Faculty of Cognitive Sciences and Human Development

THE RELATIONSHIP BETWEEN EMPLOYEE COMMITMENT, COMMUNICATION, AND LEADERSHIP STYLES WITH READINESS FOR CHANGE IN BANKING SECTOR IN KUCHING, SARAWAK

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THE RELATIONSHIP BETWEEN EMPLOYEE COMMITMENT, COMMUNICATION, AND LEADERSHIP STYLES WITH READINESS FOR CHANGE IN BANKING SECTOR IN KUCHING, SARAWAK

MUHAMMAD LUKMANNULHAKIM BIN SUKARNO

This project is submitted

In partial fulfilment of the requirements for a

Bachelor of Science with Honours
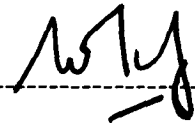
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The project entitled 'The Relationship Between Employee Commitment, Communication, and Leadership Style with Readiness for Change in Banking Sector in Kuching, Sarawak' was proposed by Muhammad Lukmannulhakim bin Sukarno and submitted to the Faculty of Cognitive Science and Human Development in partial fulfillment of the requirements for a Bachelor of Science with Honors (Human Resource Development).

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This declaration is made on the 29th day of MAY year 2019.

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Abstract

The employees' readiness for change in the organisation is a precondition for the successful in the process of change in the organisation. Hence, the main objective of this research is to investigate the relationship between leadership styles, communication, and employee commitment with readiness for change.

The location that has been selected to conduct this study is Kuching, Sarawak with a sample size of 50 respondents of the selected banking sector. The questionnaire was design and distributed through convenient sampling to the employees. The Statistical Package for Social Science (SPSS) has been used to run the reliability analysis, the normality analysis, and the inferential analysis such as Independent Sample T-test, One-Way ANOVA, Pearson Correlation and Multiple Regression.

As a result, it had been found that there is significant difference in readiness for change in banking sector based on age. Besides, leadership styles (transformational leadership, transactional leadership, and charismatic leadership), communication (participation and information) and employee commitment (affective commitment, normative commitment, and continuance commitment) also have a positive correlation with readiness for change.

Next, the implications and limitations have been discussed based on the previous chapter which is the findings and the results. Besides, the suggestions and recommendations also have been discussed to solve the issues in this research and to improve the related research in the future from various perspectives.

Key words: Organizational Change, Readiness for Change, Leadership Styles, Communication, Employee Commitment

Chapter 1 Introduction

1.0 Introduction

The first chapter of this study will be explained on few sections such as the background of the study, the problem statements, research objectives, research questions, research hypotheses, the conceptual framework of the study, the significant of the study, and the definitions of conceptual and operational.

1.1 Research Background

The concept of change readiness for employee in the organisation is widely acknowledged as an important precondition for the successful in the process of change in the organisation (Armenakis *et al.*, 1993). According to Kotter *et al.* (2008), organisational change also can be called organisation transformation. In 21st century, the advancement of technologies and dynamic communications are growing fast. Due to that, the organisations are continually facing some challenging obstacles such as competitions, development, general instability, mergers and reengineering of work processes. Hence, these obstacles enforced the organisations to change their current mission, strategies, structure, policies, operations, processes, culture and others to fit the situations that there are facing.

For example, business organisation must embrace change to survive in a highly competitive business environment due to globalization and rapid advancement in technology. Thus, to gain success in organisational change, the organisation has to make sure that all employees are ready to change and the organisation may have to plan a change process as a guideline. However, to implement and manage the changes are difficult and time consuming. In

fact, some of the organisations were able to implement and achieve their change goals (Burnes, 2003).

In related with the study of readiness on organisational change, 100 organizations has been analysed by Kotter (2008) who proposed his own theory of leading change in 1995. The result of the study shows that the companies which are more than 70% are struggling with the effort to change. The struggled of those companies were lead to failures, budgets increasing, and elongated timelines. After five years, the result on the same topic shows the same result like previous studied on hundreds of companies Kotter (2008).

As mentioned by Burnes (2003), the organisations are failed to implement change in the organization because of some reasons. First, according to Ghany (2014) reports, suddenly or instantly change in the organisation will make the employees to unwelcome the change, so, that is why an assessment of organizational readiness is important before undergo major change in the organisation. Next, Ragadu (2008) also stated that the successful of change in the organization is depend on the mind set and positive manner (Lazenby *et al.*, 2011) of the employees to accept or welcome the change.

Furthermore, negative feelings such as nervous, and stress will occur among the employees because of the organisational changes such as downsizing, restructuring or merging (Nicolaidis *et al.*, 2007). Other than that, Duck (1993) point out that resistance of change also will occur where "change is intensely personal". Whereas, Dugler (2009) says that, "for many people, the spectra of change produces what is sometimes calls as the Factor of Fear, Uncertainty and Doubt".

Therefore, to accomplish the change in the organisation, as mentioned earlier, an organisation (Collins *et al.*, 2014) and the employees need to prepare for change (Sterns *et. al.*,

2010). Bernerth (2004) also stated that, the readiness of change in the organisation is the main factor to successful in the implementation of the change. He also mentioned that "readiness is more than understanding the change, readiness is more than believing the change readiness is a collection of thoughts and intentions towards the specific change effort".

In this situation, organizational change is unavoidable. The fact that individual have different experiences in life, different level of motivation, different characteristics of socio-demographic, knowledge, and different patterns of behaviour, attitudes, and values which might involve painful learning and relearning and create feeling of uneasiness and tension among employees.

In Malaysia, after the Asian economic crisis, the banking scenario has changed significantly. Besides, due to globalization the employees in banking industry faces many organizational changes, for instance, reorganization and greater variation in workload because of rapid growth of using technology in the organization. Due to the changes in the organization, this will lead to the fear of the employees towards the changes of working environment, organizational culture, and organization management. Thus, the purpose of this study is to investigate the relationship between the organisational factors and the individual factors with readiness for change in banking sector.

1.2 Problem Statement

As employee undergo the change, it is better for them to start their journey with an organizational readiness assessment. However, based on the past research, the researchers has been identified some concerns during change.

First, some employees but not all, they will feel nervous, stress, and lack of self-confidence because of suddenly changes in the organisation as they are more comfortable with the old organisational environment (Ashford *et al.,* 1989). The suddenly changes in the organisation might decrease productivity and morale of the employee and this will lead to a negative impact towards performance of the employee.

Next, according to Duck (1993), most of the concerned by the employee during the changes are their employment, benefits, and wealth fare in the organisation after the change. This claim can also be supported by Pietersen (2002) where the resistance to change among the employees will make them feel uncertainty and fear. This is because they do not know whether the change will affect their employment, benefits, and wealth fare in a good or bad way. Thus, this will affect their motivation and their performance as well to work effectively and efficiently for the organisation.

Other than that, communication plays an important role between the employees and employers where communication is one of the platforms for the organizational change (Qian, 2007). The network of communication will become more critical when the environment is significantly changed. Hence, the employees willing to accept the change if there is an effective communication between both parties and an effective distribution of the information regarding the change.

Most researcher have had a great interest to study for factors associated with employee readiness and organizational change (Armenakis *et al.,* 1993; Cunningham *et al.,* 2002; Madsen *et al.,* 2005; Miller *et al.,* 2006). However, most studies had been done in western cultural work settings. Very little research has been conducted to observe how the factors influential on employee readiness in developing countries. In Malaysia, some researchers had been conducted and investigated on this topic especially in Peninsular Malaysia. Therefore, this study will investigate the readiness of employee on organisational change in banking sector at Sarawak.

1.3 Research Objectives

The following objectives were examined:

General Objective

i.   to investigate the relationship between organisational and individual factors and readiness for change.

Specific Objectives

i.   to examine the gender that affected readiness to change.

ii.   to examine the age that affected readiness to change.

iii.   to examine the length of employment that affected readiness to change.

iv.   to examine the affective commitment that influenced readiness for change.

v.   to examine the continuance commitment that influenced readiness for change.

vi.   to examine the normative commitment that influenced readiness for change.

vii.   to examine the participation that influenced readiness for change.

viii.   to examine the information that influenced readiness for change.

ix.   to examine the charismatic leadership that influenced readiness for change.

x.   to examine the transformational leadership that influenced readiness for change.

xi.   to examine the transactional leadership that influenced readiness for change.

xii.   to examine which dominant factor give more impact towards employee readiness.

1.4 Hypotheses of the Study

12 hypotheses have been developed to test the objectives of this study:

i. There is a significant difference in readiness for change based on gender.

ii. There is a significant difference in readiness for change based on age.

iii. There is a significant difference in readiness for change based on length of employment.

iv. There is a significant relationship between affective commitment with readiness for change.

v. There is a significant relationship between continuance commitment with readiness for change.

vi. There is a significant relationship between normative commitment with readiness for change.

vii. There is a significant relationship between participation with readiness for change.

viii. There is a significant relationship between information with readiness for change.

ix. There is a significant relationship between charismatic leadership with readiness for change.

x. There is a significant relationship between transformational leadership with readiness for change.

xi. There is a significant relationship between transactional leadership with readiness for change.

xii. There will be a significant prediction of readiness for change by leadership, communication, and employee commitment.

1.5 Conceptual Framework

Figure 1.1: Conceptual Framework

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┌─────────────────────────────────┐
│ Independent Variables           │
│                                 │
│ Demographic Factors             │
│    1. Gender                    │
│    2. Age                       │
│    3. Length of Employment      │
│                                 │
│ Individual Factors              │
│    1. Employee Commitment       │
│    • Affective Commitment       │                    ┌──────────────────────────┐
│    • Continuance Commitment     │                    │                          │
│    • Normative Commitment       │       ──────▶      │   Dependant Variable     │
│                                 │                    │                          │
│ Organisational Factors          │                    │   Readiness for change   │
│    1. Communication             │                    │                          │
│    • Participation              │                    └──────────────────────────┘
│    • Information                │
│                                 │
│    2. Leadership Styles         │
│    • Charismatic Leadership     │
│    • Transformational Leadership│
│    • Transactional Leadership   │
│                                 │
└─────────────────────────────────┘
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1.6 Significance of Study

This study is to identify the relationship between individual and organizational factors with employee readiness for change. The organization change can be in terms of strategies, structure, policies, operations, processes, culture and others.

When organization change occurred, each of the employees will respond differently toward the change. Feeling of tension because of the increased of tasks and job insecurity will occur among the employees as well. Thus, the performance of the employee and organization's

goal will be affected (Yu, 2009). Therefore, this study is important for a better understanding on the readiness of employee to change.

Furthermore, this study is useful as a reference for future researchers who would plan to make any related study and also may serve as a guide for the students undertaking similar studied. Besides, the study of readiness to change among employees might help the employer when they want to implement change and identify the best mode of implementing those changes. Last but not least, this research can be applied in other organizations as well.

1.7 Conceptual and Operational Definitions of Key

This section will be explained some terms that will be used for this research such as readiness for change, employee commitment, communication, leadership styles and the sector of the organisation.

Conceptual Definition: Whelan-Barry *et al.* (2003) view *readiness for change* as attitudes and cognitions of the individual towards the change in the organisation construct based on perception. *Operational definition:* In this study, the readiness for change instrument is adapted from Dunham *et al.* (1989) which consist of 18 items.

Conceptual Definition: Employee commitment is defined by Merriam (1999), as loyalty, involvement, or identification of individual with the organisation that characterised by their beliefs and willingness. *Operational definition:* In this study, employee commitment instrument is adapted from Herscovith *et al.* (2002) which consist of 6 items for each component, namely, affective commitment, continuance commitment, and normative commitment.

Conceptual definition: Keyton (2011) defines communication as a process where the information in transmitting from one person to another person. *Operational definition:* In this

study, communication instrument is adapted from Wanberg *et al.* (2000) and Miller *et al.* (1994) which consist of 5 items for each component, namely, participation and information.

Conceptual definition: Northouse (2007) describes *leadership* as a process used by a person to influence a group of individuals to achieve same common goals. *Operational definition:* In this study, charismatic leadership instrument is adapted from Herold *et al.* (2008) which consist of 10 items. Meanwhile, the multifactor leadership questionnaire consists of transformational and transactional leadership is adapted from Bass *et al.*, (1991) where transformational leadership consist of 10 items and transactional leadership consist of 5 items.

As mentioned earlier, this study will be focused on service industry specifically in banking sector. Service is defined as "an organization approach that chooses quality of service as a force to drive the operation of the business and it can be either customer-driven or market-driven". Meanwhile, the banking sector is the section of the economy devoted to the holding of financial assets as leverage to create more wealth and the regulation to those activities by government agencies.

1.8 Conclusion

In a nutshell, this chapter will help to understand on how a researcher will conduct the study to meet the research objectives and to figure out the problems that appear in the research background. At the same time, from the research objectives, the hypotheses have been developed where those hypotheses will help to develop the literature review with the relevant past studies. This literature review will be explained more details in the Chapter 3.

2.0 Introduction

In this study, a secondary data like journals, articles, thesis, case studies, and books have been used by the researcher as references to collect some information that related to the study. Thus, this chapter provided a detailed summary and review of studies related to the study.

2.1 Related Theory

In this study, the change readiness model which is Kurt Lewin's 3-Step Model is used to evaluate organisation and change preparation.

2.1.1 Kurt Lewin's 3-Step Model

According to Gilley *et al.* (2009), some researchers has been developed a simple changes model where its functions are to evaluate organisation and change preparation, replace the actions with new actions into operational operations and culture. The model is 3-Step Model developed by Kurt Lewin which consists of three steps, namely, unfreezing, movement, and refreezing (Burnes, 2005).

Unfreezing stage requires the current state to be broken down or unfrozen in order to prepare for the change. According to Burnes (2005), unfreezing step is to cast away the old and unwanted behaviours before conform to new behaviours. In this stage, resistance of change among the employees will surface. Therefore, a communication plays an important role where at this stage, the manager and the employees must involve to voice out their opinions and views

regarding the change. At the same time, the management must address those issues on the spot to avoid unsuccessful implementation of the change.

Next, when the employees are unfrozen, the organisation can begin to move into changing stage. In this stage, employees will learn new skills, behaviours, and processes as well as the way of thinking. This step will be easier for them if they learn effectively and efficiently. According to Robbins *et al.* (2011), change need to happen quickly and to make the change effectively, the organisation needs to go through the movement stage quickly. In this stage, an intensive communication and an effective leadership approach are needed in this stage to make sure that this change implement successfully. This is because from
intensive communication and effective leadership approach, it will encourage the employees to moving along where this new change will bring lot of opportunities in the long run.

When the implementation of change is successful, the organisation is ready to refreeze when the changes are taking over and people have received enthusiastically the new way of working. According to Martin (2005), this stage implies that changes have made the new behaviours learned by the employees to be maintained permanently. However, the new behaviours should be appropriated with the employees (Burnes, 2005). The signs of refreeze in the organisation are a stable organisation chart, consistent job descriptions, and others.

The three steps model developed by Kurt Lewin, show that this model is the simple procedures as a guideline for change. The advantage of this model is that, it helps the employees to learn new behaviours which they are not familiar with by provide them a suitable environment. It is true that, the employees cannot learn or adapt a new behaviour immediately. Therefore, a specific period should be given for employees to learn, adapt and apply the new behaviour so that this new behaviour can be maintained.