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**Chapter IV Finding and Discussion**

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## 1.1 Introduction

This study examines the relationship between three components of organisational commitment and readiness for change in the scope of the Directorate General of Taxes (DGT) – Republic of Indonesia. It takes a quantitative, positivist approach, using analytical survey method by distributing questionnaires to the employees of a regional tax office in Jakarta. The objectives of the study are: (1) to examine the level of organisational commitment and readiness for change and to understand the relationship between both variables; (2) to review the relationship between demographic variables and the main constructs; and (3) to compare between the findings of this study and previous studies done by other researchers.

The study reveals that affective and normative commitments have a statistically significant positive relationship to readiness for change, while continuance commitment has no significant relationship to readiness for change. Moreover, affective commitment is found to have the strongest relationship, followed by normative and continuance commitment. The study also finds that the mean value of organisational commitments and readiness for change of the samples can be categorised as high. This is important for the DGT in formulating strategy to improve and maintain readiness for change of its employees prior to an organisational change in early 2017.

The DGT is a directorate generals under the Ministry of Finance and according to Minister of Finance Regulation No. 234/PMK.01/2015 about the Organisation and Administration of the Ministry of Finance, the DGT has several tasks and functions such as formulating and implementing taxation policies; administrating, monitoring, evaluating, and reporting taxation; and providing technical guidance and supervision of taxation (Ministry of Finance 2015). To support its tasks and functions, the DGT has several Technical Service Unit (UPT) in the form of Tax Offices (KPP) and Services, Counselling and Consulting Offices (KP2KP) under

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the Regional Tax Offices (KANWIL). Additionally, it is also supported by Centre for Data Processing and Documentation (PPDDP) as the data centre. The DGT's structure is shown in Figure 1.1 below.

Figure 1.1  
The structure of the DGT



(Source: Directorate General of Taxes 2012)

The dynamic external environment has pushed many organisations to implement changes in every aspect of their business such as in strategy, structure, process, and organisational culture (Armenakis et al. 1993). An organisational change intends to improve organisational effectiveness and to enable organisational functions to deal with more challenging environments (Blackman et al. 2013). Similarly, the government of Indonesia plans to transform the DGT from one of the directorate generals under the Ministry of Finance to an autonomous tax authority with direct responsibility to the president. The plans have been translated into the DGT's roadmap 2015 – 2019 and into amendments of tax law, which are currently being discussed by the parliament. The reason behind the plan is the pressure to improve the DGT's performance especially improving efficiency and effectiveness in collecting taxes to deal with increasing state budget and the need of development funds over time. Taxes have become the biggest source of revenue since its realization accounting 83% of the total state budget in 2015 as shown in Table 1.1 below.

**Table 1.1**  
**Realization of Budget in 2015 (in trillion Rupiahs)**

	Budget 2015	Realization	% of Budget
A. State revenue	1,761.6	1,491.5	84.7
I. Domestic revenue	1,758.4	1,488.2	84.6
1. Tax revenue	1,489.3	1,235.8	83.0
2. Non-Tax revenue	269.1	252.4	93.8
II. Revenue from grant	3.3	3.3	100
B. State expenditure	1,984.1	1,810.0	91.2
C. Surplus/deficit (A-B)	(222.5)	(318.5)	143.1
D. Budget financing	222.5	329.4	148.0
E. Excess/shortfall of budget financing	-	10.9	

Source: Ministry of Finance (2016)

The DGT's transformation will be complex and involves many changes within the system, ranging from the change in regulations, change in organisational structure, change in employee policy, and change in IT systems. Moreover, external stakeholders possess cynicism about the transformation since it needs a lot of investments and is based on the fact that the DGT has never achieved its target since 2008 (Winosa et.al 2015). This may lead to problems and challenges that affect the change's success. Furthermore, research from Weiner (2009), Burnes and Jackson (2011), and Grady and Grady (2013) conclude that the probability of successful organisation changes is very low with more than 70% of change initiatives have failed which should be anticipated by the DGT. The failure in executing the change initiatives is mainly because the organisation members were not ready to implement changes (By and Burnes 2013). Furthermore, undergoing a process of change can be troublesome and stressful for employees, thus they can view the organisational change with cynicism (Blackman et al. 2013).

In order to materialize a successful implementation of organisational change, the DGT should take into account several factors. One of the factors is readiness for change since many experts believe that it is a critical factor before an organisation starts any changes. Armenakis and Harris (2002) suggest that it is useless to



undertake change except if the organisation is ready and capable of adopting the change. Choi and Rouna (2010) add that a successful change needs all members to be involved and “bought in” to the process. Lewin states that an effective change needs “unfreezing – change - refreezing” processes which relate to many factors (Lewin 1947 as cited by Madsen et al. 2006). Armenakis et al. (1993) explain that one of the important factors to realize successful changes is by creating individual’s readiness for change and this corresponds to Lewin’s unfreezing process. Based on their point of view, the DGT should develop employees’ readiness for change by instilling the beliefs within employees that change is needed and that both employees and organisation have the capability to deliver a successful change.

Many experts emphasize that organisational commitment is the most important predictors of behavioural support of change. Coetsee (1999) states that organisational commitments are precondition for a successful change management. Furthermore, Madsen et al. (2005) and Mangundjaya (2012) conclude that organisational commitments correlate positively to readiness for change, meaning higher commitments leads to higher readiness for change. Conner and Patterson (1982) as cited by Herscovitch and Meyer (2002) claim that organisational commitment plays a critical role in supporting the success of change and that lack of commitment contributes significantly to change failures. Research from Herscovitch and Meyer (2002), Meyer et al. (2002), Elias (2009), Visagie and Steyn (2011), and Nordin (2012) support that claim by agreeing that organisational commitment is an important predictor of readiness for change. Thus, it is imperative for the DGT to assess the readiness for change together with organisational commitments prior to the change implementation in order to carry out successful changes and avoid resistances. This justifies the focus and aims of this study.

As one of the DGT’s employees, the author is interested in discovering the level of organisational commitment and readiness for change prior to the implementation of organisational change in the DGT. The author is also keen on exploring the relationship between both variables in the scope of the DGT. This study will help the DGT to assess its employees’ readiness for change and enable

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it to take required measures to create and improve readiness for change among its employees. Using the survey data of 107 respondents taken from a regional tax office in Jakarta, this research presents empirical findings on the relationship between organisational commitment and readiness for change in the DGT context. In the recommendations section, the author will discuss the measures that should be taken by the DGT.

## 1.2 Dissertation Structure

This dissertation comprises of six chapters with chapter one introducing the topic, background, research problem, motivation of the study, research objective, and structure. Chapter two reviews the theories and empirical findings on the topic of organisational commitment and readiness for change. Chapter three presents the approaches used in this study by specifying the model, philosophy, and method of the research, sources and collecting method of the data, questionnaire design, sample, statistical method, and pilot study. Chapter four leads to the findings of this study using statistical methods to analyse data and test the hypotheses and convey the discussion on the comparison between the findings of this study and previous studies. Last but not least, chapter five outlines the conclusion, recommendation, and research limitations which provide guidance for a better research on the similar topic in the future.

## 1.3 Research Objective

The objectives of this study can be explained as follows.

1. To examine the level of organisational commitment and readiness for change and to understand the relationship between both variables in the scope of the DGT.
2. To understand the relationship between three components of organisational commitment and readiness for change among the employees of the DGT.
3. To compare the findings of this study with previous research.

## 2.1 Introduction

This chapter reviews theories and empirical findings from previous research on organisation commitment and readiness for change. Employing a positivist model of literature review, this chapter summarizes and synthesizes many research literature on both topics. The author will conclude and choose a model to be followed for the purpose of this study. The positivist approach is chosen because the topics have been widely studied before, thus there are plenty of reliable literatures and theories have been developed. This chapter begins with a discussion on organisational commitment definition and construct, antecedents, and outcome. The next part reviews ‘readiness for change’ definitions and predictors while the last part summarizes the relationship between both variables and presents the hypotheses.

Having reviewed previous literature from both topics, the author concludes that organisational commitment and readiness for change can be classified as a multidimensional construct since there are more than one factors explaining the psychological state that creates both. In this study, the author follows the three-component model of organisational commitment from Meyer and Allen (1991) and readiness for change model from Holt et al. (2007). The author develops this literature review by examining theories, reviewing the methods and findings from each researcher, comparing those findings, and choosing the most appropriate model for this study.

## 2.2 Organisational Commitment

Organisational commitment is an important element determining the success of an organisation since it sticks to the people who own authorities and make decisions in day-to-day operations. Commitment is believed to have a strong connection to many other organisational dimensions such as effectiveness, employees’ welfare,



hard to achieve organisational goals. This has increased the concern of researchers about organisational commitment. However, there is a lack of consensus on its definition since the researchers are coming from multidiscipline who creates the definition based on their own disciplines (Mowday et al. 1982).

Mangundjaya (2012) defines organisational commitment as an individuals' view on how values and goals of employees and organisation are aligned, the way to solve conflicts, and feelings of attachment. Zangaro (2001) clarifies organisational commitments as a pledge of an organisation's members to complete their liability or obligation to the organisation in the future. O'Reilly and Chatman (1986) interpret organisational commitment as the degree of internalization or adoption of an individual toward organisational values and characteristics which reflected by the psychological attachment of each member to the organisation. Mowday et al. (1979) alternatively specify organisational commitments as the degree of an employees' identification with and involvement in a specific organisation. Wiener (1982) bears a meaning for organisational commitment as normative pressures to employees to perform for the sake of organisational interests and goals.

There are also considerable debates on the nature of commitment's construct whether it is a unidimensional or a multidimensional construct. Meyer and Herscovitch (2001) list several proponents of unidimensional construct such as Mowday et al. (1979, 1982) and Wiener (1982) and proponents of multidimensional construct such as Penley and Gould (1988); O'Reilly and Chatman (1986); Meyer and Allen (1991); and Jaros et al. (1993). The supporters of unidimensional construct argue that commitment is a state of mind that mirroring the degree of willingness to stay in the organisation, believe and accept organisational values and goals, and agreement to perform extra work for the sake of organisation (Mowday et al. 1979). Nonetheless, the supporters of commitment as a multidimensional construct advocate that there is more than one mind-set that explains the psychological attachment to organisations (Sambrook and Stewart 2007). It means that organisational commitment consists of more than one different but related dimensions which are treated as a single construct (Law et al. 1998).



the proponents of multidimensional construct. O'Reilly and Chatman (1986) suggest compliance, identification, and internalization dimensions; Penley and Gould (1988) propose moral, calculative, and alienative; and Jaros et al. (1993) suggest affective, continuance, and moral. However, the most widely used typology of organisational commitment is from Meyer and Allen (1991). They state that organisational commitment is a multidimensional construct derived from the connection between the members and the organisation which can be divided into three different yet related dimensions namely affective, continuance, and normative commitment. For the purpose of this study, the author applies the idea of commitment as a multidimensional construct and follows the typology as proposed by Meyer and Allen (1991) since their model is popular and widely used in many studies. The hypotheses in this study will also be developed under this model. The detail of Meyer and Allen's three-component model of commitment is as follows.

#### 1. Affective commitment

It is an emotional affection of the members which relates to individual identification with and participation in the organisation. High level of affective commitment causes employees to stay in the organisation because of "want" or "desire" and leads to low in absenteeism, high performance, and extra work.

#### 2. Continuance commitment

Continuance commitment is the awareness of cost that appears related to leaving the organisation. High level of perceived cost causes employees to stay because they "need" to do so and may perform slightly more than required works just to maintain their employment.

#### 3. Normative commitment

Normative commitment is the sense of obligation or responsibility to stay in the organisation. High level of normative commitment leads the employees to stay because they "ought" to do so and may perform only if it is part of their job or as a means of exchange for received benefit.