The Role of Leader in Organizational Change

Wustari L.H.Mangundjaya
Faculty of Psychology, Universitas Indonesia
wustari@yahoo.com

Abstract
Organizations have to struggle to overcome uncertainty and meet the demands of the customers, as a result organizations have to change. There are many factors that will impact on the organizational change’s effectiveness and one of it is the role of leader. The objective of this study is to identify the role of leader during organizational change. The study was done in three organizations who have conducted a large organizational change namely merger, This study was done using a qualitiative research design, using in-depth interviews and focus group discussion, with 40 first echelon officers. The results showed that leader has an important role in developing trust to the organization, as well as creating a sense of belongingness. In this regard, the lack of trust between employees to the organization and to the leaders will have an impact on team cohesiveness and conducive organizational climate. Keywords: Organizational Change, Leader, Leadership, Organizational Trust.

1. 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. However, 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) showed that during the process of merger employee felt uncertainty and ambiguity about the condition of the organization, followed by 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, organization should provide organizational supports for the employee, and one of the support comes from the leader as the change agent.
2. Objective of The study

The objective of the study is to identify the role of leader during the process of large-scale organizational change (Mergers).

3. Literature Review

3.1. The Psychological characteristic condition during Merger

There are psychological conditions that influence employee as follows:

a. Uncertainty and ambiguity, followed with the feeling of anxiety

Merger is one of organizational change intervention that typically involves in large-scale organizational change, so just like any other change program; it can be a significant source of anxiety, although the degree of anxiety may vary across individuals (Buono & Bowditch, 1989). Such organizational combinations can create a lack of clarity about the future of the company. This lack of information, often compounded by rumor and gossip, creates a high level of anxiety in people’s lives. Moreover, Cartwright & Cooper (1993) mention that employees will experience a high degree of anxiety when facing the possible occurrence of merger, and this anxiety can manifest itself in different ways for different organizational members at different stages of the merger process, as the employee try to cope with uncertainty by often predicting the worst case scenario and the impact of the merger on their future jobs and careers.

b. Low of trust

One of the major human dynamics set off by merger is decreased trust in organization (Pritchett, 1997), and in general distrust can magnify the effect of other sources of resistance to change. In this regard, mutual mistrust may encourage a leader to be secretive about the reasons for change, thereby further increasing suspicion and resistance. Employees who had a low level of trust to begin with, become increasingly mistrustful of the firm and its management. In many instances, they may even become overtly and covertly antagonistic toward and paranoid about the combination. Moreover, Buono & Bowditch (1989) mention that even organizational members who were initially supportively or willing to give the company the benefit of doubt perhaps often become skeptics or even cynics, scrutinizing and
viewing with suspicion every remark or statement by management. According to Schweiger (2002), managers who lie or fail to keep promises immediately will lose the loyalty and commitment of their employees, which can reinforce employee judgments for exits.

c. Loss of Status and Identity

Merger typically involves one or both organizations abandoning an old and adapting to a new organizational identity. Social identity theory predicts that during the process of change, employees will react by clinging to their own group and trying to attain a positive position for their own group in the new organization (Haunschild et al. in Cartwright & Cooper, 1993)

d. Lack of communication and Low openness

During the process of merger, organizational members begin imagining the worst thing about the consolidation as rumors and worst case scenarios are continually passed around the organization (Buono & Bowditch, 1989). In this regard, communication, particularly gossip, and trust are explored. In order to face this, Marcer (2005) mentions that in any merger process, management must focus on communications as a priority for maintaining productivity and stakeholder confidence, both inside the company and in the market place. In this regard, a key tool used by organizations during merger to foster a positive transition is via sharing information and communication (Shah in Searle & Ball, 2004).

e. Culture Conflict/Clash

During the process of merger, acculturative conflict/clash can happen if the combining organizations do not agree on the desired mode of integration (Buono and Bowditch, 1989). Culture clash is a phenomenon that has been well documented in the merger’s literature (Cartwright & Cooper, 1993). Culture clashes arise when people first notice the differences in ways of doing things (differences in communication style, planning, managerial authority, commitment, monitoring, teamwork, and others), which leads to attacking the other side and defending their own. Culture clash is even more likely when people feel threatened by the combination and losing their accustomed way of doing things.
**f. Lack of teamwork and synergy (intergroup competition)**

In the process of merger, intergroup problem often arise, involving groups with conflicting purposes or objectives. This condition known as intergroup competition that emerges when a group desires or pursues one goal while directly opposing the values of another group. Further, the competition becomes a classic *Pogo-type problem: We have met the enemy and it is us* (Kelly in Brown, 2011).

**g. Strong organizational politicking**

Changes that threaten to lower the status or prestige of the individual or group will probably affect the anxiety. When a proposed change appears to be detrimental to the vested interest of any group, the group will resist the change. In this case, reorganization invariably implies a redistribution of power and influence, and individuals or groups who perceive a change as lessening their influence will strongly resist it (Brown, 2011). These two conditions (threat to position power and redistribution of power), will create lots of organizational politicking. Furthermore, anxiety during the process of merger 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. Interactions between organizational members are often described as a power game, and the result of destructive competition between people at all hierarchical levels will significantly detracts organizational goals and objectives (Buono & Bowditch, 1989). As a result, this condition can create destructive competition that negatively impacts organizational performance.

**h. Job Dissatisfaction.**

Using the theory of Organizational Justice, researchers mentioned that during merger, employees pay close attention to how people are treated in terms of distributive, procedural, and interactional fairness (Greenberg, in Cooper & Cartwright, 1993). The merger’s researchers 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 Cooper and Cartwright, 1993).
i. Self Perseverance (Self-Centered Activities)

During the process of merger, anxieties and low trust exists. Once trust begins to break down in an organization, 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.

j. Anger, Hostile, Frustration, Stress and Distress.

During the process of merger initially employees experienced shock, disbelief and grief. These emotions were followed by resentment, anger and/or depressions. This situation it is common for employees to high degree of anger, especially for long-term employees, managers and directors (Sinetar, 1981). Furthermore Sinetar (1981) mentions that managers and directors for example enter the field with a desire to provide structure, control and order to the organization. By exerting personal control over their company and their departments they are able to make a contribution to the organization and feel successful. During the process of merger, employees no longer feel in control, their personal power has lost, and he is no longer know what the future holds or where they stand in the organization. Furthermore, the perceived of low trust and threat of position/ job loss can also lead to increase worry and feelings of distress.

3.2. The Role of Leader during Organizational Change

The role of leader in organizational change cannot be denied in organizational change, as leader has to take initiative and accommodate all stakeholder ideas (Randall & Coakley, 2007). Furthermore, Tobias (1993), and Fulan (2008) stressed that leader can have an impact on organizational performance and/or the effectiveness of organizational change. In relation to the role of leader in organizational change, research shows that:

a. With an accurate leadership of the leader, employee can be more involved in the organizational change (Reinhard, 2007).

b. One of the leader role is to direct and guide employee and organization to achieve the planned change (Chew etal., 2006; Hawkins, 2005).
c. Leader is perceived as a key success/failure in organizational change. (Drucker, 1999; Gill, 2003),

d. Leader is perceived as the one that responsible for the success of organizational change as the role of a leader as a Change Agent (Ahn, Adamson, & Donsbusch, 2004; Nannus 1992),

e. Leader should be able to guide, and encourage his/her follower to achieve the organizational change (Jones, 2011). As a result, as a leader, he/she should be able to influence his/her follower to perform desirable positive behavior toward organizational change. (Gibson et al., 2012, Antoni, 2004, Roda 2007).

3.3. Change Leadership

Herold (2008) and Liu (2010) stated that change leadership behaviors target at the specific change consist of visioning, enlisting, empowering, monitoring, and helping with individual adaptation. (Herold, 2008; Liu, 2010). Moreover, Liu (2010) mentioned that there are two factors in Change Leadership namely, a) Leaders’ Change Selling Behavior, action that attempts to promote the change during the unfreezing stage, make it clear why the change was necessary, b) Leaders Change Implementing Behavior, action to push a change forward and consolidate success throughout the implementation.

4. Methods and Measures

Data were collected by in-depth interview, FGD and workshop during the activities of Whole System Transformation, and were categorized and analyzed by ranking.

5. Results

The results from interviews and focus group discussion are shown in Table 1.
Table 1: Variables that have an impact in organizational change

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Results</th>
<th>Total Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Synergy</td>
<td>6</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Openness/Transparency</td>
<td>5</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Communication</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Organizational Trust</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Organizational Justice</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Organizational Culture</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Leader &amp; Leadership</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

The result showed that although leader is important in organizational change, however the position of leader and synergy is in the third place compared to openness, organizational justice (the second place), communication and organizational trust in the first place. In other word, the role of leader is important in creating good communication, establishing organizational trust, organizational justice, openness, and synergy. Without these skills, the role of leader is less important to achieve successful organizational change.

6. Limitations of the study

This study is based on qualitative data collected from Interview, Focus Group Discussion (FGD), and Total Participative Transformation activities. In this regard, data gathering from quantitative methods will create more understanding about the process of mergers. Moreover, these study only involving First Echelons, and Board of Directors, allowing more respondents at different hierarchical levels will enriching the data of employees in general.

7. Discussion & Conclusion

This study found that leader is important in organizational change, however the role of leader should be in line with establishing organizational trust; create effective and openness communication and well as developing synergy. Without these skills, the role of leader is less important. These findings also supported previous research by Mangundjaya (2013) that showed change leadership has no significant correlation with employee commitment to change. Nevertheless, a good leader is still very important to achieve planned organizational change and act as a Change Agent (Ahn, Adamson, & Donsbusch, 2004; Nannus 1992).
References


Mangundjaya, Wustari (2013), *The impact of change leadership, change communication, organizational and individual readiness for change to commitment to change*. Faculty of Psychology Research Publication. Limited Publication.


Rousseau & Tijoriwala (1999), What’s a good reason to change? Motivated reasoning and social accounts in promoting organizational change. *Journal of Applied Psychology*, 84, 514-528.


