The Mediating Role of Organisational Change on the Impact of Organisational Resilience on the Performance of Hospitality Industry Organisations in Indonesia

Boge Triatmanto[a*], Nanik Wahyuni[b], [a]Economic & Business Faculty University of Merdeka Malang, [b]Economic & Business Faculty Universitas Islam Negeri Maliki Malang, Email: [a*]boge.triatmanto@unmer.ac.id

The purpose of this study is to test and prove empirically the ability of organisational change to mediate the effect of organisational resilience on improving organisational performance in the hospitality industry. The population of this research is star hotels in Indonesia involving 216 managers as respondents. The research sample was determined using proportional random sampling. The data of this study were analysed using SEM (Structural Equation Model). The results of this study revealed that hospitality organisation performance can be improved when the organisation makes changes. This will trigger hospitality organisations to become more flexible. This means that organisational resilience has a significant ability to mediate the influence of organisational change on improving organisational performance in the hospitality industry.

Keywords: *Organisational performance, Organisational change, Organisational resilience.*

Introduction

Fluctuations in hotel room occupancy rates up to 2018, in general, are still below 50% per year, indicating that in general the performance in the hospitality industry is still low and has not shown significant progress (bps, 2018). The low performance of organisations in the hospitality industry is estimated to have something to do with organisational change. This means that it is required to be an ever-changing organisation to adjust to rapid environmental

changes, this will be able to improve organisational performance (Erstad, 1997; D'Anunzio et al., 1999; Fernandes, 2006; Oakland et al., 2007, Kuokkanen et al ., 2007). In addition to the element of organisational change, organisational resilience factors are also needed to be included in optimising organisational performance improvement (Erstad, 1997; Hartland *et al.*, 2005; Stewart, 2007; Neilson, 2008).

The difference in performance improvement is estimated because there is a difference in the speed of adapting each organisation to changes in the external environment and the level of organisational human resource capacity to immediately adapt to the changes that occur. These two variables are expected to be able to explain the existence of different organisational performance results.

This study attempt explains why there is no stability in the results of changes made by the organisation and organisational resilience to organisational performance. To explain the differences in success, the research includes motivators in the form of reward systems, the smooth flow of information, the breadth of the right to make decisions, and the slackness of organisational structures, as indicators of organisational resilience variables derived from Neilson (2008). Besides that, there are also elements of motivation to change, readiness in facing change, willingness to implement change, and drivers of change which are included in the variable organisational change that are derived from the results of research by Oakland et al. (2007).

This study aims to build a theoretical model for the hospitality industry that integrates resilience and organisational change towards organisational performance. The development of the theoretical model is carried out by testing empirical models and analysing: the influence of organisational resilience on organisational change, the influence of organisational resilience on organisational performance, and the influence of organisational change on organisational performance.

Theoretical Background and Hypotheses Development
Performance in the Hospitality Industry

Change is to make things different. Drucker (2004) argues this is important to sustain in the organisation that an organisation must be managed to deal with continuous change and the most effective way to succeed in managing change and to create the change. This is importantfor an organisation and to continue to survive the conditions of discontinuity. Furthermore, Drucker (2004) states that in facing and anticipating environmental changes, both external and internal to the organisation is the speed of change. This means that if an organisation has made a change but does not follow the pace of the change, it will still lag behind and have an impact on organisational performance. Kotter (2002) argues that

continuous and slow improvement, in turn, will no longer be sufficient. So that a bigger and more significant step is needed in making changes by adjusting to the speed of the changes that are happening in the external organisation.

Organisational resilience is a function of all vulnerabilities, awareness of the situation and adaptive capacity of an organisation in a complex, dynamic and interdependent system. Resilient organisations are organisations that can still achieve their core goals even when facing difficult situations. This does not only mean being able to deal with a crisis but increasing capacity and accelerating the movement of organisations in dealing with crises effectively (adaptive capacity). In order to effectively deal with crises, organisations must also recognise and make changes in response to complex systems, places where the organisation operates (awareness of the situation) and seek new opportunities even in conditions of crisis.

Resilience is a term used to describe an organisation's capacity to respond positively or adaptively to disturbing changes (Stewart, 2007). Resilience not only shows the ability to withstand external shocks but also shows the capacity to adapt and learn. This capacity may be very important, especially if the process involves knowledge about management and knowledge creation. Instead, this process is limited and supported by information technology (Stewart, 2007). Resilience is born from the ability to improvise, which in turn will be supported by an understanding that all problems will be overcome.

Organisational resilience comes from the ability to improvise and the awareness that problems in the organisation can be overcome. This means that to improve organisational performance, capacity is needed to be able to adapt as soon as possible to the crisis facing the organisation. For that, according to Stewart (2007), competent human resources are needed with a leadership system that supports the process of empowering employees.

Research Hypothesis

Stewart (2007) and Oakland (2007) demonstrate that organisational resilience is born from the ability to improvise. Neilson et al. (2008) argue that organisational resilience is formed from four basic organisational supports consisting of the right to decide, motivator, information, and a lean organisational structure. The four critical elements of the organisation work together to lead to organisational resilience that results in company performance. Meanwhile, the results of Levine's research (in Oakland 2007) "Organisations that support sharing information and knowledge will be far more likely to be able to build processes that are effective and efficient and can improve the survival of organisations". For companies that have organisational resilience are companies that have implemented continuous changes. As

stated by Kasali (2007), the secret of a company that has a long life is not a stable company but the most adaptive company that is always adjusting to various kinds of changes.

Hypothesis 1: Organisational resilience is positively related to organisational change.

The results of Stewart (2007) and Oakland (2007) show that organisations that are able to make changes are organisations that have adaptive capacity to influence the external environment. The people in the organisation are responsible for management problems, in order to be able to spread how to use the new system quickly, and set priorities in responding to the crisis, the leader can facilitate and help develop this response. Furthermore, Neilson et al. (2008) argue that it is very satisfying for people who work in organisations that are adaptive to changes in the environment, smooth adjustments to all problems indicate high organisational performance.

**Hypothesis 2:** Organisational resilience is positively related to organisational performance

The relationship between organisational change and company performance has been carried out by research that explains the process of implementing changes in the organisation and their effects on factors that contribute to company performance, as explained in Fernandes (2006) conducted by Armenakis et al. (1999), Bingham et al. (1996), Burke (2002), Greiner (1967), Kotter (1995, 1996), Rainey et al. (1986), Thompson et al. (2001). To further prove the results of the research conducted, the third hypothesis is formulated as follows:

Hypothesis 3: Organisational change is positively related to organisational performance.
Hypothesis 4: Organisational change mediates the relationship between organisational resilience and organisational performance.

The research model proposed is as follows:

Figure 1. Research hypothesis model
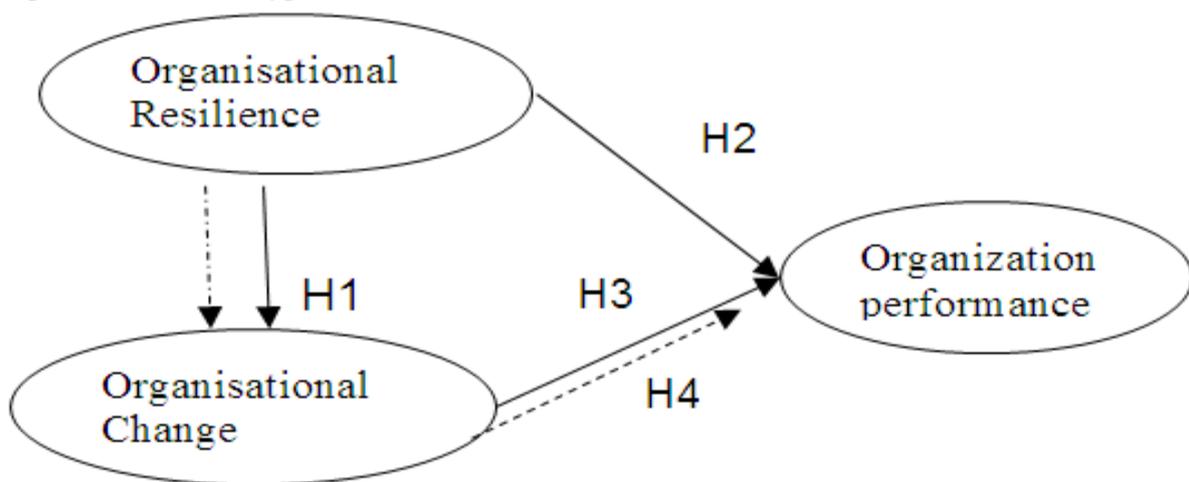
Methodology

This study uses a survey method, considering that this method is the most appropriate form of research design to gather information from a considerable population. In addition to distributing questionnaires to respondents, focus group discussions with hotel company associations were carried out to look for deeper information about organisational changes that had been made. This research was conducted in the hospitality industry in Indonesia, considering that Indonesia is one of the world's tourist destinations.

The research population is all star-rated hotels in Indonesia, namely five-star hotels in major cities throughout Indonesia (PHRI, 2018). The size of the sample in this study is determined by using the Morgan formula in Hair (2010). The sample is determined using a proportional sampling technique, while the respondents are hotel managers with the consideration that managers in the hotel have complete information and as decision-makers. The analysis used to answer the hypothesis in this study is the Structural Equation Model (Equation Model Structure or SEM).

Result

Descriptive test results with the confirmatory analysis test are explained as follows. Tests on C.R statistics on each indicator on organisational change variables have shown significant results. This result is proven with a C.R value of more than 2 or p-value <0.05. Based on the loading value, all values are above 0.40, so it also provides evidence that each indicator has a high level of validity to the construct. Dimensionality test results show that all four indicators can construct organisational change. The highest loading value is in the readiness change indicator. This means that the readiness for high change has a strong indication to be able to shape organisational change optimally. The other three indicators with loading more than

0.40 can also explain that differences in organisational change can be measured through the drive to change, change implementation, readiness for change and triggers for change.

Table 1: Confirmatory Analysis

Variable and Indicator	C.R.	P	*Loading Factor*
Organisational Change			
The urge to change	-	fix	0.704
Implementation of change	12.682	0.000	0.844
Readiness for change	11.717	0.000	0.910
Triggers for change	11.154	0.000	0.830
Organisational Resilience			
Organisational structure	9.794	0.000	0.805
Right to decide	10.312	0.000	0.931
Information flow	8.672	0.000	0.688
Motivator	-	Fix	0.640
Organisational performance			
Sales Level	9.184	0.000	0.928
The occupancy rate	6.166	0.000	0.869

The tests on C.R statistics on each indicator of organisational resilience variables have shown significant results. This result is proven with a C.R value of more than 2 or p-value <0.05. Based on the loading value, all indicators are above 0.40, providing evidence that each indicator has a high level of validity to the construct. Dimensionality test results indicate that all four indicators can construct organisational resilience. The highest loading value is in the right to decide indicator. This means that differences in organisational resilience are explained very strongly from the right to decide indicators. This means that managers who have the breadth in making decisions without any interference from the hotel owner can create an organisation that is easily adaptable to environmental changes. Other indicators with loading more than 0.40 mean that differences in organisational resilience can be measured through an efficient organisational structure, breadth of decision rights, smoothness of information and motivators.

The tests on C.R statistics on each indicator of organisational performance variables show significant results. This result is proven with a C.R value of more than 2 or p-value <0.05. Based on the loading value, all values are above 0.40, so it also provides evidence that each indicator has a high level of validity to the construct. The highest loading value is on the sales level indicator. These results indicate that differences in organisational performance are explained very strongly from sales level indicators. The manager perceives that with human resources capable of providing good service, it will have an impact on increasing sales levels.

In other indicators, loading more than 0.40 means that differences in organisational performance can be measured through hotel sales and occupancy rates.

Figure 2. Results of Structural Model Analysis
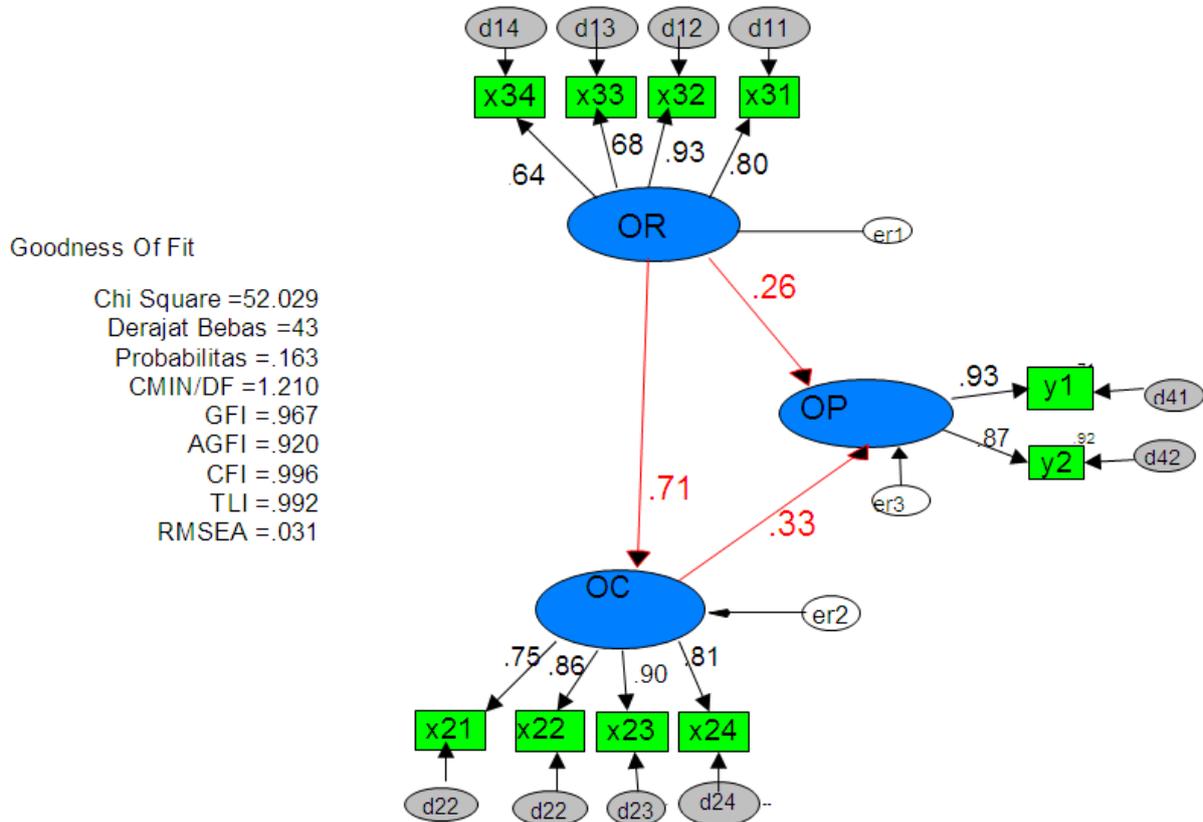
The feasibility of the evaluation model gives that the *Goodness Of Fit Indeks (GFI)* value of 0.967 means that 96.7% of the population covariance matrix can be explained by the sample covariance matrix, so the feasibility of the model based on GFI values is good. The *Root Mean Square Error of Approximation (RMSEA)* value of 0.040 has met the recommended recommendation criteria which are below 0.080, so the feasibility of the model based on RMSEA is good. The recommended *Adjusted Goodness Fit Of Index (AGFI)* value is 0.90, and in the analysis of this evaluation model, AGFI is generated at 0.918. GFI's value is good because the value has exceeded the minimum recommended value. Another criterion is good status because it has the results of calculations that have fulfilled the recommendation value. The results of the model test with chi-square resulted in a decrease in values up to 49.524 with a probability of 0.082. The results of this test explain that empirical data is not different from the proposed model (prob> 0.05). The model feasibility index with the Tucker-Lewis Index (TLI) recommends a value of more than 0.95, and the results of the model calculation have reached 0.987. Similarly, the feasibility index with a Comparative Fit Index (CFI) recommends a value of more than 0.95, and the calculation results have reached 0.994. The

results of the analysis provide the conclusion that the evaluation model has acceptable feasibility.

Table 2: Path Analysis

Hypothesis	Path			Coef. Of standardised	SE	Critical Ratio	*p-value*	Indirect path
H1	OR	→	OC	0.705	0.095	7.198	0.000	-
H2	OR	→	OP	0.264	0.160	2.569	0.010	-
H3	OC	→	OP	0.326	0.158	3.552	0.000	-
H4	OR→ OC → OP			-	-	-	0.000	0.647

In the first hypothesis test, the regression coefficient of the organisational resilience variable to the organisational change variable is 0.684 with CR. amounting to 7.198 (greater than 2) and p-value of 0.000 (less than 0.05). In the form of standardising this coefficient is 0.692. These results provide a decision that the regression coefficients obtained have shown a significant effect of organisational resilience variables on the variable organisational change. Thus, the first hypothesis is supported.

The results of testing the second hypothesis show the regression coefficient of organisational resilience variables on organisational performance variables is 0.411 with C.R. amounting to 2.569 (greater than 2) and p-value of 0.010 (smaller than 0.05). In the form of standardising this coefficient is 0.215. These results indicate that the regression coefficients obtained have shown a significant effect of organisational resilience on organisational performance. Thus, the second hypothesis is accepted.

The third hypothesis test results show the regression coefficient of the organisational change variable towards the performance variable is 0.561 with C.R. amounting to 3,552 (greater than 2) and p-value of 0.000 (less than 0.05). In the form of standardising this coefficient is 0.291. These results indicate that the regression coefficients obtained have shown a significant effect of organisational change on organisational performance. Thus, the third hypothesis is supported

The fourth hypothesis test results show a total value of 0.647, indicating that organisational change is able to mediate the influence of organisational resilience on organisational performance. These results prove that the fourth hypothesis is tested.

Discussion

The findings of the research show that organisational resilience has a positive and significant influence on organisational change. This shows that generally in the hospitality industry has

the speed to adjust to change. The organisation has the ability to adapt to changes in external organisations. This finding supports the results of a study from Neilson (2008) which states that organisations that have the capacity to adapt to good environmental changes, the organisation has better than average performance, compared to other organisations. In addition, these findings also support the results of Stewart (2007).

Resilience is born from the ability to improvise, this is supported by the understanding that all problems can be overcome (Neilson, 2008). Organisational resilience is an organisation that can still achieve its core goals even when facing difficult situations. This means not only reducing the size and frequency of crises but increasing capabilities and accelerating the movement of organisations in dealing with crises effectively (adaptive capacity). In order to effectively deal with crisis conditions, organisations must also recognise and make changes in responding to complex systems and seeking new opportunities, even in difficult conditions.
The change in organisations is determined by organisational resilience, namely the adaptive capacity of the organisation to the changing conditions it faces. This means that the higher the level of organisational resilience, the faster changes made by the organisation to adapt to change.

The results of the analysis show that organisational resilience has a positive and significant effect on organisational performance. This shows that organisational resilience is an organisation that is able to adapt to environmental changes and has an impact on improving the performance of the organisation. The findings of this study support the results of research by Stewart (2007), and Oakland (2007). In addition, the results of this study also support the results of Neilson's research. (2008) which states that organisational resilience can improve organisational performance.

Organisational resilience is a function of all vulnerabilities, awareness of situations and adaptive capacity in complex, dynamic and interdependent systems. Organisational resilience is more strongly explained by indicators of the right to decide, meaning that for hospitality industry managers being able to form organisational resilience requires the breadth of responsibility for deciding policies in running an organisation. This has a positive and significant effect on improving organisational performance. Based on this information in addition to the right to decide on a lean organisational structure, a smooth flow of information and motivators also play a role in increasing the ability of the organisation to adapt to environmental changes. This shows that if the organisation is in an efficient structure, given the breadth of responsibility for making decisions and having complete information, organisational performance can be improved (Stewart, 2007).

Organisational performance can be improved if organisational resilience also increases. The inflexible organisation, the behaviour of managers and employees together leads to the

organisational development process. Decision rights, information, motivation, and organisational structures are mutually integrated to drive organisations to achieve high performance (Neilson, 2008). The results of Neilson's (2008) study also inform that people in organisations that have the capacity to adapt to change agree that their performance is better than the average of other organisations.

Organisational change variables have a positive and significant effect on organisational performance. This indicates that organisations that are able to quickly make changes and adjust them to the environment are proven to be able to improve their performance. The results of this study support the results of previous studies conducted by Lawrence and Lorsch (1967), Pfeffer and Salancik (1978), Van de Ven and Poole (1995), Stewart (2007), and Fernandes (2006), which states that the development of human and organisational resource capacity is the most appropriate way to integrate planned changes used to implement change strategies in improving organisational performance.

Organisational change is explained by the trigger indicators/drivers of change, change readiness, implementation of change and the drive to change. The readiness indicator to change is the most powerful indicator in explaining organisational change variables, this indicates that the organisation's leaders are generally ready to implement changes in their organisation. This is done to anticipate changes that occur both internally and externally. Indicators for implementing change are the second indicator that can explain the variable organisational change. Planned change implementation requires managers to provide understanding to other organisational members and external stakeholders about the need for changes to improve performance (Kotter, 1995; Burke 2002; Laurent, 2003).

In improving organisational performance through the speed of change, respondents generally considered that readiness to face change was the main indicator in moving towards the speed of change, then the implementation of change. This is in accordance with what Kotter (2002) stated that continuous and slow improvement, in turn, is no longer sufficient, so that the emphasis on the speed of change is even more important, this affects the organisation's performance more. This is similar to what Simsek (1994) stated, without dramatic changes in an environment, it can affect adaptive change slowly, this also slows down organisational performance.

Conclusion and Recommendation

Resilience or organisational ability to adapt to the environment, triggered by empowered human resources, is based on the value of the largest loading factor of indicators that form the organisational resilience variable, namely the high commitment of employees to the

organisation to achieve goals. The way employees perceive this commitment is to what extent they have the authority to make decisions (Neilson, 2008).

The ability of an organisation that is good at adapting to its environment makes it easier and faster for the organisation to make changes. The high ability of the organisation to adapt is characterised by the efficient organisation structure, smooth flow of information, decision rights possessed by managers and motivated human resources. Resilience is not a final state. Resilience is a journey that never ends (Neilson, 2008; Triatmanto et al., 2018).

Increasing the ability of organisations to adapt to changes, the organisation's performance can be improved. The better performance of the organisation is characterised by the smooth flow of information, besides that, an efficient organisational structure will be able to make the organisation more able to adapt to changes in the environment, organisational resilience is also characterised by the broad right to make decisions for functional managers in carrying out operational tasks.

Increasing organisational adaptive capacity to the environment will improve organisational performance. This increase in adaptive capacity is characterised by the efficiency of a lean organisational structure, the smooth flow of information, the breadth of the authority to decide and the motivator for employees.

It is necessary to develop a culture of change that can accelerate the process of change in order to adjust to changes that occur in the external organisation. In accordance with the opinion of Erstad (1997), change will succeed if the organisation has built a culture of strong change, and the leader is the main driver of change. Based on this, leaders need to be given more trust in building organisational change, so they have a strong drive from individual managers to make changes in the organisation they lead.

It is recommended to further empower managers to be able to create organisational resilience so as to make the organisation adaptable to the environment by increasing the commitment and responsibility of managers for the tasks assigned, as well as providing broad rights to make decisions. This method can be pursued by granting authority to managers to arrange organisational structures that are in accordance with environmental conditions, in order to improve the smoothness of information.

Given the level of commitment and sense of responsibility is the most powerful indicator informing the variable empowerment of human resources, it is recommended that owners give full authority to managers to be responsible for improving organisational performance, and building a strong commitment to the organisation.

The limitations of this study are that it has not considered cultural issues related to the implementation of organisational change. For future researchers, it is better to develop research variables, especially related to the problems of organisational culture, leadership, vision, and others. The object of research needs to be extended to other services, especially those that support the tourism sector. The expansion of the object of this research is expected to provide added value and can prove the appropriate results so that the model built can be generalised to other fields.

REFERENCE

Clarke, Liz, (1999). *The essence of change, manajemen perubahan*,. Terjemahan Martin Muslie & Magdalena S, Penerbit Andi, Yogyakarta.

DAnnunzio-Green, N. John, M. (1999) *Re-empowering the empowered – the ultimate challenge* . Personal Review. Vol. 28 No. 3, 1999, pp. 258 – 278.

Drucker, P. F, Joseph, A M. (2008). *The daily drucker 366 hari wawasan dan motivasi untuk menyelesaikan hal-hal yang benar,* diterjemahkan oleh natalia ruth sihandrini.Penerbit PT Elex Media Komputindo, Jakarta.

Erstad, M. (1997). *Empowerment and organisational change*. International Journal of Contemporary Hospitality Management, 9/7 (1997) pp. 325 – 333, MCB University Press.

Ferdinand, A. (2006). *Metode penelitian manajeme. Pedoman Penelitian Untuk Penulisan Skripsi, Tesis, dan Disertasi Ilmu Manajeme.*Edisi Kedua, Badan Penerbit Universitas Diponegoro, Semarang.

Fernandes, S., Hal, G. R. (2006). *Managing successful organisational change in the public sector.* Public Administration Review; March/Apr 2006; 66, 2 p 168-174.

Hartland, L., Harron, W., Jones, J.R., and Reiter-Palmon, R. (2005). *Leadership behaviours and subordinate resilience.* Journal of Leadership and organisational studies, Vol 11 No. 2, pp. 2-14.

Jarrar, Y. F., Mohamed Z. (2002). *Employee empowerment–a UK survey of trends and best practice,* Management Auditing Journal 17 / 5 (2002), pp. 266 – 271.

Kasali, R. (2007). *Change, (manajemen perubahan dan manajemen harapan*. Cetakan Kesembilan, Penerbit PT Gramedia Pustaka Utama, Jakarta.

Kochan T.A, and Dyer l. (1993). Managing transformational change: *The role of Human resource Professionals*. International Journal Human Resource Management. 4. p. 569 – 590

Kotter, J. P. dan Dan, S. C. (2008). *The heart of change*. Terjemahan Arif Budi Nugroho, Penerbit Trans Media Pustaka, Jakarta

Kuokkanen, L. Tarja, S. Sirku, R. Marja, L. Kukkurainen, N. Savikko, D. D. (2007). *Organisational Change and Work-related Empowerment,* Journal of Nursing Management, 15, 2007, pp 500 – 507.

Lashley, C. (1999). *Employee empowerment in services: a framework for analysis,* Personnel Review Vol. 28 No. 3, 1999, pp 169 – 191

Lashley, C. (2000). *Empowerment through involvement: A case study of TGI Fridays restaurants,* Personnel Review Vol. 28 No. 3, 1999, pp 169 – 191

Levine, L. (2001), *Integrating knowledge and processes in a learning organisation*, Information Systems Management, Vol. 18 No. 1, pp. 21-33.

Llorens, F.J. Luis M. M. Antonio, J. V. (2005). *Flexibility of manufacturing system, strategic change and performance.* International Journal of Production Economics, 98, pp 273 – 289.

Neilson, G. L. Bruce, A. P. (2008). *Result*, terjemahan andre wiriadi,. Penerbit PT Elex Media Komputindo, Jakarta.

Newstrom, J. W., Keith, D. (1997). *Organisation behaviour.* The McGraw-Hill Inc, Singapore.

Noe, R. A., John R. Hollenbeck, B. G. Patrick M. W. (2006). *Human resources management gaining a competitive advantage.* Fifth Edition, McGraw Hill/Irwin Companies, New York.

Prityo, M. (2006). *Analisis variabel-variabel yang mempengaruhi citra hotel berbintang di indonesia dan dampaknya terhadap kinerja hotel,* disertasi. Program Pascasarjana, Universitas 17 Agustus Surabaya.

Oakland, J.S. and Tanner, S.J. (2007). *A new framework for managing change.* The TQM Magazine Vol. 19 No. 6, p 572 – 589.

Senior, B. (2002). *Organisational change.* Second edition, Pearson Education Limited, London.

Ignore, H. (2009). Managing behind the scenes: A view point on employee empowerment. African journal of business management, 3(1), 009-015.

Simsek, H., & Louis, K. S. (1994). Organisational change as paradigm shift: Analysis of the change process in a large, public university. The Journal of Higher Education, 65(6), 670-695.

Smith, J. (2000). *Empowering People,* Kogan Page Limited, London.

Stewart, J., & O'Donnell, M. (2007). Implementing change in a public agency: Leadership, learning and organisational resilience. International Journal of Public Sector Management, 20(3), 239-251.

Stewart, A. M. (1998). *Empowering people: Pemberdayaan sumber daya manusia.* Penerbit Kanisius, Yogyakarta.

Taplin, I. M. (2006). Strategic change and organisational restructuring: How managers negotiate change initiatives. Journal of International Management, 12(3), 284-301.

Triatmanto, B., Wahyuni, N., & Respati, H. (2019). Continual human resources empowerment through human capital and commitment for the organisational performance in hospitality industry. Quality Access to Success, 20(173), 84-91.

Wilkinson, A. (1998). Empowerment: theory and practice. Personnel Review, 27(1), 40-40.