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HOW EXTERNAL ENVIRONMENT AND INTERNAL ORGANIZATION CONTRIBUTE IN COMMITMENT TO CHANGE? (STUDY AT ORGANIZATIONAL CHANGE IN STATE OWNED ORGANIZATIONS IN INDONESIA)

Abstract:

The success of organizational change was influenced by many factors, and some of them are the conditions of external environments and internal organization. This study is trying to identify the role and contribution of employee's perception about external environment and internal organization in relations with commitment to change. The study was conducted at financial state owned organizations with 539 respondents, using Organizational Trust and Organizational Task Environment as data collection tools. The study revealed that both perceptions of employee's about external environment and internal organization, (organizational trust), have positive and significant correlation and contributions in commitment to change. The results also showed that organizational trust have more contribution to commitment to change, compares to organizational task environment. The implications of the study can be used to strengthen the understanding about the process of organizational change, through increasing employee's commitment by boosting the two variables, namely organizational trust, and positive perceptions about external environments, especially organizational trust. This study also important in change management, as it was understood from the previous research that leader and its leadership style is important in the success of organizational change, however in this study it showed that as organizational trust is the important variable.

Keywords:

perceptions of external environment, internal organization, organizational trust, commitment to change.

JEL Classification: L20, L29

Introduction

Nowadays, every organization in order to compete and survive has to change, and as organization ins an open system, the success of organizational change was influenced by many factors, and some of them are the conditions of external environments and internal organization. In this regard, any kind of changes either in external organization or in international organization, will be affected the organization's effectiveness. However, not every organizational change program is sucessful, research showed that 70% of the change program was not successful (Miller, 2004), and one of the sources of this failure is connected with the resistance of people (Erikkson, 2003; Furst & Cable, 2008; Ford et al., 2008). As a result, support from the employee, in terms of commitment to change is needed (Wittenstein, 2008).

Objective of the study

This study is trying to identify the role and contribution of employee's perception about external environment and internal organization (organizational trust) in relations with commitment to change.

Literature review

Commitment to Change

Commitment to change, according to Herscovitch & Meyer (2002) is a force (mind-set) that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative. Furthermore, Herscovitch & Meyer mentioned that there are 3 dimensions of commitment to change, as follows: a) Affective Commitment to Change, refers to a desire to support a specific change being introduced in the workplace (based on positive feelings, forwards the change being implemented in the organization); b) Normative Commitment to Change, reflects a sense of obligation to be supportive, to provide support for the change; and c) Continuance Commitment to Change, recognition that there are costs associated with failure to provide support for the change.

Organizational Trust

Trust is defined as the expectation that another individual or group will (a) make a good faith effort to behave in accordance with commitments – both explicit or implicit, (b) be honest in whatever negotiations preceded those commitments, and (c) not take excessive advantage of others even when the opportunity exists. Cummings and Bromiley (in Darrough, 2006) mention that trust has dimensions as follows: a) Predictability (the keeping commitments dimension); b) Integrity (the negotiating honestly dimension; and c) Benevolence (the avoid taking excessive advantage dimension).

Organizational Task Environment

External environments play an important role in organizational change, as one of the sources in organizational change is because of the changes in the environments, as well as demands from external competitors, customers and other stakeholders. In this regard, Dess & Beard (1984) have mentioned about dimensions of environments that should be taken into consideration in management, especially in organizational change management.

These dimensions describe an approach to measure the task environment of organizations, using the data and schema developed to record resource transactions in the national social accounts. It were called Organizational Task Environments (OTE), consists of: 1) *Capacity*, is the extent to which the environment can support sustained growth of the organization (Beard & Dess, 1984); 2) *Environmental Dynamism*, turn over, absence of pattern and unpredictability are the best measures of environmental stability-instability (Dess & Beard, 1984). Dynamism should be restricted to change that is hard to predict and that heightens

uncertainty for key organizational members (Dess & Beard, 1984); and 3) *Environmental Complexity*, is the heterogeneity of and range of an organization's activities (Child in Dess & Beard, 1984).

Methods & Measures

Data Collection

Data was collected through 3 types of questionnaires, namely: 1) *Commitment to Change Inventory*, which was developed and modified to Indonesian language from Herscovitch and Meyer (2002), consists of 18 items from three dimensions: a) Affective commitment to change; b) Continuance commitment to change; and c) Normative commitment to change, and each dimensions consists of 6 dimensions; 2) *Organizational Task Environment*, consists of 3 dimensions namely, capability, dynamism and complexity; and 3) *Organizational Trust*, based on the concept of Cummings and Bromiley (in Darrough, 2006), consists of 3 dimensions namely a) Predictability, b) Integrity, and c) Benevolence. The validity and reliability was already tested its significance.

Sampling & Sample

Sample was collected from two financial state owned companies that had undergone some organizational changed, such as restructuring the organizational, development of strategic marketing, and changes on general system and procedures. Samples were chosen by convenience sampling. The numbers of participants were 539 respondents, with the characteristic as follows: permanent employees, minimum working in the company is 2 years, minimum education is senior high school, and the age is between 21–56 years old. The profile of the respondents are as follows: male (61.97%), range of age between 25–44 years old (78.29%), bachelor's degree (74.77%), staff (43.42%), length of works more than 10 years (51.95%).

Data Analysis

Data were analyzed using Descriptive Statistics, Multiple Regression, and SEM.

Results

The study revealed that both perceptions of employee's about external environment and internal organization (context, organizational trust) have positive and significant correlation and contributions in commitment to change. The results also showed that organizational trust have stronger contribution (12.5%) to commitment to change, compares to external environment (10.6%). It can be concluded that the higher trust from the employees to the organization will make the higher commitment to change of the employees. Moreover, the study also showed that the trust between employees to the organization/management, will be more important than conditions of the external environment. Results from SEM analysis also showed model fit in terms of the effect of organizational task environment, organizational trust to commitment to change. The results of descriptive analysis also showed that age and lengths of works have significant and positive correlation with commitment to change and organizational trust. It showed that the older of the employees and the longer they worked in the organization the higher their commitment to change and organizational trust.

Discussions, Conclusions, and Implications

The study showed that the trust between employees to the organization/management is important. This study was supported the previous study conducted by Kalyal, Saha, and

Kumar (2008), as well as the research done by Mangundjaya (2014) in telecommunication state-owned company, that showed organizational trust has positive and significant correlation with Commitment to Change.

The results also showed that age and lengths of works have significant and positive correlation with commitment to change and organizational trust. It showed that the older of the employees and the longer they worked in the organization the higher their commitment to change and organizational trust. This study is supported the previous study conducted by Mangundjaya (2014).

The implications of the study can be used to strengthen the understanding about the process of organizational change, through increasing employee's commitment by boosting the two variables, namely organizational trust, and positive perceptions about external environments, especially the organizational trust.

This study also important in change management, as it was understood from the previous research that leader and its leadership style is important in the success of organizational change, however in this study it showed that organizational trust is the most important in the organization. As a result, developing organizational trust, by developing more conducive organizational culture, and by developing harmonious relationship between employees and management is important. Furthermore, organization can also assign people who is senior in the organization to become the change agent, as according to the results they are more committed and have higher trust to the organization.

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