

Efforts to improve Employee Performance at Post-Acquisition Company in Indonesia

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Abstract

As competition to control market among companies increase, acquisition has been considered a prospective strategy to be well planned. However, post-acquisition transformation has become a central issue as integrating two or more organizations needs a lot of efforts. The objective of this study was to analyze the effect of transformational leadership and readiness to change on employee performance in post-acquisition companies in Indonesia through competence improvement to adaptability as previous research has not specifically explored these variables. The samples were two manufacturing companies and two service companies. Purposive sampling technique was used to analyze 234 processed questionnaires from 400 distributed samples using Likert scale technique. The results revealed that (1) transformational leadership affects employee performance, (2) readiness to change does not affect employee performance, (3) transformational leadership and readiness to change all affect employee performance through improved adaptability.

Keywords: transformational leadership, readiness for change, adaptability, employee performance.

I. Introduction

Acquisition has been recognized as a popular and strategic tool for increasing an organization's dominance in the market by performing expansion and diversification. However, in post-acquisition integration, when the acquiring company and the acquired company have not been in a perfect union, both company and employees may fail to perform well and to meet organization's goals. Haspeslagh & Jemison (1991) define post-acquisition integration as an interactive and gradual process in which individuals from two organizations learn to work together in the transfer of strategic competencies. They believed that the real challenge in managing post-acquisition integration was that the acquiring company had to put emphasis on developing a systematic interaction to both companies and create an accommodative atmosphere during the state of change needed for competencies transferring.

In regard to the change, Armenakis, et al (1993) indicated that participation in the process of changes will contribute to employees' readiness to change. Armenakis & Bedeian (1999) furthered this idea by pointing out the employee attitudes toward the readiness for change as the major issues to consider when planning changes. The concept of readiness was essential as employee reactions to change played an important role in any organizational (Bartunek et al., 2006; Oreg et al., 2011). Furthermore, the readiness was one of the most important factors in which employees were involved in the initial stage for changing initiatives (Armenakis et al., 1993; Holt, et al., 2007). Therefore, in the process to achieve the readiness for change, leadership was the center of the transformation as Ivancevich, et al (2007) described that leadership is a process to influence others in order to facilitate the achievement of organizations' relevant goals.

Considering the facts that post-acquisition transformation consists of several fundamental factors, some researchers emphasize the importance of putting human factors into the first consideration (Aguilera and Denker 2004; Teerikangas 2012); however, the studies on acquisition have also showed the lack of findings that relate to the effect of acquisition on work conduct and workers behavior after the company was acquired (Sanda, Adjei-Benin and Benin 2011). Therefore, as far as we know, there has been no study deeply explored the transformational process taken place both in the organization and the employees after post-acquisition integration.

Given this situation, this study analyzed the effect of transformational leadership and readiness for change on employee performance through adaptability improvement. The study of post-acquisition integration was conducted on two manufacturing companies and two service companies in Indonesia. Series of hypotheses proposed were the direct effects of transformational leadership and readiness to change on employee performance, and the indirect influence of transformational leadership and readiness to change through the ability to adapt. The analytical method used to analyze the developed hypothesis was SEM (Structural Equation Modeling). In the last section, there are discussions, conclusions, and some limitations in this study.

II. Literature Review

1. Transformational Leadership and Adaptability

In the process of acquisitions, employees mostly reacted differently as business environment changed drastically and; therefore, organizations needed to be quickly adapted to a new situation with more complex conditions. Consequently, trans-

formational leadership played a key role in the process of human resource management as transformational leadership was very effective in an environment characterized by changing and uncertainty (Bass 1998; House & Aditya 1997; Waldman et al. 2004).

Theoretically, adaptability has direct implications on the successful achievement, especially in dealing with environmental changes. Martin (2012) defined adaptation as a mean used to understand individuals' capacity to constructively regulate their behavior in responding to new conditions. Meanwhile, Macmillan & Tampoe (2000) considered adaptation as the ability of a company to react quickly to take advantage of opportunities and risks and turn them into business profits. Therefore, gradually adaptive capability is taken seriously and becomes an issue of concern to many researchers (Chen et al. 2005). Furthermore, Griffin & Parker (2007) suggested the obligation of organizations to encourage and motivate their employees to effectively adapt to changes as rapid response to change was one of the competitive advantages for organizational existence. To achieve this objective, transformational leadership was essential.

Transformational leaders recognize the need of change, create and share interesting visions with employees, guide them through adaptation, and inspire them to achieve challenging goals to institutionalize change (Bass 1999). In addition, transformational leaders help subordinates not to repeat past routines, but develop creative solutions to ambiguous problems, and respond appropriately to new environments (Bass 1985; Bass et al. 2003; Vera & Crossan 2004). Thus, transformational leadership became stronger in situations of crisis or uncertainty, such as acquisition integration (Bass & Stogdill 1990; Shamir, House & Arthur 1993; Yukl 1999).

Meanwhile, according to Vera & Crossan (2004), transformational leaders, essentially agents of change, visualize a different future from the status quo and inspire subordinates to work with them to achieve a new future. Consequently, transformational leadership had to recognize the need to change, create and share a convincing vision with their employees, directed them and facilitated the process of adapting to change, and inspired them to achieve the challenging goals (M. Carter et al. 2012).

Given this situation, the following hypothesis was formulated:

Hypothesis 1: Transformational Leadership has significant and positive influence on Adaptability.

2. Readiness for Change and Adaptability

Participation or involvement of the members of the organization in the implementation of change was significant to avoid the negative effects of resistance to change. If employees are encouraged to participate and their inputs are consistently well-managed, their commitment and performance will increase while reducing their resistance to change (Wanberg & Banas 2000). Therefore, the readiness for change collectively reflect the extent to which an individual cognitively and emotionally tend to accept, embrace, and adopt specific plans to deliberately alter the status quo (Holt et al. 2007). This means that adaptability has started to take placidness for change has been widely studied in the organizational change literature, and has previously been conceptualized as a belief affecting reaction to change (Armenakis et al. 1993). The conceptualization of readiness for change has expanded, including the transformation of trust into action, thus representing a positive indicator of employee attitudes to change (Rafferty et al. 2013). Readiness for change motivates employees to be persistent and committed to the process of change (Weiner et al. 2008). As a result, readiness for change is a critical element that shapes the results of organizational change initiatives (Rafferty et al. 2013); so that, the firms become competitive, and the existence of the company in the future is assured (Bernerth 2004; Carter, et al.

2013) and (Armenakis et al. 1993; Bernerth 2004).

Meanwhile, according to Weber & Weber (2001), organizational change have the impact of either positive or negative in both attitude and productivity. As readiness for change is the extent to which a person or individual cognitively and emotionally tends to accept, and adopts a particular plan (Holt et al. 2007), the readiness of change is seen as an intervention needed to improve adaptability and minimize resistivity to change (Bernerth 2004). Furthermore, the ability to adapt was a predisposition and readiness to observe and embrace external signals consciously and continuously. In this case, Angle and Perry (1981) defined adaptability as the ability to work effectively in changing situations with different individuals or groups. Thus, enabling employees to adapt are assets to the organization (Chebat & Kollias 2000).

Based on the background and some references, the following proposed hypothesis was:

Hypothesis 2: Readiness for Change has significant and positive influence on Adaptability

3. Adaptability and Employee Performance

In the post-acquisition company, adaptive capacity of the employees has been identified as one of the most important skills that will ultimately contribute to the success of the company. The existence of a company in a disorderly environment requires workers to constantly manage the changing within themselves as Polyhart & Bliese (2006), pointed out adaptability as the ability of individuals to change or adjust themselves from one behavior to another. As a result, the demands of a new job encouraged employees to be more tolerant of the uncertainty in order to perform successfully in a dynamic and competitive environment (Burke et al. 2006). Thus, the ability and willingness of a person to adapt was essential to his/her successful career (Pulakos, et al. 2002).

Previously, Pulakos et al (2002) developed an adaptive taxonomy based on critical events of adaptive behavior related to job diversities that resulted in an empirical support for the following eight dimensions. They are handling emergencies or crisis situations, dealing with work stress, solving problems creatively, dealing with work uncertain and unpredictable situations, learning obligation, technologies and procedures, showing interpersonal adaptability, demonstrating cultural adaptability, and demonstrating physical adaptability.

Human resource issues often arose as a result of an acquisition. Companies often underestimate the consequences of combining two different ways of working, the leave of key persons in the acquired company, and the demotivation of the acquired employees; those the problems often quoted by managers (Bartunek et al. 2006). Pending decisions, post-acquisition conflicts, and unclear responsibilities are also common (Birkinshaw et al. 2000; Cording et al., 2008). Adaptability; therefore, is an assurance of effective performance at all levels and types of organizations as it is considered a sustainable competitive advantage (Reeves & Deimler 2011). As a result, organization members with adaptability must achieve superior performance.

Based on the theoretical foundations and previous research, hypotheses are proposed as follows:

Hypothesis 3: Adaptability has a significant and positive effect on employee performance.

4. Transformational Leadership and Employee Performance

Organizations expected employees to maintain a positive work attitude and a high level of performance by learning new skills and procedures. To do so, transformational leadership was often be associated with managerial effectiveness during the organizational change (Riggio et al. 2003) as transformational

leadership influenced work performance in the context of change (Nemanich & Keller 2007). Transformational leaders recognized the need for change, communicated its vision to employers, guided them through adaptation, and inspired them to achieve challenging goals as well as institutionalize change (Bass 1999). However, the ability to drive power for change in an organization also depended deeply on the extent to which employees were open, dedicated, and motivated to change (Bernerth 2004; Eby et al, 2000). Therefore, if employees misinterpreted the leadership idea in implementing the change, they might experience uncertainty about the specific behavior needed to achieve the desired change (Sonenshein 2010).

Based on previous research and the theoretical foundations offered, the hypothesis is as follows:

Hypothesis 4: Transformational leadership has a significant and positive effect on employee performance.

5. Readiness for Change and Employee Performance

Employee attitudes toward the acceptance of planned organizational change could be determined by examining their readiness for change. If the readiness for change in the organization was well prepared, the change would have a higher chance of being successful. Oreg et al. (2011) and Bartunek et al. (2006) considered the concept of readiness for change as thought-provoking to be examined because employee reactions to change play an important role in an organization doing any changes. Meanwhile, (Holt et al. 2007) believed the readiness level for change as a predetermined state to resistance or acceptance to change. Once an employee was ready for change by being proactive and showing positive attitude toward the change, s/he was exposing her/his readiness/willingness for change by supporting and being confidence to achieve the successful change. The prepared plan of readiness for change demonstrates the employees' actual participation in the change process; this is an important factor in achieving a successful performance (Smith 2005).

Based on the foundation of theory and previous research, the following hypothesis is proposed.

Hypothesis 5: Readiness for change has a significant and positive effect on employee performance.

III. Research Model

Based on the proposed hypothesis and background research, illustration of empirical research model can be shown as follows in *Figure 1* below:

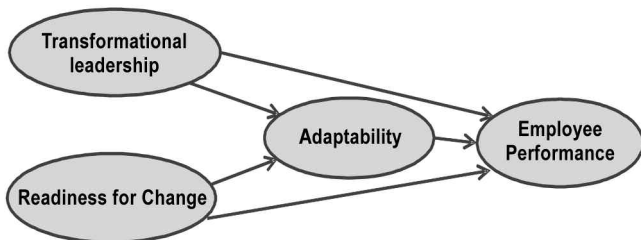


Figure 1. Empirical Research Model

IV. Method

The population in this study was four Indonesian companies acquired since 2014; two service companies and two manufacturing companies. The purposive sampling technique, as suggested by Palys (2008) was used. The questionnaires were sent to middle-level employees working for at least two years in the post-acquisition companies. The duration of the distribution and the collection of the questionnaires was three

months. Among the targeted 400 samples distributed to middle level employees, 234 questionnaires were processed (58.50% response rate).

All responses were obtained through self-report measurement using 10-point Likert scale ranging from 1 = strongly disagree, up to 10 = strongly agree. A higher value represents a higher level of construction in question.

- a. Transformational Leadership was measured by supporting in understanding vision after change, strength in managing change, energizing to cope with change (Bass et al. 2003; McColl-Kennedy & Anderson 2002; Yukl 1999).
- b. Readiness to change was measured by able to convince people to accept change, able to accept and cope with the reluctance, and supportive when changed (Prochaska et al. 1994).
- c. Adaptability was measured by the ability to cope with the unexpected change, the ability to cope with the work of stress after change, openness to interaction with new people after change, openness to unexpected change (Pulakos et al. 2006; Pulakos et al. 2002).
- d. Employee Performance was measured by improved quality, improved productivity, promptness in achievement, and improved work behavior (Kanfer 1990).

V. Results

Demographic Profile

After being analyzed, the profile of the samples was categorized into gender, age, experience, and education qualification. Among 234 respondents, 55.98% are male, and 44.02% are female; while, those who belong to the age group of 25 to 30 years old are 23.50% and of 36 to 40 years are also 23.50%. Most of the respondents (47.44%) are university graduate (S1/under graduate), and most of them (16.24%) have 11 – 15 years of experiences.

Meanwhile, the descriptive statistics covering means, standard deviations, and correlations for all variables is presented in *Table 1* below:

Table 1. Means, Standard Deviation, and Correlation

	Variable	Mean	S.D	1	2	3	4
1	Transformational Leadership	30.25	0.172	1			
2	Critical Change Adaptability	38.59	0.183	0.278**	1		
3	Readiness to Change	36.99	0.179	0.299**	0.475**	1	
4	Employee Performance	38.58	0.188	0.368**	0.454**	0.362**	1

** Correlation is significant at the 0.01 level (2-tailed).

In *table 1*, all variables show to have small value of correlation and significant and positive correlation exist among all variables. Moreover, the standard deviation value of every variable produced values that closed one to another; therefore, the variation level within the data was not high indicating the data were normal.

To confirm the non-presence of multicollinearity, a series of regression was used. Moreover, *table 2* shows the direct effects of TOL or VIF (Hair et al. 1999). This result shows in *Table 2*.

In all equation, the value of TOL and VIF was below the threshold of 1 and 10, thus it could be concluded that no univariate multicollinearity in the model existed and the estimation of the structural equation model could be continued.

Before building a structural equation model, the latent variable was analyzed using Confirmatory Factor Analysis (CFA). This analysis aimed to find out the indicator that has the

Table 2. Multicollinearity test

Dependent variables	Transformational Leadership			Readiness to Change			Critical Change Adaptability		
Independent variables	Coefficient/ t statistic	TOL	VIF	Coefficient/ t statistic	TOL	VIF	Coefficient/ t statistic	TOL	VIF
Critical Change Adaptability *1	0.159 (2.493)	0.910	1.098	0.441 (7.190)	0.910	1.098			
Employee Performance *2	0.260 (4.008)	0.887	1.128	0.145 (2.132)	0.744	1.344	0.331 (5.014)	0.754	1.326
Constant	17.479						12.566		
R2	0.246						0.284		
Adjusted R2	0.240						0.274		
Standard Error	2.443						2.452		
F	37.693						30.368		

Note: *p < 0.05; **p < 0.01; ***p < 0.001 (two-tailed); TOL = Tolerance; VIF = Variance Inflation Factor

*1. Predictors: (Constant), Transformational Leadership, Readiness to Change

*2. Predictors: (Constant), Transformational Leadership, Readiness to Change, Critical Change Adaptability

largest and smallest contribution to the latent variable (unobservable). To identify the contribution strength of the indicator against variable, standardized coefficient value was used. As the threshold was 0.5, all the coefficient value was below 0.5, so that the indicator could include in the model.

In general, all latent variables met the fit model requirements as proven by the criteria of cut of value (GFI, AGFI, TLI, NFI, RMSEA, and probability) that have met the standard requirements in the SEM model. As the strength of indicator variable explain the latent variables, the loading factor value for each indicator in general also has been qualified. The result of the CFA in Table 3 shows that the value of two indicators is lower than the cut off value; there are RTC4 and RTC1. Therefore, the indicators of RTC1 and RTC4 were dropped from the model due to the loading factor value was > 0.5. To test the reliability of the instrument, Cronbach Alfa value was used resulted that all latent variables met the threshold limit of greater than 0.7

VI. Full Structural Model

The result of goodness-of-fit test using AMOS program and Structural Equation Model (SEM) for this research model fit with the recommendation. Meanwhile, the result of CFA suggested that the indicators of RTC1 and RTC4 were dropped from the model. To clarify the result of the Structural Equation Model analysis related to goodness of fit is presented in Figure 2.

In table 3, the result of model evaluation for full structural model showed good criterion for every measure of goodness of fit value as it was in accordance with the established criteria.

For the quality of measurement model for the sample, the construct displayed satisfactory level of reliability. Reliability and convergent validity has been established through standardized estimates (Reliability Construct [CR] > 0.7) and average variance extracted (AVE > 0.05). The result is displayed in the Table 4.

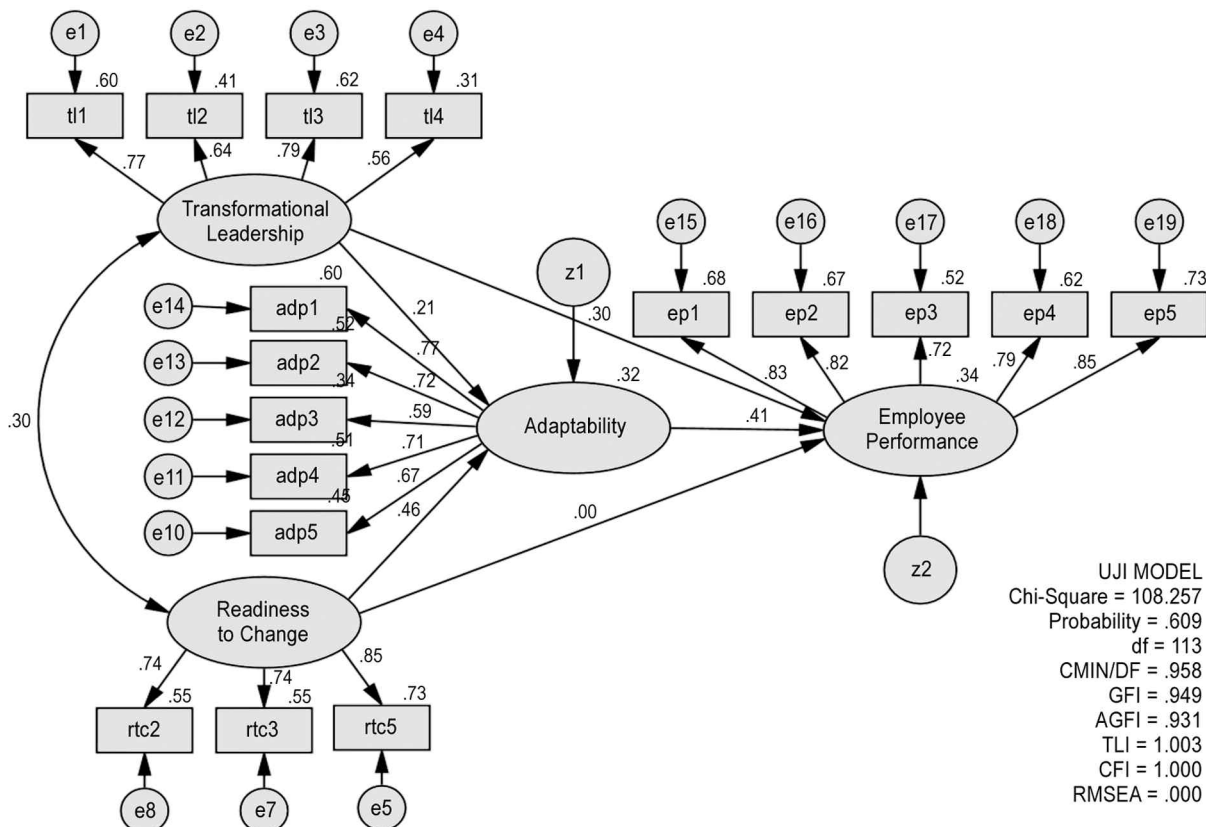


Figure 2. Full Structural Model

QUALITY MANAGEMENT

Table 3.
Goodness-of-Fit Indices

Criteria	Cut Off	Result	Conclusion
Chi-square	Expected small	163.084	Marginal
Significance Probability	≥ 0.05	0.609	Fit
CMIN/DF	≤ 2.00	0.958	Fit
RMSEA	≤ 0.08	0.000	Fit
GFI	≥ 0.90	0.949	Fit
TLI	≥ 0.90	1.003	Fit
CFI	≥ 0.95	1.000	Fit
AGFI	≥ 0.90	0.931	Fit

Table 4. Reliability and Convergent validity

Variable	Item	Std	(Std Loading) ²	Error	$\sum \lambda$	$\sum \epsilon_j$	$(\sum \lambda^2)$	Reliability Construct	Variance Extracted
								CR > 70%	AVE > 50%
Transformational Leadership	TL1	0.775	0.601	0.399	2.756	2.065	1.935	78.6%	48.39%
	TL2	0.639	0.408	0.592					
	TL3	0.785	0.616	0.384					
	TL4	0.557	0.310	0.690					
Readiness to Change	RTC3	0.739	0.546	0.454	2.333	1.177	1.823	82.2%	60.77%
	RTC2	0.74	0.548	0.452					
	RTC5	0.854	0.729	0.271					
Adaptability	CCA5	0.672	0.452	0.548	3.469	2.573	2.427	82.4%	48.53%
	CCA4	0.714	0.510	0.490					
	CCA3	0.586	0.343	0.657					
	CCA2	0.723	0.523	0.477					
	CCA1	0.774	0.599	0.401					
Employee Performance	EP1	0.825	0.681	0.319	4.006	1.508	2.492	91.4%	62.30%
	EP2	0.821	0.674	0.326					
	EP3	0.722	0.521	0.479					
	EP4	0.785	0.616	0.384					
	EP5	0.853	0.728	0.272					

The result in *table 4* shows that adaptability variable has AVE value of 48.535%, which was below 50%. Although below the cut of value, the AVE value was acceptable because it was close to 50% threshold; while, the reliability value of the construction was above 70% threshold that is 82.2%. Though it was not perfect, the result of the Reliability and Convergent validity was acceptable.

VII. Discussion

The result of the hypotheses testing proposed in this study is presented in *table 5* below.

From *table 5* we can conclude that:

Hypothesis 1 (H1)

The transformational leadership had a significant and positive effect on adaptability with a CR value of 2.55 that was significant at p value < 0.001. These statistical values suggested that by inspiring employees and spreading optimism, giving

positive examples and giving individual support, as well as encouraging employees to seek new ways to solve problems, transformational leaders contributed to employees' adaptability and positively affected post-acquisition performance of the employees.

The H1 was in accordance with the previous findings such transformational leadership improved the adaptability of employees (Wainaina 2014), transformational leadership had a positive impact on employee feeling support, employee motivation for achievement, and self-efficacy (Kelloway et al. 2012) and all of these factors have been confirmed to have a positive impact on adaptive performance (Amabile et al. 2004; Jong and Hartog 2007; Chaoping et al. 2006). Wainaina (2014) also proved that transformational leadership improves the adaptability of employees.

Several studies have also proposed that transformational leadership has a positive impact on employee feeling support, employee motivation for achievement, and self-efficacy (Kelloway et al. 2012). These factors have been confirmed to

Table 5. Causal Relationships among Variables

Variables			β	CR	P	Description
Adaptability	←	Transformational Leadership	0.171	2.758	0.006	significance
Adaptability	←	Readiness for Change	0.358	5.446	***	significance
Employee Performance	←	Adaptability	0.274	3.918	***	significance
Employee Performance	←	Transformational Leadership	0.472	4.489	***	significance
Employee Performance	←	Readiness for Change	-0.004	-0.050	0.960	Not significance

have a positive impact on adaptive performance (Amabile et al. 2004; Jong & Hartog 2007; Chaoping et al. 2006). Businesses need leaders, from CEOs to HR executives, who can help others to develop adaptability in some form, such as the ability to deal with adversity with courage and learn to manage uncertainty (Dotlich et al. 2008).

Hypothesis 2 (H2)

Readiness for change had a significant and positive influence on adaptability with CR value of 5.644 that was significant at p value < 0.001. This meant that organizational readiness for change was considered a critical precursor to the successful implementation of complex changes. The H2 test result was consistent with finding of Madsen, Miller, and John (2005) that readiness for change has an impact on preparing mentally and physically the act of accepting change. Readiness for change, according to Holt et al. (2007), is the extent to which a person or individual cognitively and emotionally tends to accept, and adopts a particular plan, which also means deliberately changing the status quo. This means that the readiness of change is seen as an intervention needed to improve adaptability and minimize resistivity to change (Berneth 2004).

The employee readiness factors have a significant impact on their preparation both mentally and physically to take immediate actions (Madsen 2003). Factors of the employee readiness have also a significant impact on the effort of preparing employees' mental and physical for immediate action to accept changes (Madsen, Miller & John 2005). In this case, organizations with attributes that contribute to readiness and ability to change will be more easily to adapt to environmental changes (Lehman et al. 2002).

Hypothesis 3 (H3)

Adaptability significantly and positively influenced employee performance with CR value of 3.877 that was significant at p value < 0.001. The result of this study found that the better the ability to adapt is, the better the performance of the employees will be. This finding were in line with the result of the research conducted by Tariq et al. (2011); Ellinger et al. (2008) Ellinger et al. (2008); and Cullen et al. (2013), which essentially confirmed that individual adaptability affected employee performance. The ground reason was that, as Angle & Perry (1981) proposed, adaptability included the ability to anticipate problems, to follow changes and consider new ways of doing things; the ability to adapt to change quickly; and the ability to cope with critical conditions.

Therefore, ideally, employees' performance continued to increase as a result of the improvement and adoption of the management changes taken place in most organizations. This possible to happen because the great changes of the management affected employees and hence if appropriate changes were adopted and implemented, it would improve employee performance.

Hypothesis 4 (H4)

Transformational leadership significantly and positively influenced employee performance as empirically proven by the value of CR which was 3.89 that was significance at p value < 0.001. The result of this study was in line with the one of the previous study by some researchers. Nemanich and Keller (2007) proved that transformational leadership significantly and positively affected employee performance in post-acquisition companies; while, Penava & Šehić (2014) confirmed transformational leadership as a specific form of leadership behavior that was very effective in relation to organizational change. Previously, Kings & Palanichamy (2011) concluded that transformational leadership was the best suited for improving employee performance, and furthered by Savovic's (2017) who verified that transformational leaders had a positive impact on

the employees of the acquired company. In addition, several studies reported that transformational leadership has a positive impact on the feelings of employees gaining organizational support (Amabile et al. 2004), motivated employees to be the best (Jong & Hartog 2007) and cultivated self-efficacy (Mittal & Dhar 2015).

Hypothesis 5 (H5)

Readiness for change had no significant effect on the employee performance with CR value of 0.201 and p value > 0.001. This finding was not in line with the one of Smith (2005). The result of the hypothesis 5 could be interpreted that organizations found difficulty to motivate their members to support and work towards successful implementation of change. Employee reactions to change varied; instead of recognizing the benefits taken from the change, employees showed negative respond to the change. If they did, it might be because they fear of the cost of not doing so. The message of change promoted different interpretations and ultimately affected its success. Therefore, managers must focus on creating readiness for change by minimizing barriers by turning employees into agents of change. The readiness for change was the result of an explanation of why change is important, so it could increase motivation within the employees. It was expected to force individuals to work towards change and reduce their resistance, which ultimately contributed to the success of change.

Mediating Effects

From the value of standardized estimate, the composition for direct, indirect, and total effect values was generated. The full results are presented in *Table 6*.

Table 6. The Calculation of Total Effect of Transformational Leadership on Employee Performance

Variables			Direct Effect	Indirect Effect	Total Effect
Adaptability	---->	Readiness to Change	0.460	0.000	0.460
Adaptability	---->	Transformational Leadership	0.214	0.000	0.214
Employee Performance	---->	Readiness to Change	-0.004	0.190	0.186
Employee Performance	---->	Transformational Leadership	0.300	0.088	0.388
Employee Performance	---->	Adaptability	0.412	0.000	0.412

Table 6 presents that the largest total effect was represented on the relationship between Adaptability variable and Readiness to Change which was 0.460. Meanwhile, the smallest total effect was found on the relationship between the variable of readiness to change and employee performance, which was 0.186, based on which the adaptability factor was the main factor to achieve employee performance.

The significant role of the adaptability as mediation variable between transformational leadership and readiness to change on employees' performance was tested using Sobel test. The result of the Sobel test is presented in *Table 7*.

The result of the Sobel test showed that the relationship of both Transformational Leadership – Adaptability – Employee Performance and Readiness to Change – Adaptability – Employee Performance had positive and significant value of Sobel. This finding suggested that adaptability was an essential factor mediating the relationship between transformational leadership and employees' performance as well as readiness for change and employees' performance. In short, in post-acquisition, employees would be able to increase their performance after they were able to adapt to the new environment.

Table 7. The result of the Sobel test for the mediation relationship

Pathways	C.R.	S.E.	Sobel test statistic	Prob (one tailed/ two tailed)
Transformational Leadership - Adaptability - Employee Performance			2.35085	0.00937/ 0.01873
Transformational Leadership - Adaptability	0.171	0.062		
Adaptability - Employee Performance	0.472	0.105		
Readiness to Change - Adaptability - Employee Performance			3.46116	0.00027/ 0.00054
Readiness to Change - Adaptability	0.358	0.066		
Adaptability - Employee Performance	0.472	0.105		

VIII. Conclusion

In situations involving complex changes, such as a company acquisition process, transformational leadership is one of the main drivers of the organizational performance. The transformational leaders present a vision that creates enthusiasm among employees; provide support to the employees through their character, and support every employee through mentoring.

This research is expected to increase an understanding about the influence of transformational leadership and readiness for change on the performance of post-acquisition employees in Indonesia by examining the mediation impact of adaptability. This study proves that transformational leaders are those who have high confidence in their employees and in turn delegate maximum authority to their followers, so that employees will be in a better position to adapt.

Transformational leadership has a positive effect on adaptability, which in turn helps employees perform well. In addition to transformational leadership, to achieve and sustain effective organizational change, readiness for change is needed as it reflects one's unique interpretation. In fact, the readiness for change does not directly affect employee performance but the adaptability mediates the influence of readiness for change on the performance of the employee. Thus, it can be concluded that the adaptability is a mediation variable connecting the influence of transformational leadership and the readiness for change on the employee performance. Therefore, the result of this study provides a clear picture that adaptability should be sought to improve employee performance after acquisition.

IX. Suggestions

This study contributes that transformational leadership and readiness to change affect the improvement of the employee performance by demonstrating the strategic role of adaptability. These variables create value within the organization that is difficult to be imitated. In addition, the work climate should be encouraged to be adaptable, so that employee performance becomes better. In order to proceed adaptation quickly, the feedback process must be effectively managed. Feedback is positively related to how often the employee actively asks about what others view and evaluates their behavior.

X. Limitations and Future Research

Future research should ensure other data sources, such as direct interviews with managers to enable a deeper analysis of the subject of the study. Other limitation is that this research was done two years after the acquisition in which its period is not a long enough to estimate the overall effect of the acquisition.

Therefore, some recommendations for future research are submitted as follows:

1. Research in the field of HR management in acquisition companies has not been done in Indonesia, so in the

future, it is expected more attention on research in the field of human resources in the company after the acquisition.

2. Cultural variables have not been discussed in this research, so future research needs to study about the influence of organizational culture on employee performance in post-acquisition company; considering cultural mismatch is widely reported as the cause of poor performance of post-acquisition employee.

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