CHANGE MANAGEMENT AND EMPLOYEE ENGAGEMENT IMPACT TO TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL RESTRUCTURING PROCESSES AT PT XZ

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ABSTRACT

As an Agent of Development and an extension of the hands of the government, BUMN provides significant influence both for the development of the national economy, as well as providing services in meeting the needs of the community. The establishment of the BUMN Holding is a strategic government effort to regulate the management of the company following its affiliation. On April 11, 2018, the government through the Ministry of BUMN formed the Oil and Gas Holding (Migas), and PT XZ became one of its subholdings. This study aims to identify and study the impact of change management and employee attachment on transformational leadership and the process of organizational restructuring at PT XZ, during the holding process. The research method is quantitative through a questionnaire conducted against the employees of PT XZ of 220 respondents, with the method of data analysis using the program Analysis of Moment Structure (AMOS) 26.0. The results of the research show that: 1) change management has a significant influence on transformational leadership, 2) employee engagement has a meaningful influence upon transformational leadership, 3) change management have a significant impact on the process of organizational restructuring, 4) employee engagement has a significant influence over the organization's restructural process, and 5) transformation leadership has a signifying impact on organization restructuration process.

INTRODUCTION

The presence of State-Owned Enterprises (SOEs) in the community in carrying out its role as Agent of Development or the frontline in government initiatives, has a significant impact on both the development of the national economy and state revenue. One of the roles of SOEs is to carry out special assignments from the government in providing services to meet the needs of the community.

In addition to functioning as an Agent of Development and an extension of the government, SOEs are also responsible to the State to ensure their companies are able to increase or maintain market share and a positive financial position (profit-making or profit-creating businesses) and have a sustainable long-term plan to cope with increasingly competitive business markets.

The establishment of SOE Holding is a strategic effort by the government to organize the management of SOEs and their affiliates. This continues to be done to improve the focus on the main business of each SOE, so that its performance becomes more optimal, and is expected to create a better business environment for the private sector. The main objective is rightsizing SOEs, which means re-organizing or reorganizing companies with sharper mapping and consolidating or re-grouping to achieve better business size and scale. Common objectives for establishing a holding include:

1. Increase the company's market value creation;
2. Providing flexibility to holding subsidiaries in conducting corporate actions;
3. Increase competitive advantage, as it will provide greater focus and smaller business scale, as well as the ability to create corporate strengths;
4. Increase the capacity, strength and flexibility of SOEs to improve public welfare;
5. Political discussions on business development are only conducted at the parent holding level; and
6. Enhance cooperation and the strategic role of SOEs in supporting government initiatives to achieve national goals.

In line with government initiatives, on April 11, 2018 the government restructured State-Owned Enterprises (SOEs) through the Ministry of SOEs by forming the Oil and Gas SOE Holding. From this restructuring, PT XZ, which was previously an independent company, then became part of Pertamina, and acted as one of Pertamina's Subholdings. In carrying out its role as a Subholding that supports Pertamina's vision of becoming a world-class national energy company, the Company is required to be able to compete in business globally and openly accept dynamic forms of change. The Company must be able to face challenges related to the implementation of several regulations issued by the Government as an effort to improve the governance of the oil and gas business that supports its utilization for end users.

To support the change in role, the company needs to restructure the organization by changing the form of organization from centralized to regional. This regional organizational form is considered quite effective in supporting the company's role in developing the natural gas trading business, coupled with the

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reliability of pipeline operational management (operational excellence). The restructuring is quite massive, as it combines the trading and operations functions under 1 (one) directorate, so it is expected to have a considerable impact on the company, especially for workers. To ensure that the restructuring runs effectively, the company established a function that carries out change management, in guarding and ensuring that the restructuring runs well so that the company's business processes can run simultaneously. This change management is also an effort to provide socialization to workers in facing changes, so that workers can continue to give their best performance.

This study aims to analyze the implementation of change management at PT XZ during the organizational restructuring in 2020, focusing on its influence on transformational leadership, the level of employee engagement, and the organizational restructuring process. The research boundaries include the scope of restructuring time until 2023, involving organic workers with at least 5 years of service, and using questionnaire methods for data collection and analysis. The purpose of the research is to provide management with an understanding of the implementation and influence of change management in organizational restructuring, while the results are expected to provide input for PT XZ management as well as other parties involved in future organizational change and restructuring programs.

Previous Research

As a comparison to this research, I tried to find relevant research that has been done before. The relevant research I took is "Employee engagement and organizational change initiatives: Does transformational leadership, valence, and trust make a difference?" by M. Nazmul Islam, Fumitaka Furuoka, and Aida Idris (2021). This study examines the role of transformational leadership in enhancing employee engagement during organizational change, and the mediating role of valence and individual and sequential trust in leadership, which uses structural equation models to test four hypotheses related to employee engagement and organizational change. The results show that transformational leadership is positively related to employee engagement, and both valence and trust in leadership individually and sequentially mediate the relationship between transformational leadership and employee engagement (Evelyn & Hazel, 2015; Islam et al., 2020; Mufeed, 2018).

Then the research entitled "The Effects of Transformational Leadership and Job Satisfaction on Commitment to Organizational Change: A Three-Component Model Extension Approach" by Luu Tien Dung and Phan Van Hai (Luu & Phan, 2020) who examined organizational change in the form of M&A in Vietnam. The results showed stable growth as a business strategy to achieve organizational goals. In addition to technological and competitive advantages, as well as market opportunities, companies also face challenges due to socio-economic and cultural conflicts, as well as institutional factors between organizational members in the change process. The results reveal the positive influence of transformational leadership on employee satisfaction and commitment to change. A changing organization might maintain a positive mentality and behavior among its employees

by applying transformational leadership style and ensuring satisfaction (Chou, 2015; Donkor et al., 2022; Gyensare et al., 2016; Mohamad, 2012).

Research Hypothesis

Based on testing the theory and framework above, the hypothesis of this study can be formulated as follows:

H1 = Change management affects transformational leadership.

H2 = Employee engagement affects transformational leadership.

H3 = Change management affects the organizational restructuring process.

H4 = Employee engagement affects the organizational restructuring process.

H5 = Transformational leadership affects the organizational restructuring process.

RESEARCH METHOD

This research is a descriptive study with quantitative methods. The aim is to provide an in-depth description of change management, employee engagement, and transformational leadership in the organizational restructuring process. The method used is a survey with questions based on relevant theories. Quantitative research methods refer to the philosophy of positivism and involve the use of structured questions with predetermined answer options. Surveys are used to measure the level of readiness of workers and management in carrying out organizational restructuring programs.

The data used is quantitative data expressed in numerical form, divided into primary data obtained directly from the object of research, and secondary data obtained indirectly, for example through documents or other people. The survey was conducted on PT XZ employees at the head office and in the regions. The research sample was stratified by position level, considering that the organizational transformation program is a top-down approach. The data collection method uses a questionnaire given directly to respondents. This questionnaire is designed to measure respondents' perceptions using a Likert scale (Sugiyono, 2015).

The research variables include change management, worker engagement, transformational leadership, and organizational restructuring process. To measure construct validity, confirmatory factor analysis was used. Data analysis was conducted using the Analysis of Moment Structure (AMOS) 26.0 program. The stages of analysis include developing a model based on theory, preparing path diagrams and structural equations, selecting the type of input matrix and model estimation, assessing structural model identification, and assessing goodness-of-fit criteria.

RESULT AND DISCUSSION

Description of Research Variables

This study examines the influence of change management, employee engagement, and transformational leadership on the organizational restructuring process using two variables, namely independent and dependent variables. The dependent variable consists of transformational leadership, which includes idealized influence, inspirational motivation, intellectual stimulation, and

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individualized consideration, and the organizational restructuring process, which includes tasks, technology, structure, and people. The independent variables consist of change management, which involves the initial stages of change, the transition process, and sustainability, and worker engagement, which includes passion, involvement, and full concentration. This study established research criteria for each variable, such as leaders' confidence in the success of restructuring, coordination between work units, management's understanding of the need for change, and workers' positive contribution to achieving company goals.

Research Results

In the results of this study, model testing and analysis will be carried out based on the collected questionnaires to answer the research and hypotheses that have been proposed which are discussed in the following research results.

Respondent Descriptive Statistics

Descriptive statistics of respondents explain the profile of the respondents, the number of respondents in this study were 220 people. The descriptive respondents are taken based on gender, age and length of work. The following is information about the descriptive statistics below:

Descriptive Statistics of Respondents Based on Gender

Table 4.1 Descriptive Statistics Of Gender

MAN	WOMAN	TOTAL
137 Respondents	93 Respondents	220 Respondents

Source: Data Processed from Questionnaires by Researchers (2024)

From the results of the questionnaire that has been distributed and obtained as many as 220 respondents, from each descriptive statistical criteria based on gender, it is found that 137 respondents are men and 93 respondents are women.

Descriptive Statistics of Respondents Based on Years of Service

Table 4.2 Descriptive Statistics Of Length Of Service

5-10 YEARS	11-15 YEARS	16-20 YEARS	>20 YEARS	TOTAL
76 Respondents	48 Respondents	53 Respondents	43 Respondents	220 Respondents

Source: Data Processed from Questionnaires by Researchers (2024)

From the results of the questionnaires that have been distributed and obtained as many as 220 respondents, from each descriptive statistical criterion based on tenure, it is found that a tenure of 5-10 years is 76 respondents, a tenure of 11-15 years is 48 respondents, while a tenure of 16-20 years is 53 respondents, and a tenure of over> 20 years is 43 respondents.

Descriptive Statistics of Respondents by Age

Table 4.3 Descriptive Statistics Of Age

30-35 YEARS	36-40 YEARS	41-45 YEARS	46-55 YEARS	TOTAL
61 Respondents	27 Respondents	95 Respondents	37 Respondents	220 Respondents

Source: Data Processed from Questionnaires by Researchers (2024)

From the results of the questionnaires that have been distributed and obtained as many as 220 respondents, from each descriptive statistical criterion based on age, it is found that 30-35 years old are 61 respondents, 36-40 years old are 27 respondents, while 41-45 years old are 95 respondents, and 46-55 years old are 43 respondents.

Data Analysis Method: Structural Equation Model (SEM)

The data analysis method in this study used the *Analysis of Moment Structure* (AMOS) 26.0 program. The reason why using the data analysis method in this study using *Analysis of Moment Structure* (AMOS) 26.0, is due to several factors, the first is that the type of research used uses a large sample of 220 respondents, therefore researchers use *Analysis of Moment Structure* (AMOS) 26.0 as a data analysis method. The test steps carried out in order to fulfill the assumptions of the data collection process and the data processing process using AMOS 26.0.

Validity Test with *Confirmatory* Factor *Analysis*

Confirmatory factor analysis is carried out between exogenous and endogenous variables, in this research model there are two exogenous variables, namely change management and employee engagement, and there are two endogenous variables, namely transformational leadership and the organizational restructuring process. For this reason, a confirmatory factor test will be carried out between exogenous construct variables and endogenous constructs.

Table. 4.4 Standardized Regression Weight Results between Exogenous Constructs and Endogenous Constructs

			Estimate
MP1	<---	MP	,668
MP2	<---	MP	,734
MP3	<---	MP	,765
MP4	<---	MP	,762
MP5	<---	MP	,757
MP6	<---	MP	,863
MP7	<---	MP	,843
MP8	<---	MP	,799
KP7	<---	KP	,834
KP6	<---	KP	,863
KP5	<---	KP	,731
KP4	<---	KP	,631

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			Estimate
KP3	<---	KP	,803
KP2	<---	KP	,759
KP1	<---	KP	,784
KT7	<---	KT	,736
KT6	**<---**	**KT**	**,492**
KT5	<---	KT	,535
KT4	<---	KT	,755
KT3	<---	KT	,842
KT2	<---	KT	,712
KT1	<---	KT	,777
PRO1	<---	PRO	,774
PRO2	<---	PRO	,811
PRO3	<---	PRO	,805
PRO4	<---	PRO	,769
PRO5	<---	PRO	,743
PRO6	<---	PRO	,736
PRO7	<---	PRO	,682

Source: Data Processed from Questionnaires by Researchers (2024)

From Table 4.4, it can be seen that from the validity test with confirmatory factor analysis there are indicators with *standardized loading factor* values ≤ 0,50. Namely KT6. Therefore, the indicator is removed from the construct. The following Figure 4.2 and Table 4.5 are the results of the removal of indicators and recalculation.

Table. 4.5 Standardized Regression Weight Results between Exogenous Constructs and Endogenous Constructs (Modified)

			Estimate
MP1	<---	MP	,669
MP2	<---	MP	,735
MP3	<---	MP	,766
MP4	<---	MP	,762
MP5	<---	MP	,757
MP6	<---	MP	,864
MP7	<---	MP	,843
MP8	<---	MP	,799
KP7	<---	KP	,834
KP6	<---	KP	,863
KP5	<---	KP	,731
KP4	<---	KP	,632

			Estimate
KP3	<---	KP	,803
KP2	<---	KP	,759
KP1	<---	KP	,784
KT7	<---	KT	,738
KT5	<---	KT	,509
KT4	<---	KT	,766
KT3	<---	KT	,849
KT2	<---	KT	,699
KT1	<---	KT	,770
PRO1	<---	PRO	,775
PRO2	<---	PRO	,811
PRO3	<---	PRO	,804
PRO4	<---	PRO	,771
PRO5	<---	PRO	,744
PRO6	<---	PRO	,735
PRO7	<---	PRO	,679

Source: Data Processed from Questionnaires by Researchers (2024)

The results of the validity test modification with confirmatory factor analysis in Table 4.5, it can be seen that there are no indicators with a *standardized loading factor* value of ≤ 0.50. ≤ 0.50, this indicates that the indicator value is said to be feasible or valid.

Reliability Test

Reliability is a measure of the internal consistency and indicators of a construct that indicates the degree to which each indicator identifies a common construct or latent factor. In other words, how specific things help each other in explaining general phenomena. *Composite Reliability* is obtained through the following formula:

$$Construct\ Reliability\ = \frac{(\sum std\ loading)^2}{(\sum std\ loading)^2 + \sum \varepsilon j}$$

∑ total number*Std. loading* is obtained from *standardized loading factors* for each indicator, εj *measurement error* (*measurement error*) of each indicator. From each indicator for an acceptable reliability level ≥ 0.70.

1) *Contruct Reliability*

From the results of data processing, it is found that the reliability value of each latent variable for exogenous and endogenous variables is above> 0.70 with a change management value of 0.924, employee engagement 0.913, transformational leadership 0.870 and organizational restructuring process 0.906.

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2) *Variance Extracted*

From the results of data processing for endogenous and exogenous constructs, the AVE values are all above 0.50 for AVE values with a change management AVE value of 0.603, employee engagement 0.601, transformational leadership 0.532 and organizational restructuring process 0.579. So it can be concluded that all latent constructs meet the AVE> 0.50 criteria. And the loading results obtained have a high *convergent validity value*, a good latent value is with a loading factor> 0.70.

3) *Discriminant Validity*

From the results of data processing, the results are obtained for *discriminant validity* which measures how far a construct is really different from other constructs. A high *discriminant validity* value provides evidence that a construct is unique and able to capture the phenomenon being measured. The following is the value of the square root of the AVE with the correlation between constructs. The root value for endogenous and exogenous constructs, with a change management value of 0.776, employee engagement 0.775, transformational leadership 0.729 and the organizational restructuring process 0.760, these results indicate that *convergent validity* has a fairly good value.

Normality Test

Normality evaluation is carried out using the *critical ratio skewess value* criterion of ± 2.58 (significant level 0.01). Data can be concluded to have a normal distribution if the *critical ratio skewess value criterion is* ± 2.58.

All indicators show *univariate* abnormal distribution because they have a *critical ratio skewness* above ± 2.58. While the *multivariate* normality test has a *critical ratio* value of 81.237 above ± 2.58, so the data is *multivariate* abnormal distribution. But because the sample size of 220 people is a large sample, it can be said to be abnormal but normally distributed.

Outliner Evaluation

Outliner is an observation condition of data that has unique characteristics that look very different from other observations and appear in the form of extreme values, either for a single variable or a combination of variables. Detection of *multivariate outliners is* done by paying attention to the *mahalobonis distance* value. The criterion used is based on *chi-squares* at a *degree of freedom of* 29 indicator variables at a significance level of P>0.0001. The value in the table shows that the significance level of P>0.0001, so there is no need for an outliner.

Full Model

The next analysis is to analyze the *full model* by entering indicators that have been tested with confirmatory factor analysis and have results that are feasible or valid. The model equation display is as follows:
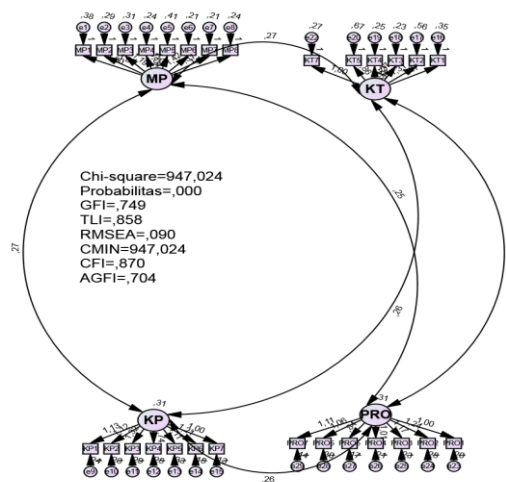
Figure 4.3 *Full* model analysis
Source: Data Processed from Questionnaires by Researchers (2024)

The results of the full model feasibility test are shown in Table 4.10 below:

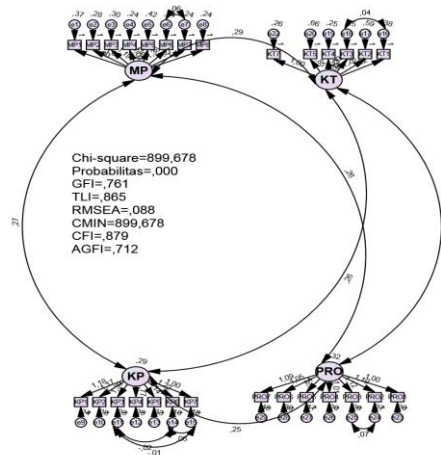**Table 4.10 *Full* feasibility test results (*Full Model*)**

No.	Goodness of Fit Indexes	Cut of Value	Model Results	Evaluation
1	X2-Chi *Square*	expected to be small, smaller in X2	947,024	Completed
2	*Probability*	≥ 0,05	0.000	Incompleted
3	RMSEA (*The Root Mean Square Error Of Approximation*)	≤ 0,08	0,090	Incompleted
4	CMIN (*The Minimum Discrepancy Fungtion*)	≤ 2,00	947,024	Incompleted
5	TLI (*Truckler Lewis Indexes*)	≥ 0,90	0,858	Closer
6	GFI (*Good Of Fit Indexes*)	≥0,90	0,749	Closer
7	AGFI (*Adjusted Goodness Of Fit Indexes*)	≥0,90	0,704	Incompleted
8	CFI (*Comparison Fit Indexes*)	≥0,90	0,870	Closer

Source: Data Processed from Questionnaires by Researchers (2024)

The results of the full model feasibility test in Table 4.10 show that the indicators used to form the research model have not all met the *goodness of fit* criteria shown in the *cut of value* column. Therefore, modifications are made again

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to meet the required criteria. The following are the modified results of the *full* model analysis.

Figure 4.4 Modified *Full* Model Analysis

Source: Data Processed from Questionnaires by Researchers (2024)

The results of the full model feasibility test are shown in Table 4.11 below:

Table 4.11 Modified *Full Model* Test Results

No.	Goodness of Fit Indexes	Cut of Value	Model Results	Evaluation
1	X2-Chi *Square*	expected to be small, smaller in X2	899,678	Completed
2	*Probability*	≥ 0,05	0.000	Incompleted
3	RMSEA (*The Root Mean Square Error Of Approximation*)	≤ 0,08	0,880	Incompleted
4	CMIN (*The Minimum Discrepancy Fungtion*)	≤ 2,00	899,678	Incompleted
5	TLI (*Truckler Lewis Indexes*)	≥ 0,90	0,865	Closer
6	GFI (*Good Of Fit Indexes*)	≥0,90	0,761	Closer
7	AGFI (*Adjusted Goodness Of Fit Indexes*)	≥0,90	0,712	Closer
8	CFI (*Comparison Fit Indexes*)	≥0,90	0,879	Closer

Source: Data Processed from Questionnaires by Researchers (2024)

The results of the full model feasibility test in Table 4.11 show that the indicators used to form the research model have not all met the *goodness of fit*

criteria shown in the *cut of value* column*,* so it can be said to form a research model and meet the criteria for the feasibility of a model.

Hypothesis Testing

This hypothesis testing is carried out on the basis of the processing results carried out using the AMOS 26.0 program, the results of this test show whether all the paths analyzed show a significant *critical ratio*, it can be seen the magnitude of the path coefficients (*estimate and standardized estimate*) with a C.R value that has a significance level smaller than 5%. If the results of data processing meet these requirements, the hypothesis is accepted. Hypothesis testing in this study will discuss in detail and gradually in accordance with the order of the hypotheses proposed, in this study there are 5 hypotheses proposed and the discussion of the results of the *regression weight* test below:

Table 4.12 *Regression Weight* Test Results

Hypothesis			Estimate	S.E.	C.R.	P	hypothesis result
MP	<-->	PRO	,255	,037	6,876	***	Significant Effect
KT	<-->	PRO	,281	,039	7,282	***	Significant Effect
MP	<-->	KT	,286	,042	6,819	***	Significant Effect
KP	<-->	PRO	,252	,033	7,576	***	Significant Effect
KP	<-->	KT	,262	,036	7,264	***	Significant Effect

Source: Data Processed from Questionnaires by Researchers (2024)

Discussion

In this discussion, it will explain from data processing with company conditions and adjusted to related previous research, the following are the results of data processing adjusted to the proposed hypothesis.

Influence of Change Management on Transformational Leadership

Based on the results of hypothesis testing in table 4.12, the results show that the effect between change management on transformational leadership shows that the C.R is 6.819 and the probability of *** this value means that it has a significant effect with a probability value of P>0.0001 this value is smaller than the alpha value of 0.05. So it is concluded that change management has a significant influence on transformational leadership.

Based on the indicators of change management, it can be concluded that leaders in the company have clear directions and goals for the benefit of company development and likewise for workers by facilitating workers to develop the competencies needed in the company. In addition, company leaders carry out all aspects of change by carrying out all work processes to support the development of company strategies and fulfillment of workers' needs. So it can be concluded that change management can influence transformational leadership.

Influence of Worker Attachment on Transformational Leadership

Based on the results of hypothesis testing in table 4.12 the effect between worker attachment on transformational leadership shows that the C.R is 7.264 and

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the probability of *** this value means that it has a significant effect with a probability value of P>0.0001 this value is smaller than the alpha value of 0.05. So it is concluded that worker attachment has a significant influence on transformational leadership.

In the indicator of worker attachment, it can be concluded that workers play an active role in providing ideas and ideas for the benefit of the company's progress and this is also supported by leaders who have the role of clear directions and goals and also provide opportunities for workers to improve their skills, so that workers and leaders have the same goals and directions. So it can be concluded that worker attachment can affect transformational leadership.

Influence of Change Management on the Organizational Restructuring Process

Based on the results of hypothesis testing in table 4.12, it is known that the C.R (*Critical Ratio*) to meet the direct influence between change management on the organizational restructuring process is 6.876 and the probability of *** this value means that it has a significant effect with a probability value of P>0.0001 this value is smaller than the alpha value of 0.05. So it is concluded that change management has a significant influence on the organizational restructuring process.

Management sets clear plans and timelines, as well as leaders who can understand the needs in the organizational restructuring process so that the process can run well. So that by carrying out change management, the organizational restructuring process can run according to plan. So that change management affects the organizational restructuring process.

Influence of Employee Attachment on the Organizational Restructuring Process

Based on the results of hypothesis testing in table 4.12 for the influence between employee engagement on the organizational restructuring process, it shows that the C.R is 7.576 and the probability of *** this value means that it has a significant influence with a probability value of P>0.0001 this value is smaller than the alpha value of 0.05. So it is concluded that employee engagement has a significant influence on the organizational restructuring process.

Workers actively contribute in dealing with the changes that occur, as well as workers play an active role in providing optimal efforts to achieve targets. Workers provide ideas and ideas in dealing with changes during the organizational restructuring process so that it can be said that workers have a role in carrying out their duties and responsibilities so that the organizational restructuring process can be created properly. So it can be concluded that worker attachment can affect the creation of the organizational restructuring process.

The Effect of Transformational Leadership on the Organizational Restructuring Process

In addition, based on the results of hypothesis testing in table 4.12 for the influence between transformational leadership on the organizational restructuring process, it shows that the C.R is 7.282 and the probability of *** this value means

that it has a significant effect with a probability value of P>0.0001 this value is smaller than the alpha value of 0.05. So it is concluded that transformational leadership has a significant influence on the organizational restructuring process.

Leaders have an active role in creating an organizational restructuring process by listening to various aspirations of workers, providing opportunities for workers to improve their skills, and leaders encourage workers to play an active role in using rational creativity in dealing with obstacles during the organizational restructuring process. Therefore, it can be concluded that transformational leadership can influence the organizational restructuring process.

CONCLUSION

Based on the research conducted, there are several conclusions that can be drawn. First, change management has a significant influence on transformational leadership. This shows that company leaders play an important role in directing company development and facilitating the development of worker competencies. Second, worker engagement also has a significant effect on transformational leadership. Third, change management has a significant influence on the organizational restructuring process, ensuring that planning and implementation go according to plan. Fourth, worker engagement also affects the organizational restructuring process, with active worker contributions. Fifth, transformational leadership has a significant influence on the organizational restructuring process, with leaders listening to workers' aspirations and encouraging their creativity. Necessary policy implications include the establishment of clear organizational functions, coordination mechanisms, evaluation of organizational effectiveness, and increased worker engagement. Research limitations include limitations in the literature study, limited number of respondents, focus on a specific time in the restructuring, and data collection methods that may have limited respondents' perceptions. Suggestions for future research are to use different methods or variables.

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