumed in the process of role-making. At the trust stage reaching the domain of dyad (leader-subordinate) reciprocally will create mutual trust which becomes the most substantial factor in creating quality LMX (Sue-Chan, Au, and Hackett, 2012).

**Hypothesis Development**

LMX also has a correlation with mutual trust, empowerment (Graen and Uhl-Bien, 1991), and motivation that indicate a link to the development of readiness for change in general. Readiness for change is a construct variable consisting of dimensions. It is possible to test LMX on readiness for change partially per-dimension to find out which dimension is influenced by LMX most strongly on readiness for change variable. Previous research conducted by Kapoor, *et al.* (2017) indicates that LMX plays a role in increasing the intensity and effectiveness of communication between leader-subordinate that can have implications for employee understanding. The role of leaders is very influential in translating the message of change so that the role of leaders can affect the level of understanding of members of the organization so that the following hypothesis can be proposed:
H1: Leader-member exchange has a positive effect on understanding of the change dimensions.

Capacity that a leader possesses in generating interaction in LMX tends to be more dominant. Then the leader can use communication methods to improve the sense of urgency so that changes can be accepted as a need for members of the organization. Previous research conducted by Ochurub, et al. (2012) suggests that there is a relationship between the success of a change management with employee perceptions of change as a necessity. Thus, the following hypothesis can be proposed:

H2: Leader-member exchange has a positive effect on need for change dimensions.

Previous research conducted by Foks (2015) suggests that there is a relationship between organizational communication to employees regarding message of changes that has a significant positive effect on the perception of appropriateness for the change. Perception is defined as the perception of individuals who see that organizational change can bring a positive impact on the company or organization as a whole.

H3: Leader-member exchange has a positive effect appropriateness for the change dimensions.

Here is presented a research framework that contains the relationship between LMX and readiness for change.

METHODS
The type of research to be conducted is quantitative. The type allows to obtain information about causal relationships between variables that are reliable and valid by using survey method. The subject of this research is the BRI workers in one of the branch offices in Central Java as many as 253 active workers spread in the region of 21 work units. The sampling used in this study was calculation developed by Slovin (Ferdinand, 2013) so that as many as 155 subjects were researched by filling out the questionnaire. The method of dividing the proportion of the sample used stratified random sampling. While the data analysis used simple linear regression.

RESULTS AND DISCUSSION

Validity Test
Based on the test results on 7 items of questions about LMX, 5 items of questions about appropriateness of the change, 5 items of questions about understanding of the change, and 4 items of questions about need for change, the value of Cronbach’s alpha if item deleted indicates the total correlation of all items in the questionnaire (all variable) shows the result of each item of ≥ 0.2 means that all question items in the questionnaire have been eligible. The corrected item value indicating the validity of the content (internal validity) has also been eligible for each item of ≥ 0.2. This means that the questionnaire has been valid to perform a measurement.

Reliability Test
In the reliability test, the result of Cronbach’s alpha for independent variable of LMX shows the results of 0.808 or > 0.6. Similarly for the dimensions on the dependent variable of readiness for change: appropriateness of change of 0.884; need for change of 0.876; and understanding of the change of 0.869. This means the entire question items in the questionnaire used on all variables are reliable because it qualifies > 0.6.

Hypothesis Testing
**The Effect of Leader-Member Exchange on Understanding of the Change**

There is an effect of leader-member exchange on the understanding of the change and is statistically significant. Subjects with high quality perception of leader-member exchange increase the likelihood of higher understanding of the change than subjects with low quality perception of leader-member exchange (b = 5.59; CI (95%) = 3.10-10.08; p < 0.001).

**The Effect of Leader-Member Exchange on Need for Change**

There is an effect of leader-member exchange on need for change and is statistically significant. Subjects with high quality perception of leader-member exchange increase the likelihood of higher need for change than subjects with low quality perception of leader-member exchange (b = 1.85; CI (95%) = 1.06-3.22; p = 0.030).

**The Effect of Leader-Member Exchange on Appropriateness for The Change**

There is an effect of leader-member exchange on appropriateness for the change and is statistically significant. Subjects with high leader-member exchange increase the likelihood of high appropriateness for the change rather than subjects with low leader-member exchange (b = 8.63; CI (95%) = 4.63-16.06; p < 0.001).

**Conclusion**

Improved LMX quality between leader-subordinate within an organization can be a factor in establishing employee perceptions that they have adequate support from the management to be ready for change. The sense of getting adequate support from leaders should be well preserved so that resistance to change does not dominate most employees. The organization may adopt a formulation of quality improvement of work interaction within each division, section, or work unit between leaders and subordinates or peer co-workers by reducing the gap between leader-subordinate in the context of the interaction of the working relationship. In order to suppress resistance to change, the organization may use the communication medium that follows the needs of employees and technologies that contain organizational change. The method can be a method for improving understanding, stimulating perception of need for change, increasing success of a change management can be achieved when the employee feels that change is a necessity and this perception is built through communication (Ochurub, Bussin, and Goosen, 2012). The results of another study conducted by Berg, et al. (2017) show the influence of LMX on employee creativity mediated by employee willingness to take risks. The risks in this case can be aligned in the context of the uncertainty that is subject to change (Berg, Grimstad, Skerlavaj, and Cerne, 2017).
confidence in change, and realizing support for organizational change processes.

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