SUMMARY

JOKO SUWARYO. The Influence of Organizational Culture and Organizational Commitment to Change Readiness in AJB Bumiputera 1912. Supervised by HENY K DARYANTO and AGUS MAULANA.

In the dynamic of global, regional and local environment, the organization should be ready to face the challenges of change. Bumiputera 1912 MLIC (Mutual Life Insurance Company) facing changes in the life insurance industry by arranging transformation and restructuring programs that focuses on four areas, namely: finance and investment, marketing, operations and human resources and corporate governance. Execution of the transformation and restructuring program that brings changes in the company depend on the employee’s readiness for change. This study aimed to analyze the readiness for change in response to the changes related to the organizational culture and organizational commitment.

The study was conducted at head office of AJB Bumiputra 1912 in August and September 2014. Purposive sampling used to collect 190 samples. Questioner filled in by respondents in the form of perception in existing organizational culture, preferred organizational culture, organizational commitment, readiness to change and demographic factors. The data were collected in the form of perception score with the Likert scale (1-6). Statistical tools employed were Analysis of Variance (ANOVA) to analyze the differences in the average scores, chi-square as independence test to analyze the relationship between demographic factors and latent variables and Structural Equation Modeling-Covariance Based (SEM-CB) to analyze the measurement model and structural model.

Existing organization culture profile dominated by role culture, and preferred culture by achievement culture. Affective commitment dominate the organization commitmen, and participating in change dominates the readiness for change profile. The results of this study showed that there were differences in the average gap between existing organizational culture and preferred organizational culture significantly. Demographic factors that significantly differ in gap mean were the age factor to the powerscale, the tenure to the role, achievement and support scale as well, and lastly the position level to the achievement scale. The difference between the average scores of cultural dimensions of existing organizations and preferred organizational culture favored showed significant results, this indicates a change in the organizational culture orientation of the company. Demographic factors that have a significant difference between the average scores of cultural dimensions of existing organizations culture and preferred organizations culture are the age related to the cultural dimensions of power, tenure for the role, achievement and support, position for achievement orientation. The age factor has a significant relationship with the perception of the existing organizational culture and organizational commitment, while tenure has a significant relationship with organizational commitment. SEM analysis found that the results of the existing organizational culture as exogenous variable has positive effect on organizational commitment but negatively affect the readiness to change. In the model which preferred culture as exogenous variable, 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 in both model. The model with preferred organizational culture as the exogenous variable become the fit model from the relationship between the constructs in the hypothetical model of research. Implementation of transformation and restructuring programs, need acceleration by redesigning organizational culture that suit to the readiness for change. Strengthening of employee attitudes towards the organization in the form of organizational commitment, align with the organization's culture will reinforcing the readiness for change through increasing affective commitment and give employees the opportunity to actively participate in the change programs.

Keywords: life insurance, organizational culture, change readiness, organizational commitment, SEM