

# **THE IMPORTANCE OF TRANSFORMATIONAL LEADERSHIP IN ENHANCING COMMITMENT TO CHANGE**

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## **Abstract**

Transformation is a dynamic thing. It's happen for all the organization component as well. Whereas it's a fundamental thing to overcome all the occasion. During the time, the organization needed full supportive from each component. One of these supports could be seen from the commitment of organizational members to the change itself. In the process of organizational change, commitment and readiness to change from all members are needed. Leaders have an important role in organizational change. Support and motivation from leaders are needed by organizational members so the organizational members are committed to organizational changes. This study aims to identify the contribution of transformational leadership to commitment to change. The method in this study uses a Structural Equation Model (SEM) based on variance, namely Partial Least Square (PLS).

Keyword: Commitment to Change, Transformational Leadership, Structural Equation Modelling Partial Least Square

Transformation commonly happen even in the business area. Industrial environment transformational bringing out significant impact on the sustainability of the company. Companies must have survived these challenges in order to stand up in a very competitive business environment. Generally, there are two things that have impact to make organizational changes. First, external factors are factors from outside the organization that can impact organizational performance, such as technological developments, economics, and government regulations. Second, internal factors are the transformation that comes from within the organization itself, such as problems in the relationship between members of the organization, cooperation processes and finances (Rabani, 2013). Dynamic business environments require companies to be closer to their customers. CV Restu Duta Niaga as a distributor of PT Unilever Indonesia in the Yogyakarta area designs a supply chain that is expected to be able to provide every customer needed. CV Restu Duta Niaga is currently making organizational changes to be able to respond to the challenges of the existing business environment. The change is the opening of a new branch office in CV Restu Duta Niaga. It's happen because of the increasing demand from consumers, so the effective and efficient distribution channels were needed. In addition, there was request from PT Unilever Indonesia, because CV Restu Duta Niaga has a good track record. The consequence are the employees were placed in new positions in the new branch office and the other employees were transferred to other divisions.

This change has an impact on employees. Some employees will resistance. This could be caused by organizational members past experiences who have failed, negative perceptions of change, that transformation will not be able to achieve the goals (Choi, 2011). When transformation was introduced, many people will react in many emotional way. It's called, employees start with resistance, then move to the let it go phase end with commitment (Anderson and Anderson, 2010). On the other hand, transformation not only avoids resistance, but also requires commitment from employees. Commitment is needed so these changes will running well and compatible with company goals. Commitment to change is defined as a coercion (mindset) that binds individuals to act, which is necessary for

the successful implementation of initiative change (Herscovitch and Meyer; 2001). Commitment to change divided into three dimensions, affective commitment to change, continuance commitment to change, and normative commitment to change (Allen and Meyer, 1990).

Frequently organizational change create a level of uncertainty which felt by every employee (Gopinath and Becker, 2000). Therefore, leader's role was needed to be able to reassure the employees that transformation is a commonly way and must be done to survive in the business area competetion. When the leader asking to change, the employees will response it whether resistance it or commit to the change. According to Bass and Riggio (2006) transformational leadership is issues throughout the transformation and change process. Transformational leadership behavior is an effective tool to counter employee cynicism that can harm the effective functioning of the organization (Bommer; 2005). This shows that the role of a transformational leader is needed to reduce cynicism towards change and influence organizational members to be committed to organizational change. Leaders can initiate development change well by sharing information about why performance should be improved and setting by development goals (Anderson and Anderson, 2010). The leader has responsibility to support the emotional transition of organizational members so their resistance can turn into commitment (Anderson and Anderson, 2010).

Based on this description, the research problem in this study to identify the relationship of transformational leadership on continuance commitment to change and normative commitment to change using the SEM with PLS method. This study aims to examine the effect of transformational leadership on continuance commitment to change and normative commitment to change. The results of this study provide an overview of the situation that occurs in the company. In addition, the company can accommodate every employee need in organizational change efforts, so the employees will be able to fully committed to the change.

## **Literature Review and Hypothesis**

Commitment to change is a psychological state that binds an employee to act which necessary for the successful implementation of initiative change. There are three types of commitment to change, (a) affective commitment to change, providing full supportive on believing in the inherent benefits. (b) Commitment to continual change, acknowledging costs which associated with failing to provide support. (c) Commitment to normative change, feeling of obligation to provide support for change (Herscovitch and Meyer, 2002).

According to Bass (1985) cited in Bass and Riggio (2006), transformational leaders are people who encourage and inspire followers to achieve extraordinary results, during the process, developing their own leadership capacities. Transformational leaders help followers grow and develop into leaders by responding to the needs of individual followers by empowering and aligning the goals and objectives of individual followers, leaders, groups, and the larger organization. There are four components in transformational leadership: (a) Idealized Influence, transformational leaders behave as role models for their followers. (b) Inspirational Motivation, transformational leaders behave in ways that motivate and inspire those around them by providing meaning and challenges to their work for their followers. (c) Intellectual Stimulation, transformational leaders encourage their followers to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways. (c) Individual Consideration, transformational leaders pay special attention to the needs of each follower for achievement and growth by acting as a coach or mentor.

If there is one generalization that can be made about leadership and change: no one change can happen without committed followers (Bennis, 2000 cited in Meyer et al., 2007). One of the required leadership is transformational leadership. Each component of transformational leadership can help build follower commitment in a different way. The ideal influence is wanting to imitate the leader or identify the leader emotionally which leads to identification with the leader's goals, interests, and values. A leader who is a role model for his followers, and one who behaves consistently with the values he or she supports, can more easily build commitment to the group or to the organization's values, goals, or standards of behavior. Leaders use inspirational motivation to build emotional commitment to a mission or goal. Physical and emotional evoke excitement in the process. Values, beliefs, and responsibilities are all driven by transformational leaders (Bass and Riggio; 2006).

Based on this description, the hypothesis on this study:

H<sub>1</sub>: Dimensions of Transformational Leadership such as Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration have a positive effect on Continuance Commitment to Change.

H<sub>2</sub>: Dimensions of Transformational Leadership such as Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration have a positive effect on Normative Commitment to Change.

## Methods

The method used in this study is a quantitative method. This research was conducted on employees of CV Restu Duta Niaga as the distributor of PT Unilever Indonesia in the Yogyakarta area. The data collections method used primary data, using a questionnaire that distributed to all employees of CV Restu Duta Niaga. Likert scale used in the questionnaire with an assessment of 1-5. Furthermore, the data obtained were processed and analyzed descriptively and inferentially.

## Findings and Discussion

The results of this study consisted of 37 respondents. All respondents are employees of CV Restu Duta Niaga Yogyakarta. Characteristics of respondents consisting of gender, age, education, department, position, and long work as an employee of CV Restu Duta Niaga are shown in **table 1**.

Tabel 1 Sample Characteristics and Percentage

| Tabel 1 Sample Characteristics and Percentage |                        |                |
|-----------------------------------------------|------------------------|----------------|
| Characteristics                               |                        | Percentage (%) |
| Gender:                                       |                        |                |
| a                                             | Male                   | 81%            |
| b                                             | Female                 | 19%            |
| Age                                           |                        |                |
|                                               | 17-20 years old        | 3%             |
|                                               | 21-25 years old        | 24%            |
|                                               | 26-30 years old        | 32%            |
|                                               | 31-35 years old        | 8%             |
|                                               | 36-40 years old        | 8%             |
|                                               | > 40 years old         | 24%            |
| Education                                     |                        |                |
|                                               | Junior High School     | 14%            |
|                                               | Senior High School     | 62%            |
|                                               | DIPLOMA                | 22%            |
|                                               | Bachelor Degree        | 3%             |
| Long Work                                     |                        |                |
|                                               | 1-3 years              | 89%            |
|                                               | 3-5 years              | 8%             |
|                                               | > 5 years              | 3%             |
| Department                                    |                        |                |
|                                               | Administration         | 11%            |
|                                               | Sales                  | 70%            |
|                                               | Warehousing            | 19%            |
| Position                                      |                        |                |
|                                               | Manager                | 3%             |
|                                               | Head of Administration | 3%             |
|                                               | Head of Warehousing    | 3%             |
|                                               | Supervisor             | 3%             |
|                                               | Admin Staff            | 3%             |
|                                               | Finance Staff          | 3%             |
|                                               | Delivery               | 27%            |
|                                               | Sales                  | 38%            |
|                                               | Operator               | 3%             |
|                                               | Warehouse Helper       | 14%            |
|                                               | Security               | 3%             |

(source: primary data)

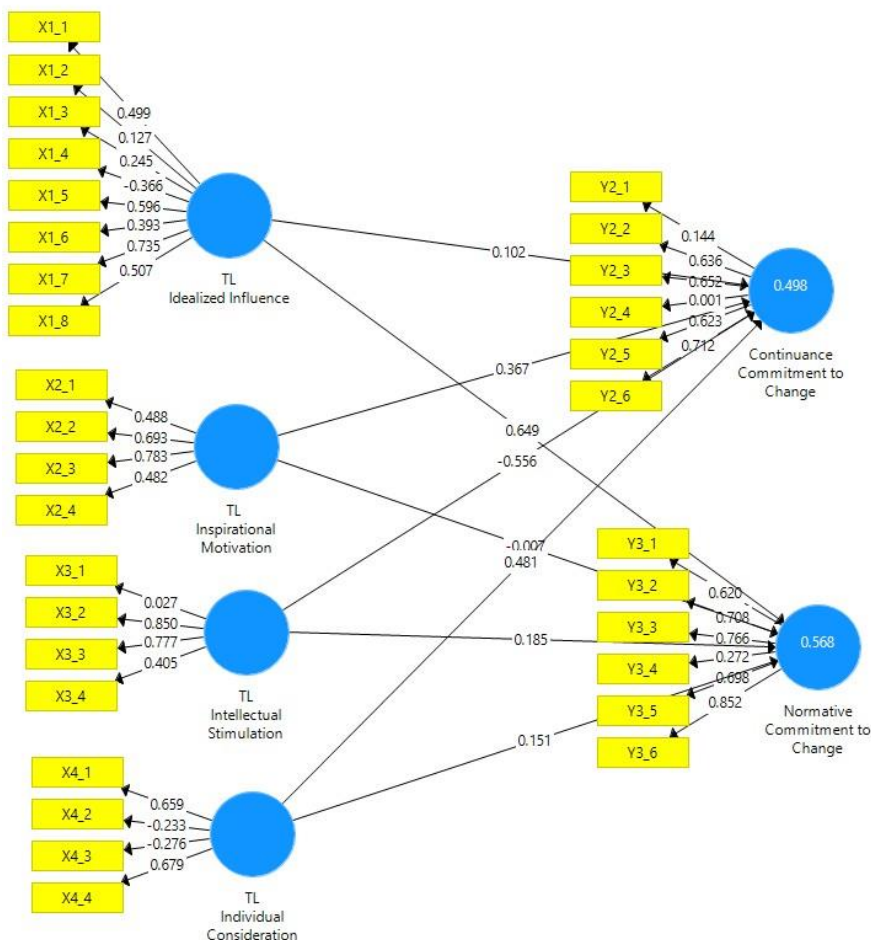


Figure 1: Model 1 SEM PLS continuance and normative commitment to change

Based on the loading factor, it is said to be valid if the loading factor value is more than 0.5, so some of the indicators above need to be removed, X1\_1, X1\_2, X1\_3, X1\_4, X1\_6, X2\_1, X2\_4, X3\_1, X3\_4, X4\_2, X4\_4, Y2\_1, Y2\_4, and Y3\_4. SEM-PLS remodeling in Figure 1 becomes as follows.

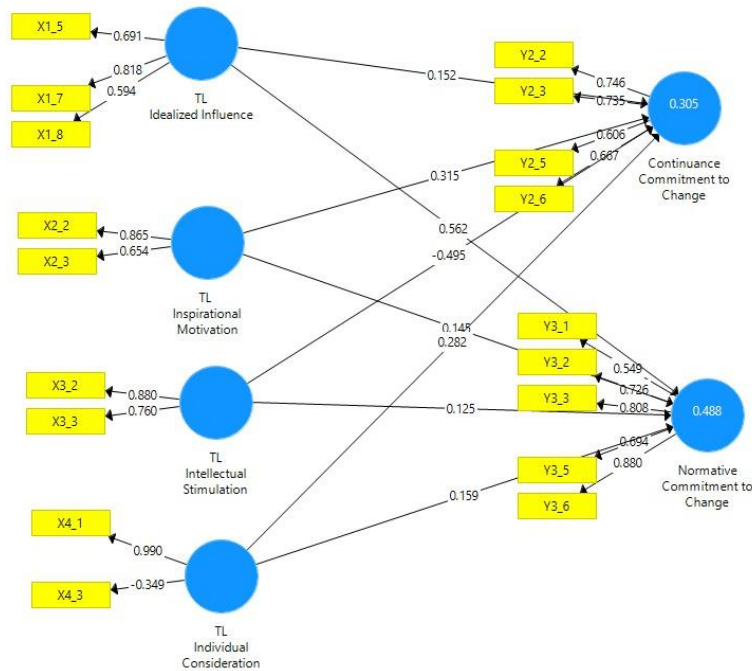


Figure 2. Model 2 SEM PLS continuance and normative commitment to change

Figure 2 is a model 2 of SEM-PLS after several invalid indicators were removed. In the X4\_3 indicator, there are values that still do not meet the criteria, so the indicator needs to be removed as well. Based on this, the following model is obtained.

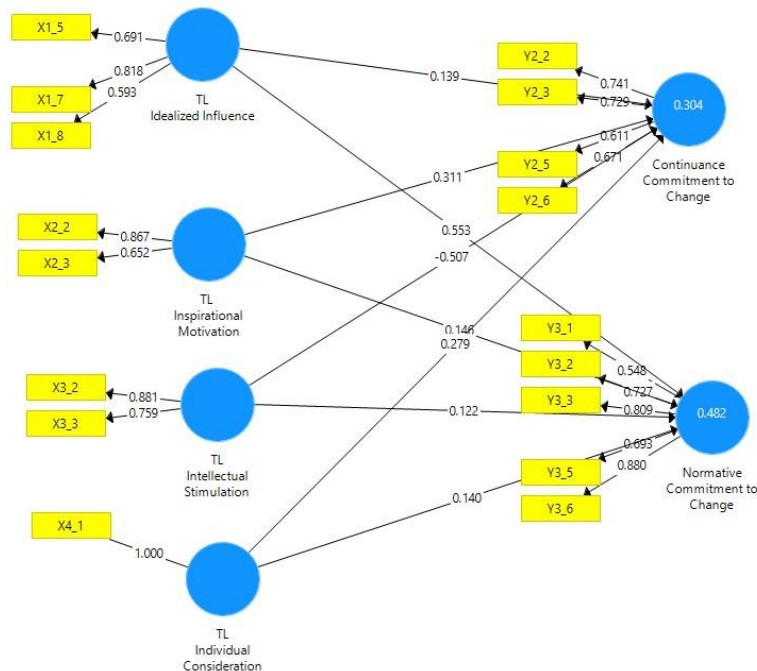


Figure 3. Model 3 SEM PLS continuance and normative commitment to change

Figure 3 is the 3 SEM-PLS model after the X4.3 indicator is removed. The next step is bootstrapping. The results of bootstrapping after removing invalid indicators are as follows.

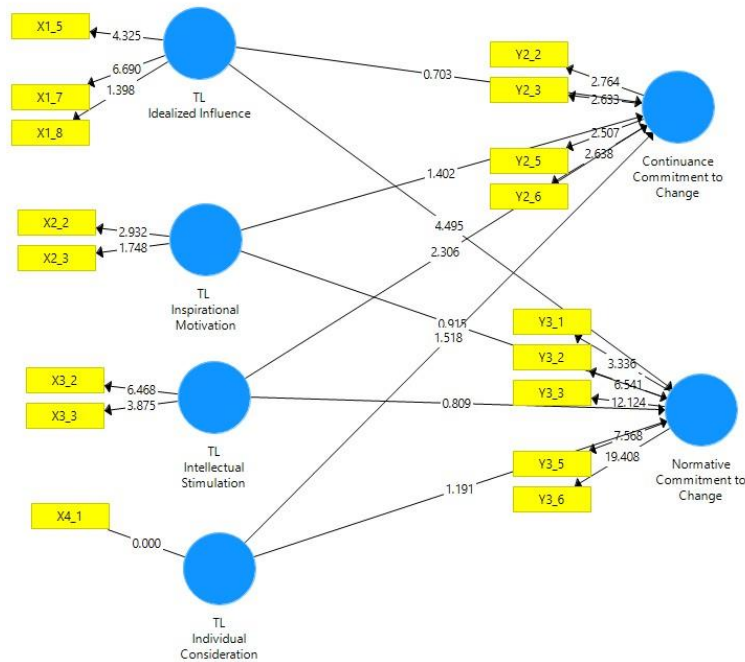


Figure 4. Model 4 SEM PLS continuance and normative commitment to change

Figure 4 is a model of 4 SEM-PLS after bootstrapping. Based on the results of bootstrapping, there are two components of transformational leadership that have a positive and significant influence on commitment to change, there are idealized influence that affects on normative commitment to change and intellectual stimulation that affects on continuance commitment to change.

### Hypothesis Test

Tabel 2 Hasil Perhitungan *Bootstrapping* Data Penelitian

|                                                                        | Original Sample Estimate (O) | Sample Mean (M) | Standar Deviation (STD) | t Statistics (IO/STDEVI) | P Value |
|------------------------------------------------------------------------|------------------------------|-----------------|-------------------------|--------------------------|---------|
| Idealized Influence (II) (X1) -> Continuance Commitment to Change      | 0.139                        | 0.159           | 0.198                   | 0.703                    | 0.482   |
| Idealized Influence (II) (X1) -> Normative Commitment to Change        | 0.553                        | 0.580           | 0.123                   | 1.495                    | 0.000   |
| Inspirational Motivation (IM) (X2) -> Continuance Commitment to Change | 0.311                        | 0.278           | 0.222                   | 1.402                    | 0.162   |
| Inspirational Motivation (IM) (X2) -> Normative Commitment to Change   | 0.146                        | 0.152           | 0.160                   | 0.915                    | 0.360   |
| Intellectual Stimulation (IS) (X3) -> Continuance Commitment to Change | 0.507                        | 0.463           | 0.220                   | 2.306                    | 0.022   |
| Intellectual Stimulation (IS) (X3) -> Normative Commitment to Change   | 0.122                        | 0.175           | 0.150                   | 0.809                    | 0.419   |
| Individual Consideration (IC) (X4) -> Continuance Commitment to Change | 0.279                        | 0.257           | 0.184                   | 1.518                    | 0.130   |
| Individual Consideration (IC) (X4) -> Normative Commitment to Change   | 0.140                        | 0.114           | 0.117                   | 1.191                    | 0.234   |

Sumber: Output data primer yang diolah, 2021



Based on the output results in table 2 T statistics for the idealized influence variable (X1) on continuance commitment to change (Y) of  $0.703 < 1.96$ . The original sample estimate value shows a positive value of 0.139 which indicates that the direction of the relationship is positive. The P Value is  $0.360 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, idealized influence has a positive but not significant effect on continuance commitment to change.

Based on the output results in table 2 T statistics for the idealized influence variable (X1) on the normative commitment to change (Y) of  $1.495 < 1.96$ . The original sample estimate value shows a positive value of 0.553 which indicates that the direction of the relationship is positive. The P Value is  $0.000 < 0.05$ , which means it is significant. Thus the hypothesis is accepted, idealized influence has a positive and significant effect on normative commitment to change.

Based on the output results in table 2 T statistics for the variable inspirational motivation (X2) on continuance commitment to change (Y) is  $1.402 > 1.96$ . The original sample estimate value shows a positive value of 0.311 which indicates that the direction of the relationship is positive. The P Value is  $0.162 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, inspirational motivation has a positive but not significant effect on continuance commitment to change.

Based on the output results in table 2 T statistics for the variable inspirational motivation (X2) on normative commitment to change (Y) is  $0.915 < 1.96$ . The original sample estimate value shows a positive value of 0.146 which indicates that the direction of the relationship is positive. The P Value is  $0.360 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, inspirational motivation has a positive but not significant effect on normative commitment to change.

Based on the output results in table 2 T statistics for the variable intellectual stimulation (X3) on continuance commitment to change (Y) of  $2.306 > 1.96$ . The original sample estimate value shows a positive value of 0.507 which indicates that the direction of the relationship is positive. The P Value is  $0.022 < 0.05$ , which means it is significant. Thus the hypothesis is accepted, intellectual stimulation has a positive and significant effect on continuance commitment to change.

Based on the output results in table 2 T statistics for the variable intellectual stimulation (X3) on normative commitment to change (Y) is  $0.809 < 1.96$ . The original sample estimate value shows a positive value of 0.122 which indicates that the direction of the relationship is positive. The P Value is  $0.419 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, intellectual stimulation has a positive but not significant effect on normative commitment to change.

Based on the output results in table 2 T statistics for the individual variable consideration (X4) on continuance commitment to change (Y) is  $1.518 > 1.96$ . The original sample estimate value shows a positive value of 0.279 which indicates that the direction of the relationship is positive. The P Value is  $0.130 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, individual consideration has a positive but not significant effect on continuance commitment to change.

Based on the output results in table 2 T statistics for the individual consideration variable (X4) on the normative commitment to change (Y) of  $1.191 < 1.96$ . The original sample estimate value shows a positive value of 0.140 which indicates that the direction of the relationship is positive. The P Value is  $0.234 > 0.05$ , which means it is not significant. Thus the hypothesis is rejected, intellectual stimulation has a positive but not significant effect on normative commitment to change.

## Findings and Discussion

The results of this study indicate that the four dimensions of transformational leadership have an influence on commitment to change, continuance commitment to change and normative commitment to change. Referring to the statistical results, only two dimensions that have a positive and significant effect, idealized influence on continuance commitment to change and intellectual stimulation on normative commitment to change. Research by Selvarajah and Meyer (2008) shows that managerial behavior is one of the important components related to leadership. Two dimensions of transformational leadership style, idealized influence and intellectual stimulation positively have a relationship with all dimensions of commitment to change. This is because idealized influence is an action that can be directly felt by followers. Leaders can become role models by their followers (Bass & Avolio; 1995). In addition, the intellectual stimulation dimension encourages followers to be able to think creatively and see problems from various perspectives and look for alternative solutions. In organizational change, the leader has an important role to generate commitment. When leaders demonstrate a transformational leadership style, employees will achieve a much higher level of commitment than transactional leaders (Walumba and Lawler, 2003). Transformational leadership provides the needs in the organizational change process for each of its followers. Leadership style as a valuable approach to achieve commitment to change as well as exploring the phenomenon of transformational leadership style on commitment to change (Lo, et.al, 2010).

## Conclusions and Suggestions

Based on the results of the study, it can be concluded that transformational leadership has an important role in organizational change efforts. The leader becomes the liaison between the organization and the members of the organization. Transformational leadership provides the needs of organizational members in organizational change efforts. When the needs of members of the organization have been met, a commitment from the member will emerge, in this case a commitment to change. This study has provided empirical evidence that transformational leadership is a motivating factor for organizational members to commit to organizational change.

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