

THE EFFECT OF AUTHENTIC LEADERSHIP AND PERCEIVED ORGANIZATIONAL IN BUILDING READINESS FOR CHANGE THROUGH PSYCHOLOGICAL CAPITAL AS MEDIATOR

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Abstract. *The research aims to examine the determinants of employee readiness for change in a subsidiary of Indonesia's Plantation State-Owned Company, focusing on the roles of Authentic Leadership, Perceived Organizational Support and Psychological Capital with mediating mechanism. The Company “X” as the subject of this research is the result of the merger of seven previously independent sugar companies. Consequently, the organization consists of individuals with highly diverse characteristics, creating unique organizational challenges following the integration process. In addition, the company has been assigned a strategic mandate to support national food self-sufficiency, adapt new market conditions, technological advancements and managing stakeholder expectations. Data were collected through questionnaires distributed to line managers across all sugar mill units served as the research subjects and analysed using Structural Equation Modelling with Partial Least Squares-Structural Equation Model (PLS-SEM). The result indicates that Authentic Leadership and Perceived Organizational Support positively and significantly influence individual readiness for change, both directly and indirectly through Psychological Capital. Psychological Capital is confirmed as a significant mediator, amplifying the effects of leadership quality and organizational support on individual cognitive and affective readiness to change.*

Keywords: Readiness for Change, Authentic Leadership, Organizational Support, Sugar Enterprise

INTRODUCTION

Organizations operating in increasingly dynamic and uncertain environments are required continuously adapting in market conditions, technological advancements, and managing stakeholder expectations to gain competitive advantages. Organizational change has therefore become a strategic necessity for maintaining competitiveness and long-term sustainability (Courtney et al., 2000; Nguyen et al., 2023). Organizational transformation is challenging, with studies indicating that nearly 70% of change initiatives fail, primarily due to employee resistance and insufficient organizational readiness (Cornescu & Adam, 2016). Consequently, understanding the factors that foster employees' readiness for change (RFC) has become a critical issue in organizational research and practice. According to Organizational Readiness for Change Theory, successful transformation depends on employees' beliefs regarding the necessity and feasibility of change (Weiner, 2009). Employees who demonstrate higher RFC tend to exhibit stronger commitment, adaptability, and proactive behavior during organizational transformation, whereas low readiness often leads to resistance and implementation failure. The Indonesian sugar industry is currently undergoing substantial transformation driven by the national sugar self-sufficiency agenda targeted for 2028. The company are expected to improve productivity, operational efficiency, and organizational agility while adapting to increasingly dynamic business environments. Transformation challenges require employees who are psychologically prepared to embrace organizational change.

Authentic Leadership (AL) has attracted growing attention in organizational behavior research due to its emphasis on self-awareness, relational transparency, balanced processing, and internalized moral perspective

(Walumbwa et al., 2008). Perceived Organizational Support (POS) represents another important factor influencing employees' responses to change. Based on Organizational Support Theory (Eisenberger et al., 1986), POS reflects employees' beliefs regarding the extent to which the organization values their contributions and cares about their well-being.

LITERATURE REVIEW & RESEARCH HYPOTHESIS

Organizational Change Theory

Organizational change has become an inevitable phenomenon due to competitive advantages in market competition. Organizational Readiness for Change Theory, proposed by Weiner (2009), provides a comprehensive framework for understanding employees' preparedness to engage in organizational transformation. Employees who perceive change as appropriate, beneficial, and supported by management are more likely to demonstrate positive attitudes and behaviors during transformation initiatives. The most critical conditions required for successful change implementation is RFC. RFC is defined as the preparedness of organizations or individuals to cope with change, including their willingness, acceptance, and confidence in supporting the change initiatives undertaken. In individual level, RFC reflects mental and behavioral of employees to implement all organizational changes proposed by the organization (Rusly et al., 2012). Weiner (2009) defines organizational RFC as a collective psychological state in which organizational members are committed to implementing organizational change and confidence in their collective capability to carry out such change successfully. Higher levels of RFC contribute more effective change implementation (Weiner, 2009).

Social Exchange Theory

Social Exchange Theory (SET), originally developed by Blau (1964), explains social relationships as reciprocal exchanges based on trust, mutual obligations, and expectations of future benefits. Within organizational settings, employees tend to reciprocate favorable treatment received from their organization and leaders through positive attitudes and behaviors. SET describes the existence of reciprocal relationships between organizations and employees (Rehman, 2021). In the context of this study, AL and POS represent two important organizational resources that may stimulate positive reciprocal responses from employees. AL creates trust-based relationships through transparency, ethical behavior and balanced decision-making. POS reflects employees' beliefs that the organization values their contributions and cares about their well-being.

Positive Organizational Behaviour Theory

Positive Organizational Behavior (POB) by Luthans (2002), focuses on development and management of positive psychological capacities that enhance employee performance and organizational effectiveness. The most influential construct from POB is Psychological Capital (PsyCap), defined as an individual's positive psychological state characterized by hope, self-efficacy, resilience, and optimism (Luthans et al., 2007). Psychological Capital Theory proposes individuals possessing higher levels of hope, self-efficacy, resilience, and optimism which equipped to cope with uncertainty and organizational challenges (Luthans et al., 2007). During organizational transformation, these positive psychological resources may enable employees to perceive change as an opportunity rather than a threat. PsyCap has been found to mediate the relationship between leadership and employee readiness, suggesting that positive leadership behaviors may foster readiness for change by developing employees' psychological resources.

Hypothesis Research

H1: AL positively influences RFC.

Authentic leaders demonstrate consistency between values and actions, encourage open communication, and foster trust among employees. AL strengthens relationships in employees' trust toward their leaders, which subsequently enhances employees' willingness to contribute positively as a form of reciprocal behavior (Mansouri et al., 2022).

H2: POS positively influences RFC.

POS originates from SET, which emphasizes the reciprocal relationship mechanism between organizations and employees (Rehman, 2021). Hayat and Afshari (2020) define POS as employees' perceptions regarding the extent to which the organization values their efforts and contributions, as well as the degree to which the organization cares about their well-being. Employees experiencing high organizational support are more likely to trust organizational decisions, perceive fairness in change implementation, and feel secure during periods of uncertainty.

H3: AL positively influences PsyCap.

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According to SET, authentic leaders create supportive and trust-based relationships that foster positive psychological development among employees. Through ethical conduct, transparency, and balanced decision-making, authentic leaders strengthen employees' confidence, optimism, resilience, and hope.

H4: POS positively influences PsyCap.

Organizational support provides employees with psychological safety, access to resources, and confidence regarding organizational commitment to employee welfare. As a result, employees perceiving higher organizational support tend to possess stronger PsyCap.

H5: PsyCap positively influences RFC.

PsyCap enables employees to cope effectively with uncertainty and challenges associated with organizational change. Consequently, PsyCap is expected to increase employees' readiness for change.

H6: PsyCap mediates the relationship between AL and RFC.

H7: PsyCap mediates the relationship between POS and RFC.

According to Luthans (2002), PsyCap has positive impact on individuals' RFC. PsyCap may also function as a mediating variable that strengthen employees' RFC.

Table 1. Dimensions and References of Variables

<i>Variable</i>	<i>Dimensions</i>	<i>References</i>
<i>Authentic Leadership</i>	<i>Self-awareness, Relational Transparency, Balanced Processing, Internalized Moral Perspective</i>	<i>Walumbwa et al. (2008); Neider & Schriesheim (2011)</i>
<i>Perceived Organizational Support</i>	<i>Unidimensional Construct</i>	<i>Eisenberger et al. (1986); Rhoades & Eisenberger (2002)</i>
<i>Psychological Capital</i>	<i>Hope, Self-efficacy, Resilience, Optimism</i>	<i>Luthans et al. (2007)</i>
<i>Readiness for Change</i>	<i>Change Efficacy, Change Appropriateness, Management Support, Personal Valence</i>	<i>Holt et al. (2007)</i>

RESEARCH METHODS

Research Design

The study employed a quantitative research approach in examining the relationships between independent and dependent variable, with a mediating variable incorporated into the research model. Study employed with an exploratory design to examine the relationships among Authentic Leadership (AL), Perceived Organizational Support (POS), Psychological Capital (PsyCap), and Readiness for Change (RFC). The study aims to explain how leadership and organizational support contribute to employees' readiness for organizational change, both directly and indirectly through psychological capital. The research model was developed by integrating Organizational Readiness for Change Theory (Weiner, 2009), SET (Blau, 1964), Organizational Support Theory (Eisenberger et al., 1986), and POB Theory (Luthans, 2002). The proposed model extends previous studies by examining the mediating role of PsyCap in the relationships between AL, POS, and RFC within the context.

Measurements

Variables were measured using a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). There are 73-items indicators question in questionnaire.

Population and Sample

The population are first-line managers who worked in estates and mills, located across multiple regions in Indonesia. Line managers were selected who play as critical role in translating strategic initiatives into operational execution and serve as primary link between senior management and employees. Data were collected through an online questionnaire and found 428 valid respondents.

Data Analysis

The data were analyzed with IBM SPSS and SmartPLS4 software. PLS-SEM was selected because it is appropriate for predictive and theory-development research (Hair et al., 2022). The analytical procedure enabled a comprehensive examination direct and indirect relationships among the study variables and provided empirical evidence regarding the conceptual framework.

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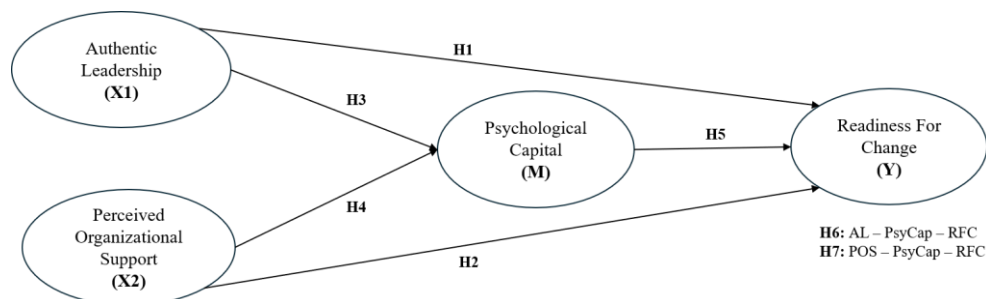


Figure 1. Conceptual Framework

RESULTS AND DISCUSSION

Table 2 shows descriptive statistics for variables from research respondents.

Table 2. Respondent Characteristics

Respondent Characteristics		Frequency	Percentage
Gender	Male	398	93%
	Female	30	7%
Age	<25 years	2	0%
	25 – 35 years	90	21%
	36 – 45 years	186	43%
	46 – 55 years	134	31%
	>55 years	16	4%
Education	High school	73	17%
	Undergraduate/Diploma	69	16%
	Bachelor	260	61%
	Masters	25	6%
	Doctor	1	0.2%
Years of work	<2 years	7	2%
	2 – 5 years	42	10%
	6 – 10 years	69	16%
	11 – 15 years	106	25%
	>15 years	204	48%
Marital status	Married	400	93%
	Not married	23	5%
	Ever married	5	1%

Source: field data (2026).

Table 3. Analysis Description of Respondents' Answers

Variables	N	Min	Max	Mean	Std
Authentic Leadership	428	1	5	3.967	0.824
Perceived Organizational Support	428	1	5	3.857	0.868
Psychological Capital	428	1	5	3.942	0.867
Readiness For Change	428	1	5	4.077	0.826

Source: field data (2026).

Table 4. Measurement Model

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Variables	Code	Indicators	Loading	p Value	Cronbach's Alpha	Composite Reliability	AVE
AL	AL1	Self-awareness	0,912	<0.001	0,934	0,953	0,834
	AL2	Moral perspective	0,913	<0.001			
	AL3	Relational	0,912	<0.001			
	AL4	Balanced processing	0,917	<0.001			
POS	POS1	Unidimensional	0,894	<0.001	0,961	0,967	0,763
	POS2		0,869	<0.001			
	POS3		0,892	<0.001			
	POS4		0,863	<0.001			
	POS5		0,850	<0.001			
	POS6		0,898	<0.001			
	POS7		0,857	<0.001			
	POS9		0,859	<0.001			
	POS10		0,869	<0.001			
PsyCap	PS1	Hope	0,921	<0.001	0,930	0,950	0,827
	PS2	Self-efficacy	0,909	<0.001			
	PS3	Resilience	0,890	<0.001			
	PS4	Optimism	0,917	<0.001			
RFC	RFC1	Change-efficacy	0,906	<0.001	0,876	0,916	0,735
	RFC2	Appropriateness	0,931	<0.001			
	RFC3	Management Support	0,912	<0.001			
	RFC4	Personal Valence	0,649	<0.001			

Source: field data (2026).

The determinants factor of RFC shows average scores above 3.5, which indicates good level of assessment. The data suggests that employees may have been exposed to AL practices, POS initiatives and strong PsyCap, also conducted a discriminant validity test using the Heterotrait-Monotrait Ratio (HTMT) which presented in Table 5, all variables have HTMT score below 0.9, indicates that the conditions for discriminant validity have been met (Hanseler et al., 2015; Shie & Chang, 2022).

Table 5. Variables Correlation (HTMT)

	AL	POS	PsyCap	RFC
AL				
POS	0.685			
PsyCap	0.608	0.603		
RFC	0.771	0.780	0.730	

Source: field data (2026).

Table 6. R-Squares of Dependent Variables

Construct	R ²	Adj. R ²
PsyCap	0.398	0.395
RFC	0.684	0.681

Source: field data (2026).

Table 7. Goodness of Fit

	Estimated Model
SRMR	0.047
d_ ULS	0.504
d_ G	0.270
Chi-Square	648.993
NFI	0.928

Source: field data (2026).

Table 8. Hypothesis Testing Result

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Relationship	Coefficients	P Value	T Statistics	Results	f ²	VIF
Direct effects						
H1: AL → RFC	0.344	<0.001	5.767	Supported	0.172	1.927
H2: POS → RFC	0.323	<0.001	6.014	Supported	0.207	1.934
H3: AL → PsyCap	0.350	<0.001	4.519	Supported	0.114	1.731
H4: POS → PsyCap	0.356	<0.001	5.287	Supported	0.118	1.731
H5: PsyCap → RFC	0.285	<0.001	5.450	Supported	0.155	1.660
Indirect effects						
H6: AL → PsyCap → RFC	0.098	<0.001	3.739	Supported		
H7: POS → PsyCap → RFC	0.100	<0.001	3.825	Supported		

Source: field data (2026).

CONCLUSIONS

All of hypotheses were accepted. Leadership and organizational support play significant roles in employees' RFC. Furthermore, PsyCap was found to partially mediate these relationships, indicating that leadership and organizational support influence individual RFC not only directly but also through positive psychological resources. These findings are consistent with previous studies by Delić et al. (2017), Mousa et al. (2019), and Domínguez-Escrig et al. (2023). The study also confirms the important role of PsyCap as a positive psychological resource that enhances employees' readiness for change. POB Theory and Psychological Capital Theory (Luthans et al., 2007), both AL and POS significantly contribute to the development of PsyCap among employees. The mediation analysis reveals that PsyCap partially mediates the relationships between AL, POS, and RFC. The finding extends Organizational Readiness for Change Theory, SET (Blau, 1964), and Organizational Support Theory (Eisenberger et al., 1986) by demonstrating that leadership and organizational support influence RFC not only directly but also through the development of employees' positive psychological capacities. The findings provide practical implications for the company. For Sugar mills manager should actively build trust through transparent communication, consistent leadership behavior and visible organizational support to strengthen employees' readiness for change. In order to develop employees' optimism, resilience and confidence which can facilitate smoother post-merger integration and improve the implementation of changing initiatives across sugar mill operations.

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