

# **READINESS TO CHANGE IN THE PUBLIC SECTOR**

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## **ABSTRACT**

This study tests the organization's readiness for change in the public sector. Organizational change in this study refers to the implementation of remuneration system set by the government. The study examines the role of transformational leadership and attitude toward change as predictors of readiness to change. The test results show that this research supports only one hypothesis, related transformational leadership. The implications of theory and management are discussed at the end of this study.

**Keywords:** Transformational Leadership; Attitude Toward Change; Readiness To Change.

## **1. INTRODUCTION**

The modern industrial world, environmental instability, tight competition, technological sophistication, the development of communication trends, social change, and environmental upheaval have led management to organize institutions through a change program (Shah, 2009). The change program is a representation of the seriousness of solving the problems and challenges facing the organization (Shah, 2011). Change efforts have become a common practice for organizations, both public and private sectors. However, most of these efforts end in failure (Beer & Nohria, 2000). Probst & Raisch (2005) add that academics are quite pessimistic in assessing the success of change management. Failure in the implementation is not supposed to take place if the organization has prepared members to deal with change (Armenakis et al., 1993; Armenakis & Harris, 2002; Holt, Armenakis et al., 2007). Readiness to change is a key element as it determines consequences of subsequent changes, supporting change or resistance to change (Walinga, 2008). Cynicism and resistance to change are seen as an affirmation of disagreement with the program, while support, enthusiasm, commitment, and loyalty are signals of acceptance of change (Piderit, 2000).

The foundation for readiness to change comes from Lewin's three-stage model of change-unfreezing (Smith, 2005). In general, this model allows change agents to communicate the urgency of and the need to change (Kotter, 1999). On the other hand, readiness to change requires time investment because organizations need to convey a message that contains five components: discrepancy, precision, boss support, confidence in change, and benefits (Bernierth, 2004). Abolition of the preparatory phase in change only creates the illusion of time and failure of change program (Kotter, 1995). This may occur because the perception of employees is considered less important. Often, the detailed explanation of the contents of a change program is delivered without explaining the motives

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and goals of the change program (Self, 2007). In fact, employee's perception becomes an important basis for building momentum (Eby, Adams et al., 2000).

Unfortunately, existing studies generally respond to staff readiness in the private sector (Armenakis et al., 1993; Armenakis & Harris, 2002; Holt et al., 2007), whereas the public sector gets less attention. This research focused on the public sectors that implement the remuneration program. We underscore that the nature of this change program is a comprehensive change in the compensation system and this policy is the initiation of the Indonesian government in the framework of bureaucratic reform. Bureaucracy reform aims to achieve decent organizational governance. This process began to develop in 2010 through the issuance of Presidential Regulation No. 81/2010 on Bureaucratic Reform. It was then followed by the issuance of Regulation of the Minister of Administrative Reform and Bureaucratic Reform (PAN and RB) Number 20 of 2010 on RoadMap of Bureaucratic Reform 2010-2014. To respond to the unique characteristics of remuneration programs and lack of research on the role of readiness to change in the public sector, this study examined the role of readiness to change (RTC).

Empirical research on the readiness to change in attitude toward change (ATC) (Shah and Ghulam Sarwar Shah, 2010; Faghihi & Allameh, 2012), leadership style (Chen & Silverthorne, 2005; Faghihi & Allameh, 2012), as well as related variations the way a person reacts to readiness to change have been conducted, but the role of transformational leadership (TL) has never been investigated in previous studies. The style of leadership that is often considered is change-oriented leadership, which is the development of transformational leadership. Testing transformational leadership roles helps organizations to design more targeted change programs. Based on Judge, Thoresen et al. (1999), individual-oriented research on organizations has exploited leadership issues, in the form of top management roles, without considering individual trends when experiencing organizational change. These two factors are just as important in determining the success of change in the organization. So we tested the role of the individual's attitude toward change as one of the predictors. Individual factors are important in readiness to change, especially in a fairly hierarchical public sector. In this sector, individuals are more rigid to change. The selection of transformational leadership and attitude to change are due to the two concepts related to antecedents directed towards directing readiness to change. The predictor is not yet at the stage of action, but encourages one to be ready for change.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The hypothesis consists of two parts. The first hypothesis is about transformational leadership in readiness to change and the second is about the effect of attitude toward change in the readiness to face change.

### 2.1. *Transformational Leadership on Readiness to Change*

Transformational leadership stresses on moral values and ideal conditions, such as freedom, justice, equality, peace, and humanism. This type of leadership gives a perception to subordinates that they will become better people through moral values that are upheld. Armenakis and Harris (2002) conducted an in-depth study of Lewin's traditional model of change which was then integrated into the readiness model to change. The researchers explain the three phases of integration of Lewin's theory of change and readiness to change. First, members of the organization respond positively to the change program because they have been ready for it and to make it ideal, they will be supporters

for change. The second phase is the adoption of change. Individuals will initiate the implementation of the change program. The period of adoption is a temporary state that is not stable enough due to its experimental nature. The last is the institutionalization phase. The main preference of this phase is to stabilize and to keep the adoption of change in order to run smoothly.

Readiness to change is considered a factor driving the initiation of change. The concept of readiness toward change was originally introduced by Jacobsen 1957. In its development, readiness research was developed through various managerial levels. As a result, Practitioners and researchers obtained many perspectives regarding readiness to change. The agreement emerges from the leader's role in directing the readiness to change (Kotter, 1999; Self, 2007; Faghihi & Allameh, 2012). Leaders introduce useful changes, but at the same time conflict and confrontation are inevitable. A few literature captures this phenomenon and examines it further. As a result, the confrontation happens and usually by the party that feels uncomfortable because they feel that their resources, expertise, and abilities cannot keep up with the goal of change (Bouckennooghe, 2010). The role of the leader in readiness is to guide the cognition and belief of members that change is necessary.

The limited research on transformational leadership on readiness becomes an interesting issue, because past research emphasizes more on leadership in change (Hannah & Avolio, 2010; Faghihi & Allameh, 2012). Leadership in change is a concept erected from transformational leadership, but focuses only on four dimensions of change: encourage innovative thinking, explain the importance of change, visualize change, and take risks (Faghihi & Allameh, 2012). However, the most appropriate leadership style-related debate still exists. Transformational leadership is viewed as providing a more complete picture in encouraging change. Transformational leadership is more participative in making decisions so that members get the impact of mental health and job satisfaction.

Effective leaders can focus on improving change program as organizational members are prepared for change (Shah & Ghulam Sarwar Shah, 2010). Employees no longer need excessive emotional, social, and orientation support, as members can demonstrate their ability and willingness to accomplish tasks. Meanwhile, leaders can focus their energies on completing and developing a better change program. The manager's role in clearly communicating change is critical because it determines the success of employee adaptation within the organization. Sufficient change management communication will increase the level of employee adjustment, but employee mechanisms in facilitating their adaptation in organizations are still unknown.

Based on the theory of social exchange and the threat of self-esteem (Burnett et al., 2015), the influence of transformational leadership is an inverted U-shaped. The small effect of TL will have a low RTC impact. In accordance with the theory of social exchange, the higher the TL, so is the RTC. When employees are judging that the TL brings a positive impact, they will give the reciprocal norm in the form of gratitude on the organization. When TL level is moderate, RTC will decrease. This happens because the leadership that excessively encourages and inspires employees will make the employees lazy to work, because they become dependent on the boss.

The quality of organizational change communication refers to the extent to which the organization provides useful, orderly, and sufficient information to implement the change. The relationship between employer and subordinate in the work environment stimulates members to use their best abilities, experience and expertise (Chen & Silverthorne, 2005). The attitude of employees is getting more positive as leaders direct them that they are able to cope with change. Another form of leader's role in change is as a transfer of knowledge over the organization, because change is basically a

solution to the problems and challenges within the organization, and when leaders encourage change, leaders have better knowledge of the problem than members of the organization.

Hypothesis 1: transformational leadership has a readiness relationship to change in inverted U-shape, low readiness is when transformational leadership is at the highest and lowest point, the highest readiness occurs when transformational leadership is at a moderate level. At the moderate level, the readiness to change is at the highest level, after the peak point then it decreases

## ***2.2. Influence of Attitude toward Change in Readiness to change***

Tetenbaum (1998) stresses the importance of organizations creating favorable conditions for change. Guidelines for favorable conditions in this context are to provide effective communication to generate readiness to change (Elving, 2005). Employee readiness is a recipe for reducing resistance to change (Kwahk & Kim, 2008). It also increases the percentage of success (Armenakis et al., 1993).

The concept of readiness to change provides an explicit picture of the power dynamics involved in the change program, as well as the conflicting interests of change programs in the public sector. The Armenakis theoretically describes readiness to change as a first step in a long process of change (Armenakis et al., 1993). Viewed from the theory underlying the concept of readiness to change, Self & Schraeder (2009) explain that this approach is in harmony with the Lewin's concept on the unfreezing process of change management. The unfreezing stage is the initiation to change both collective and individual habits. Based on this stage, readiness to change becomes the company's potential to determine the adoption of change program. This concept ensures that members of the organization are prepared mentally and physically in the face of change (Walinga, 2008). Individuals who are ready in the change system will tend to be encouraged, enthusiastic, and proactive; whereas those who fail on preparation will generally be cynical, defensive, and resistant (Self & Schraeder, 2009).

The message of change can impact differently on individual basis. These different reactions trigger the question; to what extent communication have an average perception effect. The first challenge is to understand the urgency to address the need of change. Second, on the strategies that must be applied to change, careful planning can prevent failure in change, eliminate unexpected outcomes such as worse employee morale, reduced commitment, and increased cynicism. In addition, planning can estimate the form of resistance of the program so that it can formulate the correct initiation prior to rejection.

Employees who are not ready tend not to care about change program. Therefore, there are five important messages in the changes that should be addressed that are contained in the change components. The first component is discrepancy. Discrepancy is the difference between the current state and the ideal state. Members of the organization must be aware of the current circumstances that are undesirable. If the gap is not raised, the change will be in vain because the urgency to make the change is not visible. Unconsciousness that change is needed will pose a danger that causes the organization to become uncompetitive in the near future. The second message is accuracy. Accuracy is the answer to the possibility of a change program being an appropriate one. When change initiation is introduced within the organization, it is necessary to continuously communicate that the change is not vacuum. There will be questions like, changes for what? An efficient answer is to provide relevant and in-depth information even to members who agree to change. Members who agree to change management do not necessarily agree with the change program.

The third message is boss support. This message is about who drives this change. Key members in the organization become important factors in convincing the fellow members of the organization, that the program will be implemented until change can be realized. An important point about superior support is at the leadership managerial level.

A positive attitude toward change is vital in achieving organizational goals and making a successful change program (Eby et al., 2000). Various approaches and solutions to make change successful have been widely discussed by managers and practitioners, but 70 per cent of these change attempts fail. One of the factors considered to play an important role in preparedness is the attitude toward change (ATC). Attitude toward change terminology was first expressed by French in 1948 and only in 1993-2007, attitude toward change gained rapid attention (Bouckennooghe, 2010). Models and definitions of attitudes toward change are numerous, but few provide definition as comprehensive as given by Armenakis et al. (1993). The attitude toward change is a manifestation of the patterns and conclusions of previous interactions with the organization. The conclusion is a crystallization of how the organization acts during the process of change in the past (Eby et al., 2000). Adaptation is easy to do because it is more receptive to change effort and benefit of change is felt by members. Lau and Woodman (1995) explained that individuals who feel that they have great control over the change situation will tend to have confidence about the change.

Resource conservation theory is the foundation of the influence of attitude toward change in readiness to change. Conservation theory tests one's view of change. Individuals who have a number of resources (energy, emotions, socio-emotional support, experience, expertise, knowledge) as owners of members of the organization will then try to reach out, maintain, and care for their resources so they feel better prepared for change. When the perceived valuable resources are nonexistent or less than members of the organization will have a negative view of change (Bouckennooghe, 2010). Members who feel that they have resources that are aligned with the change program, and feel they can be more competitive and able to achieve the goals set through the change program become more confident and ready to change. However, when ATC is high, employees begin measuring resource capacity and actual behavior, and under these conditions, employees understand "what to expect" from change program. A thorough knowledge of the requirements of the change program leads employees to perceive threats to adjust requirements with behavior. This poses a threat to employees as it directs all members out of the comfort zone. Therefore, in high ATC, readiness is reduced. Based on the above description, we try to formulate a second hypothesis as shown below.

Hypothesis 2: attitude toward change has a relationship with readiness to change in inverted U-shape, readiness is low when attitude toward change is at the highest and lowest point, the highest readiness occurs when attitude toward change is at moderate level.

### **3. METHODOLOGY**

The population in this study was employees on one of the state universities in Central Java. The change program in this university is a remuneration system that changes many policies at the University. The sample in this study included lecturers and staff. The sampling technique used was stratified random sampling to obtain a generalizable sampling technique. Data collection was done through several stages. The first stage was by contacting each department to request employee data. Second, employee data was chosen randomly, according to the position. Third, the questionnaires were distributed to the employees that were selected randomly.

Furthermore, the questionnaires were collected. At this stage, we would remind those who had not answered the questionnaire. Finally, we collected the final questionnaires. The data collection process used 300 respondents and obtained a response rate of 100 percent, i.e. 300 respondents returned the questionnaires. Furthermore, in the process of filtering, there were two questionnaires that were not fully filled. In total, there were 298 questionnaires ready to be analysed.

### 3.1. *Variables and Definitions of Operational Variables*

Readiness to change is an evaluation of the cognition of organizational members that direct members of the organization to encourage or resistant to initiation of change (Armenakis et al., 1993; Armenakis & Harris, 2002; Holt et al., 2007). The readiness questionnaire consisted of 20 question items with a total of two dimensions. The first dimension was employee willingness to change (I am willing to develop new ideas, I am willing to solve organizational problems) and the second dimension was readiness to change (I expect the benefits of remuneration in the organization; the system of remuneration in the organization will continue). Respondents' answers using Likert scale between (1)- strongly disagree to (5) -strongly agree.

Attitude toward change is defined as evaluative assessment of employees on initiation of change that the company implements (Pierce, Gardner et al., 1989). The questionnaire to measure attitude toward change consisted of three dimensions with a total of 14 items ( $\alpha = 0.9$ ); the dimension of cognition consisted of six items (I know that there is a useful relationship between remuneration in the organization and other activities within the organization), the affective dimension consisted of four items (when I think about remuneration in the organization, I feel excited), and dimensions of intent consisted of four items (I intend to provide advice on how to carry out remuneration in the organization). We asked the respondents to what extent they agree with each item.

## 4. THE EMPIRICAL RESULT

Based on Table 1, the three variables show a normal level of readiness, leadership, and attitude with a tendency above the mean. The Research used Confirmatory Factor Analysis (CFA) to test validity. The results show that the overall model showed good model adequacy results (RMSEA = 0.057; IFI = 0.867; TLI 0.854; CFI = 0.866;). The study used polynomial regression to analyze the curvilinear relationship. The equation was divided into 3, namely; (1) regressing predictors in the RTC, (2) regressing the square root of the predictor which has been raised to the power of two, (3) entering the predictor and the square of the predictor in the equation.

Polynomial test results show that the first hypotheses were supported. Transformational leadership had an inverted U-curvilinear influence, a condition in which readiness is at a low point in high transformational leadership conditions ( $\beta = -.068$ ; SE = .032). but the second hypotheses not supported. Attitude toward change not supports the readiness to change ( $\beta = .002$ ; SE = .000).

The research results show that TL had influence in the form of inverted U-curvilinear on RTC. Transformational leadership affects readiness to change. The leader's primary duty is to direct that change is in accordance with the goals, collect data, view patterns, build relationships, and explain changes.

**Table 1:** Result of Polynomial Regression

Independent variable	B	SE	
TL	.508**	.045	
TL <sup>2</sup>	-.068*	.032	
R <sup>2</sup>			.392
R <sup>2</sup> change			.009
AC	-.213***	.026	
ac <sup>2</sup>	.002***	.000	
R <sup>2</sup>			.137
R <sup>2</sup> change			.343

Note: N = 298. \*P<.05, \*\*P<.01; Dependent variable: readiness to change; TL = transformational leadership; AC = Attitude toward Change

Alimo-Metcalf and Alban-Metcalf (2004) describe the reasons for transformational leadership in the public sector for several reasons, namely: (1) showing the attention to the employee, the interest of a leader to always encourage his/her members through rewarding contributions, strengthening through mentoring and training, positive expectations from the achievement of his/her members; (2) giving authority. Transformational leaders give employees confidence to take important initiative or decision, delegate tasks effectively, and develop member potentials on an ongoing basis; (3) easy-to-reach. Easily approachable leaders choose to meet and conduct direct communication, (4) promoting planned and unplanned changes, encouraging continual inquiries about traditional approaches to work, encouraging new approaches and solutions to problems, and encouraging strategic thinking. All four of the above enable the members comfortable in implementing change, so they gain the perception that members are ready to make change, and errors in implementation are unlikely to be rewarded with punishment. Transformational leadership also contributes to improving staff perceptions of their positive perceptions, that motivation, satisfaction, efficacy, morale, and performance have been harmonized with the change program.

In certain situation, it is important for leader to realize that organizations sometimes have limited flexibility because of inherent rules and limitations. The leader is careful in choosing the change agent to keep the change process in the rule corridor. Organizations need to consider that they do not need members who always accept change without questioning the benefits of change for the organization. Organizations need to look for change agent that is open to facilitate the implementation of change program (Vakola& Nikolaou, 2005)

Opposite to hypothesis 1, the relationship between attitude toward change and readiness to change is in the form of U-Shaped. The result proposed that asymmetric information that may hold by employee (since the program relatively new). Readiness to change is high when attitude is low and high, while readiness is lowest when attitude in moderate level. When attitude either high or low, employee has a positive expectation, resulting high readiness. But when attitude in the moderate level, they received tons of information, consist of real information, unclear information, and assumptions. However, the mixed messages create confusions and resulting lowest level of readiness

## 5. CONCLUSION

This study provides empirical support to identify factors that may affect staff readiness in facing the change. The inverted U-relationship form of transformational leadership as predictor of staff readiness

to change, needs to be considered for policies related to implementation of remuneration. It is important to replicate in different organizational contexts.

The limitation of this study is the use of self-reports on RTC, ATC, and TL. Self-reports have a threat of bias response, and as a solution, respondents were allowed to be anonymous.

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