

Dealing with Organizational Change

Predictors and Outcomes

P. Mosquera¹ (Ph.D. Student), J. Werbel²(Ph.D.), P. L. Henriques³ (Ph.D.)

¹Lisboa School of Economics and Management-Lisboa University, Portugal

²Iowa State University, USA;

e-mail: mosquera.pilar@gmail.com, jwerbel@iastate.edu, lopeshen@doc.iseg.utl.pt

Abstract

Organizational changes involve different types of adjustment for both the organization and the people. Individual adjustment to the organization has been positively correlated with positive attitudes such as job satisfaction, commitment and identification with the organization and negatively correlated with organizational cynicism.

Because organization change is frequent in most organizations, an employee has to face multiple changes that can lead to mismatches with person-organization fit. However, person-organization fit has mainly been studied during staffing and socialization stages. Consequently, the dynamics of adjustment/maladjustment/readjustment to person-organization fit have seldom been examined. Identity theories bring a theoretical contribution to the explanation of this process by positing that individuals need to preserve their self-esteem, maintaining positive self-images. When faced with situations of inconsistency that may constitute threats to self, such as organizational changes, individuals seek to resolve them in order to regain consistency.

This paper aims to contribute to the theoretical discussion on organizational change from a micro level point of view by reviewing the main literature on the topic and developing a model that reflects individual adjustment to facilitate change in person-organization fit linked with organizational change. We believe that different individual attitudes and reactions to change can be the basis for understanding many of the failures encountered in implementing organizational change initiatives. We also believe that individual effort to adapt to organizational changes depends not only on contextual or organizational factors, but also in personal factors, such as openness to change and perceived ability to cope with changes as well as the perceived impact of them in employee's life.

Introduction

Competitive pressure from increased globalization requires organizations to have a continuous and urgent need for change to remain competitive [1]. We have witnessed, over the past two decades, numerous restructurings and reorganizations that caused profound changes in organizational structures as well as in employees' perceptions of the labor relations [2].

Most studies on organizational change focused on organizational-level factors, such as organizational structure, systems, strategies, Culture and leader characteristics [3]. Recently, after so many change initiatives failures, a growing number of researchers turned the focus of analysis of the change processes from the macro to the micro level [e.g. 4, 5, 6, 7]. Employees'

attitudes and reactions to change became a relevant research area and their difficulties to accept and adjust change appeared as a possible explanation for those failures [8].

Adjustment theories, such as fit theory, gained relevance among many organizational change scholars for providing understanding on how personal and situational factors interact in organizational settings allowing some kind of alignment [4]. Individual adjustment has been positively correlated with positive attitudes such as job satisfaction, commitment and identification with the organization and negatively correlated with organizational cynicism [e.g. 9, 10, 11].

However, research with fit theory fails to explain why some people seem to adapt easily to organizational change while others do not. We propose that identity theory can help to explain individual differences in adjustment by positing that individuals need to preserve their self-esteem, maintaining positive self-images. When faced with situations of inconsistency that may constitute threats to the self, such as organizational changes, individuals seek to resolve them by changing not only the perceived self-meanings but also the identity standard in order to reduce discrepancies.

Research Problem, Objectives and Plan

Person-organization fit has largely been studied in contexts of a relative stability, being still scarce studies of PE fit under conditions of change [e.g. 4, 12]. The present study expects to bring new insights on the topic by analyzing fit during an organizational values change. Similarly, few studies contemplated employees' reactions to both the change and the organization [13]. Trying to fill the existent gap, we included in this study, openness to change as depict of employees' reactions to change and organizational commitment, organizational cynicism and organizational identification to portray employees' reactions to the organization.

The main purpose of the current study is to give new understandings on the individual realignment process in face of a change in organizational values.

Literature Review

In order to develop a research model, relevant literature and empirical researches on the subject were reviewed. Organizational change was discussed from a micro level point of view and, possible individual reactions to organizational change were identified. Dispositional and contextual factors were considered as possible predictors of individuals' reactions. Four individual performance outcomes, namely, job satisfaction, organizational commitment, organizational identification and organizational cynicism were also discussed. Fit and identity theory were considered as the conceptual framework of the study.

Individual reactions to organizational change

“Readiness for” and “resistance to change” are the most frequent concepts found in the literature on individual reactions to organizational change. When changes are perceived as necessary and positive and employees feel that control them, it is probable that their reaction will be “readiness for”. By the contrary, if they feel they can't control the process, aren't ready for it or are afraid of negative consequences, they will probably resist change.

Both constructs are briefly discussed here, although this dichotomization has been overly criticized by those who consider that those reactions are multidimensional, that is, involve

cognitive, emotional and intentional components and, that some individual responses involve differences across those dimensions [14, 15]. Ambivalence and ambiguity are good examples of multidimensional responses to change. An employee may experience ambivalence when he recognizes the need for a certain change (cognitive dimension), but doesn't want it for emotional or ethical reasons. In this example, the individual experiences simultaneously positive and negative feelings about the change and may react in a non-consistent positive or negative way, which is a prevalent initial response.

Resistance to change has both been considered an individual pathology that should be treated and a consequence of the mishandling of the change by the managers [16]. Accordingly to each approach, different solutions may be implemented. Being too much focused on resistance to change issues, the role of those employees who have positive attitudes towards change seemed secondary, if not almost ignored by organizational change scholars [17]. Recently, positive psychologists are trying to highlight the importance of employees' positive psychological capital (efficacy, hope, optimism and resilience) to positive organizational changes, meaning, changes that are both good for the organization and its employees.

There are both contextual and individual-level factors that can enhance readiness for change [5]. On the one hand, being provided with necessary information and called to participate actively, believing that the organization has the necessary abilities to manage the changing process successfully and that, employees can trust in peers and leaders are some relevant contextual factors. On the other hand, change self-efficacy, perceived personal competence, organizational commitment and job satisfaction are individual-level variables significant in promoting individual readiness for change.

Different authors proposed other attitudinal constructs, besides readiness for change, to depict employees' evaluation of a specific organizational change, namely: commitment to change, cynicism about organizational change and openness to change. Although some researchers consider openness to change as the inverse of resistance to change or as an attitudinal indicator of resistance [e.g.18], others suggest that high levels of openness to change may prevent change resistance behaviors [e.g. 19] or, similarly, that it is "critical in creating employee readiness for change" [20, p.132]. Openness to an organizational change has been defined as a combination of willingness to support the change and positive affect about the potential consequences of the change [19].

Dispositional and contextual factors

Self-Esteem, Emotional Stability, and Locus of Control are the most widely personality traits studied in psychology [21]. Self-esteem relates to individual self-perceptions of being worth and competent. It evolves a personal evaluation of what people think of themselves and it is based on experienced past achievements. Besides this cognitive component, self-esteem has an affective one also, in the sense that people like or dislike who and what they think they are. An underlying assumption of self-esteem is that it is strongly related to individual attitudes and behaviors, particularly, people with high levels of self-esteem will have favorable work attitudes, such as, greater job performance and job satisfaction, because these attitudes are consistent with their self-concept of being competent [22]. Lately, a more specific construct to the organizational context was developed - organization-based self-esteem (OBSE) to better help to explain employees' role within organizational contexts, than a global measure. This distinction is in fact somehow theoretical because in practice, experiences acquires in one domain will probably interact with experiences from other domains of individual's life. OBSE has been strongly

correlated to another dispositional construct that also explains individual differences in attitudes – self-efficacy, which is more highly related to motivational variables, while OBSE reflects an individual's self-perceived competence within an organization.

Although there is empirical evidence that organizational changes may impact differently on individuals depending on the change context, namely the extent and consequences of change, it still lacks research on how those context characteristics may differently impact on fit [4]. Major changes will probably affect value congruence, that is, the fit between personal and organizational values, which impact on individual satisfaction, commitment, turnover, and performance [9]. If the employee thinks changes will bring positive consequences for his work or life, he will probably be more willing for those changes than if he thinks they will be harmful for him. We did not include contextual factors in our model because we were interested in employees' first impressions of the changes just after been communicated and before they were put in practice. Nonetheless, openness to change includes a contextual dimension, namely, potential consequences of change. If employees perceive negative consequences related to the changes, they will be less open to change.

Individual performance outcomes

Most of the research on Person-Organization fit (PO fit) [e.g. 9, 10, 11] relays on values and value congruence which has been positively linked to individual positive outcomes such as, job satisfaction, organizational commitment and identification with the organization and negatively related to negative work outcomes like: intention to quit or turnover and cynicism.

There are many empirical researches that suggest that value congruence as a positive impact on job satisfaction [e.g. 23, 24, 25]. Although most empirical studies focused on the positive impact of value congruence on job satisfaction, there is also evidence that a reverse process may also occur, that is, when an employee is satisfied with his working place, he may adopt its values [24]. If this is the case, job satisfaction may contribute to value congruence.

Whether people see organizational changes as a breach or a violation of the psychological contract makes a big difference on their future commitment to the organization [26]. If they believe changes were necessary and the breach on the psychological contract was unavoidable, they probably manage to reformulate their psychological contract into a new one to which they commit themselves. That would not be the case if they think their contract had been violated, because they would probably find difficult to trust in the organization again. It has been empirically validated their previous assumptions that positive relations between PO fit and commitment previous to organizational changes would be associated with higher levels of commitment after the change, which reinforces the value of PO fit on organizational commitment [12]. Employees may also change their focus of commitment in response to changing environmental conditions, both within and outside the organization. For instance, they may change their commitment to the organization to commitment to their division or work group, or from the “old” to the “new” organization that was the result of organizational changes. Others may focus on other commitments beyond their organization: personal career, occupation or union [26].

Although, organizational cynicism has been mostly associated to employee's resistance to change [27], it can also be functional for the organization [28, 29]. It can be a way of giving feedback on bad or inadequate management decisions. Well intended employees may adopt cynical attitudes or other forms of resistance when they consider that management decisions can damage the organization. Cynicism may also be a way of self-protection from excessive

management control, particularly when employees perceive that changes are harmful [30]. Forced compliance to stick to organizational values may distance employees from their key values which form the basis of their self-images. In face of this incongruence, cynicism may help employees to preserve those images [31].

Conceptual framework

PO fit is a broad concept because it concerns the match between the person's characteristics and the entire organization. It lays on the assumption that the more similarity there is between individual values and organizational values, the more they will fit and being the case people will be more satisfied and involved with the organization. The compatibility between individual and organizational values has been called value congruence. Most fit theories suggest that it is up to the individual to adapt to the organization and not the other way.

It is also commonly accepted that people adapt best to organizations that share their values. The attraction-selection-attrition (ASA) framework [32] suggest that both people and organization' attraction is based on similar values and goals. Traditionally, recruiters assess applicants' knowledge, skills and abilities to see if they match the job demands. Recently, some organizations have been assessing value congruence during the recruitment process. They believe that employees' integration and organizational socialization will be facilitated if they share organizational values and in the end they will reduce turnover.

Although some human resources practices promote value congruence, others do not [24]. If an employee is recruited only on the basis of its match to a certain number of task-related attributes, without considering his values, there's a possibility of value incongruence. Sustain the necessary skills to be competent in a job, does not mean to share the organization's values [23]. Sometimes organizational values aren't clearly communicated to applicants preventing them to assess their eventual fit or misfit before joining the organization. During the employment period, explanations for value incongruence may lay on employees' personal growth, conflicts or organizational changes [24]. When confronted with conflicting values, people need to solve this incongruence in order to preserve their personal identity. It can also be argued that, though too much incompatibility between person and organization will probably demotivate employees, a certain amount of incongruence is not only inherent but it may also be motivating [33].

Despite its positive impact on work related outcomes, value congruence may be challenged when values change. Confronted with value incongruence, some employees may find their way to a new realign, but others do not. Being our purpose to understand individual differences in realignment, identity theory can give us a promising conceptual framework by "explaining social behavior in terms of the reciprocal relations between self and society" [34].

Identity theory belongs to the group of the so called self-theories that share the general assumption that individuals need to preserve their identity by keeping positive self-images, or self-perceptions, which are defined in terms of central values, traits and competencies. Whenever the individual finds threats to his own self in the environment, he develops a sense of self-protection [35]. This is what happens when he finds incongruence between his personal values and those of the organization.

Adopting a multidimensional perspective of the self-concept, there are three different types of self-perceptions: the perceived self (traits, competencies and values the individual believes to possess), the ideal self (traits, competencies and values the individual wants to possess), and a set of social identities (derived from the social categories where the individual classifies himself) [36]. Those self-perceptions depend on individual interactions with his

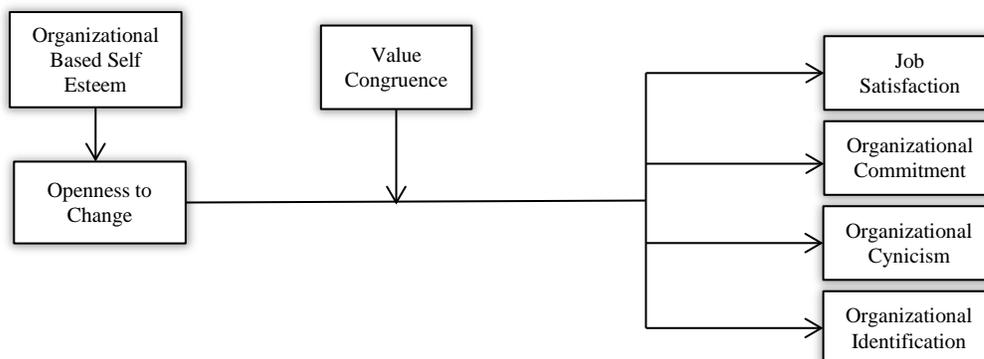
environment which provides feedback to the individual about his attitudes and behaviors through social interactions that help the construction of social identities. Each individual has multiple identities related to all different roles he performs. They serve as patterns to judge self-relevant meanings in a specific situation and define who we are.

It is relatively consensual that identities change but, there has been a lot of discussion on the change mechanisms associated with changing identities [37]. When an external event generates discrepancy between perceived self-meanings and the identity standard, people will develop actions in order to re-achieve their alignment and reduce the associated distress. Individuals adjust their behaviors, changing not only the perceived self-meanings but also the identity standard in order to reduce discrepancies. This change is usually so small that is often imperceptible, giving the impression that identity standards are stable [37]. In some situations, individual identities may conflict preventing them from resolving one discrepancy without creating another. Individuals are often confronted with identities' conflicts. Although they must change both identity standards to solve those conflicts, in a way that they become closer to each other, the identity that, most probably, will change less, is the one to which the individual is more committed [37]. We believe a similar conflict occurs when an individual professional identity suggests that he should accept and integrate new organizational values but he sees himself as someone with different personal values. To solve the misfit between personal and organizational values, the employee must change his identities and, the identity to which he is less committed, will change more. When dealing with change in values that are central to one's self-concept it is expectable that employees may be more resistant to change their attitudes and beliefs linked to values [38].

Developing the research model and hypotheses

In this study a research model is proposed and tested (Figure I). Based on current literature and empirical findings, the model posits that employees with high levels of organizational based self-esteem will be more open to organizational values change and, consequently, achieve higher levels of job satisfaction, organizational commitment and identification with the organization while others may probably become cynical, as a way of preserving their self-identity.

Figure I. Research Model



We will be testing the following hypotheses based on the above model:

Hypothesis 1a: Higher levels of openness to change will be associated to higher levels of job satisfaction.

Hypothesis 1b: Higher levels of openness to change will be associated to higher levels of organizational commitment.

Hypothesis 1c: Higher levels of openness to change will be associated to higher levels of organizational identification.

Hypothesis 1d: Higher levels of openness to change will be associated to lower levels of organizational cynicism.

Hypothesis 2: Higher levels of organizational based self-esteem will be associated with higher levels of willingness to support organizational change.

Hypothesis 3: Value Congruence will moderate the relationship between openness to change and organizational outcomes

Conclusions

We strongly believe that the success of an organizational change depends on employees' attitudes and behaviors as much as it depends on management structures and strategies [39]. We argue that individuals with high organizational based self-esteem are more open to those changes because they see themselves as worth and competent to deal with them and, like that self-perception. When organizational values change induces value incongruence, it is expected that those employees will be more successful in regaining value congruence because it is more consistent with their self-concept.

Value congruence research has particularly focused on newcomers, neglecting all the challenges employees have to face during the employment period that may cause P-O misfit. We argue that employees have to readjust their identity standards, in order to adjust to a changing environment. Both assumptions were challenged, so, in the future, human resources practitioners should be more prone to consider value congruence in their human resources management politics and practices. Besides resourcing (recruitment, selection and organizational socialization), practices like performance appraisal and staff retention should consider existing employees adjustment to their organization, especially when dealing with fast changing organizational environments.

Combining identity and fit theories we expect to bring new advancements on to the theoretical discussion concerning the individual differences in realignment when value incongruence takes place, after an organizational change.

References

1. Rafferty, A., Jimmieson, N. and Armenakis, A. (2013), "Change Readiness: A Multilevel Review", *Journal of Management*, Vol. 39, No.1, pp: 110-135.
2. Zhao, H., Wayne, S., Glibkowski, B. and Bravo, J. (2007), "The impact of psychological contract breach on work-related outcomes: a meta-analysis", *Personnel Psychology*, Vol. 60, pp: 647-680.

3. Bamford, D.R. and Forrester, P.L. (2003), "Managing planned and emergent change within an operations management environment", *International Journal of Operation and Production Management*, Vol. 23, No. 5, pp: 546–564.
4. Caldwell, S., Herold, D. and Fedor, D. (2004), "Toward an understanding of the relationships among organizational change, individual differences, and changes in person-environment fit: a cross-level study", *The Journal of Applied Psychology*, Vol. 89, No. 5, pp: 868-882.
5. Choi, M. (2011), "Employees' attitudes toward Organizational Change: a literature review", *Human Resource Management*, Vol. 50 No. 4, pp: 479-500.
6. Fugate, M., Kinicki, A. and Prussia, G. (2008), "Employee coping with organizational change: an examination of alternative theoretical perspectives and models", *Personnel Psychology*, Vol. 61, No. 1, pp: 1-36.
7. Michel, A., By, R. and Burnes, B. (2013), "The limitations of dispositional resistance in relation to organizational change", *Management Decision*, Vol. 51, No. 4, pp: 761-780.
8. Eilam, G. and Shamir, B. (2005), "Organizational Change and Self-Concept Threats - A Theoretical Perspective and a Case Study", *The Journal of Applied Behavioral Science*, Vol. 41, No. 4, pp: 399–421.
9. Chatman, J. (1989), "Improving Interactional Organizational Research: A Model of Person-Organization Fit", *The Academy of Management Review*, Vol. 14, No. 3, pp: 333-349.
10. Edwards, J. and Cable, D. (2009), "The value of value congruence", *Journal of Applied Psychology*, Vol. 94, No. 3, pp: 654-677.
11. Kristof-Brown, A., Zimmerman, R. and Johnson, E. (2005), "Consequences of individuals' fit at work: a meta-analysis of Person-Job, Person-Organization, Person-Group, and Person-Supervisor Fit", *Personnel Psychology*, Vol. 58, pp: 281-342.
12. Meyer, J., Hecht, T., Gill, H. and Toplonysky, L. (2010), "Person–organization (culture) fit and employee commitment under conditions of organizational change: A longitudinal study", *Journal of Vocational Behavior*, Vol. 76, No. 3, pp: 458-473.
13. Fedor, D., Caldwell, S. and Herold, D. (2006), "The effects of organizational changes on employee commitment: a multilevel investigation", *Personnel Psychology*, Vol. 59, pp: 1-29.
14. Piderit, S. (2000), "Rethinking resistance and recognizing ambivalence: a multidimensional view of attitudes toward an organizational change", *Academy of Management Review*, Vol. 25, pp: 783-794.
15. Randall, J. and Procter, S. (2008), "Ambiguity and ambivalence: senior managers' accounts of organizational change in a restructured government department", *Journal of Organizational Change Management*, Vol. 21, No. 6, pp: 686-700.
16. Thomas, R. and Hardy, C. (2011), "Reframing resistance to organizational change", *Scandinavian Journal of Management*, Vol. 27, pp: 322-331.
17. Avey, J., Wernsing, T. and Luthans, F. (2008), "Can Positive Employees Help Positive Organizational Change? Impact of Psychological Capital and Emotions on relevant

- Attitudes and Behaviors”, *The Journal of Applied Behavioral Science*, Vol. 44, No. 1, pp: 48-70.
18. Chawla, A. and Kelloway, E. (2004), “Predicting Openness and Commitment to Change”, *The Leadership & Organization Development Journal*, Vol. 25, No. 6, pp: 485-498.
 19. Miller, V., Johnson, J. and Grau, J. (1994), “Antecedents to willingness to participate in a planned organizational change”, *Journal of Applied Communication Research*, Vol. 22, pp: 59-80.
 20. Wanberg, C. and Banas, J. (2000), “Predictors and Outcomes of Openness to Changes in a Reorganizing Workplace”, *Journal of Applied Psychology*, Vol. 85, No. 1, pp: 132-142.
 21. Chen, G. (2012), “Evaluating the core: Critical assessment of core self-evaluations theory”, *Journal of Organizational Behavior*, Vol. 33, pp: 153-160.
 22. Pierce, J., Gardner, D., Cummings, L. and Dunham, R. (1989), “Organization-Based Self-Esteem: Construct definition, measurement, and validation”, *Academy of Management Journal*, Vol. 32, No. 3, pp: 622-648.
 23. Lauver, K. and Kristof-Brown, A. (2001), “Distinguishing between Employees’ Perceptions of Person–Job and Person–Organization Fit”, *Journal of Vocational Behavior*, Vol. 59, No. 3, pp: 454-470.
 24. Verplanken, B. (2004), “Value congruence and job satisfaction among nurses: a human relations perspective”, *International Journal of Nursing Studies*, Vol. 41, pp: 599-605.
 25. Liu, B., Liu, J. and Hu, J. (2010), “Person-Organization Fit, Job Satisfaction, and Turnover Intention: An Empirical Study in the Chinese Public Sector”, *Social Behavior and Personality: an international journal*, Vol. 38, No. 5, pp: 615-625.
 26. Meyer, J., Allen, N. and Topolnytsky, L. (1998), “Commitment in a changing world of work”, *Canadian Psychology*, Vol. 39, pp: 83-93.
 27. Stanley, D., Meyer, J. and Topolnytsky, L. (2005), “Employee Cynicism and Resistance to organizational Change”, *Journal of Business and Psychology*, Vol. 19, No. 4, pp: 429-458.
 28. Chreim, S. (2006), “Postscript to change: survivors’ retrospective views of organizational changes”, *Personnel Review*, Vol. 35, No. 3, pp: 315-335.
 29. Ferres, N. and Connell, J. (2004), “Emotional intelligence in leaders: an antidote for cynicism towards change?”, *Strategic Change*, Vol. 12, No. 2, pp: 61-71.
 30. Karkafis, N. and Kokkinidis, G. (2011), “Rethinking cynicism: Parrhesiastic practices in contemporary workplaces”, *Culture and Organization*, Vol. 17, No. 4, pp: 329-345.
 31. Naus, F., Iterson, A. and Roe, R. (2007), “Value incongruence, job autonomy, and organization- based self-esteem : A self-based perspective on organizational cynicism”, *European Journal of Work and Organizational Psychology*, Vol. 16, No. 2, pp: 195-219.
 32. Schneider, B., Goldstein, H. and Smith, D. (1995), “The ASA framework: an update”, *Personnel Psychology*, Vol. 48, pp: 747-773.

33. Verquer, M., Beehr, T. and Wagner, S. (2003), "A meta-analysis of relations between person-organization fit and work attitudes", *Journal of Vocational Behavior*, Vol. 63, pp: 473-489.
34. Hogg, M., Terry, D. and White, K. (1995), "A tale of two theories: a critical comparison of identity theory with social identity theory", *Social Psychology Quarterly*, Vol. 58, No. 4, pp: 255-269.
35. Korman, A. (2001), "Self-enhancement and self-protection: Toward a theory of work motivation", in M. Erez, U. Kleinbeck, & H. Thierry (Eds.), *Work motivation in the context of a globalizing economy*, pp: 121-130. Mahwah, NJ: Lawrence Erlbaum Associates, Inc. 38.
36. Leonard, N., Beauvais, L. and Scholl, R. (1999), "Work motivation: The incorporation of self-concept-based processes", *Human Relations*, Vol. 52, No. 8, pp: 969-998.
37. Burke, P. (2006), "Identity Change", *Social Psychology Quarterly*, Vol. 69, No. 1, pp: 81-96.
38. Blankenship, K. and Wegener, D. (2008), "Opening the mind to close it: considering a message in light of important values increases message processing and later resistance to change", *Journal of Personality and Social Psychology*, Vol. 94, No. 2, pp: 196-213.
39. Ferres, N., Connell, J. and Travaglione, A. (2005), "The effect of future redeployment on organizational trust", *Strategic Change*, Vol.14, No. 2, pp: 77-91.