Managing Employee Performance: From Leadership to Readiness for Change

Masduki Asbari¹, Dylmoon Hidayat², Agus Purwanto³

¹,²,³ Universitas Pelita Harapan, Jakarta, Indonesia
*Corresponding author: kangmasduki.ssi@gmail.com

Abstract - This study aimed to measure the effect of transformational leadership and readiness for change on employee performance of the employee of a chemical industry. In this study, readiness for change is mediating variable. Data was collected from 220 returned questionnaire of samples taken by random sampling. Data was analysed using SEM method with SmartPLS 3.0 software. The results of this study showed that transformational leadership had a significant effect on readiness for change, transformational leadership and readiness for change have a significant effect on the employee performance, readiness for change have a positive and significant effect on the relationship between transformational leadership and employee performance. Readiness for change functioned as a partial mediator. This new research proposed a model for managing employee performance among the employee of the chemical industry in Indonesia through developing transformational leadership practice with readiness for change as a mediator. This research could pave the way to improve employee readiness in facing the era of industrial revolution 4.0.

Keywords: Employee performance, readiness for change, transformational leadership.

I. INTRODUCTION

In most companies, the industrial revolution era 4.0 is an absolute phenomenon and is unavoidable. A company should own a strategy that can do transformation and innovation to deal with this issue. This strategy could help the company and other businesses that have been built to not get affected by the era and inhibit its development. A company should also own a map that is integrated, so the direction of business development can be seen clearly. In between the strategy that is urged to be noticed is the readiness for change in every organization, especially to the global business organization. The global competition in this era requires readiness for change without any breaks from every industrial people. A covid-19 pandemic condition that is still surging in the world, including Indonesia, also requires changes in the situation and condition of the current businesses to develop, especially for global business organizations. Therefore, management must do practical and strategic steps to bring the organization out of the puddle of crisis that has almost drown some part of companies that is not prepared well.

Indonesian society has a strong spirit of patronage. Therefore, paying attention to the leadership practices in every unit of society, especially in a business organization is very important and crucial. However, in the research field was found that transformational leadership practice does not give a significant influence on the performance of employees. While research gap is still happening in the relationship between transformational leadership, readiness for change, and employee’s performance, thus this research needs to be done as soon as possible. For instance, research of Mahessa (2016) states that leadership positively and significantly affects the readiness for change, while according to the research of Susyanto (2019) oppositely states that transformational leadership does not significantly affect the readiness for change on employees. Therefore, this research gap push researchers to elaborate deeper on the relationship between the two constructs.
II. LITERATURE REVIEW AND HYPOTHESIS

A. Transformational Leadership

Transformational leadership theory was improved by Bass & Avolio (2000), based on the previous theory of transformational leadership by Burn (1978). Every transformational leadership supporters believe that transformative leaders create trust, loyalty, admiration, and respect towards the adherent, and in between the adherents and leaders, so that they are voluntarily ready to achieve target, purpose, and organization vision. Robbins (2001) confirmed that transformational leadership is whoever inspires their followers to change their life and able to aspire bigger target and vision. Defined by (Luthans, 2005), the transformative leader can change their followers’ awareness, improve their spirit, and motivate them to do their best to achieve the organization’s target, and their willingness to change should come from themselves. According to Bass & Avolio (2000), there are three characteristics of transformative leaders, which are to improve the awareness of the followers about the significance of process and effort. Secondly, to motivate the adherent to prioritize the group’s interests more than the individuals’. Lastly, to divert the needs of the adherent outside material things to a higher level, such as pride and actualization.

In other words, Burn (1978) states that transformative leaders are the people who push their adherent to act for certain purposes who represent values and motivation – needs and desire, aspiration and hope – from every leader and adherents. They can change the adherent’s awareness and build normative values, ambition, to accomplish higher morality, such as equality, freedom, justice, humanitarianism, and peace.

B. Readiness for change

Research done by Holt et al. (2007) shows that readiness for change is a multi-dimension that is affected by employee’s confidence that (a) they can implement changes that are proposed (which is change efficacy), (b) changes that are proposed is correspond to the organization (which is appropriateness), (c) leaders commit for changes that are proposed (which is management support), also (d) changes that are proposed should be beneficial for the members of the organization (which is a personal benefit). Still, according to (Holt et al., 2007), the indicator that could be used to measure the readiness for change of the employees are: (1) Employee’s confidence towards changes that are proposed is proper for the organization, (2) Employee’s confidence towards the organization would receive advantage from application of the changes, (3) Employees believe in the presence of logical reasons for changes and the presence of needs for the changes that are proposed, (4) Employees focus on the benefits of changes in the company, (5) Employee’s confidence towards their capability to apply changes that are desired, (6) Employee’s feeling towards leaders and managers in the organization having commitments and supporting the implementation of changes that are desired, (7) Employee’s feeling towards themselves that they would receive benefits from the implementation of changes that are desired.

To prepare employees to be confident enough to change in the organization, understanding the ways that could be used to grow readiness for change is necessary. Two things could be done by the organization, which are establish the readiness of the employees to change and solving problems of avoiding changes (Banjongprasert, 2017). (Hadiyani, 2014; Pramadani, 2012) claim that organizational commitment could affect the readiness for change. Organizational commitment is the desired to stay as a member of the organization, trust and receiving values and the organization’s purpose as well as the willingness to work hard for the sake of the organization’s interest. Other than that, employee engagement (work involvement) has a role in the success of the implementation of organization’s changes, especially in the larger scale, which involve every elements of the organization. Employees that are involved in the organizational activities will tend to support the journey of the changes of organization and ready to change.

C. Performance

Performance is the behavior on how a target is achieved (Armstrong & Taylor, 2014). Performance is the oriented process of the purpose that is directed to ensure that every organizational process is in place to maximize the productivity of employees, the team, and also the organization itself. In another opinion, performance is the things that are done or not done by the employees (Luthans, 2005). To find out the employee’s performance in an organization, some certain aspects are needed. Performance is affected by the variable that is related to work covering role-stress and work/non-work conflicts (Babin & Boles, 1998). There are some criteria in measuring performance, which are quality, quantity, punctuality, cost-effectiveness, and interpersonal relationship (Bernardin & Russel, 1993). Meanwhile, (Mathis & Jackson, 2002) mentioned that
employee’s performance has some elements, namely quantity, quality, accuracy, attendance, cooperation, and loyalty.

D. Relationship between Transformational Leadership and Performance

A study from Asbari, Purwanto, & Budi (2020); Asbari, Purwanto, et al. (2019); Purwanto, Asbari, et al. (2019); Purwanto, Mayesti Wijayanti, et al. (2019); Novitasari, Asbari, & Purwanto (2021); Novitasari, Asbari, Purwanto, et al. (2021); Putra et al. (2021); Santoso et al. (2020) shows that transformational leadership has a positive relationship with organizational performance, by mediation or without any mediation. Other research also found similar findings, such as the study from Bernarto et al., (2020); Purwanto, Asbari, Prameswari, & Ramdan, (2020); Purwanto, Asbari, Prameswari, Ramdan, et al., (2020); Purwanto, Wijayanti, et al., (2019). Based on the result and the conclusion of the researches above, thus researchers have made the hypothesis below:

H1: Transformational leadership affects the employee’s performance.

E. Relationship between Transformational Leadership and Readiness for change

Previous research concludes that transformational leadership does not have any significant effect on the readiness for change (Susyanto, 2019). In contrast with the conclusion made by Mahessa & Hadiyati (2016) who shows evidence that leadership gives a positive and significant effect on readiness for change for the employment of social security administration for health (BPJS). In addition to the conclusion of Mujiburrahman et al. (2017), Fitriana & Sugiyono (2019), and Astuti & Khoirunnisa (2018). Based on the result and the conclusion of the researches above, thus researchers have made the hypothesis below:

H2: Transformational Leadership affects readiness for change of the employees

F. Relationship between Readiness for change and Performance

Holt, et al (2007) defined readiness as employee’s trust that they can implement changes that are proposed (self-efficacy), these changes are appropriate for the organization (appropriateness), leaders commit to these changes (management support), also these changes will give advantage to the members of the organization (personal benefit). From the explanation of Holt, et al (2007), an employee is declared as ready to change is when they show the behavior of acceptance, embracement, and adopt plans of changing that will be done. Before an employee is in a ready position, they should reflect content, context, process, and individual attributes to perceive and believe the changes that will be done by the organization. Readiness for change has been an important factor in creating the success of changes (Armenakis, et al 1993). This is shown by the two behavior when changes are done, which could be positive and negative. Positive behavior is shown by the presence of readiness for change and negative behavior is shown by avoiding changes. Creating positive behavior in employees could be done by building readiness for change in employees so that the changes could achieve the success that is desired.

H3: Readiness for change affects employee’s performance.

G. Relationship between Transformational Leadership, Readiness for Change and Performance

Some researchers conclude that the variable of transformational leadership has a significant relationship with employee’s performance variable through the readiness for change (Katsaros et al., 2020). Partially, some other researchers mentioned the significant effect of transformational leadership towards readiness for change (Astiti & Khoirunnisa, 2018; Sari, 2018), and there is a significant effect of readiness for change towards employee’s performance (Fitriana & Sugiyono, 2019). There is not much researcher that gives the model of the relationship between the mediation variable of readiness for change towards the relationship of transformational leadership variable and employee’s performance variable. Therefore, the author has made the hypothesis mentioned below:

H4: Transformational leadership affects employee’s performance through readiness for change as a mediator.
III. RESEARCH METHOD

A. Definition of Operational Variable and Indicator

The method that was used in this research is the quantitative method. Data collection is done by spreading questionnaires to every employee working in chemical in Indonesia. An instrument that was used to measure transformational leadership is adapted by Bogler (2001) using 5 items (X1-X5). Readiness for change is adapted by Holt et al. (2007) using 7 items (Z1-Z7). Employee’s performance is adapted by Bernardin & Russel (1993) using 6 items (Y1-Y6). The research model can be seen in Figure 1. The questionnaire is closely designed except for questions/statements regarding the respondent’s identity, which is in a form of a semi-opened questionnaire. Every item of closed questions/statements were given five answer options, which strongly agree: 5 points, Agree: 4 points, neutral: 3 points, disagree: 2 points, strongly disagree: 1 point. The method used in data preparation was by using PLS as well as software SmartPLS version 3.0 as the tool.

B. Population and Sample

The population in this research is the employee from one of the chemical industry in Indonesia, which has around 315 people. The questionnaire was spread by simple random sampling technique. Questionnaire results that were returned validly were 220 samples. So, the total sample was 69.8% of the whole population.

IV. RESULT AND DISCUSSION

A. Description of Sample

There was a total of 220 employees participated. They had different age group, ranging from 20-29 (< 30) years old (33.3%), 30-40 years old (56.4%), and more than 40 years old (10.5%). Their length of work was also various, most of them ranging from 5-10 years (49.5%) with senior high school education 71.8%.

Table 1. Sample Descriptive Information

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (per October 2019)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 30 years</td>
<td>73</td>
<td>33.1</td>
</tr>
<tr>
<td>30 - 40 years</td>
<td>124</td>
<td>56.4</td>
</tr>
<tr>
<td>&gt; 40 years</td>
<td>23</td>
<td>10.5</td>
</tr>
<tr>
<td>Working period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 years</td>
<td>81</td>
<td>36.8</td>
</tr>
<tr>
<td>5-10 years</td>
<td>109</td>
<td>49.5</td>
</tr>
<tr>
<td>&gt; 10 years</td>
<td>30</td>
<td>13.7</td>
</tr>
<tr>
<td>Last Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≥ Bachelor Deg.</td>
<td>36</td>
<td>16.4</td>
</tr>
<tr>
<td>Senior High</td>
<td>158</td>
<td>71.8</td>
</tr>
<tr>
<td>Junior High</td>
<td>26</td>
<td>11.8</td>
</tr>
</tbody>
</table>
B. Validity Test Result and Research Reliability Indicator

Stages on the testing model of measuring involve convergent validity tests and discriminant validity. While the value of Cronbach’s alpha and composite reliability is needed in testing for construction reliability. PLS analysis results could be used to test for research hypothesis if all indicators in the PLS model has met the requirements of convergent validity, discriminant validity, and reliability test.

1. Convergent Validity Testing

A convergent validity test is done by seeing the value of the loading factor of each indicator towards the construct. In most references, with factor weighing from at least 0.5 is considered to have validity that is strong enough to explain the latent construct (Chin, 1998; Ghozali, 2014; Hair et al., 2010). In this research, the minimum limit of loading factor that is accepted is 0.5, with the condition of AVE score for every construct, which is > 0.5 (Ghozali, 2014). After passing the process of Smart PLS 3.0, all indicators have met the condition of AVE score above 0.5. The model that is fit and valid from the research could be seen in Figure 2. Therefore, convergent validity from this research model has met all of the requirements. The loading score, Cronbach’s alpha, composite reliability, and AVE in every construct can be seen in Table 2 below:

![Figure 2. Valid Research Model](source: SmartPLS 3.0 Processing Results (2021))

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Loadings</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>X1</td>
<td>0.903</td>
<td>0.922</td>
<td>0.940</td>
<td>0.760</td>
</tr>
<tr>
<td>(X)</td>
<td>X2</td>
<td>0.846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>0.899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X4</td>
<td>0.824</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X5</td>
<td>0.883</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Readiness for Change</td>
<td>Z1</td>
<td>0.826</td>
<td>0.935</td>
<td>0.947</td>
<td>0.720</td>
</tr>
<tr>
<td>(Z)</td>
<td>Z2</td>
<td>0.808</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Z3</td>
<td>0.876</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Z4</td>
<td>0.854</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Z5</td>
<td>0.879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Z6</td>
<td>0.810</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3. Discriminant Validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>X</th>
<th>Y</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership (X)</td>
<td></td>
<td>0.872</td>
<td></td>
</tr>
<tr>
<td>Performance (Y)</td>
<td>0.370</td>
<td></td>
<td>0.835</td>
</tr>
<tr>
<td>Readiness for Change (Z)</td>
<td>0.289</td>
<td>0.763</td>
<td>0.848</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

Table 4. Collinearity Statistics (VIF)

<table>
<thead>
<tr>
<th>Variables</th>
<th>X</th>
<th>Y</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership (X)</td>
<td>1.091</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance (Y)</td>
<td></td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Readiness for Change (Z)</td>
<td></td>
<td>1.091</td>
<td></td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

2. Discriminant Validity Test

Discriminant validity is done to ensure that every concept of each latent variable is in contrast with the other latent variables. A model has a good discriminant validity if the quadratic value of AVE in each exogenous construct (value on the diagonal) exceeds the correlation between the construct with the other construct (value below diagonal) (Ghozali, 2014). The result of discriminant validity research is done by the quadratic value of AVE, which means by seeing the Fornell-Larcker Criterion Value that is obtained the same way as shown in Table 3.

Discriminant validity test result shown in Table 3 indicates the whole construct having square root value of AVE above correlation value with the other latent construct (through Fornell-Larcker Criterion) including the cross-loading value of the whole item from any indicator that is larger than the other indicator items as mentioned in Table 4, so it can be concluded that a model has met a discriminant validity (Fornell & Larcker, 1981). Moreover, collinearity evaluation is done to discover whether there is collinearity in the model. To find out about collinearity, VIF estimation from every construct is required. If the VIF score is higher than 5, then the model will show collinearity (Hair et al., 2014). It is shown the same way as in Table 4, all VIF score that is less than 5 means that the model has no collinearity.

3. Construct Reliability Test

Construct reliability can be assessed from the value of Cronbach’s alpha and composite reliability from each construct. The value of composite reliability and Cronbach’s alpha is suggested to be more than 0.7 (Ghozali, 2014). Reliability test results in Table 2 above shows that all construct has composite reliability value and Cronbach’s alpha value higher than 0.7 (> 0.7). In conclusion, all constructs have met the reliability that is required.
C. Hypothesis Examination

The hypothesis test in PLS is also denoted as an inner model test. This test covers a significance test that has a direct and indirect impact as well as how large is the measurement of the exogenous variable impact towards the endogenous variable. To discover the effect of transformational leadership on employee’s performance is through readiness for change as a mediation variable that needs a direct and indirect impact test. The impact test is done by using a T-Statistic test in an analysis model called Partial Least Squared (PLS) with the help of SmartPLS 3.0 software. With the bootstrapping technique, R square value and significance test value can be obtained as shown in Table 5 and Table 6 below:

Table 5. R Square Value

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance (Y)</td>
<td>0.606</td>
<td>0.603</td>
</tr>
<tr>
<td>Readiness for Change (Z)</td>
<td>0.083</td>
<td>0.079</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

Table 6. Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationship</th>
<th>Beta</th>
<th>SE</th>
<th>T Statistics</th>
<th>P-Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>X -&gt; Y</td>
<td>0.163</td>
<td>0.042</td>
<td>3.845</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>X -&gt; Z</td>
<td>0.289</td>
<td>0.058</td>
<td>4.939</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Z -&gt; Y</td>
<td>0.716</td>
<td>0.039</td>
<td>18.564</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>X -&gt; Z -&gt; Y</td>
<td>0.207</td>
<td>0.041</td>
<td>5.003</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

Based on Table 5 above, the R Square value of Readiness for change (Z) is 0.083, which mean the variable of Readiness for change can be explained by the Transformational Leadership (X) variable in the percentage of 8.3%, while the other has the percentage of 91.7% clarified by other variables that are not discussed in this research. R Square value of Employee’s Performance (Y) is 0.606, which mean this variable can be justified by the Transformational Leadership (X) and Readiness for change (Z) variables in the percentage of 60.6%, while the rest has the percentage of 39.4% explained by the other variables that are not discussed in this research. Meanwhile, Table 6 shows T-Statistics and P-Values which indicate the effect of the variables mentioned above.

D. Discussion

1. Effect of Transformational Leadership towards Employee’s Performance

According to the statistical calculation summarized in Table 6 above, can be concluded that transformational leadership significantly affects employee’s performance in an industry. Proven in the T-Statistics value of 3.845, which is more than 1.96, and the P-values value of 0.000, which is less than 0.05. This means that the first hypothesis (H1) is supported. The results of this conclusion reinforce the results of previous research that leadership (transformational) has a significant effect on employee performance (Asbari & Novitasari, 2020; Basuki et al., 2020; Novitasari, Asbari, Wijayanti, et al., 2020; Novitasari, Goestjahjanti, et al., 2020; Suprapti et al., 2020; Zaman et al., 2020).

2. Effect of Transformational Leadership towards Readiness for Change

Based on the statistical calculation summarized in Table 6 above, it can be concluded that transformational leadership has a positive and significant effect on the readiness for change of the employees in an industry. This is proven by the T-Statistics value of 4.939, which is larger than 1.96, and the P-Values value of 0.000, which is less than 0.05. This means that the second hypothesis (H2) is supported or accepted. The conclusion of this research supports the evidence found in the previous research, that readiness for change is significantly and positively affects performance (Banjongprasert, 2017; Katsaros et al., 2020). The results of this research are also consistent with several previous
studies on Indonesian practice about the influence of leadership on readiness for change (Asbari, Novitasari, Silitonga, Sutardi, et al., 2020; Asbari & Novitasari, 2020; Basuki et al., 2020; Gazali et al., 2020; Kamar et al., 2019; Novitasari, Goestjahjanti, et al., 2020; Novitasari, Sasono, et al., 2020; Zaman et al., 2020).

3. Effect of Readiness for Change towards Employee’s Performance

Based on the statistical calculation summarized in Table 6 above, it can be concluded that readiness for change has a positive and significant effect on employee performance of the employees in the chemical industry in Indonesia. This is proven by the $T$-Statistics value of 18.564, which is larger than 1.96, and the $P$-Values value of 0.000, which is less than 0.05. This means that the third hypothesis (H3) is supported or accepted. The conclusion of this research supports the evidence found in the previous research, that readiness for change is significantly and positively affects performance (Banjongprasert, 2017; Katsaro et al., 2020).

4. Effect of Transformational Leadership towards Employee’s Performance through Readiness for Change as a Mediator

Based on the statistical calculation summarized in Table 6 above, it can be concluded that readiness for change has a positive and significant effect on employee’s performance through readiness for change of the employees in an industry. This is proven by the $T$-Statistics value of 5.003, which is larger than 1.96, and the $P$-Values value of 0.000, which is less than 0.05. This means that the fourth hypothesis (H4) is supported or accepted. The conclusion of this research supports the evidence found in the previous research of (Katsaro et al., 2020) who claimed that readiness for change could mediate the effect of leadership on employee performance.

V. CONCLUSION

Based on this research, it has been proven that the independent variable is transformational leadership has a positive and significant effect on readiness for change and employees’ performance. Besides, readiness for change also has a positive and significant effect on employee performance. This study also concludes that readiness for change is a mediator for the influence of transformational leadership on employees’ performance. This study contributes to the scientific literature on employees’ performance by developing and validating research models that describe the relationship and influence of transformational leadership, readiness for change, and employee performance in one of the private company organizations in Indonesia.

This research has some limitations. Firstly, this research analyses the effect of transformational leadership on employee performance, both directly and indirectly through the readiness for change variable. This is maybe because there are some other variables (such as motivation, competency, management knowledge, organizational culture, etc.) that affect the employee’s performance. The author recommends discovering, explore, and analyze more to the next researches. Moreover, this research is done in the manufacturing industry and may not be generalized to other industries. Therefore, it is suggested to do further research regarding this topic in other industries, which could be added to other regions, countries, or comparison between small and medium-sized enterprise and larger organizations.

REFERENCES


https://doi.org/10.32478/evaluasi.v4i1.362


