The Effect of Organizational Structure, Organizational Strategy, and Change Management on Firm Performance with Organizational Commitments As Mediation Variables in Manufacturing Industries

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Abstract.—The purpose of this study is to analyze the relationship of organizational structure, strategy, and change management to firm performance with organizational commitment as mediation. The design used is hypothesis testing using Structural Equation Modeling (SEM) because the variables used in this study use mediating variables. The population and respondents in this study were Supervisor / Engineer, Manager, General Manager, and Director of manufacturing companies. The results of the study show that the organizational structure does not significantly affect to firm performance, organizational strategy and change management has significant effect on firm performance, organizational commitment has significant effect on firm performance. The results also show that organizational commitment does not mediate the organizational structure of firm performance, organizational commitment is mediation between organizational strategies and management changes in organizational commitment are mediation in performance. The results can be a reference for management and companies in making decisions that determine strategic steps in planning the company's future work plans. Future research model can explain the role of organizational commitment in organizational structure, organizational strategy and management changes to firm performance.

Keywords: Organizational Structure, Organizational Strategy, Change Management, Organizational Commitment, Company Performance, Manufacturing

I. INTRODUCTION

The global manufacturing industry paradigm today sees the production process as a unity between the processes before production, the production process, and the results of production itself in other words the process of transformation in production. Manufacturing industry is an activity in applying machinery, equipment, and labor with the established methods for transforming raw materials or raw materials into finished goods or semi-finished goods that have a sale value, manufacturers usually produce large or large-scale production to be sold to customers. The development of the manufacturing industry in Indonesia has a broad chain effect so that it can generate a source of income for the workforce and can increase economic growth in general.

Batum City is an industrial city that should be taken into account in improving the Indonesian economy; there are 24 industrial zones in Batum City (Disnaker Kota Batum, 2018). In 2014 there were 25 companies left and no longer operated in Batum, there were several reasons the company moved, including factors from the economy that were not conducive and some others went bankrupt. In 2015, 54 companies were closed and moved on that the company had no orders, ended their work contracts with consumers, the company's performance was not in line with expectations, and the investment climate was not conducive in Batum. In 2016 there were 67 companies leaving Batum because the internal conflict between the employees and management was marked by the termination of employment (PHK), another reason is the difficulty of importing raw materials into Batum due to regulations that do not yet exist. So that a lot of incoming goods are held at the immigration office awaiting the regulation by the local government, and there are no projects to be carried out. In 2017 there were 53 companies leaving Batum where some companies moved operations to other countries such as Vietnam and China (Batum City Manpower Office, 2018) indicating that the company did not manage well so that the company did not achieve good performance in accordance with the target at the beginning of the year and cannot provide profits in accordance with the planning and other factors such as regulations and wage problems that are often a problem in the city of Batum.

Firm performance is an important part in measuring management strategies in an industry or organization, various studies conduct tests to see factors that determine firm performance, there are several dimensions or variables measured to determine company performance including
II. LITERATURE REVIEW AND HYPOTHESIS

Development Research on firm performance. The organizational structure is determined by internal factors and external factors of a company, in this case these factors consist of formalization, centralization, complexity of internal and external boundaries and technology. (Tran & Tian, 2013), (Shahriari et al., 2013), (Steiger et al., 2014), (Eynali et al., 2014). (Kalowski, 2015) changes in organizational structure affect global markets, by considering internal factors such as: (complexity of the company), Technological Advancement, Qualification of Employees and Managers, Location of the Company, Enterprise Organizational Culture, Type of Activity and Markets, Development strategy, ineffective Current Current Organizational structure, Legal Form, the form of ownership and control, size, age, and history of the company. (Unam & Akinola, 2015), Ajagbe et al., (2015).

Strategy can be defined as determining the basic long-term goals and objectives of the company and adopting a program of actions and allocation of resources needed to carry out the objectives. According to (Unam, 2017), a strategy consists of a combination of competitive movements and business approaches that managers use to delight customers, compete successfully, conduct operations and achieve organizational goals. Pearce and Robinson (2013) define strategy as a massive, future-oriented manager's plan to interact with the competitive environment to optimize the achievement of organizational goals.

Change management is a process of continuous adjustment in an organization with its market by doing something more responsive and effective so that it can compete with its competitors. Quality is not something that needs to be defined in a concrete sense and quality can be defined by customers and proposes to managers to aggressively create and make changes naturally (Best & Neuhauser, 2014). Organizations make changes that aim to increase productivity, with a good strategic plan, between employees and staff with balanced skills between mind and expertise can produce organizational results that are more efficient and innovative, (Wachira & Anyieni, 2017). Change is the lifelong practice of every successful organization. To get a successful change, it is carried out at the level of people, operational, and strategic so that the benefits must be realized in various organizational perspectives. Therefore, change management is increasingly becoming the focus of important studies to avoid obstacles to a successful and effective change implementation program (Elkattan, 2017).

According to Robbins (2008) organizational commitment is a person's desire to stay afloat and work well and have loyalty to the company in achieving company goals and its desire to always be a member in the organization. High job involvement means taking sides in certain jobs, while high organizational commitment means taking sides of the organization that recruits the individual. Alien and Meyer (1993) stated that organizational commitment (organizational commitment) consists of three namely: "continuance commitment, affective commitment and normative commitment". It is meant that continuance commitment is when someone to keep working in an organization is caused by his inability to work on other types of work. And affective commitment is a person's strength and desire to continue working in an organization due to their suitability and desires, while normative commitment refers to feeling someone's obligation to remain in an organization due to pressure or attractiveness. (Nikpour, 2016) investigated employee organizational commitment as mediation, the relationship between organizational culture and organizational performance.

2.1 Many factors can determine firm performance, one of which is the organizational structure, (Shabbir, 2017), (Estalaki, 2017) in his research explaining that there is a positive and significant influence between organizational structure on company performance in this research is also supported by other studies such as: (Fadeyi & Okay, 2016), (Kariuki, 2015), (Ogbo, Chibueze, Christopher, & Anthony, 2015), (Okafor, 2016), (Kiani & Kahnoog, 2013), (Rachmayanth, 2017), (Rogers, 2017), (Sammoudi, 2016).

H1: There is an influence between organizational structures on firm performance

2.2 To achieve reliable and good performance in an organization requires a surefire strategy to support certain goals both in the long term and short term, the strategy is a plan and a process that runs dynamically which refers to the long-term and short-term goals in an organization or company, (Unam, 2017) in his research explained that organizational strategy has a positive and significant effect on organizational performance and this research is also supported
H2: There is an influence between organizational strategies on firm performance

2.3 Change management is a lifelong practice of every successful organization, changes that are successful, occur at the level of people, operational, and strategic so as to provide benefits and can be realized on organizational performance, (Elkkattan, 2017). In other studies mentioned that change management affects the leadership and performance of companies and employees, (Akinbode & Shuhumi, 2018), (Levy, 2011), (Wachira & Anyieni, 2017), (Brown et al., 2016), (Almatrooshi et al., 2016), (Alexiou & Khanagha, 2018), (Hurn, 2012), (K. Vora, 2013), (Muscalu et al., 2016).

H3: There is an influence between change management on firm performance

2.4 Organizational commitment is the management of human resources by the organization by looking at the commitment of the employees themselves, (Ridwan & Putra, 2016) see the effect of organizational commitment on managerial performance and the results show there is an influence between organizational commitment to managerial performance, other supporting research results are (Akinbode & Shuhumi, 2018), (Bouckenooghe, Devos, & Broeck, 2014), (Nwinyokpugi, 2018), (Wachira & Anyieni, 2017), (Serna et al., 2018), (Irefin & Mechanic, 2014), (Nwinyokpugi, 2018), (Wachira & Anyieni, 2017), (Serna et al., 2018), (Irefin & Mechanic, 2014), (Nwinyokpugi, 2018) Susan & Miradipta, 2013), (Serna et al., 2018), (Nikpour, 2016), (Mercurio, 2015), (Inanlou & Ahn, 2017)

H4: There is an influence between change organizational commitments on firm performance.

2.5 The organizational structure is a control mechanism in influencing employee work results, the organizational structure describes the internal characteristics of a company, whether or not the success of the company depends on organizational commitment, (Al-qatawneh, 2014), organizational structure is an important factor in influencing organizational commitment and positive and significant effect on organizational commitment, (Estalaki, 2017), (Kanten, Kanten, & Gurle, 2015), (Khairiah, 2017).

H5: There is an influence between organizational structures on organization commitment

2.6 (Rustamadjin & Zulkifli, 2019) explained that organizational strategy significantly affected employee performance and organizational commitment, in other studies also explained there was a strong relationship and positive influence between organizational strategy and commitment organization, (Khairiah, 2017), leadership strategy significantly and positively influences organizational commitment and the performance of the organization itself (Lee & Welliver, 2018), (Colakoglu et al., 2019), (Vithessonthi & Thoumrungroje, 2011).

H6: There is an influence between organizational strategies on organization commitment

2.7 A successful organization or company is a company that can deal with any changes that occur, either outside the company or within the company itself, to achieve good performance requires organizational commitment itself, (Akinbode & Shuhumi, 2018)

H7: There is an influence between change management on organization commitment

2.8 The role of organizational commitment in influencing organizational structure on company performance is very important in order to achieve high levels of efficiency in company operations. A good company that cares about employees is a company that makes employees as the main asset in the company itself, so that the commitment to always be in the company and become an important part in improving company performance.

H8: There is an influence between organizational structures on firm performance with organization commitment as mediating

2.9 The company goals and objectives as a form of organizational strategy in achieving company growth and performance, it takes the role of employees in the form of organizational commitment so that the strategies that have been prepared and determined can be carried out properly and smoothly, with the work commitment of all employees and management to run all This predetermined matter becomes an important role in the organizational commitment of an organization or company, (Kristanto, 2015), (Rustamadjri & Omar, 2019), (Monday et al., 2015), (Agwu, 2018)

H9: There is an influence between organizational strategies on firm performance with organization commitment as mediating

2.10 The role of organizational commitment to change management on company performance in the manufacturing industry contributes significantly to achieving the stated goals. It takes a high work commitment in dealing with any changes that occur at this time, where between management and every employee must have a high work commitment and loyalty in running the operations and business that is run, (Kristanto, 2015), (Sang et al., 2017), (Suwaryo et al., 2016).

H10: There is an influence between change management on firm performance with organization commitment as mediating

Figure 1 below is the picture of the conceptual framework in this study. This conceptual framework illustrates the effect of independent variables and intervening variables on the dependent variable.
III. RESEARCH METHODOLOGY

Based on the objectives of the study, this study can be classified as a basic research that uses a deductive approach. This study uses hypotheses as guidelines and directions to determine the research methods used in fact testing (Sekaran, 2011). The populations in this study are industrial manufacturing on Batam city. The sampling method uses purposive sampling method. The operational definition of variable and its indicator used in this research were as follow:

![Conceptual Framework](image)

Table 1. Operational Definition of Variable

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Dimensi</th>
<th>Indikator</th>
<th>Sumber</th>
</tr>
</thead>
</table>
| Organizational Structure | 1. Formalization  
2. Nature of Hierarchical  
3. Internal and External Boundaries | 1. Rules and regulation  
2. Encourage creativity  
3. Layer in hierarchy  
4. Time to make decision  
5. Internal boundaries  
| Organizational Strategies | 1. Strategy Formulasi  
2. Mission  
3. Policy  
4. Procedure | (Qarahay & Alza’bi, 2018) |
| Change Management | 1. Process of change  
2. Climate of change  
3. Readiness for change | 1. Quality of communication (QCC)  
2. Participation  
3. Attitude of top Management toward change  
4. Internal context trust in leadership  
5. Politicking  
6. Cohesion  
7. Emotional rediness for change  
8. Cognitife rediness for change  
| Organizational Commitment | 1. Acceptance  
2. Willingness  
3. Maintain | 1. Compatibility of company values with employee values  
2. Availability for company  
3. Pride of the company  
4. Desire to survive in the company | (Kristanto, 2015) |
According to Hair et al. (2010), it is proposed to refer to the criteria with the Maximum Likelihood Estimation (MLE) technique, the number of good samples according to MLE ranges from 100 to 200 samples or respondents. Sampling in this study was carried out by the probability method technique that is purposive sampling where the sampling technique by taking into account existing parts of the sub-population with some consideration or also called judgment sampling where the consideration is the sample taken is employees who work in the manufacturing industry in Batam, the samples or respondents in this study were the staff or management of the manufacturing industry with the classification of decision makers in management, (Supervisor / Engineer, Assistant Manager, Manager, General Manager and Director or Plant Manager).

Data analysis method used in this study is to use Structural Equation Modeling (SEM) because the variables used in this study use mediating variables. SEM is a multivariate analysis technique that uses between factor analysis and path analysis. Some of the tests conducted for this study include descriptive statistics, variable characteristics test, outer model test consisting of validity and reliability test then inner model test consisting of hypothesis testing, adjusted R Square test.

**IV. RESULTS AND DISCUSSIONS**

Based on the results of hypothesis testing in Table 2 above, it can be concluded that hypothesis one (H1), and hypothesis five (H5) not accepted, the results of this study no support and consistent with previous studies, hypothesis two (H2), hypothesis third (H3), and hypothesis fourth (H4), hypothesis sixth (H6) and hypothesis seventh (H7) have successfully accepted, so it can be concluded that organizational strategy, change management, and commitment organizational, have a significant influence on firm performance. The results of this study are consistent with the results of previous studies conducted by, (Sang, Komen, & Korir, 2017), (Agwu, 2018), (Rustamadji & Omar, 2019), (Suwaryo, Daryanto, & Maulana, 2016), (Sofat, Kiran, & Kaushik, 2015), (Monday, Akinola, Ologbenla, & Aladeraji, 2015).

<table>
<thead>
<tr>
<th>Variabel Penelitian</th>
<th>Original Sample</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Struktur Organisasi → Komitmen Organisasi → Kinerja Perusahaan</td>
<td>0,016</td>
<td>0,826</td>
<td>0,386</td>
</tr>
<tr>
<td>Strategi Organisasi → Komitmen Organisasi → Kinerja Perusahaan</td>
<td>0,070</td>
<td>2,266</td>
<td>0,024</td>
</tr>
<tr>
<td>Manajemen Perubahan → Komitmen Organisasi → Kinerja Perusahaan</td>
<td>0,141</td>
<td>3,410</td>
<td>0,001</td>
</tr>
</tbody>
</table>

Based on the results of hypothesis mediating testing in Table 3 above, it can be concluded that hypothesis eight (H8), not accepted that mean commitment organizational doesn’t role playing between structure organization and firm performance the results of this study no support and consistent with previous studies, hypothesis ninth (H9), and hypothesis tenth
H10, have successfully accepted, so it can be concluded that commitment organizational is a role playing between organizational strategy, change management have a significant influence on firm performance. The results of this study are consistent with the results of previous studies

The value of R square adjusted for firm performance is 0.516, meaning that all the variables in this study (Organizational Structure, Organizational Strategy, Change Management, and Organizational Commitment) can explain the influence and contribution of 51.6% on firm performance, and 48.4% influenced by other variables not included in this study. R square value for Organizational commitment is 0.506 or 50.6%. It can be concluded that the independent variables (Organizational Structure, Organizational Strategy, and Change Management) have a contribution of 50.6% to organizational commitment and the remaining 49.4% is influenced by other factors not included in this study.

V. CONCLUSIONS AND IMPLICATIONS

To improve firm performance influenced by several factors including organizational strategy, change management, and organizational commitment. These three variables are significant factors that affect firm performance so that management in the manufacturing industry can make these three variables as considerations in improving firm performance that is effective and efficient and has competitiveness. The results showed the firm performance is influenced by organizational strategy, change management, and organizational commitment, while the organizational structure does not have a significant effect on firm performance. Organizational commitment is a mediating variable for organizational strategy and change management on firm performance where the results of the study show there is a significant influence, and organizational commitment is not a mediating variable for organizational structure variables on firm performance.

The results of this study can be taken into consideration and input for companies in making decisions related to company operations in order to improve the performance of the company itself related to the variables discussed in this study. The results showed the organizational structure of firm performance and organizational commitment as mediating did not significantly influence firm performance, for that company management can focus on other factors and maintain the organizational structure with any form and formation as an effort to improve firm performance. For other variables organizational strategy and change management are variables that can significantly improve the performance of this company we can see from the results of research, so the management needs to pay special attention to good strategies and how to manage good changes in the face of global competition and competitive at this time.

REFERENCES


