

# The moderating role of readiness for change on the effect of transformational leadership and compensation satisfaction on employee performance: Evidence from post-acquisition companies

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## Abstract

This paper aims to analyze how transformational leadership and compensation satisfaction determine employee performance in post-acquisition companies by proposing readiness for change as a mediating variable. Our samples are 400 employees from four post-acquisition companies which underwent acquisition in 2014. The findings of this study show that the direct effect between transformational leadership and employee performance has a higher value than the indirect effect through the variable readiness for change. Likewise, the direct effect between compensation satisfaction and employee performance has a higher value than the indirect effect through readiness to change. The statement before shows that the existence of readiness to change is essential. Still, the dynamic changes require employees to adapt quickly to new circumstances, ready or not.

## Keywords

transformational leadership; compensation satisfaction; readiness for change; employee performance; post-acquisition

## INTRODUCTION

In today's complex and global business environment, acquisition is a leading approach for attaining company growth, as technological advancements have prompted and facilitated the implementation of strategic expansion through acquisition. Nevertheless, acquisition is widely acknowledged as a favored approach for expanding and diversifying a business, and it is also considered a strategic method for establishing a company's dominance in the market (Sanda & Adjei-Benin, 2011). The impact of acquisition on employee performance has been recognized in uncertain times. Acquisition entails a rapid transformation in how a company interacts with its stakeholders. This transformation is tangible in the form of the extent of ownership and business image in a newly integrated unit, and it can also lead to changes in relationship patterns and work behaviors (Calipha et al., 2010; Shimizu et al., 2004)

Acquisition is a prevalent and strategic method for corporate growth (Rodríguez-

Sánchez, Ortiz-de-Urbina-Criado, & Mora-Valentín, 2019). However, studies have suggested that the outcomes have been somewhat doubtful, given the high failure rate of acquisitions in terms of inadequate performance, diminished profits, and a decline in market share prices (Cartwright & Schoenberg, 2006). Furthermore, the failure to manage change effectively is also a contributing factor to structural change failure (Chrusciel & Field, 2006).

Companies that fail to make acquisitions can have a negative impact on employees, including job insecurity, decreased morale, decreased investment in employees, and financial losses. This can impact work-family balance and the mental well-being of employees. However, the impact on employees may vary depending on how badly a company fails in making an acquisition and how much impact it has on overall business operations.

The success of acquisitions can be seen in employee performance. However, achieving high employee performance post-acquisition is undoubtedly not easy. It takes a good adaptation process in responding to a new culture. In such cases, adaptability

serves as a way to comprehend individuals' ability to regulate their behavior constructively when faced with new circumstances. From a theoretical standpoint, adaptability has significant implications for success, particularly when dealing with environmental changes. From here, the role of human resources management is very important in managing post-acquisition employees (Aguilera & Dencker, 2004)

The post-acquisition period can be challenging for employees due to the changes and uncertainties that come with the acquisition. Therefore, it is essential to understand how various factors impact employee performance and develop strategies to maintain and improve performance (Cartwright & Schoenberg, 2006).

In conditions of structural change in a company, the organization needs leaders who are always ready to face demands and leadership that match the characteristics of the future organization. One of the reasons that acquisitions fail is because of problematic leadership, unclear vision and lack of execution skills (Chan & Ao, 2019; Kay & Shelton, 2000). The influence of leadership during the integration process in terms of acquisition implementation is another factor that can influence post-acquisition organizational performance (Nemanich & Keller, 2007). In conditions of structural change within the company, transformational leadership is needed. Transformational leaders are agents of change; they visualize a future different from the status quo and inspire subordinates to work with them to achieve a new future (Vera & Crossan, 2004).

During periods of organizational change or structural change, such as crisis, merger or post-acquisition integration, readiness for change is an important factor that can affect employee performance (Holt, Armenakis, Feild, & Harris, 2007). Employees are more ready for change and are more likely to adapt to new work requirements, engage in learning and development activities, and display more positive attitudes and behaviors towards the change.

Several studies have examined the relationship between readiness for change and employee performance. For example, a study by Armenakis et al. (1993) found that readiness for change was positively related

to employees' willingness to adopt new work practices and improved job performance. Similarly, a study by Holt et al. (2007) found that employees who were more ready for change displayed greater job satisfaction, commitment, and performance in the context of an organizational change initiative.

Another study by Holt & Vardaman (2013) examined the role of readiness for change in the context of structural change in existing companies. The study found that employees who were more ready to change were more likely to engage in proactive behaviors, such as seeking out information and collaborating with colleagues, which led to better performance outcomes during the integration process. Overall, the literature suggests that readiness for change plays an important role in shaping employee attitudes and behaviors during organizational change, which can impact employee performance.

The fast-paced nature of the evolving work environment demands employees to be flexible and adaptable. Moreover, employees are valuable company assets whose effectiveness and output should be enhanced. To accomplish this, the organization needs to establish an environment that fosters and enables employees to maximize their potential by improving their skills and abilities. One way to create such an environment is to offer adequate compensation to employees (Pantja Djati & Khusaini, 2003).

Compensation can be seen as motivation and employee performance since employees crave their performance correlated with the rewards obtained from the organization (Ketut, Sudiarditha, Susita, & Kartini, 2019). Once employees reach compensation satisfaction, it will affect employee performance (Rinny, Bohlen Purba, & Handiman, 2020).

Compensation satisfaction can motivate employees to work harder and increase productivity. The greater the compensation, the greater the employee morale. Compensation is one of the motivations for employees to maintain good performance. However, only compensation satisfaction is not enough to improve employee performance. Employees also need to feel valued, given appropriate responsibilities, and given opportunities to grow in their jobs.

Meanwhile, several studies have indicated that compensation can be supported to push employee performance

(Joo & Mclean, (2006). However, the relationship between compensation satisfaction and employee performance can be complex, as other factors such as job satisfaction and organizational commitment may also play a role (Shields & Ward, 2001), and also suggests that compensation satisfaction may indirectly impact employee performance through its influence on readiness to change. From here, there is evidence suggesting that compensation satisfaction can impact employee performance, and this relationship may be mediated by readiness for change.

The direct effect of transformational leadership on readiness for changes already investigate by some researchers, as well as the direct effect between readiness to change towards employee performance. Furthermore, as the mediating role, some studies have found evidence that readiness for change has partially mediates the relationship between transformational leadership and employee performance (Asbari, Hidayat, & Purwanto, 2021; Hariadi & Muafi, 2022; Novitasari, Goestjahjanti, & Asbari, 2020), and others found that readiness for change has fully mediated the relationship between transformational leadership and employee performance (Rizka, Sumardjo, & Setiadi, 2022). Moreover, when it comes to the mediating role of readiness for change, there is still limited research that analyzes the mediating role of readiness for change on compensation satisfaction and employee performance. Previous research would rather focus on job satisfaction, but limited research analyses compensation satisfaction. Here, further research and analysis would be necessary to provide a more conclusive understanding of the observed effects.

Regarding the literature on post-acquisition, there is still limited discussion on the impact of post-acquisition on work behavior and employee behavior in a post-acquisition company (Cartwright & Schoenberg, 2006). However, some studies have highlighted the significance of acquisition experience towards employee performance. Further research is needed to understand the complex interplay between these factors fully.

The aim of this research was to investigate the impact of transformational leadership and compensation satisfaction on

employee performance, focusing on analyzing the role of readiness for change as a mediator in the post-acquisition company. The study was carried out in Indonesia on two manufacturing and two service companies that had undergone post-acquisition. This research wants to explore employee performance in those companies after a structural change, particularly post-acquisition.

Besides raising the topic of post-acquisition in companies which is rarely investigated, this study also analyzes readiness for change using a dimensional approach. The dimensions used are adopted from Rahi, Alghizzawi, Ahmad, Munawar Khan, & Ngah (2022). The use of dimensions to measure readiness for change also has limited discussion. To test the hypotheses, Structural Equation Modeling (SEM) was used. The study's findings, limitations, and conclusions are discussed in the final section.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

The performance of employees is a crucial component of any organization and is a foundational element for achieving high levels of success, which organizations should continually assess (Sonnentag & Frese, 2005). Performance is the key factor that enables organizations to achieve their strategic goals and objectives and is measured by the quality of work performed by employees in relation to their assigned tasks. In post-acquisition firms, employees may experience psychological and behavioral resistance to necessary changes, which can lead to a lack of commitment and support for organizational change, ultimately hindering success (Appelbaum, Roberts, & Shapiro, 2009). As a result, this study focuses on company post-acquisition performance conditions.

### **Transformational leadership and employee performance**

Leadership plays a crucial role in determining the direction of an organization, and the effectiveness of its leadership processes can significantly impact the organization's success or failure, according to Archer and Cameron (2009). As such, the role of the leader and their leadership is a

strategic issue, as the leader bears the primary responsibility for improving employee and organizational performance.

In order to adapt to changes in the business environment, organizations require leaders and leadership that align with the characteristics of future organizations, as Holloway (2012) argued. Leadership is seen as a process of interaction between leaders and subordinates, where the former seeks to influence the latter's behavior to achieve organizational goals, according to Gardner and Stough (2002). According to Hellriegel et al. (2004), transformational leadership positively impacts organizational performance. As found by previous research, recent leadership studies confirm a positive relationship between transformational leadership and employee performance at various levels (Dumdum, Lowe, & Avolio, 2015; Howell & Shamir, 2005).

*H1: Transformational leadership has a positive effect on employee performance in post-acquisition companies.*

### **Compensation satisfaction and employee performance**

The relationship between compensation satisfaction and employee performance has been a captivating area of study for a considerable time. Compensation satisfaction is an aspect that is associated with various performance-related factors. It is widely believed that contented employees tend to be more productive than their discontented counterparts, whereas unmet compensation satisfaction can lead to decreased employee productivity.

Numerous researchers have explored this relationship between compensation satisfaction and employee performance, with some previous studies, including Pantja Djati & Khusaini, (2003), Melián-González et al., (2015), Hardiyanto & Hendarsjah, (2021), indicating a positive relationship between these two factors. Meanwhile, few previous research finds different results. (Rojikinnor, Gani, Saleh, & Amin, 2022).

*H2: Compensation satisfaction has a positive effect on employee performance in post-acquisition companies.*

### **Transformational leadership and readiness for change**

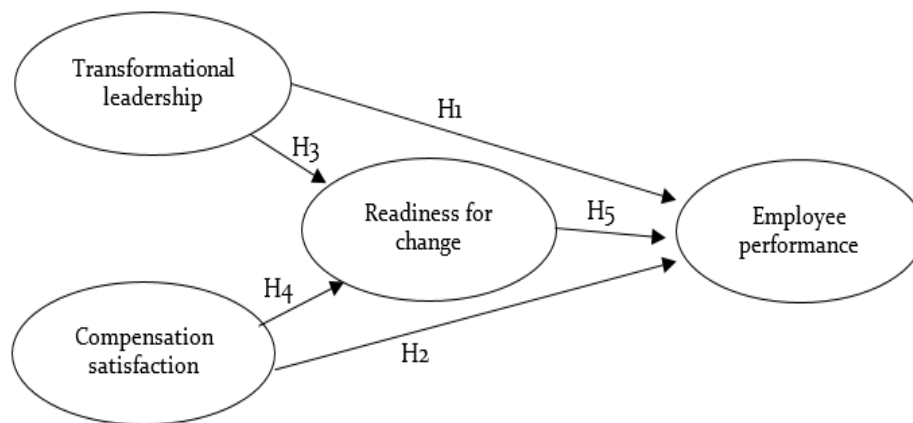
Direct effect of transformational leadership towards readiness for change would have positively and strong relationship (Al-tahitah, Mihar, Muthaliff, Abdulrab, & Al-maamari, 2018). Transformational leadership has been found to positively affect readiness for change in the workplace. By inspiring and motivating employees, transformational leaders create a sense of trust and confidence in the organization's ability to manage change effectively. This can lead to employees being more open and receptive to new ideas and changes in the workplace, as they feel more comfortable with the leadership and their ability to navigate changes.

*H3: Transformational Leadership has a positive effect on readiness for change in post-acquisition companies.*

### **Compensation satisfaction and readiness for change**

According to Daud (2020), compensation refers to any form of payment, including money or goods, that employees receive as a reward for their services. It encompasses all the rewards that employees receive in exchange for their work. The primary aim of compensation is to attract, retain and motivate employees. The level of compensation that employees receive reflects their status, level of recognition, and the extent to which their needs are fulfilled, including those of their families. Higher compensation indicates a higher position, better status, and greater satisfaction with their needs. Compensation satisfaction and readiness for change are interrelated in the workplace. Compensation satisfaction refers to the degree to which employees are content with their pay and benefits package. Employees who are satisfied with their compensation will likely feel valued and motivated, increasing job satisfaction, commitment, and productivity.

Research has shown a positive correlation between compensation satisfaction and readiness for change (Chapagai, 2011). When employees feel that they are being adequately compensated, they are more likely to have a positive attitude towards change and be



**Figure 1.**  
**Theoretical framework**

more receptive to new ideas and processes. In contrast, if employees are dissatisfied with their compensation, they may be less willing to adapt to change or take on new challenges.

*H4: Compensation satisfaction has a positive effect on readiness for change in post-acquisition companies.*

### **Readiness for change and employee performance**

Readiness for change is an important factor that can affect employee performance (Novitasari, 2021). Armenakis et al. (1993) and Holt et al. (2007) explain that readiness for change indicates a shared resolution among members of an organization to implement change (commitment to change), as well as mutual reliance on their collective capability (changes in efficacy). From the point of view of individual employees, the attitude of readiness for change is strongly influenced by organizational culture (Tsalits & Kismono, 2019). Regarding employee performance, a growing body of literature supports that readiness to change has a positive relationship with employee performance (Novitasari, 2021). Hypothesis for readiness for change and employee performance written as:

*H5: Readiness for change has a positive effect on employee performance in post-acquisition companies.*

### **The mediating role of readiness for change**

Many past research investigations have demonstrated that there is a direct relationship between transformational leadership, compensation satisfaction and readiness for change towards employee performance.

When employees are satisfied with their job, they may be more open and receptive to changes in the work environment (Azra, Etikariena, & Haryoko, 2018; Moric Milovanovic, Bubas, & Cvjetkovic, 2022). Readiness for change refers to the extent to which employees are prepared to adapt to changes in the workplace and can include factors such as flexibility, learning orientation, and proactive behavior.

Based on this explanation, it is assumed that transformational leadership and compensation satisfaction indirectly affect employee performance through readiness for change (Hariadi & Muafi, 2022; Zaman et al., 2020).

*H6: Readiness for change mediates the relationship between transformational leadership and employee performance in post-acquisition companies.*

*H7: Readiness for change mediates the relationship between compensation satisfaction and employee performance in post-acquisition companies.*

The theoretical framework used in this research is presented in Figure 1.

**Table 1.**  
**Results of reliability and variance extracted exogenous constructs**

Variable	Item	Construct reliability	Variance extracted	Conclusion
		CR > 0.70	AVE > 0.50	
Transformational Leadership (TL)	TL1	0.804122	0.609167	Reliable & Valid
	TL2			
	TL3			
	TL4			
Compensation Satisfaction (CS)	CS1	0.73176	0.615461	Reliable & Valid
	CS2			
	CS3			
	CS4			
	CS5			
Employee Performance (EP)	EP1	0.964447	0.847099	Reliable & Valid
	EP2			
	EP3			
	EP4			
	EP5			
Readiness for Change (RFC)	AUTO1	0.818218	0.692411	Reliable & Valid
	AUTO2			
	AUTO3			
Readiness for Change (RFC)	CODI1	0.693697	0.532615	Reliable & Valid
	CODI2			
	CODI3			
	PERSON1			
	PERSON2			
Readiness for Change (RFC)	PERSON3	0.785753	0.649417	Reliable & Valid
	RELATE1			
	RELATE2			
Readiness for Change (RFC)	RELATE1	0.8875	0.800313	Reliable & Valid
	RELATE2			

## METHODS

Quantitative methods were used in this research. The model was built by the Structural Equation Model approach and estimated using AMOS v.24. Data was collected from four post-acquisition companies that underwent structural changes (acquisitions) in 2016, two of which were in the manufacturing sector and two in the service sector.

The population in this research study are four Indonesian companies that were acquired in 2014; two service companies and two manufacturing companies. As Palys (2008) suggested, a purposive sampling technique was used. The questionnaire was sent to mid-level employees who had worked for at least two years at the company post-acquisition. The duration of the distribution and collection of the questionnaires was three months. Among the targeted 400 samples distributed to mid-

level employees, 364 questionnaires were processed (91% response rate). All variables were measured using a Likert scale consisting of seven points, ranging from "strongly disagree/dissatisfied" (1) to "strongly agree/satisfied" (7).

## Measurements

This research analyzes the determinant factors of employee performance by using four variables. First, transformational leadership (TL) is defined as the relationship between leader and followers based on a set of leader behaviors that are perceived by subordinates as demonstrating ideal influence, inspirational motivation, intellectual stimulation, and individual consideration, measured by four construct (Mittal & Dhar, 2015), Individualized consideration (TL1), Intellectual stimulation (TL2), Inspirational motivation (TL3) and

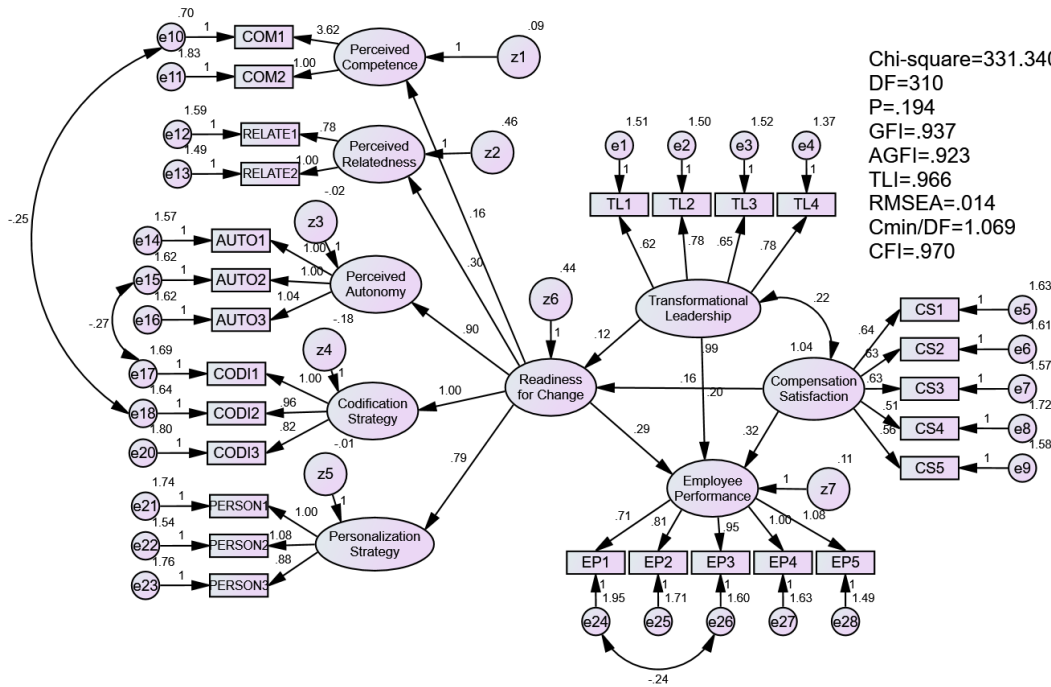


Figure 2. Estimation result for full structural model

Idealized influence (TL4) refer to (Mittal & Dhar, 2015).

The second variable is compensation satisfaction (CS), defined as compensation received from the company as a reward for their work. To measure compensation satisfaction, this research refer to Ismail et al., (2009), which use five indicators namely information the organization gives about pay issues (CS1), the pay of other jobs in organization (CS2), consistency of the organization pay policies (CS3), differences in pay among jobs in the pay satisfaction organization (CS4), and how the organization administers pay (CS5).

The third variable is readiness for change (RFC), defined as the concept of readiness for change refers to the extent to which employees believe they are prepared to react to the implementation of organizational changes. Here, the measurement of readiness to change refer to Rahi et al. (2022), which uses five dimensions of readiness to change: perceived competence, perceived autonomy, codification strategy, personalization strategy, and personalization strategy.

Employee performance itself is defined as the ability, both physically &

psychologically, to carry out certain tasks in a certain way the results can be measured (Kanfer, 1990), which measured as the quality of employee work (EP1), the quantity of work of employees (EP2), nn time (EP3), employee behaviour (EP4), and efficiency (EP5).

## RESULTS AND DISCUSSION

### Respondent characteristics

The number of respondents for this study was dominated by female respondents (55.98 percent) than male respondents (44.0 percent). In terms of educational background, it appears that of the total number of respondents, the majority of respondents (47.44 percent) have completed their bachelor's degree. Of the total respondents, 22.22 percent who had completed their bachelor's degree were women. This group is the most dominating group of respondents.

For the master's degree category, the number of respondents with a Master's degree was 8.12 percent. For men, it was 5.98 percent of all respondents. Meanwhile, for the doctoral education category, only 1 male respondent had a doctoral educational

**Table 2.**  
**Model fit**

Model Fit	Cut-off Value	Result	Conclusion
Chi Square $\chi^2$	272.2628 ( $\chi^2$ : 0.05, 310)	331.34	It is ignored because the sample is quite large and the probability value meets the requirements
Significant Probability	$\geq 0.05$	0.194	Fit
Goodness of Fit Indeks (GFI)	$\geq 0.90$	0.937	Fit
Adjusted Goodness of Fit Indeks (AGFI)	$\geq 0.90$	0.923	Fit
Root Mean Square Error of Approximation (RMSEA)	$\leq 0.08$	0.014	Fit
Tucker Lewis Indeks (TLI)	$\geq 0.90$	0.966	Fit
Comparative Fit Indeks (CFI)	$\geq 0.90$	0.97	Fit
Normed Chi Square (CMIN/DF)	$2 < \text{CMIN/DF} < 5$	1.069	Fit
Hoelter c-N	244	382	Sample fit
Parsimony Goodness of Fit Index (PGFI)	0.5	0.769	Fit

background. There were also quite several respondents with high school/equivalent education backgrounds, namely 63 people (26.92 percent) of the total respondents.

### Validity and reliability

In construct reliability (CR) testing, a construct is considered reliable if it has a construct reliability value greater than 0.7 (Nunnally and Bernstein, 1994). Meanwhile, average variance extracted (AVE) is the construct's total variant, which is explained by the variant of the indicator. The variance extracted is expected to exceed 0.5 (Fornell and Lareker, 1981). The result of the reliability and AVE calculation is presented in Table 1.

From Table 1, the calculation result shows that the construct used has a reliability value greater than 0.7 and has a variance extracted value greater than 0.5. Therefore, the construct in this study has met the cut off convergent validity and construct reliability.

### Multicollinearity test

If there is a perfect, exact, perfectly predicted or singularity linear relationship between the causal variables, then the covariance matrix produced by the sample data can be non-positive definite (Hair et al., 1998). The collinearity value in the determinant of

sample covariance matrix value is 5617932.7800.00015. It can be concluded that there is no multicollinearity and singularity.

### Goodness of fit

In order to enhance the estimation result, a modification index was employed. Correlations made are selected correlations between errors that are still in one construct. Modification index drew between e24 and e26, e18 and e25, e15 and e17. The goodness of fit of the final model is presented in Table 2.

Table 2 shows the results of the goodness of fit test of the structural equation model proposed in this study. The Chi Square, Significant Probability, GFI, AGFI, RMSEA, TLI, CFI, CMIN/DF, Hoelter c-N, and PGFI criteria indicate that the structural equation model meets the recommended values. The final full structural model is presented in Figure 2.

### Hypotheses testing

The result of regression estimation of the structural model is presented in Table 3. Hypothesis 1 states that transformational leadership positively affects employee performance in post-acquisition companies. Table 3 shows that transformational leadership positively and significantly affects



**Table 3.**  
**Result for estimation regression**

	Variable		Estimate	t-stat
H1	Transformational Leadership	→ Employee Performance	0.198	3.747***
H2	Compensation Satisfaction	→ Employee Performance	0.315	5.657***
H3	Transformational Leadership	→ Readiness for Change	0.115	2.727***
H4	Compensation Satisfaction	→ Readiness for Change	0.163	3.177***
H5	Readiness for Change	→ Employee Performance	0.288	4.596***

Note:

\*\*\* = significant  $\alpha$  1% , \*\* = significant  $\alpha$  5%, \* = significant  $\alpha$  10%

employee performance ( $\beta$ : 0.198, t: 3.747,  $p < 0.01$ ). Therefore, it can be said that hypothesis 1 is supported. This finding aligns with the research conducted by Asbari et al. (2021), which found that transformational leadership significantly affects employee performance in an industry. Moreover, a positive influence between transformational leadership and employee performance was also found by Rizka et al. (2020), but the effect is not significant.

According to Asbari et al. (2021), transformational leadership motivates subordinates to collaborate towards achieving new goals. While transformational leadership is a crucial factor in enhancing employee performance during periods of change, such as mergers and acquisitions, some studies have found that its impact on employee performance during such periods is not significant (F. M. Rizka et al., 2020).

The study's findings suggest that transformational leaders can improve employee performance by utilizing the mediating variable of readiness for change. As change creates uncertainty, organizations that can adapt quickly are better positioned to compete. However, research exploring the relationship between adaptability, change-related uncertainty, and their impact on employee attitudes and performance remains limited.

Hypothesis 2 states that compensation satisfaction positively affects employee performance in post-acquisition companies. Table 3 shows that compensation satisfaction significantly and positively affects employee performance in post-acquisition company performance ( $\beta$ : 0.315, t: 5.657,  $p < 0.01$ ). Therefore, it can be said that hypothesis 2 is supported. The same

result was also found in Hardiyanto & Hendarsjah (2021), Li et al. (2021) and Ketut et al. (2019). It proves that the stronger the pay satisfaction perceived by the respondents, the higher their job performance level will be.

Hypothesis 3 states that transformational leadership positively affects readiness for change in post-acquisition companies. Table 3 shows that transformational leadership positively and significantly affects readiness for change in post-acquisition companies ( $\beta$ : 0.115, t: 2.726,  $p < 0.01$ ). Therefore, it can be said that hypothesis 3 is supported. Support for hypothesis 3 was found in research from Rizka et al. (2020), Rizka et al. (2022), Hariadi & Muafi (2022), Asbari et al. (2021), and Chrisanty et al. (2021)

Hypothesis 4 predicts that compensation satisfaction positively affects readiness for change in post-acquisition companies. Table 3 shows that compensation satisfaction positively and significantly affects readiness for change in post-acquisition companies ( $\beta$ : 0.163, t: 3.177,  $p < 0.01$ ). It can be said that hypothesis 4 is supported. Support for hypothesis 4 was found in Feleke (2021). Among the employee commitment to the organization scale elements, the pay/wages/rewards construct had the highest impact on employees' readiness for organizational change (Shah, 2009).

Finally, hypothesis 5 predicts that readiness for change positively affects employee performance in post-acquisition companies. The result from Table 3 shows that readiness for change positively and significantly affects employee performance in post-acquisition companies ( $\beta$ : 0.288, t: 4.596,  $p < 0.01$ ). It can be said that hypothesis 5 is supported. This result aligns with Rizka et al. (2022), Novitasari et al.

**Table 4.**  
**Direct indirect effect**

Relationship	Variable	Compensation satisfaction	Transformational leadership	Readiness for change
Direct Effect	Readines for Change	0.163	0.115	
	Employee Performance	0.315	0.198	0.288
Indirect Effect and Mediating Effect	Transformational Leadership - Readiness for Change - Employee Performance		0.0331***	
	Compensation Satisfaction - Readiness for Change - Employee Performance		0.0469***	

Note:

\*\*\* = significant  $\alpha$  1% , \*\* = significant  $\alpha$  5%, \* = significant  $\alpha$  10%

(2020), Hariadi & Muafi (2022), Asbari et al. (2021), Chrisanty et al. (2021).

### Direct and indirect effect

The result for direct and indirect effects can be seen in Table 4. From Table 4, it can be concluded that as predicted in hypothesis 6, readiness for change mediates the relationship between transformational leadership and employee performance in post-acquisition companies. This result is in line with previous research such as Hariadi & Muafi (2022), Novitasari (2021), Asbari et al. (2021), Zaman et al. (2020), as well as Chrisanty et al. (2021).

As predicted in hypothesis 7, our results also show that readiness for change mediates the relationship between compensation satisfaction and employee performance in post-acquisition companies. It can be said that hypothesis 7 is supported and this is in line with Khalid (2020)

The research finding is that the direct effect between transformational leadership toward employee performance is higher than the indirect effect of transformational leadership toward employee performance through readiness for change. The direct effect between compensation satisfaction and employee performance is also higher than the value of the indirect effect between compensation satisfaction and employee performance through readiness for change. These findings indicate salience of compensation satisfaction. Compensation satisfaction is a more immediate and tangible factor that directly impacts employees' motivation and engagement. When employees feel satisfied with their compensation, they are likely to be more

motivated to perform well, and in this study, this tends to be irrespective of their readiness to change. Compensation satisfaction directly addresses their financial needs and rewards their efforts, leading to improvement in completing task performance (Hardiyanto & Hendarsjah, 2021), despite being in a state of environmental change due to the acquisition process.

Moreover, these findings show a more substantial influence on compensation satisfaction. This finding is in line with research from Prasetio, Agathanisa, & Luturlean (2019) which found that job stress is not significant as an intervening factor between compensation and job satisfaction. This finding reinforces the paradigm that compensation is a fundamental aspect of the employee-employer relationship. It is a primary driver of job satisfaction and perceived fairness. When employees feel adequately compensated, it creates a positive perception of the employer, fosters a sense of value and recognition, and promotes a favorable work environment. These factors can have a direct and powerful impact on employee performance, surpassing the influence of readiness to change.

Meanwhile, in this research, readiness for change also acts as a mediating variable in the relationship between compensation satisfaction and employee performance. It suggests that compensation satisfaction positively influences readiness to change, which, in turn, affects employee performance. This finding is in line with research from Hariadi & Muafi (2022); Rahi et al. (2022); and Xu, Hartini, & Marpaung (2018). However, the strength of this indirect

effect may be lower than the direct effect because readiness to change may not be the primary mechanism through which compensation satisfaction impacts performance during structural change in the company. Employees are required to adapt quickly even though they have not reached a mature level of readiness. Therefore, the role of top management becomes very important. The findings of this study also show that during the acquisition period to post-acquisition, the direct effect between transformational leadership toward employee performance is higher than the indirect effect of transformational leadership toward employee performance through readiness for change, which indicates the strong role of transformational leadership on employee performance in post-acquisition companies. This finding is in line with Aguilera & Dencker (2004); Nemanich & Keller (2007); Vasilaki & O'Regan, (2008).

A company's structural change, in particular acquisition, involves crucial human resource matters that, if not effectively managed, can have detrimental effects on employee performance, subsequently impacting productivity and the overall success of the merger. The conclusion is that a higher compensation rate and transformational leadership can improve employee satisfaction towards organizational changes resulting from an acquisition. Consequently, acquisition companies must recognize the human-related challenges associated with acquisition-induced changes.

## CONCLUSION

Overall, these studies suggest that transformational leadership can indirectly influence employee performance through its impact on readiness to change and compensation satisfaction. Employees who are more satisfied with their job may be more open to changes in the workplace and more likely to engage in proactive behaviors that can lead to improved performance. Leaders or management plays an important role in managing company in post-acquisition periods.

The smaller value for indirect effect compares to direct effect shows the rapid dynamics of changes in the organizational environment so that employees cannot wait until employees are truly ready to follow the

changes. Ready or not ready employees must follow the changes that occur.

However, it is also important to consider the possibility of measurement bias or limitations in the research methodology. First, the survey was distributed to the four companies that were acquired, where the response rate of each company was different. Nevertheless, in the analysis, all the responses are combined as if they were one group. This is likely to impact the findings due to organizational differences. However, this still provides a general perspective on the topics investigated in this study. Second, quite a number of companies made acquisitions during the research period, but it is very difficult to find companies willing to become research objects so that the number of companies participating in this study is relatively small, namely four companies consisting of two manufacturing companies and two service companies.

Suggestions for future research are to involve more companies. In addition, research can also be conducted on companies acquired by foreign companies or vice versa, which of course, have different cultures. Finally, cultural variables have not been discussed much in this study, so for future research, it is necessary to study more deeply the influence of culture on employee performance in post-acquisition companies.

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