Organizational Commitment’s profile during the transformation and its relation to Employee Commitment to Change

(A study at oil company in Indonesia during large-scale organizational change)

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Abstract

Purpose - The purpose of this paper is to describe the profiles of organizational commitment and its role and impact to Employee Commitment to Change during large-scale organizational acquisition.

Design/methodology/approach – This paper based on the research about organizational commitment and commitment to change in Oil Company, discussion will be based on the concept and findings.

Findings - The results show that there is positive and significant correlation between Organizational Commitment, to Employee Commitment to Change. It shows that Organizational Commitment has positive and significant correlation with Commitment to Change. It also shows that although the three dimensions of Organizational Commitment (Continuance, Normative and Affective Commitment) has correlated with Commitment to change, however the Continuance Commitment has the highest score of correlation with the Commitment to Change. However, the study shows that continuance commitment has not correlated significantly with Continuance Commitment to Change.

Research limitations/implications – The findings will enrich the study about the relationship between the concept of Organizational Commitment and Commitment to Change, and also the role of organizational commitment to Employee Commitment in organization.

Practical Implications – Results will contribute to the implications of large-scale organizational transformation, as they will understand what kind of commitment that has the strongest impact to the Individual Commitment to Change

Originality/value – Few essays discussed about the relationship between organizational commitment and commitment to change in large-scale organization (Merger/Acquisition). This paper challenged the management about the relationship between Continuance and Affective Management and Commitment to Change.

Key words - Organization Change, Organizational Commitment and Commitment to Change.

Paper type - Research Paper
Introduction
In order to survive and compete, every organization has to change, and the success of this change lies in the employee, specifically in the employee commitment to change. As a result, understanding about how to achieve the commitment to change is very important. The role of employee/individual commitment in the organizational change process can therefore be argued to be a central one, both from the perspective of consolidating change and from the likely future success of ongoing change program. In this regard, as a change becomes more disruptive, individuals may experience increased levels of uncertainty, fear of failure, and/or loss of control. The study done by Mangundjaya & Facruddin (2012) show that during the process of M&A employee felt uncertainty and ambiguity about the condition of the organization, low trust, which leads to anxiety and stress. This kind of anxiety and stress will create negative perceptions and attitude toward change, as a result affecting final results of organizational transformation process. In order to face organizational transformation effectively, employee should possess Commitment to Organizational Change.

Organization Change
Organizations are created and developed on an assumption of continuity, in order to continue surviving, and to last (Burke, 2008). As mentioned by George & Jones, (2008): Organizational change is the movement of an organization away from its present state and toward some desired future state to increase its effectiveness.

In relation to types of organizational change, Jick and Peiperl (2011) mention that there are 3 types of organizational change as follows:

1) Development change; the improvement of a skill, method or condition that for some reason does not measure up to current expectation thus ‘to do better than’ or do more of what already exists. This might be considered fine tuning helping an organization stretch and thereby, change managing such changes is question.

2) Transitional change; is introduced in order to help an organization evolve slowly. Current ways of doing things are replaced by something new – for example, reorganization; a merger; the introduction of new products, services, processes, systems, technologies, and the like. This kind of change involves many transition steps, during
which the organization is neither what it once was nor what it aims to become. Such steps may include temporary arrangements, pilots, or phased operations, among many others.

3) Transformational change; does require a leap of faith for the organization, although often it is initiated when other options appear to have failed. It is typified by a radical re-conceptualization of the organization’s mission, culture, critical success factors, form, leadership, and the like.

Commitment to Change

The approach to employee commitment has been subsequently adopted by other researchers in the area. According to Herscovitch & Meyer, (2002), Commitment to change as a force (mid-set) that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative. This mind-set can be reflected to varying degree in three dimensions: a) desire to provide support for the change based on a belief in its inherent benefits to change (affective commitment); b) a recognition that there are costs associated with failure to provide support for the change (continuance commitment to change); and c) sense of obligation to provide support for the change (normative commitment to change. In other words, individuals can feel bound to support a change initiative because they want to, have to, and/or ought to.

Furthermore, Herscovitch & Meyer (2002) have mentioned that there are three types of Commitment to Change as follows:

1. Affective commitment to change (AC2C) 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). In the present study, this variable can be explained by stating that lecturers will stay with the university because they are emotionally attached to it-they feel it is best option for them to support the organizational change, based on emotional choice. Employees supports the organizational change because they want to, and they belief that change will be beneficial for the organization.

2. Normative commitment to change (NC2C) reflects a sense of obligation to be supportive (Herscovitch & Meyer, 2002). (The employees have internalized the values and goals of the organization). In the present study, this variable can be explained by stating that the employees will support with the organizational change because they feel they must do so, this is the feeling of external obligation-in other words, the employees support with the organizational change because they believe they have to.
3. Continuance commitment to change (CC2C) refers to the employees understanding that resistance to change is associated with specific costs to the company and to themselves; they remain committed due to the high cost of leaving. In the present study, this variable can be explained by stating that the employees will support the organizational change because they need to, because it would have too many consequences for them if they decided not to support the organizational change. In other words, the employees support the organizational change because they need to and because it would be too costly (financially or otherwise) to resist the change.

Organizational Commitment

Organizational commitment is an individual’s way of thinking of how much of his/her value and goals are in line with the organization, how to overcome the conflicts, and attachment to the organization. Furthermore, Meyer and Allen (1997) stated that there are three dimension of organizational commitment, namely:

1) Affective commitment is defined as the employee's positive emotional attachment to the organization. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization.

2) Continuance commitment is when a member of an organization commits to the organization because he/she perceives high costs of losing organizational membership.

3) Normative commitment is when a member of an organization commits to and remains with an organization because of feelings of obligation.

How Organizational Commitment influences employee work behavior are one of the interesting issues in the field of organizational behavior and organizational development. Table 1, below shows the characteristic of employee work behavior in each type of commitment.
Table 1
How Organizational Commitment Influences Employee Work Behavior

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Continuance Commitment</th>
<th>Normative Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Turnover Intention and Actual Turnover</td>
<td>Lower Turnover Intention and Actual Turnover</td>
<td>Lower Turnover Intention and Actual Turnover</td>
</tr>
<tr>
<td>Higher Job Performance and OCB</td>
<td>Lower Job Performance, No Impact on OCB</td>
<td>Higher Job Performance and OCB</td>
</tr>
<tr>
<td>Higher Attendance Rate</td>
<td>No Impact on Attendance Rate</td>
<td>No Impact on Attendance Rate</td>
</tr>
<tr>
<td>Lower Stress and Work Family Conflict</td>
<td>Higher Stress and Work Family Conflict</td>
<td>No Impact on Work Family Conflict</td>
</tr>
</tbody>
</table>


Characteristics Employee during Merger and/or Acquisition

Merger and or Acquisition can be regarded as one of large scale organizational transformation, as a result it will create specific environment which affecting employee as well. Some of the characteristic are mentioned below:

1. Every type of organizational change will create discomfort and anxiety. However, Anxiety during the process M&A can also result in self-survival instincts in which employees engage in political maneuvering to protect their status, power, and prestige (Pritchett et al. 1997; Schweiger, 2002; Cartwright & Cooper, 1993). Moreover, Pritchett et al. (1997) also mentioned that as people take steps to protect themselves, their careers, status, prestige and power, hidden agenda and political maneuvering become realities. In this situation, interactions between organizational members are often described as a power game, which resulted in destructive competition between people at all hierarchical levels will significantly detracts organizational goals and objectives (Buono & Bowditch, 1989).

2. During the period of transformation many employees were dissatisfied with the policy of compensation and benefits, and they demand organizational justice in terms of the HR policy, such as compensation and benefits, career and development. This issue was explained by the theory of Organizational Justice. In this regard
(Greenberg, in Cartwright & Cooper, 1993) mentioned that during M&A, employees pay close attention to how people are treated in terms of distributive, procedural, and interactional fairness. Other research also have consistently found that employees' perceived fairness of how both surviving and displaced employees were treated during the post-merger integration period, will substantially influenced their attitudes (psychological withdrawal) and behaviors (turnover) (Fried et.al, Gutknecht & Keys, in Cartwright and Cooper, 1993). It can be said that, in relation with Job Dissatisfaction, usually people satisfied at the job because of quality of the job as well as perceived organization fairness in many aspects.

3. The phenomena of “me issue’s has appeared during the process of transformation. The questions such as what about my career/position next, how is my salary compare to others, were found. During the process of M&A, there are anxieties and low trust exists, and people begin to increasingly fend for themselves, placing their self-interest well above that of the organization (Buono & Bowditch, 1989). In this regard, people take steps to protect themselves, their careers, status, prestige, and other benefits for them, and the phenomena of “Me issues (self-centered)” has appeared. As a result, instead of focusing their energies on the work process, these managers jockeyed for position with one another and attempted to enlist the support of their premerger employees. The resultant power struggles intensified the we versus them hostilities between the groups.

Methods

Data Collection

Data was collected through 2 types of questionnaire namely Organizational Commitment based on Meyer and Allen (1997) concept, and the second is Commitment to Changed developed and modified to Indonesian language from Herscovitch and Meyer (2002). The details of these questionnaires were shown in Table 2.
Table 2: Profile of the Instruments

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the Scale</th>
<th>Total Items</th>
<th>Reliability</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Organizational Commitment</td>
<td>9 items</td>
<td>α = 0.951</td>
<td>The scale is constructed from Meyer and Allen (1997) consists of 9 items with 3 dimensions of organizational commitment, affective commitment, continuance commitment, and normative commitment. The validity index is 0.788 and the Reliability is 0.951 with p &lt; 0.01</td>
</tr>
<tr>
<td>2.</td>
<td>Commitment to Change</td>
<td>12 items</td>
<td>α = 0.678</td>
<td>Constructed and Modified by Herscovitch and Meyer (2002). Consists of three dimensions: dimensions of organizational commitment, affective commitment, continuance commitment, and normative commitment. The validity index is 0.951 with p &lt; 0.01</td>
</tr>
</tbody>
</table>

*p<0.05, **p<0.01

Sampling

Sample was collected from the Oil Company that had passed the Large-Scale Organizational Change and transformation, as the Company was bought by the State Owned Oil Company. The number of participants are 339 respondents, which almost 80% of the population.

Data Analysis

Data were analyzed using Multiple Correlation, Pearson’s Correlation, and Regression.

Results

Results will be discussed in two parts, 1) discussing about the profiles of organizational commitment (before and after acquisition), and 2) will discuss about the correlation between organizational commitment and commitment to change.

Profiles of Organizational Commitment

Table 3 below will illustrate the profile of Organizational Commitment during Organizational Transformation.
Table 3: Profile of Organizational Commitment (Before-After) the Acquisition.

<table>
<thead>
<tr>
<th>Types of Organizational Commitment</th>
<th>Score (Before the Acquisition)</th>
<th>Score (After The Acquisition)</th>
<th>Gap (After – before)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment in general</td>
<td>4.28</td>
<td>4.23</td>
<td>-0.05</td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>4.11</td>
<td>3.86</td>
<td>-0.25</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>3.76</td>
<td>4.75</td>
<td>+ 0.99</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>4.96</td>
<td>4.08</td>
<td>- 0.88</td>
</tr>
</tbody>
</table>

From the result above, it can be seen that during the process of transformation the Organizational Commitment shows different profile. It shows that Organizational Commitment in general has been slightly decreased, followed by decreasing in Normative Commitment and Affective Commitment. On the other hand, Continuance Commitment during the transformation process has been increased significantly. It can be concluded that people during transformation era, is more focusing on the issues that makes them more comfortable, such as salary, facilities, welfare and those issues make people bond to the organization more than feeling of loyalty, pride and love to the organization (Affective Commitment).

2. Relation and impact of Organizational Commitment to Commitment to Change

In order to understand how organizational commitment contributes to commitment to change, regression analysis were conducted as appear in Table 2.

Table 4: Relationship between Organizational Commitment, and Commitment to Change (C2C).

<table>
<thead>
<tr>
<th>Correlation Variables</th>
<th>R</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment and C2C</td>
<td>0.350*</td>
<td>0.120</td>
</tr>
<tr>
<td>Normative Commitment and C2C</td>
<td>-0.195*</td>
<td>0.038</td>
</tr>
<tr>
<td>Continuance Commitment and C2C</td>
<td>0.365*</td>
<td>0.133</td>
</tr>
<tr>
<td>Affective Commitment and C2C</td>
<td>0.270*</td>
<td>0.073</td>
</tr>
<tr>
<td>Normative Commitment and Normative C2C</td>
<td>0.246*</td>
<td>0.058</td>
</tr>
<tr>
<td>Continuance Commitment and Continuance C2C</td>
<td>-0.076</td>
<td>0.003</td>
</tr>
<tr>
<td>Affective Commitment and Affective C2C</td>
<td>0.221*</td>
<td>0.046</td>
</tr>
</tbody>
</table>

*significant at p<0.05

Based on the Table 4 above, it shows that in general Organizational Commitment has positively correlated with Commitment to Change, followed with the significant correlation of the three
dimensions of Organizational Commitment to the Commitment to Change, in which Continuance Commitment has negatively correlated with Commitment to Change. Furthermore, when the researcher to measure the correlation between each of the three dimensions or Organizational Commitment to Commitment to Change, it shows that the two commitments (Affective and Normative) has positively correlated with Affective and Normative Commitment to Change. However, Continuance Commitment was not significantly correlated with Continuance Commitment to Change.

**Discussion**
The findings of the study show that the Organizational Commitment has positively correlated with the Commitment to Change. This study was supported the previous study done by Rashid & Zhao (2010) who found that Organizational Commitment has positively correlated with Commitment to Change. This study also supported the previous study done by Rashid & Zhao (2011), who said that Career Commitment has positively correlated with Commitment to Change. Furthermore, Fuchs & Edwards (2011), and Cobb et al. (in Shum, Bove & Auh, 2008) studied the aspects of Fit with Vision has positively correlated with Commitment to Change. According to them, successful companies who have a vision that is bigger than them will make a positive impact in the world around them, and consequently, individual fitness with organizational vision shows positive correlation with Individual Commitment to Change. Furthermore, Organizational Justice, according to Parish et al. (2008) was also found to be positively correlated with Commitment to Change. In this regard, Career Commitment, Fit with Vision and Organizational Justice can be categorized into variables in Continuance Commitment. However, this study has challenged the previous study that mentions only Affective Commitment to Change that plays an important role in the success of organizational change (Langvardt, Guy D, 2007). As a result, further studies in other types of organization who undertake large scale of transformation is needed.

**Recommendations for Practice,** The objective of this study not only for the development of the knowledge about the Commitment to Change but also for practical benefits. The followings are implications of this study for management and organizations involved in change implementation. First, management should identify, what kind of organizational commitment’s variables that can develop employee’s commitment to change; Second, as Merger and Acquisition is a type of large-scale transformation that creates many
Anxieties and Me issue’s attitude, organization and management should pay more attention to employee’s need in order to achieve effective and successful transformation.

Concluding Remarks.

The implications of this study shows that individual commitment to change is important to be studied extensively as commitment to change has positive impact to the organizational effectiveness, such as 1) Improved Performance (Parish et al., 2008) that mentions strong individual commitment to change will have an impact on improved performance; 2) Implementation Success, Parish et al. (2008) as well as Herold et al. (2007) found that high individual commitment to change has positively correlated with the implementation of change success and 3) Individual Learning, Parish et al. (2008) shows a positive correlation between individual commitment to change and individual learning.

In this regard, many activities can be done by management to develop employee’s commitment to change, such as showing management and organizational supports (Rhoades, L.; Eisenberger, R.; and Armeli, S. (2001), developing a good career path (Rashid, H., & Zhao, L., (2010). Management can also increase employee’s commitment by reinforcing behavior that reflects a desire to acquire knowledge and disseminate knowledge (Narine & Persaud, 2003). Moreover, management should provide training for those who need to develop their skills and abilities, and last management must also provide Coaching, Mentoring and Counseling programs for those who tend to resist the transformation programs.

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