

ORGANIZATIONAL CHANGE AND EMPLOYEES' REACTIONS – A THEORETICAL AND PRACTICAL FRAMEWORK

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Abstract

At present, at global level, most of the organizations and their both internal and external environments, go through massive changes, in order to align to the economic requirements of the country, but not only. This global trend exists due to the economic crisis, which still creates difficulties for most of the business areas, which, for being able to survive on the market and competitors, have to adopt some changes within their strategies. These changes first reflect internally and then externally, being also visible to the external customers and stakeholders. All the organizations want to meet the internal and external needs and this is why the management of change is difficult to be implemented. Employees respond differently to change. This paper aims to underline the most common reactions and impressions that employees have shown in time during periods of change. These aspects need to be taken into consideration when the organization prepares for change, both at low and high level, as they could significantly impact the success of the change implementation strategy in a negative direction, which finally reflects in poor organizational performance. Different employees' approaches for the perceived organizational change are presented using figures and summaries of studies of various authors.

Key words: Employee, Change, Communication, Commitment, Organization, Reaction

JEL Classification: H12, M12, L2, D23

Introduction

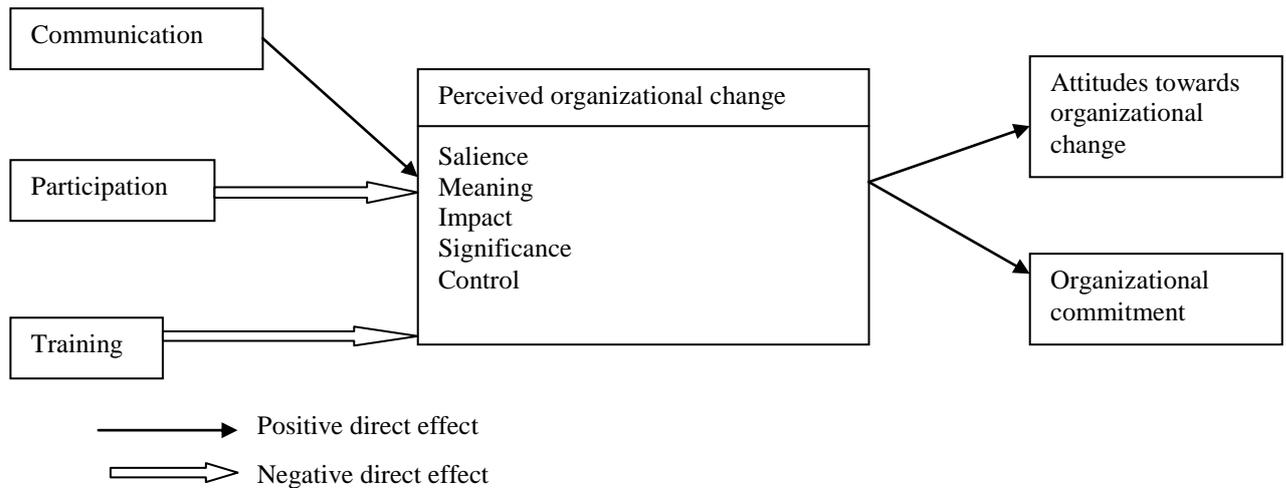
Regardless of the particular form of organizational change (e.g., mergers, restructuring, downsizing, reengineering, virtual organizing etc.), it is well known that employees determine the ultimate success of change efforts. It is also well known to practitioners and academics alike that leadership and management practices all are important drivers (antecedents) of employee reactions and change outcomes, according to Fugate [2, p. 178]. Thus, what organizations need to do, how can they define the most efficient strategy and the most efficient ways of communication? How do managers ensure that the message reaches the employees and that they understand it and act accordingly? Which are the most frequent reactions to change and why most of the employees are reticent? These are just a few aspects that this papers aims to bring into discussion and highlight the importance of communication, commitment and internal marketing processes.

Perceived organizational change, emotions, attitudes

Most organizations recognize that on-going change is essential for organizational survival, and therefore strive to break the barriers and resistance to change. Some barriers and resistance to organizational change are as follows: high cost of change, financial difficulties, time limitations, other business priorities, technical difficulties, fear of insecurity, losing something valuable, lack of skills and resources, unpleasant previous experiences, commitment to current practices, strong organizational culture, internal politics, powerful trade unions, and government regulations [1, p. 158].

The same author considers that the organizational change can best be identified by **five dimensions** (Saliency, Impact, Significance, Meaning, and Control) to be better understood [1, p. 158]. The communication is the most influential antecedent of perceived organizational change, and perceived organizational changes significantly affect consequences (attitudes toward organizational changes and organizational commitment), as the figure 1 indicates. Communicating with employees, determining employee expectations about what will happen, reducing uncertainty and ambiguity by providing relevant and timely information, and addressing the issue of job security can mitigate the negative effects caused by mergers. Multiple forms of employee communication resulted in higher satisfaction, commitment, and perceptions of trust and caring than in a control group that did not receive this information.

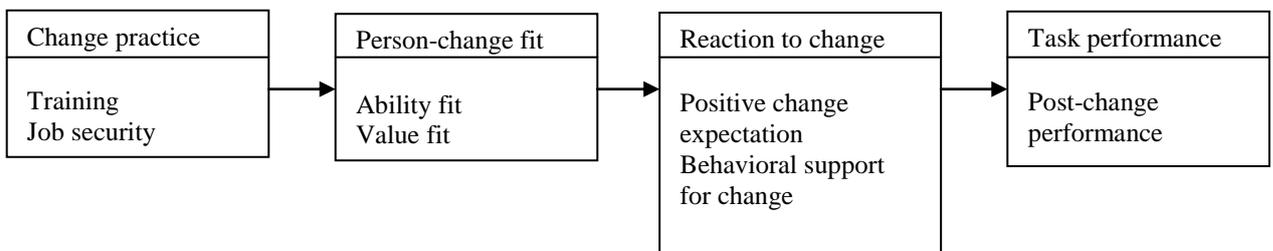
Figure. 1 Model of perceived organizational change



Source: Chun-Fang Chiang, 2010, Perceived organizational change in the hotel industry: An implication of change schema, *International Journal of Hospitality Management*, vol. 29, pp.157–167, p. 158

In addition to this, however, expansion in the business means there are lots of new opportunities for the right people with the right skills, as per a case study [18, p. 18]. Moreover, the following figure 2 delineates the overall mechanism by which people–change fit conveys the positive effects of job security and training on post change performance [3, p.2]. Thus, the change must promise the employees’ job security and must provide the necessary guidelines and trainings for achieving the necessary knowledge. In the same time, the new job description needs to respond to the employee’s requirements and professional skills, aspects that lead to an easier acceptance of the change and to a positive attitude towards it, which will finally enhance the individual and organizational performance.

Figure 2. Theoretical framework of employee adaption to organizational change



Source: Goo Hyeok Chung, Jing Dub, Jin Nam Choi, 2013, How do employees adapt to organizational change driven by cross-border M&As? A case in China, *Journal of World Business*, p. 2, Elsevier Inc.

According to Morteza et al [13, p.165], employees who experience spiritual values in the workplace feel more affectively attached to their organization and at the same time experience a sense of obligation and loyalty towards it. Employees who know their values and purposes meet the values and mission of the organization as well; perceive the environment and atmosphere of the organization positively and are sensitive to perform duties better and improve the picture of the organization.

Moreover, the effects of different forms of financial participation rest on the impact they have on employee attitudes and perceptions worth to be mentioned. Thus, financial participation should be designed to maximize perceptions of fairness and encourage support among those involved. As noted above, this should be achieved by incorporating employee participation and consultation in the design and administration of the ownership plans. Further, organizations can reduce the risk of investing in financial participation arrangements that lead nowhere, or that even have negative effects on employee attitudes and behavior, by monitoring reactions in the workforce, considers Kuvaas [8, p. 208].

Klarner et al [6, p.333] states that, according to the traditional understanding, employees have to adapt to organizational change and learn new strategies to achieve redefined goals while being resilient to setbacks during change. **Employees’ adaptive behavior is driven by their emotions.** Prior studies on employees’ emotions during change often characterize emotions in terms of hedonic tone or pleasantness. They are classified as either positive emotions, such as joy and excitement, or negative emotions, such as fear and grief. In the context of organizational change, positive emotions include being confident about change and enhance trust, leading to commitment and emotional engagement, while negative emotions include feeling stressed or insecure about change, leading to mistrust and resistance. With all these, studying emotions during a single change does not explain the need to change repeatedly [17].

Based on the definition of emotions and change as ongoing processes, there are two change scenarios — *sequential* and *simultaneous* changes — and derive some future research suggestions that constitute a new research agenda for emotions during change [6, p. 338]:

- Scholars examining employee emotions during sequential changes are advised to analyze how emotions evolve within and across different change processes
- To study how emotional experience accumulates over time and impacts cognitive appraisal
- To examine how the timing of changes and emotional contagion impact employee emotions and their coping behaviors.
- To explore the processes and interrelations of cognitive appraisal and behavioral coping related to multiple changes
- To explore how employees build emotional experience if confronted with several changes at the same time.

In an another study conducted in 2008, Jones et al [5, p. 309] investigated employees’ subjective experience of organizational change, and how perceptions of change differed across levels of the organization. Three broad categories of issues were identified: **emotional and attitudinal issues, change process issues and outcome issues.** All participants emphasized their positive attitudes toward the change, yet they also highlighted the problematic nature of achieving effective communication, conflict and negative attitudes to the change. There was a strong emphasis on planning challenges. The interviews highlighted the uncertainty associated with the change, but participants focused on both positive and negative outcomes.

Attitudes are structured along three dimensions, labeled as cognitive attitudes (beliefs), emotional attitudes (individual feelings), and intentional or conative attitudes (evaluations based on past or intentional behavior). Each dimension ranges from positive to negative, as Nelissen and van Selm state in 2008 [9, p.308].

Logan et al [11, p. 156] considers that even when structural changes are desirable from a financial or operations perspective, negative employee reactions can be influential to the degree of success of the planned change. Social identity theory principles appear important to the success of change, as threats to self-esteem and social identity may be underlying factors in the unconstructive behavior of employees who experience structural organizational change.

Cynicism is a common reaction among employees during organizational change. They employ psychological contract violation theory to explain the concept of cynicism and its antecedents and consequences. The perceived quality of information, cynicism of colleagues, and trust in the administration could predict change-specific cynicism, which, in turn, leads to intention to resist change [14, p. 329].

Specific change management practices such as communication, encouraging participation, respectful attitudes toward employees and behavior modeling influence employee justice perceptions, as too does the level of organizational support in terms tangible resources. In addition to organizational practices, the character of senior management evokes employee scrutiny and perceptions of fairness [10, p. 241].

Crises and change often go hand in hand. A crisis often results in organizational changes to recover from the crisis, and many organizational changes such as a downsizing or an acquisition may be experienced as a crisis by members of an organization. Both crises and change situations are characterized by threats and opportunities [7, p. 496]. The financial crisis can, however, create very lucrative business opportunities for others, as stock prices decrease dramatically, and serious consolidation pressures increase. In many acquisitions, especially in knowledge-intensive acquisitions, human resources represent the key element [15, p. 332].

The positive effects of commitment

In a study conducted in 2010, Mayer et al [12, p. 469] had some interesting findings. The authors aimed to examine how people-organization culture fit relates to employee affective commitment and intention to stay with an organization during the early stages of an organizational change. There are four basic patterns to be underlined. **The first** involves the fairly consistent evidence for positive relations, both within and across time, between ratings of perceived human relations and open systems culture with the criteria of commitment and intention to stay. It appears that the more an organization’s policies and practices reflect concern for employee

morale and development (human relations) and encourage innovation and growth (open systems), the more employees want and intend to stay.

Second, the strongest support for the fit hypotheses was obtained in analyses involving the rational goal and internal process components of culture. This might be due to the fact that these components were the primary focus of the change initiative. Although the open systems component was also targeted for increase, and there was a desire to maintain a strong human relations orientation, the primary objective was to move away from the internal process focus that existed prior to deregulation toward a stronger rational goal focus. Even before the official launch of the change, employees were aware of the deregulation and senior management's plans for a change in strategy.

Therefore, it is possible that employees were particularly sensitive to the current culture and their preferences regarding these two components. **Third**, the strongest and most consistent relations with culture were obtained for the criterion of commitment. Although culture ratings were related to intention to stay in some analyses, the strength of the relations was generally weaker. It appears, therefore, that perceptions of culture relate more strongly to employees' desire to maintain a relationship with the organization than with their actual behavioral intentions. This observation might reflect the fact that decisions about whether to stay or leave an organization are determined by factors other than the desire to stay. Indeed, an employee's commitment to stay with an organization can reflect obligation (normative commitment) or perceived cost (continuance commitment) as well as desire. Similarly, employees might feel embedded in their organizations or communities, making it difficult for them to leave, at least in the short term, even if this was something they wanted to do. Employees might also be reluctant to state a strong intention to stay or leave at such an early stage in the change process, preferring instead to wait and see how the change unfolds. Nevertheless, given the generally strong relation between commitment and intention to stay observed in meta-analyses, and in this study, we expect that the relations observed between culture and commitment will have implications for turnover intentions and turnover in the longer term.

Finally, although not predicted, the authors found some evidence that culture congruence was associated with higher levels of commitment when the ratings of perceived and preferred culture were both high than when they were both low. Employees rated the extent to which they perceived and preferred organizational policies and practices. It appears from the findings that getting what one wants produces a more positive reaction (commitment) than does not getting what one does not want.

Organizational commitment is being composed of the two conceptually distinct but empirically related concepts or components of commitment, namely the attitudinal and the behavioral. The first one represents the intensity of an individual's loyalty towards the organization and underlines his identification or involvement with it. The second one, the behavioral commitment, shows the process where individuals link themselves to an organization, because of the costs involved in leaving it [4].

In addition, within a study conducted in 2007, Tuner Parish et al [16, p. 45] **emphasized several insights to managers that could help improve change implementation efforts**. Improving employee commitment to change initiatives can have a profound impact on the success of company efforts. Affective commitment to change influences important perceptions, namely, individual learning, improved performance, and implementation success. Normative commitment to change had some influence as well, but to a lesser degree than affective commitment to change. Managers need to be aware that employee's commitment to change has effects beyond the specific implementation of a change initiative. In particular, affective commitment to change influences important attitudes about the change, such as perceptions of implementation success and improved performance. This is important because all employees should present a positive view of the change to customers and other constituents. In addition, both affective commitment to change and normative commitment to change are positively associated with individual learning.

Conclusions:

Change is frequently associated with crisis – this is the main reason that explains the difficulties in managing it. One of the best methods to deal with the change is to have great internal marketing procedures, to adopt an efficient communication and to make sure that the employees have a high degree of commitment. This way, they will be able to identify the opportunities behind the change and will have a more decreased level of reticence, which leads to better performance. Employees need to feel safe, need to feel they are part of the business and part of the organization itself, to identify themselves with its values and ways of actions. For this being possible, one must agree that the communication plays an essential role and to action accordingly, making sure that employees know and understand their importance within the organization, are aware of their value and agree with the benefits brought by the change, and therefore accept it easier. Further research might focus on the main motivations that determine the employees to be reticent to organizational change and identify more innovative and efficient ways of preventing this from happening; also new ways for going through change as smooth as possible worth to be studied.

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