Organizational Culture Change and its Effect on Change Readiness through Organizational Commitment

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Abstract. In the dynamic global, regional and local environment, organization should be ready to face the challenge of changes. This research aims to understand the relationship between cultural organization, organizational commitment and readiness to change. The research was conducted at Bumiputera 1912 Mutual Life Insurance Company (MLIC) Head Office in August and September 2014 with 190 respondents selected using purposive sampling method. Paired sample t-test and Structural Equation Modeling (SEM) analysis were employed as statistical tools. The results of this study showed that the mean score between existing cultural orientation and preferred cultural orientation differ significantly. SEM analysis found that the existing organizational culture has positive effect on organizational commitment but negatively affects the readiness to change. Preferred organizational culture has a positive effect both on organizational commitment and readiness to change significantly. Organizational commitment has positive effect on readiness to change.

Keywords: organizational commitment, organizational culture, readiness to change

Abstrak. *Dalam lingkungan global, regional maupun lokal yang dinamis, perusahaan harus siap menghadapi tantangan perubahan. Penelitian ini bertujuan untuk memahami hubungan antara budaya organisasi, komitmen organisasi dan kesiapan berubah. Penelitian dilakukan di Kantor Pusat Asuransi Jiwa Bersama (AJB) Bumiputera 1912 pada bulan Agustus sampai September 2014 dengan responden sebanyak 190 karyawan yang terpilih melalui metode purposive sampling. Alat statistik yang digunakan dalam melakukan analisis adalah Uji-t berpasangan dan Structural Equation Modeling (SEM). Hasil pengujian rataan skor orientasi budaya saat ini dengan skor orientasi budaya yang disukai berbeda secara signifikan. Analisis menggunakan SEM menunjukkan bahwa budaya organisasi saat ini memiliki pengaruh positif terhadap komitmen organisasi tetapi berpengaruh secara negatif terhadap kesiapan berubah. Budaya organisasi yang disukai memiliki pengaruh positif terhadap komitmen organisasi dan kesiapan berubah. Komitmen organisasi memiliki pengaruh positif terhadap kesiapan berubah.*

Kata kunci: *budaya organisasi, kesiapan berubah, komitmen organisasi*

INTRODUCTION

Global environment dynamics have forced organization to always be ready facing challenges in embracing change to comply with new business models, technological advancement, mergers and acquisitions (Darlington, 2014). Organization continuously faces challenge to remain competitive and successful, and forcing organization to regularly evaluate its strategy, structure, policies, operation, process and culture (Shah, 2009). Individual readiness to change is an important factor in organization success to implement change (Madsen et al.) 2005). The changes demand for reorganization that eventually affects employees in various aspects. Consequently, employees reevaluate their commitment and relation to the organization (Dordevic, 2004).

Indonesia is the largest country in ASEAN from the aspects of population, total area and Gross Domestic Product (GDP), wherein Indonesia's area is amounted to 1,860,360 km2 or 42% of the ASEAN region and the population is 231.3 millions or 39% of the total ASEAN population and Indonesian GDP is approximately USD 846 billions or 40.3% of ASEAN total GDP. Economic development in Indonesia is quite high and relatively stable within the ASEAN region with average growth between 6.1% to 6.5% (Coordinating Ministry, 2013).

ASEAN Economy Community will create big opportunities for market expansion in insurance industry, which is expected to create a climate of fair competitiveness profitable for both the private and public sector, despite of the increasingly tight competition. To anticipate the high competition, insurance industry needs a healthy business industry environment, and development of human resources quality and capability. The big potentials are very attractive for foreign and ASEAN insurance industry actors to enter and control the domestic market, thus it is important to strengthen the competitiveness of Indonesian insurance industry stakeholders, especially the local companies. Moreover, society education level on the importance of insurance, the yet saturated market, labor force growth, and significance growth of the middle-class are important factors of the development in the insurance sector (Setiawan, 2012).

Life insurance premium in 2012 amounted to Rp 108.32 trillions, improving by 12.3% compared to the previous year's Rp 96.4 trillions. The premium revenue is dominated by the joint venture: PT. Prudential, PT. Manulife, PT. AXA Mandiri, PT. Allianz Life

Indonesia, PT Asuransi Jiwa Sinarmas MSIG, and PT AIA Financial. The overall market share of the joint venture is approximately 64.03% of the Indonesian life insurance industry market (The Financial Services Authority, 2013). Foreign multinational companies are able to dominate the regional insurance market because they have been present in Asia pacific for a long period of time, possessing advance technology with solid reputation, strong in capital and additional funds, able to leverage economy scale and have a lot of specialists. Comparative advantage of the multinational companies enables easier penetration to the local market.

Bumiputera 1912 Mutual Life Insurance Company (MLIC) is a national company established on 12 February 1912. Bumiputera 1912 Mutual Life Insurance Company golden era as the most powerful and reliable large company has passed and now it faces tough competition due to the rapid developments in the external environment. The company lead to the signs of becoming conservative with stalled learning process, repeated work programs that are considered as contributing to past success, in other words the company experienced the success syndrome. Organizational culture change is important to support organizational change (strategy, structural, or process). Organizational change will fail if organizational culture is fundamentally unchanged and remain the same in a very long time (Darlington, 2014), while according to Wibowo (2006) factors that drive the need for change is the strong political pressure, economic development, government policies and administration system, social tendencies, demographic tendencies, increasingly efficient technology advances, organizational tendencies in structure and scale, increasingly competitive market development, human resources issues between employees and manager, and the increasing costumer demands.

The company continues to make breakthroughs to win the tight and tough competition in the industries. Transformation programmes in the field of financial and investment, marketing, operational and human resources, and company administration became the company's answer to the demand for a change that needs to be carried out in order to survive and win the competition. The decreasing market share from the 4th position in 2008 to the 9th in 2014 was a trigger for Bumiputera 1912 Mutual Life Insurance Company (MLIC) to initiate a comprehensive and sustainable fundamental change.

Research on readiness to change by involving organizational culture and organizational commitment as an affecting variable had never been done in Indonesia especially in the life insurance industry. Life insurance industry experienced an unbalanced development between the joint ventures and the local company, whereas the joint ventures dominate life insurance industry market share in Indonesia. Local company must take to change that begins with the company individual readiness to change to be able to compete with human resources from the joint ventures. This research took place at local companies to see the readiness to change in the company individuals related to the cultural orientation and organizational commitment. This research diagnoses the change of perception on the Organizational culture orientation and its relation to the organizational commitment and readiness to change with the aim to test different perception on the current Organizational culture orientation and the preferred organizational culture, also testing organization cultural influence and organizational commitment to the employees readiness to change in the environment of Bumiputera 1912 Mutual Life Insurance Company (MLIC) office.

Organizational or company culture is a system that involves common action, values and beliefs developed in the organization and become guidance for its members behavior (Schermerhorn, et al., 2012). Culture refers to a same behavioral and value norms between a group of individuals. Behavioral norm is a common or disseminated way of acting in a group that prevails because group members tend to act in a certain pattern in instructing new members of the organization. Common values form group behaviors and often endured over time even when group members have changed (Kotter, 1996)

Organizational culture is an important factor used to decide the suitability of an employee to the organization and affirms that employee suitable fit to the organization is a very important factor. The attitude toward organizational culture is a tendency that includes feeling, belief, and behavior in the effort of evaluating organizational culture (Meijen, 2007). Organizational culture change is basically a cultural transformation that needs to be done because of the shift of organization goals that are increasing and challenging. Future business organization goals will be focusing more on the costumers and results (Wibowo, 2006).

To understand the importance of organizational culture, it is necessary to discover the culture developed within an organization and what culture is desired by the organization members in efforts to maintain or change the culture to increase effectiveness of the organization in achieving its goals. Organizational culture can synchronize perception in terms of behavior, creating an excellent behavior guidance. Organizational culture can be something expected or unexpected by the members, thus it is necessary to understand the significant difference between the developed organizational culture with the one currently existing (Hariandja and Sembiring, 2014)

Harrison and Stokes (1992) developed a typology to understand organizational culture. This typology has four organization cultural orientations, which are: power (a culture where everything is focused on individual with power and responsibility), role (a culture based on the existence of rules, procedures and work description), achievement (a culture oriented to achieving the organization vision as the employee's personal strength to gain a common goal), and support (culture based on trusts among the employees and the organization). A flexible organizational culture is a strong base for the organization existence and competitiveness in a dynamic environment also very important in making sure the process of change is going smoothly (Darlington, 2014)

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In an organization, it is not enough to have talented workers by demonstrating good performance, it is also necessary to maintain the worker in the organization longer so the organization can benefit from the efforts of the worker. According to Colquitt et al. (2000) organizational commitment is defined as the desire of the employee to remain a member of an organization. Organizational commitment affects employee to remain within an organization (stance) or leaving the organization to find other work (turns over). Organizational commitment is related to employee attachment toward the organization goals and values and the attachment to the organization itself. Positive results over work experience quality, organizational commitment concept is regarded as a factor contributing to the level of welfare in the work place (Cook and Wall, 1980)

Meyer and Allen (1990) divided the organizational commitment into three components which are: affective, normative, and continuance commitment. Affective commitment is based on employee emotional attachment to the organization, continuance commitment is based on the employees perception of the loss that might be experienced should he not continue his work in the organization, meanwhile normative commitment is related to the desire to remain within the organization because it is an obligation. Employees with organizational commitment will remain within the organization, working routinely and diligently, protect organization assets and believe in achieving organization goals.

Within an organization, change is inevitable as in technology advancement, new communication trend, new regulations and environment and social aspects, therefore individual and organization take a role in change through various ways (Shah, 2011) Readiness to change is important both for the individual and for the organization. Readiness to change will be implemented in a number of different work attitude. Organizational change demands for the human resources within it to follow the change Thus each employee must be ready for change. Employee readiness to change is one of the most important thing in the success of organizational change. A ready employee will respond to change as a challenge (Zulkarnain and Hadiyani, 2014) According to Timmor and Zif (2010), the concept of readiness to change is based on specific behavior of an attitude and perceived as a strategic oriented construct to display the capacity of an organization in effectively responding to a new development in its environment.

Hanpachern, Morgan and Griego (1998) suggests that promoting, resisting, and participating are dimensions of readiness to change. Promoting is individual belief, attitude and intention declared in the form of active promotion on the necessity of change, and their positive perception toward individual and organization capacity to successfully implement change. Resisting is individual belief, attitude and intention declared in the form of resisting change, and negative perception toward individual and organization capacity to successfully implement change. Participating is individual belief, attitude and intention declared in the form of supporting change, and positive perception toward individual and organization capacity to successfully implement change.

The business world is faced with continuous and divergent change. To help employees be better motivated and ready to change, it is important for managers, professional leaders of the company to understand the factors affecting individual readiness to change. The appropriate organizational culture can efficiently facilitate change, also a leader can increase employees readiness to change to gain positive impact for the organization (Carver, 2012). Cultural change is more likely to be achieved when there is senior management examples, good planning and employees involvement in a higher level, to learn from resistance to change in the past (Imhoff, 2007) McKay (2012) discovered that there is a negative relation between communication and resistance to change, whereas adequate communication of change will reduce negative reaction to change. According to Madsen et al. (2005) employees readiness to change, employees organizational commitment and employees social relations have significant relations.

Framework developed in this research is a synthesis of the previous research models, which are: The Relationship Between Organizational Culture and Readiness to Change in a US Army Organization within Japan (Carver, 2012), Readiness for Organizational Change: Do Organizational Commitment and Social Relationships in the Workplace Make a Difference?. (Madsen et al. 2005) and The Influence of Organizational Culture on Organizational Commitment at Selected Local Municipality (Meijen, 2007).

Researcher developed the framework in Figure 1 that describes the gap between existing organizational culture and preferred organizational culture and the influence of current organizational culture and existing organizational culture to the readiness to change through organizational commitment.

RESEARCH METHODS

The hypothesis of this research is: There is a mean score difference between existing organizational culture and preferred organizational culture (H1), Existing organizational culture has positive effects on organizational commitment (H2), Existing organizational culture has positive effect on readiness to change (H3),
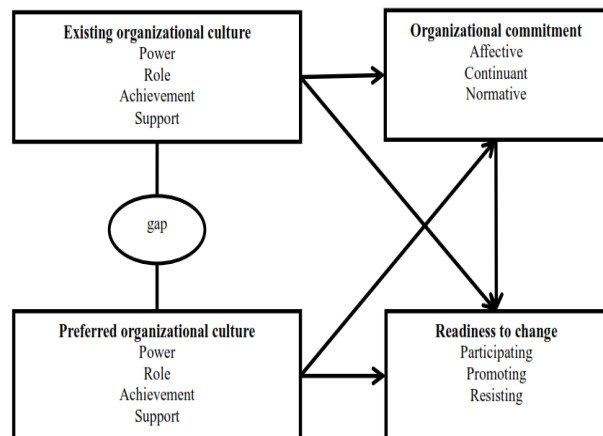

Figure 1. Research framework

Organizational commitment has positive effect on readiness to change (H4), Preferred organizational culture has positive effect on organizational commitment (H5) and Preferred organizational culture has positive effect on readiness to change (H6).

The research was conducted at the Head Office of Bumiputera 1912 Mutual Life Insurance Company (MLIC) in August to September 2014. Purposive sampling technique is applied, where respondents are selected with criteria of minimum 1 year working period and has a minimum position of administration staff. Primary data collection is done through questionnaire on demography data and level of agreement on employee perception in answering questions as indicators in measuring latent variables of organizational culture, organizational commitment and readiness to change using Likert measurement scale with category scale 1-6 (1=Strongly disagree, 2=Disagree, 3=Tends to disagree, 4=Tends to agree, 5=Agree, 6=Strongly agree).

Latent variable measuring the construct of organizational culture along with the indicator using the instrument developed by Harrison and Stokes (1992), which are: power, role, achievement and support. Latent variable and indicator measuring the construct of organizational commitment refer to the instrument developed by Meyer and Allen (1990), which are affective, continuance and normative commitment, while latent variable and indicator measuring the readiness to change use the instrument developed by Hanpachern et al., (1998) which are participating, promoting and resisting.

(Change) Gap test between the existing organizational culture and preferred organizational culture utilizes Paired sample t-test, while Confirmatory Factor Analysis (CFA) and hypothesis of causal relation testing employs Structural Equation Modeling (SEM) analysis. Two step approach is applied to test the model. First step is by applying partial Confirmatory Factor Analysis (CFA) on each latent variable by determining valid and reliable indicators using Construct Reliability (CR) measurement and Variance Extracted (VE) also fulfilling the Goodness of Fit Index (GOFI). Second step is developing a complete model wherein the evaluated and analyzed first order latent variable becomes an indicator for the second order latent variables, which are the organizational culture, organizational commitment and readiness to change by using the Latent Variable Score (LVS) of each first order latent variable (Wijanto, 2008).

RESULT AND DISCUSSION

Company Head Quarter employee population is 452 employees, with respondents selected based on work period of minimum 1 year and minimum position of level III (administrative staff). Two hundred fifty questionnaires were distributed with 198 participation, wherein 190 returned questionnaires considered valid and can be used in the research, and 8 questionnaires considered invalid because they are incomplete and not being used in this research. Respond rate as much as 76% (N=190) meet the accepted adequacy of statistical analysis and interpretation. According to Bryman and Bell (2007), respond rate under 50% describes a minority that shows inaccuracy on population generalization. Respond rate of 76% describes that the sample amount is considered to be adequate sample for the research purpose.

Table 1 shows that selected respondents are mostly male (61.58%) than female (38.42%). Respondents are dominated by young respondents (under 35 years old) by 52.63% and the smallest group is the 35-40 age group, due to a previous regulation to not recruit new staffs in early 2000s. Respondents work period is dominated by respondents with work period under 10 years (58.42%), this is in line with the domination of respondents from the certain age group. To increase performance, the company Head Office gradually recruited younger workforces as marketing support other than as policy maker in the midst of dynamic and increasingly competitive industry. The company human resource manager pays attention to the pace in increasing competence to replace employees who are close to their retirement age and less productive.

Technical Directorate has the most respondents (33.16%) compared to the other 5 directorates, because Technical Directorate has the most departments, while the Main Directorate has the least number of respondents (6.84%) because it has the least number of work units. The majority of respondents have bachelor degree (64.21%) and from the position aspect, administrative staffs dominate the number of respondents (54.21%) considering the organization pyramid structure where the biggest number of staffs are the administrative staff under the head of division.

In graphic the perception score of existing organizational culture and preferred cultural orientation experience a shift (Figure 2). Power cultural orientation in preferred organizational culture is weaker and other cultural orientations (role, achievement and support) are stronger, which is visible in the increasing score mean value. Perception level is stronger to the preferred organizational culture shows that the existing cultural orientation is weak and values norm change must be taken to create a stronger culture.

Paired sample t-test is employed to test the score mean difference of each dimensions (power, role, achievement and support) measuring the constructs of the existing organization cultural and preferred organizational culture. Table 2 shows the paired sample test results that are entirely significant with 0.0000 p-value. The test results support Hypothesis 1 (H1) that there are mean score differences between the existing cultural orientation and the preferred cultural orientation of each organizational culture latent variable dimension. This shows that there is a significant change in the existing Organizational culture orientation and the preferred Organizational culture orientation in the company. The biggest strengthening of Organizational culture orientation is on the achievement orientation that leads to achievements eventually supporting the company vision and mission achievement. Achievement cultural orientation refers to the power of the members according to their skills, work attitude control not based on job description, regulations and procedures and high specialization, rather it is based on the members understanding of work demand through collaboration and expectation towards goal achievement (Hariandja and Sembiring, 2014).

Table 1. Respondent Demography Characteristics

Demography	Category	Number of respondent	(%)	Demography	Category	Number of respondent	(%)
Sex	Male	117	61.58	Directorate	Main	13	6.84
	Female	73	38.42		Marketing	30	15.79
	Total	190	100.00		Technical	63	33.16
					Investment	21	11.05
Age (Years)	20 - 25	21	11.05		Human Resources	29	15.26
	26 - 30	36	18.95		Obedience	34	17.89
	31 - 35	43	22.63		Total	190	100
	36 - 40	16	8.42				
	41 - 45	18	9.47	Education	High school	6	3.16
	46 - 50	33	17.37		3-years Diploma	14	7.37
	>50	23	12.11		Bachelor Degree	122	64.21
	Total	190	100.00		Master Degree	48	25.26
					Total	190	100.00
Work Period (Years)	0 - 5	66	34.74				
	6 - 10	45	23.68				
	11 - 15	11	5.79	Position	Adm. Staff	103	54.21
	16 - 20	25	13.16		Functional	36	18.95
	21 - 25	26	13.68		Head of Division	34	17.89
	Above 26	17	8.95		Head of Dept./ Div	17	8.95
	Total	190	100.00		Total	190	100.00

Perception change on Organizational culture orientation indicates the necessity of organization cultural change from the employees perspective. Organizational culture will only change after employees new action and behavior bring collective benefits in the company, and the new actions are able to boost company performance (Kotter 1996). Evaluation on employees perception on existing Organizational culture orientation can be used to discover the critical level for organization cultural change aligned with the company vision and mission. Understanding of existing and preferred Organizational culture orientation is one of the considerations in formulating values, norms and beliefs that will make new consideration in building a new organizational culture. Organizational culture formation must involves the company stakeholders, in this case Members Representative Body (MRB), management (commissioners and directors) and
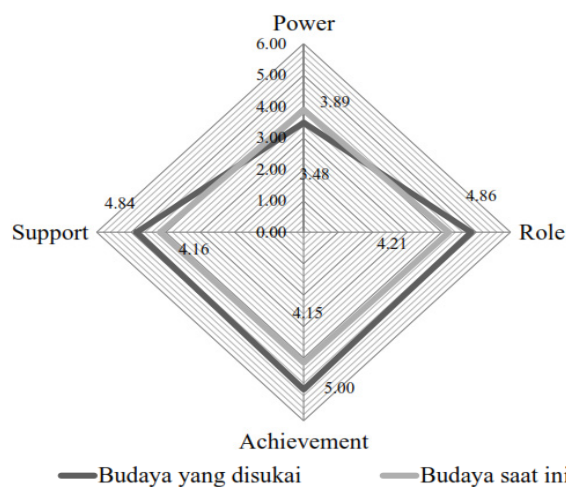

Figure 2. Organizational Culture Orientation Change

Table 2. Mean Score Test Results of Oganizational Culture Dimensions Paired Sample

Cultural orienta-tion	Cultural change	Mean	Differ-ences	t-count	p-value
Power	Existing	3.89	-0.4053	-8.5920	0.0000
	Preferred	3.48			
Role	Existing	4.21	0.6460	14.0180	0.0000
	Preferred	4.86			
Achieve-ment	Existing	4.15	0.8523	16.3350	0.0000
	Preferred	5.00			
Support	Existing	4.16	0.6793	14.7790	0.0000
	Preferred	4.84			

employees that in this case can be represented by the Company Labor Union.

Confirmatory factor analysis in all first order latent variables is done by determining Standardized Loading Factor (SLF) value complying to convergent validity criteria by evaluating SLF value, wherein SLF values lower than 0.7 will not be used in the next analysis. SLF value evaluation considers Variance Extracted (VE) values, analysis maintain SLF less than 0.7 but above 0.5 as long as it maintain or increase the VE value (Hair et al. 2006).

(ut1)CFA results for existing organizational culture latent constructs obtain valid indicators as the following: PWR8 (power), ROL4, ROL6, ROL8, ROL12, ROL15 (role), ACV3, ACV6, ACV9,ACV10,ACV11, ACV12, ACV13 (achievement) and SUP2, SUP3, SUP7, SUP9, SUP11, SUP12 (support), while for construct of the preferred organizational culture as follow: PWR7, PWR8, PWR10 (power), ROL8, ROL12, ROL13, ROL15 (role), ACV1, ACV6, ACV9, ACV10 (achievement) and SUP13, SUP14, SUP15 (support).

CFA results for organizational commitment construct, out of the 7 indicators analyzed affective construct has 5 valid indicators which are AFC1, AFC4, AFC5, AFC6 and AFC7. Continuance construct only has 1 valid and significant indicator, which is CON7, normative construct CFA result obtain 4 valid indicators that are NOM2, NOM4, NOM6 and NOM7. Model suitability evaluation result for readiness to change construct measurement model, participating obtains 4 valid and significant indicators that are PCP2, PCP4, PCP5 and PCP6. Promoting construct has 3 selected indicators from the 4 valid and significant indicators, which are PRO1, PRO2 and PRO3, meanwhile model suitability evaluation for resisting construct only obtain 1 valid indicator that is RES2.

Model analysis is done using exogenous variable different to the existing culture exogenous variable (model-1) and preferred culture exogenous variable (model-2). Model suitability analysis applied to both models to obtain the most suitable model for the research hypothesis. Model suitability thorough analysis result by employing Latent Variable Score (LVS) results on CFA analysis step, shows the suitability test value as shown in Table 3. Model-1 generally has good fit suitability result, except for model co-variant suitability criteria with observation variants showing 0.0266 p-value smaller than the cut off value(0.05) and 0.0505 RMR (above 0.05). Model-2 test results show a general good fit, except for 0.0580 RMR a little above cut off value (0.05).

In model-1, domination of indicator shown by the biggest SLF value on constructs of culture, commitment and readiness are each on achievement (1.00), affective (0.98) and promoting (1.00) that can be seen in Figure 3. Measurement model test results for model-1 that has all valid and ideal content indicator factor (above 0.7) and all constructs are reliable with CR and VE above 0.7 and 0.5, whereas the CR values for culture, commitment dand readiness are 0.9717, 0.9100 and 0.9287 respectively while its VE values are 0.8962, 0.7740 and 0.8160 respectively.
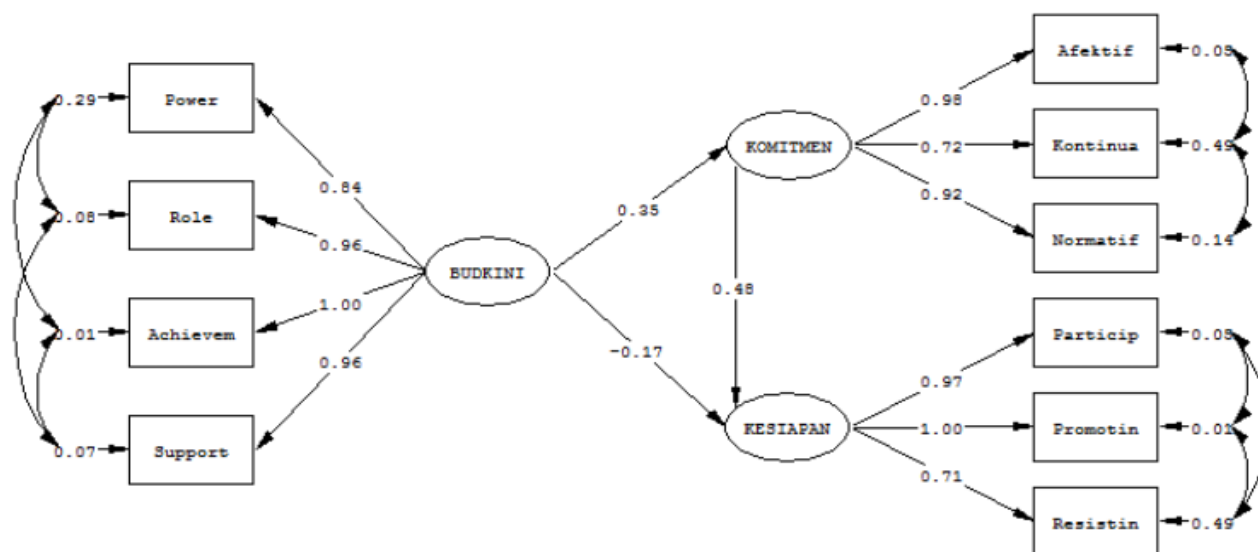
Table 3. Results of model suitability test

GOFI	Cut off value	Model-1		Model-2	
		Research result value	Result suitabil-ity	Research result value	Result suitabil-ity
Chi-Square		37.8200		24.1362	
df		23		25	
p-value	≥ 0.05	0.0266	Marginal fit	0.5115	Good fit
RMSEA	≤ 0.08	0.0580	Good fit	0.0000	Good fit
GFI	≥ 0.90	0.9858	Good fit	0.9903	Good fit
AGFI	≥ 0.90	0.9660	Good fit	0.9787	Good fit
RMR	≤ 0.05	0.0505	Marginal fit	0.0580	Mar-ginal fit
NCS	≤ 2	1.6443	Good fit	0.9654	Good fit
RFI	≥ 0.90	0.9625	Good fit	0.9761	Good fit
CFI	≥ 0.90	0.9924	Good fit	1.0000	Good fit
NFI	≥ 0.90	0.9808	Good fit	0.9867	Good fit

In model-2 indicator domination shifted into: support (0.98), affective (0.97) and participating (0.99) as shown in Figure 4. Model-2 has ideal indicator (above 0.7) except continuance indicator (0.64) but it is still above 0.5, while CR values for culture, commitment, and readiness are 0.9515, 0.8188 and 0.9397 respectively and VE values for each are 0.8318, 0.6137 and 0.8402 respectively.
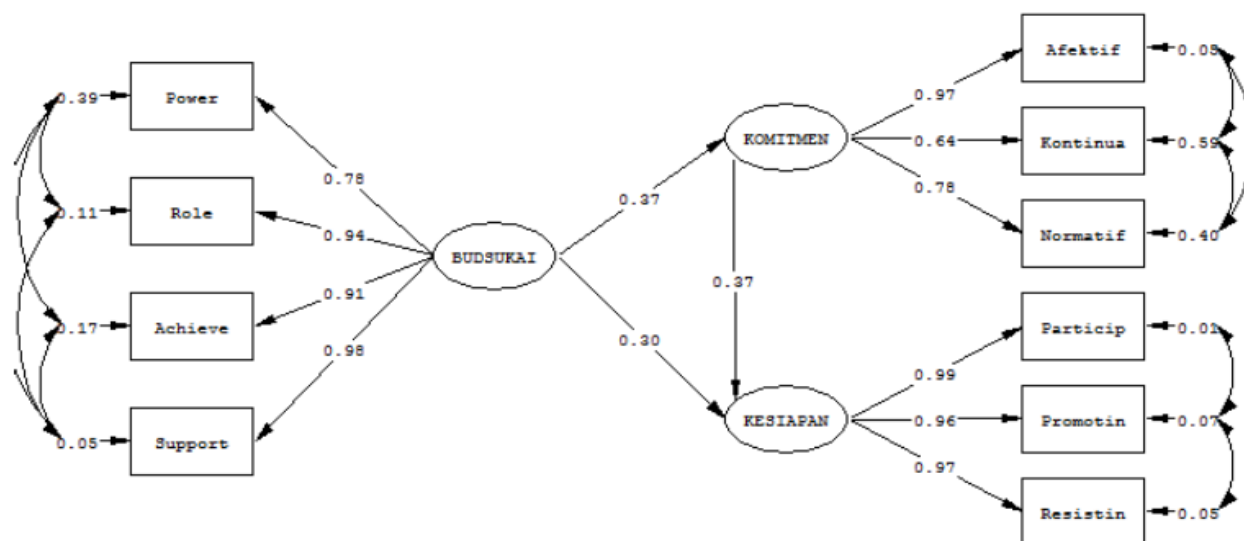
SLF value for resisting latent variable (0.97) is bigger than SLF value for promoting (0.96), this indicates that bigger resistance reflects the readiness to change construct compared to the latent variable of actively promoting the necessity for change. There are hindrance within organizational change due to negative reaction in the form of resistance. In responding to resistance, management needs to involve employees in decision making related to change and transparent in communicating change so that employees trust to the management can be steadily built as one of the important aspects for the program of change smooth execution. Within organizational change there are hindrances in organization expansion and development due to negative reaction in the form of resistance. Management needs to encourage employees participation in decision making, trust building, accepting constructive critics, transparency and clear communication on the need for change to the employees (Boohene and Williams, 2012).

Table 4 shows the results of coefficient value test within the model. Existing cultural impact toward organizational commitment is positive and significant with coefficient value and t-count of 0.3507 and 6.85 respectively. The results of this test support the research hypothesis that existing organizational culture positively affects organizational commitment (H2). Stronger existing culture makes for stronger organizational commitment. Meijen (2007) also

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Chi-Square=37.82, df=23, P-value=0.02661, RMSEA=0.058

Figure 3. Model-1 Coefficient Value

Chi-Square=24.14, df=25, P-value=0.51151, RMSEA=0.000

Figure 4. Model-2 Coefficient Value

discovered the same results in his research that existing organizational culture has significant impact on employees organizational commitment.

Organizational commitment has positive impact on readiness to change significantly with coefficient value of 0,4803 and t-count 6.53. Coefficient value of organizational commitment causal relation to readiness to change shows positive and significant value, which means stronger organizational commitment makes higher level of readiness to change. This result supports the hypothesis that organizational commitment positively affects readiness to change (H6). Employee with organizational commitment will show attentive

work attitude, has a sense of responsibility in doing his work and very loyal to the company (Zulkarnain and Hadiyani, 2014).

Interesting finding is the result that shows the negative and significant impact between the existing culture and readiness to change with coefficient values of -0.1750 and t-count 3.27. Existing organizational culture does not support readiness to change. Negative and significant impact of existing organizational culture to readiness to change means, stronger existing culture makes lower readiness to change. The result of this test does not fit research hypothesis that the existing organizational culture positively affects

readiness to change (H3). Unpreparedness to face change is shown by non-supportive organizational culture. Organizational culture is not in line with the efforts to face program of change, which is shown by negative causal effects between organizational culture and readiness to change. In the process of value adjustment, employees tend to decide their attitude toward organizational culture. If organizational culture is considered to be conflicting with employee personal value, the employee will have negative attitude toward the culture (Suyasa and Coawanta, 2004). Perception on existing culture is influenced by subjective elements of the employee in appraising cultural orientation wherein there are preferred values and non-preferred values, and this is affecting the employees attitude toward change.

Organizational change has the capacity to change culture and eventually affecting employees emotional reaction. On the contrary, culture affects how employees respond to change by involving emotion. Negative emotion reaction happens when employee thought that the process and results of change are unfair, there are no organizational support and employee feels unsafe because of his dissatisfaction toward change. Culture plays an important role in facilitating organizational change and strengthen the message that emotion accompanies many aspects of change and must be responded sensitively (Smollan and Sayers, 2009). Culture is very important because it can strongly affects human behavior, and difficult to change because it is imperceptible thus making it difficult to handle directly.

In model-2 as shown in Table 4, preferred organizational culture has significant positive impact to organizational commitment with coefficient value of 0.3671 and t-count 8.93. The results of this test support the research hypothesis that preferred organizational culture positively affects organizational commitment (H4). The results of this research support the results of research done by Gustari (2013) stating that organization cultural

Table 4. Model-1 and model-2 lines coefficient test results

Line			Coef-ficient	t-count	Result
Model-1					
Existing culture	→	Commitment	0.3507	6.85	Significant
Commitment	→	Readiness to change	0.4803	6.53	Significant
Existing culture	→	Readiness to change	-0.1750	3.27	Significant
Model-2					
Preferred culture	→	Commitment	0.3671	8.93	Significant
Commitment	→	Readiness to change	0.3669	5.01	Significant
Preferred culture	→	Readiness to change	0.2978	5.76	Significant

change has direct positive and significant impact toward employee organizational commitment. This implies that a conducive and supportive condition culture in the organization environment will increase organizational commitment. The analysis results on relation between preferred organizational culture to organizational commitment is different to the results of research by Meijen (2007), whereas his research shows the preferred organizational culture has no significant impact toward organizational commitment.

Impact of organizational commitment toward readiness to change is positive and significant with coefficient value of 0.3669 and t-count 5.01. This test result supports the hypothesis that organizational commitment positively affects readiness to change (H6). Attitude and employee attachment to the company is in line with the level of readiness to change. Employee with strong organizational commitment is an employee actively involved in achieving organization values and goals so that readiness to change is easily achieved by employee with organizational commitment (Pramadani and Fajrianthi, 2012).

Preferred organizational culture positively affects readiness to change with coefficient and t-count values of 0.2978 and 5.76 respectively, this supports the research hypothesis that preferred culture positively affects readiness to change (H5). Preference of cultural orientation from the employees manifested into preferred organization cultural perception is harmonious with the direction of individual attitude to change. Organizational culture that fits employees personal values, thus employee will have positive attitude toward organizational culture and move in accordance with organization goals (Suyasa and Coawanta, 2004).

SLF value for resisting latent variable (0.97) is bigger than SLF value for promoting (0.96), this indicates that bigger resistance reflects the readiness to change compared to actively promoting the necessity for change. There are hindrance within organizational change due to negative reaction in the form of resistance. In responding to resistance, management needs to involve employees in decision making related to change and transparent in communicating change so that employees trust to the management can be steadily built as one of the important aspects for the program of change smooth execution. Management needs to encourage employees participation in decision making, trust building, accepting constructive critics, transparency and clear communication on the need for change to the employees (Boohene and Williams, 2012).

Company culture can be a hindrance to change and contribute to the direction of organizational change. Organizational culture change can become a management goal but it can also happen indirectly due to strategic, tactical or operational changes. Organizational culture orientation change must be carried out in order to create a strong and harmonious culture with readiness to change. Research results show that preferred culture positively affects organizational commitment and readiness to change, whereas existing culture is strongly reflected in achievement culture

while preferred culture is dominated by support culture. The efforts to change organizational culture can bring frustration that can quickly revolve in its effort to defeat status quo, thus it is necessary to apply an appropriate coaching strategy during organizational change (Darlington, 2014). Managing successful organizational change requires multidimensional approach. Work security, environment opportunity and positive affective attitude have impact toward organizational change through organizational commitment. Organizational commitment can be instrumental as determinant and mediator in the process of change (Iverson, 1996).

Business trend shifts and the entry of competitors as Joint Venture (JV) with strong capital and reliable technology support have beaten the domination of local life insurance company. Strong work ethics supported by reliable system have made JV companies able to reach the higher ranks in the industry market share. Local company was late in anticipating changes that it is left behind and unable to be the host in its own country. The effort to shape competitive attitude and mental with insurance industry actors is ongoing yet it is difficult, considering that old culture is still very strong. The ingrained cultural values to date have greatly contributed to the tardiness of initiative for change that should be done.

The existing organizational culture is dominated by achievement cultural orientation, negatively affects readiness to change, this shows that the existing culture is not fit to implement change. Organizational culture orientation change must be carried out in order to create a strong and harmonious culture with readiness to change. Preferred organizational culture has a positive effect both on organizational commitment and readiness to change significantly. Preferred culture is dominated by support cultural orientation. Management should redesign the organizational culture by emphasizing on support cultural orientation. Support cultural orientation focuses on team work, the importance in trusting staffs, superiors are actively communicating with subordinates to provide solutions on issues faced by subordinates, and most importantly considering the Company Head Office has employees with dominant young age distribution, socialization, education and trainings for new employees are continued to accelerate understanding of the business process in the company.

Company have succeed in forming its employees commitment with the dominant profile of affective commitment, partially normative and less or little amount of continuance. The composition of commitment dimensions is good but needs strengthening in the perceptual level so employees have stronger organizational commitment enabling for a firmer readiness to change. In the effort to increase organizational commitment especially the affective and normative commitment, the steps that must be taken by the managements are first, to open a wider opportunities for employees to increase their skills and capabilities through higher formal education (master and doctorate degree) and professional title achievement (AAIJ, FSAI, WMI, WPEE, LUTC,

etc.). Second, to give consistent appreciation in the form of financial incentives (bonus) or non-financial incentives (promotion for increased level or position) for employees with positive and real contribution to the company, set forth into the Decree of the Board, and socialized whether through the company portals, e-mails or education and training, workshops and other gathering events. Third, creating comfortable work condition by maintaining work relation both the vertical to the superiors or the horizontal with fellow colleagues through outing activities in each work unit, family or social gathering, and intensively also periodically have two ways communication between the management and employees to reduce moral hazard and building trust, for instance by weekend dialogue, sport events on Friday mornings, scripture reading every Friday or other more relaxed informal events.

The increasing change in business and technology environment cause the concept of readiness to change into critical. New opportunities and threats are challenging to find effective ways to run a company and maintain its growth. Company carries out restructuring and transformation program that demands all of its employees to increase competence and have the spirit of change. To increase readiness to change and to reduce or eliminate resistance to change, management can consider the following: 1) management must be open and transparent to the employees regarding the background, goals and process of change that will be carried on, if necessary source speakers from outside of the company are invited to discuss the necessity of change. Distrust toward an internal figure can be handled by presenting an external figure that has been proven to be able to carry out change; 2) involving employees in the process of change by two-ways communication and trusting employees by involving them in decision making process, whether through Worker Union or task force team so communication with employees is effective; 3) Forming a change management unit to effectively smoothen the entire stages of change by appointing Spirit Ambassador (champions) within the company to provide example and to influence others employees. Spirit Ambassador is expected to be able to accelerate the number of employees influenced to receive and implement programs of change.

CONCLUSION

Organizational cultural orientation from respondents selected as research objects experience shifts shown by the significant score difference between existing organizational cultural orientation and the preferred organizational cultural orientation. Power cultural orientation is smaller and other dimensions are stronger by the domination of achievement culture strengthening. Model analysis on readiness to change with the existing organizational culture as exogenous variable shows that existing organizational culture positively affects organizational commitment but negatively affects readiness to change, while organizational commitment positively affects readiness to change. Model analysis on readiness to change with the preferred organizational culture as exogenous variable

shows that preferred organizational culture positively affects both organizational commitment and readiness to change, while organizational commitment positively affects readiness to change.

The research results on organizational cultural orientation supporting readiness to change in head office with function as decision makers and operational support can be different to the operational office (regional and branch office) cultural orientation with revenue target that is presumed to have achievement cultural orientation. Research can be further developed by expanding sample to the operational offices and add affecting factors to readiness to change, which are leadership (Saragih, 2013), employees engagement (Mangundjaya, 2012), and work place social environment (Madsen, et al. 2005).

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