

THE IMPACT OF ORGANIZATIONAL CHANGE TOWARDS WORK ENGAGEMENT

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ABSTRACT: *Restructuring constitutes a common strategy used by company to leverage performance. One of the form restructuring strategies is an organizational change and, many researches shown that organizational change may trigger stress on works and give significant connection towards employee engagement to their job. This research is aimed to analyze PT Agricon restructuring in 2016 towards work engagement. The number of employees who holding their job indicates higher level of employee engagement on the job. Moreover, the result of research on organizational change only gave an effect of 0.42%, smaller compared to the impact of organizational change towards work demand that resulting an effect of 13.5%. It is then can be concluded the case study of organizational change of PT Agricon does not give impact towards employee engagement on the job.*

KEYWORDS: Organizational Change, Organization Support, Work Engagement.

INTRODUCTION

In recent years there are a series of acquisitions and mergers of the world large companies in pesticide producer industry. Beginning in 2015, there was a transaction between Dow Chemical and Dupont, worth of US\$130 billion. In the subsequent year, Bayer, a Germany agrochemical company merged with Monsanto a US seed company with a value of US\$ 66 Billion and ChemChina, a China company, purchased Syngenta, a Switzerland Biotech company. Such series of acquisition and merger processes of various large scale companies in agribusiness industry bring threat towards agribusiness doers, taking into account that each company would focus on seed or pesticide development, so farmers are forced to use product only from one company. Further, this consolidation has an impact on unilateral selling price determination.

Indonesia as an agricultural country has magnificent natural resources and currently, 30% of manpower depends on employment in agriculture, while seed and pesticide are the supporting factors to yield good harvest. The series of acquisition and merger processes of large pesticide company would give indirect impact on agriculture world in Indonesia. In pesticide industrial scale, such situation and condition would indirectly force Indonesian local pesticide companies to prepare strategic measurers by improving performance to anticipate seed and pesticide industry development in the world in general and Indonesia in particular.

From various corporate strategies to improve company performance, restructuring is one of the common strategies used to leverage company performance to a better level. One of the restructuring forms in corporate organization is by changing organizational structure from traditional into matrix organizational structure. (Wheelen, Hunger, 2012) stated that a matrix structure is established when a function is placed in the same organization. This situation and condition is occurred in organizational change in PT Agricon, by performing consolidation of operational supporting function that all this time spread out with the respective business unit,

further, functions and employees are relocated into PT Agricon organization and the organizational structure of PT Agricon also changed from traditional to matrix organization.

Moreover, from scope of work point of view, employees of PT Agricon received job enlargement and job enrichment. According to (Luthans, 2011) job enlargement and enrichment constitute an increase of the quantity of employee duties and the enlargement of scope of job from the series of increase of quantity of job is realized in work design on employee rank position. These series of job increase would result in an increase of job demand for employee, (Luthans, 2011) further stated that when a company only seeks profit leverage aspect and views employee as a mere cost instead of an asset, most of the employee would be able concluded that the company does not respect them and hence employees are no longer have commitment toward the company and engagement toward company or job. This research analyzed the impact of organizational change towards employee engagement with PT Agricon. The occurring organizational changed the company main function as operation holding and directly gives impact to enlargement of employee duties and responsibility.

LITERATURE

According to (Djohanputro, 2004), restructuring can be categorized into three types, namely portfolio/assets restructuring, being the activity of corporate portfolio preparation to a better company performance, where company portfolio covering every asset, business line, business unit or SBU (strategic business unit) as well as subsidiaries. Financial or capital restructuring in term of re composition of company capital so financial performance would become healthier and organizational restructuring is a re composition of management, organizational structure, job distribution, operational system and other matters related to managerial and organizational aspects.

(Probst, 2003) in its research to 313 employee respondents using *Solomon four-group design* analyze the impact of restructuring or organizational change, and the result indicates a negative impact consistency of organizational change towards the security level of working of the employee, organizational commitment, time stress perception, psychology and an intention to quit the job. Employee who stays in the company would experience various conditions, among other things; work load addition, loss of co worker, continuous uncertainty and job insecurity (Lines R, 2005). Further, researcher who conducted research on organizational change impact was (Pernica, 2011), in an online survey to 272 respondents and processed with ANNOVA, presented that employee trust is a dominant factor in the success of organizational change.

Martinez (2016) in an online survey to 122 respondents and processed with SPSS, concluded an existence of correlation between employee trust level and employee engagement to work in organization. While the correlation or connection between trust and engagement is established through 3 components, they are: integrity, competence and empathy felt from their superior. Moreover, the research indicates superior empathy being a component that predicts employee engagement to job.

According to Eisenberger et all (1986), in order to meet socio-emotional needs and to evaluate the benefit of work effort improvement, employees establish a general perception about to what extent the organization appreciate their contribution and care about their well being.

In 1990, Kahn introduced the concept of *personal engagement* related to work based on conceptualization of *Job involvement*, organizational commitment and intrinsic motivation. Further Kahn defined a *personal engagement* and *personal disengagement* as an attitude brings by an individual or stays in their personal during the employment. According to Schaufeli & Bakker (2003), employee engagement have active feeling and an effective connection between work activities, and deemed able to properly handle the demand in work. Ayu (2015) in a survey to 116 respondents and processed by SEM, conducted a research in respect of *job demands, job resources and personal resources* towards *work engagement*, in term of case study in a private company with the issue of high employee turn-over. The result indicated that *job demands* have direct impact on *work engagement*.

Hypothesis

H₁ Organizational Change gives impacts on work engagement.

RESEARCH METHODOLOGY

This research is classified as an *explanatory research*, in term of quantitative research where the phases of research process was conducted by processing the data in the form of score generated from questionnaire completion of Likert scale (score: 1-5) and is processed by statistic method using *Partial Least Square (PLS)* approach. PLS is a *Structural Equation Model (SEM)*, that is a statistic modeling technique as a combination of *principal component analysis*, regression analysis and path analysis. The questionnaire is limited spread-out by purposive sampling technique to 83 respondents of 222 employees, with balanced respondents gender composition, where male respondent is 58%, and female respondent 42%, with a consideration that female workers are more vulnerable to job situation change because other than the duties and responsibility as a worker, they also have duty and responsibility to take care their household and family. Moreover, viewing the data of employee work period, indicates a high employee loyalty, in which only 22% employee who have work period less than 5 years, while the remaining of 78% have works for more than 5 years.

In an organization change, there are some research variables, among other things: *Perception of organizational change* by Pernica (2011), *Employee Trust in Management* by Stanley, Meyer & Topolnystsky (2005) & *Perceived Organizational Support* by Eisenberger, Huntington, Hutchison, & Sowa (1986). Other than using questionnaire related to organizational change variable, in *work engagement* variable, the researcher using *Utrecht Work Engagement Scale (UWES)* developed by Wilmar Schaufeli and Arnold Bakker (2003).

While the variables of *job demands, job resources and personal resources* will be measured by using differential semantic scale questionnaire, developed firstly by Charles Osgood (1957). According to Bakker & Demerouti (2014) who developed *job demands & resources* theory, the measuring variable must be adapted to the on going situation and condition in the organization, so that the questioner in variables *job demands, job resources & personal resources* are developed by the researcher himself.

According to Chin (1998) in Ghazali (2015), *partial least square* does not require the availability of certain distribution assumption for parameter estimation, so parametric technique for significance test or evaluation is not required, this notion is confirmed by Wold (1980, 1982d), who stated that *partial least square* is *distribution-free* in nature. Compared to

CB-SEM approach, the PLS model evaluation is based on prediction orientation that has non-parametric characteristic. The PLS model evaluation is conducted by evaluating *outer model* and *inner model*.

Outer model with reflective indicator is evaluated with *convergent and discriminate* validity from latent construct forming indicator and *composite reliability* and *cronbach alpha* with its indicator block. The *Rule of thumb* that usually used in evaluating *convergent validity*, for an explanatory research, the *loading factor* score between 0.5 – 0.6 is still acceptable (Chin, 1998). While the *average variance extracted (AVE)* score must be larger than 0.5.

$$AVE = \frac{(\sum \lambda_{i^2}) var F}{(\sum \lambda_{i^2}) var F + \sum \Theta_{ii}}$$

λ_i = loading factor
 F = variance factor
 Θ_{ii} = error variance

Besides validity test, model measurement also performed to test readability of a construct, to prove accuracy, consistency and appropriateness of instrument in measuring construct. Readability measurement of a construct with reflective indicator is conducted with two methods namely *Cronbach's alpha* and *composite readability* or often called Dillon-Godstein's.

$$\rho_c = \frac{(\sum \lambda_i)^2 var F}{(\sum \lambda_i)^2 var F + \sum \Theta_{ii}}$$

λ_i = loading factor
 F = variance factor
 Θ_{ii} = error variance

An *Inner model* or more popular with structural model evaluation is aimed to predict the correlation between latent variables. *Inner model* is evaluated by viewing the value of endogen latent, Stone-Geisser (Geisser, 1975); Stone 1974) test to test *predictive relevance* and *averaging variance extracted* (Fomell and Larcker, 1981) to *predict* by using *re-sampling* procedure such as *jackknifing* and *bootstrapping* to obtain stability and estimation. The value of R-Square 0.75, 0.50 and 0.25 can be concluded whether a model is strong, moderate and weak. The result of PLS R-Square present the total variance from construct that is elaborated by the model. The impact of value f^2 can be calculated with the following formula:

$$f^2 = \frac{R_{included}^2 - R_{excluded}^2}{1 - R_{included}^2}$$

$R_{included}^2$ and $R_{excluded}^2$ are R-Squares of endogen latent variable when latent variable predictor is used or excluded in structural equation.

Besides the value of R-Squares, the PLS model evaluation can also be conducted with Q^2 Predictive Relevance or often called *predictive sample reuse* developed by Stone (1974) and Geissner (1975). This technique presented a *synthesis of cross-validation* in *fitting function* by

prediction from variable observed and estimation of construct parameter. PLS adapts by using *blindfolding* procedure with formula.

$$Q^2 = 1 - \frac{\sum_D E_D}{\sum_D O_D}$$

D = *omission distance*

E = *the sum of square of prediction error*

O = *the sum of squares errors using the mean of prediction*

The value $Q^2 > 0$ indicates that the model has *predictive relevance*, while $Q^2 < 0$ indicates model have less *predictive relevance*.

In relation with f^2 , the modification of Q^2 gives an impact relative to structural model that can be measured with:

$$q^2 = \frac{Q_{included}^2 - Q_{excluded}^2}{1 - Q_{included}^2}$$

The value q^2 *predictive relevance*; 0.02, 0.15 and 0.35 indicates that the model is weak, moderate and strong.

RESULT AND DISCUSSION

From the questionnaire distributed, there are 70 questions, in which after being conducted a validity test by using excel program with trust-alternative parameter of 95% (r_{Table} in $n = 83$ and $\alpha = 0.05$) obtained a valid questions of 55 while 15 questions are not valid.

According to calculation process by using SmartPLS program in reliability test with Cronbach's alpha and composite reliability parameter as follows:

Table 1 Reliability Test

Latent Variable	Cronbach's alpha	Composite reliability	Remark
<i>Job Demand</i>	0,78	0,77	<i>Reliable</i>
<i>Job resources</i>	0,83	0,84	<i>Reliable</i>
<i>Perceived Organization Support</i>	0,75	0,77	<i>Reliable</i>
<i>Personal resources</i>	0,88	0,87	<i>Reliable</i>
<i>Work engagement</i>	0,90	0,88	<i>Reliable</i>

Model Evaluation: Final Result of Structural Model

Further, from the result of questionnaire data processing by using SmartPLS program and in processing process there are some variables and indicators that must be removed, as they are not valid, the following is the result of PLS evaluation:

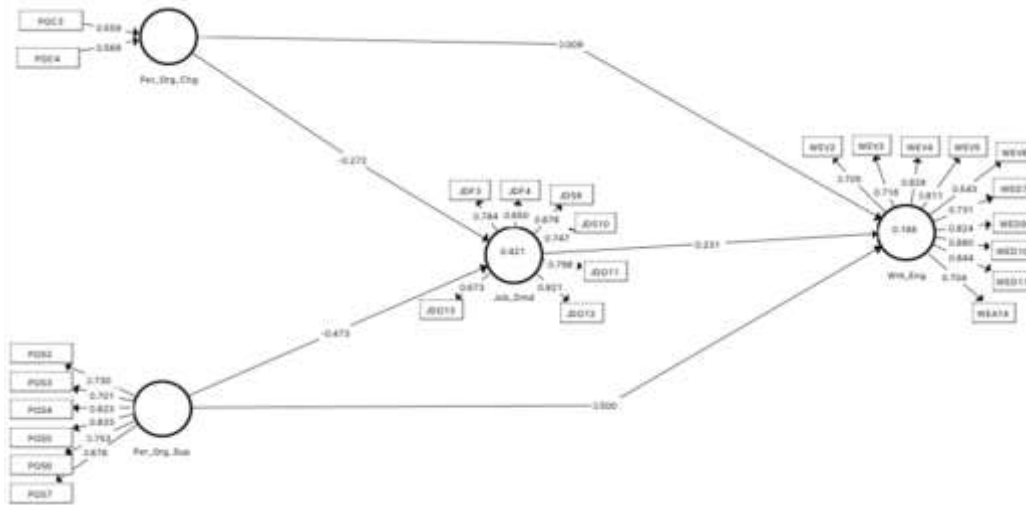


Figure 1 PLS Evaluation Result

Evaluation of impact

Based on the result of T-Statistic, the significant variable gave the following impacts; *Perceived organization change* towards *job demand*, *perceived organization support* towards *job demand* and *perceived organization support* towards *work engagement*. Besides, according to the result of *Probability Values (P Values)*, there are two score larger than >0.05, namely *job demand* towards *work engagement* and *perceived organization change* towards *work engagement*. So that based on the result of *P Values* calculation, both variables relations did not meet the criteria as research hypothesis.

Table 2 T-statistic & P Values

	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Job_Dmd -> Wrk_Eng	0,23	0,17	1,35	0,09
Per_Org_Chg -> Job_Dmd	-0,27	0,13	2,13	0,02
Per_Org_Chg -> Wrk_Eng	0,01	0,13	0,07	0,47
Per_Org_Sup -> Job_Dmd	-0,49	0,10	4,73	0,00
Per_Org_Sup -> Wrk_Eng	0,50	0,11	4,43	0,00

Based on the last model in the research, from the series of evaluations, there are 4 variables, where the last endogenous variable is *work engagement*, while the variables *perceived organization change* and *perceived organization support* as exogenous, respectively has direct relation to endogenous variable of *work engagement* and also indirect relation through variable *job demand*. From SmartPLS process, the following is the result of total impact of each variable.

Table 3. Impact Percentage

	Direct	Indirect	Total
Job_Dmd -> Wrk_Eng	-1,84%		-1,84%
Per_Org_Chg -> Job_Dmd	13,50%		13,50%
Per_Org_Chg -> Wrk_Eng	0,37%	0,05%	0,42%
Per_Org_Sup -> Job_Dmd	28,20%		28,20%
Per_Org_Sup -> Wrk_Eng	18,50%	5,22%	23,72%

DISCUSSION

According to an in-depth interview with some of the key figures in the organization, there are some organization managerial strength that consistently exercised by the company director/management, among other things:

Transparency, the company management/director has an attitude to convey all information related to corporate strategy and corporate performance achievement in open-way to all employees, up to the lowest level. This strategy is certainly makes employees feel involved and have a role on every organizational performance achievement, whether it is good or bad result. Besides, by conveying the direction of corporate strategy to the future, every employee would aware subsequent organizational measurers.

Human Resources Development, other than strategy transparency conducts by the company management and director, the strategy of human resources development also becomes the strength in the organization. This strategy makes the placement of middle and top management positions to be filled by the employee candidate who is promoted from lower level. This strategy is certainly supported by employee competence development so they have sufficient skill/knowledge to serve higher office. The application of this strategy has established a symbiosis mutualism relation, namely the benefit enjoyed by both parties. To the organization, the cost to conduct promotion would be lower compared to recruit from outside the company. In fact not all positions can be filled by internal employee, there are positions that required special skill that should be recruited from the outside, but the majority to achieve a position through career path, so that the position will be filled by internal organization. To employee, this strategy would make them aware about their career path in the organization and by career leverage will directly has an impact to the increase of their income.

Organizational Culture built from corporate philosophy and reflects from the attitude of company directors and the majority of company employees also give contribution to the establishment of employee engagement level to the proper job in the organization. From the foregoing elaboration, it will encourage employees to be loyal to the company, besides comfortable working atmosphere and human relationship between coworker up to the company director would influence employee perception towards good organization.

Further with the foregoing elaborated strength summary, the strategies related to organizational change especially those related to human resources is by treating employees as part of the big-family in the organization in performing strategies of transparency and employee development continuously. In so doing, employees would feel as part of the organization and establish a strong relationship with the organization. This condition also supported by the Eastern culture in Indonesia that is still upholding kinship as a supporting factor in inter-human relationship.

CONCLUSION

By referring to the result of calculation of impact percentage, it can be seen that for endogenous variable *work engagement* is affected by 23.72% from *perceived organization support* and 0.42% from *perceived organization change*. So it can be concluded that an organizational change represented in variable *perceived organization change* did not give significant influence toward *work engagement*. Even for organizational support that is represented by variable *perceived organization change* only gave an impact of 23.72%. Other than the foregoing two variables, the job demand represented by variable *job demand* even gave negative impact of -1.84% towards *work engagement*. So that it can be concluded, job demand does not give significant impact to *work engagement*.

In this research the most influential variables or indicators toward work engagement to their work is the perception of organizational support. This notion is in line with the research conducted by Rina (2013), Caesens (2014) and Endah (2015), wherein they stated that there is a relation or correlation between organizational support and employee engagement towards work. Moreover it is presented in their research, with good organizational support result, the level of employee engagement to work would also high or good.

Suggestion

This research can be more developed, related to organizational change strategies that commonly conducted by current corporate organization. In organizational change strategy of corporation or company, employee element constitutes one of the main factors that support the successful target achievement of the relevant strategy. Hence, the researcher views it is necessary a review in organization to measure the level of perception of organizational support, when there is an intention of the corporation or company to apply organizational change strategy.

On the other hand, this research opens an opportunity to study the research in other organization form other than family-owned company being the object of this research. In so doing, a more objective research with various organization forms can be generated.

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