Preliminary Master Thesis

Creating change readiness - is it possible?

The impact of change turbulence on the relationship between
perceived HR practices and change readiness

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Content

Summary

This preliminary thesis report intends to inform the reader about the aim, focus, and process of our study. The aim is to explore the relationship between perceived HR practices and change readiness, a positive attitude towards change. Our research focuses on three categories of perceived HR practices; ability-enhancing, motivation-enhancing and opportunity-enhancing HR practices. The attitude change readiness is seen as a multidimensional construct influenced by the beliefs of 1) change efficacy, 2) personal valence, 3) appropriateness and 4) management support. To our knowledge, limited research has been done to investigate links between HR practices and change readiness, and our work will therefore contribute to this research field. Additionally, limited research has been done to examine what effect the internal context in which the change takes place (i.e. change turbulence), has on the individual. Therefore, our second aim is to identify how change turbulence moderates the relationship between HR practices and change readiness. First, the introduction and theoretical background is presented, followed by a plan for data collection and progression of our thesis.

Introduction

Over the past decades, there has been an increasing interest in, and a great focus on, the study of organizational change initiatives (i.e. Ford & Ford, 1994; Pettigrew, Woodman & Cameron, 2001; Van de Ven & Poole, 1995; Rafferty, Jimmieson & Armenakis, 2013). There are different reasons why studying change initiatives has been so attractive and why the interest continues to grow; organizations struggle to keep up with technological developments, increased competition in a global marketplace, and an accelerating environmental complexity (De Meuse, Marks & Dai, 2011; Gordon, Stewart, Sweo & Luker, 2000). In order to survive this complexity, organizations change frequently in order to stay ahead, and this is likely to increase even more in the future (Reeves & Deimler, 2011). Consequently, increased change rates are experienced in organizational life (Conway & Monks, 2008), and in the latest years, change in organizations has not been an exception, rather a rule (Bouckenooghe, Devos & Broeck, 2009).

However, researchers have found that change initiatives often fail to achieve their intended aims (Burke, 2002; Probst & Raisch, 2005; Choi, 2011). It is estimated that as much as two-thirds of change initiatives fail (Beer & Nohria, 2000), and others propose that the failure rate is even higher (Burnes, 2004). As research has been largely dominated by a system-oriented, macro-level approach (Bray, 1994; Judge, Thoresen, Pucik & Welbourne, 1999), researchers in the recent years have called for a person-oriented, micro-level perspective on change. By adapting to this person-oriented approach, focus is placed on the individuals in the organization (Judge, Thoresen, Pucik & Welbourne, 1999), and changes in an organization can only be done through its members. By following this view, an organization's' employees are the most important component for successfully implementing change (Choi, 2011; Tetenbaum, 1998).

It is claimed that one of the most prevalent issues causing the high failure rates of change implementation, is the employees' attitudes towards change (Miller, Johnson, & Grau, 1994). *Readiness for organizational change* is arguably one of the most important determinants in employees' support for change initiatives (Armenakis, Harris & Mossholder, 1993; Holt, Armenakis, Feild & Harris, 2007). Change readiness can be seen within the cognitive thinking that comes before the

behaviors towards change, and it is further considered as the most positive attitude towards change (Rafferty, Jimmieson & Armenakis, 2013). Moreover, change readiness is explained as a multidimensional construct influenced by the beliefs that (1) employees are capable of implementing change (i.e. change-specific efficacy), (2) the change is appropriate (i.e. appropriateness), (3) the change is supported by the leaders (i.e. management support) and (4) the change gives benefits to the employees (i.e. personal valence) (Holt et al., 2007).

Some employees may look at organizational changes as an opportunity to learn and grow, whereas others react in the opposite direction and propose more negative reactions (Wanberg & Banas, 2000). Therefore, the degree of employees' readiness for change should be identified, in order for organizations to better prepare and perform during changes. The step of determining the degree of readiness can help leaders identifying gaps between their own expectations, and the expectations of the employees. If this gap is significant, implementing changes would be difficult and resistance is to be expected (Holt et al., 2007).

In order to enhance employees' change readiness, it could be worth asking if there is anything organizations can do to facilitate for change acceptance among employees, shown through change supportive behaviors. HR practices has proven to contribute to enhanced performance in the organization, when they are appropriately designed (Nishii, Lepak & Schneider, 2008). When employees are satisfied with the HR practices, commitment to change is likely to be higher (Conway & Monks, 2008). Hence, when the goal is to develop change readiness among employees, the question arises: could HR practices contribute in a positive way? Further, research on employees' perception of HR practices has been limited, in particular; the investigation on how these practices can be antecedents of employee attitudes and behaviors (Nishii & Wright, 2008). Thus, a motivation for this study is to investigate the impact *perceived* HR practices have on change readiness.

However, when studying employees' responses to change initiatives, limited research has been done on investigating the effect the internal change environment has on attitudes towards change (Herold, Fedor & Caldwell, 2007). Many reviews have been done on contextual factors influencing change, but most of them have

studied external contexts, such as environmental changes (e.g. mergers) and industrial factors. Limited studies have been done to investigate the internal change environment, and how this affects change targeted individuals' responses to changes (Armenakis & Bedeian, 1999).

An important aspect of the internal change environment is change turbulence, which reflects the prevalence of changes going on in the organization at the same time as a main change initiative (Herold, Fedor & Caldwell, 2007). Additional changes may cause distractions among individuals, and represents an important part in how individuals react to the focal change. A motivation for studying change turbulence is that internal, organizational environments often are characterized by other changes and distractions as well. Additionally, this internal environment is assumable a good reflection of the context that real life organizations operate in. An environment existing of several changes and distractions does seem to discourage individuals, and the level of turbulence also have an impact on an individual's buy-in to change (Herold, Fedor & Caldwell, 2007).

The aim of this thesis is to link theory on HRM (Human Resource Management) and change management. More specifically, we aim to identify if perceived HR practices in organizations positively can be related to employees' change readiness, by strengthening one or more factors influencing change readiness. Further, when this relationship is identified, we aim to detect if change turbulence negatively moderates this relationship. Hence, the research question of this thesis is:

"Can perceived HR practices strengthen individuals' change readiness, mediated by the factors influencing this attitude? If so, does change turbulence moderate this/these relationship(s) negatively?"

Theory and Hypotheses

Readiness for organizational change

Reviewing literature on the topic attitudes towards organizational change, reveals that change readiness is the most widespread, positive attitude towards change, and it is considered crucial to successfully implement a change initiative (Rafferty, Jimmieson & Armenakis, 2013). We follow the lead of other researchers and define change readiness as an individual's "beliefs, attitudes, and intentions regarding the extent to which changes are needed, and the organization's capacity to successfully undertake those changes" (Armenakis, Harris & Mossholder, 1993, p. 681). Hence, change readiness is referred to as the cognitive thinking that comes before the behaviors towards change (Rafferty, Jimmieson & Armenakis, 2013), and as a state of mind which reflects receptiveness or willingness to change (Bernerth, 2004).

Researchers agree that readiness is one of the most crucial factors leading to employees' support towards change initiatives (Armenakis, Harris & Mossholder, 1993; Miller, Johnson, & Grau, 1994). The development of the readiness measure by Holt et al. (2007), suggests that a general set of beliefs shape an individual's readiness for change, which refers to the degree to which an individual emotionally and cognitively accepts, adopts and embraces a plan to challenge the status quo (Holt et al., 2007). Furthermore, they explained that change readiness can be seen as a multidimensional construct influenced by following beliefs: change efficacy, appropriateness, management support and personal valence.

1. *Change efficacy*, also labelled as change confidence (Holt et al., 2007), refers to the degree to which an individual feels that he or she is able, and have the right skills, to successfully do the activities and tasks related to the implementation of a proposed change. Change efficacy refers to the confidence each individual has related to implementation of the change (Holt et al., 2007).

2. *Appropriateness* refers to whether the proposed change is appropriate or not; if the individuals feel that the change is needed, or if the change would benefit the organization. Appropriateness can be detected by asking questions about whether the change makes sense for the individuals, whether the change

makes the job easier and whether this change matches the priorities of the organization (Holt et al., 2007).

3. *Management support* refers to the support of the change from the organization's leadership. Moreover, the extent to which the leaders support, and are committed to, implementing a proposed change in the organization (Armenakis & Harris, 2002; Holt et al., 2007). Management support can be identified by asking questions about whether the senior leaders serve as role models, encourage individuals' to embrace the change, and whether they have been personally involved with the implementation of the change (Holt et al. 2007).

4. *Personal valence* reflects whether the change will give benefits to the individual or not (Holt et al., 2007). Even though members believe that the organization needs to change, that there is support for the change and that they are able to implement the change, they still need to identify personal benefits to them. Employees exposed to change initiatives are interested in the question "what's in it for me?" (Bernerth, 2004, p. 41). Considering this question, individuals will evaluate the distribution of both positive and negative outcomes of the current change. When the benefits of the proposed change are identified, it will increase the employees' buy-in to change (Armenakis & Harris, 2002).

Perceived HR practices

Researchers in the latest year have investigated how and why the use of human resource (HR) practices can contribute in reaching organizational goals (Jiang, Lepak, Hu & Baer, 2012). A great amount of research show that HR practices intended to enhance employees' knowledge, abilities and skills, motivation, and opportunities to contribute, is related to different positive outcomes (e.g. Gong, Law, Chang, & Xin, 2009; MacDuffie, 1995; Chuang & Liao, 2010). Generally, there is support of the view that when HR practices are appropriately designed to fit the organization and its needs, these practices contribute to enhanced performance (Nishii, Lepak & Schneider, 2008). However, little is known about *how* these practices actually lead to organizational outcomes (Andreeva & Sergeeva, 2016).

A distinction is made between *intended* HR practices and *actual* HR practices, where the implementation of practices may cause variation between the two. Also, it is suggested that the effect of the practices is found in the *perception* the employees have of them, not within the practices itself (Nishii & Wright, 2008). Therefore, investigating *perceived* HR practices is called for in order to detect the effect such practices may have. Further, investigating if employees' perception of HR practices could be possible antecedents of employee reactions, such as attitudes and behaviors, has been paid limited attention, both theoretically and empirically (Nishii & Wright, 2008). In fact, the impact perceived HR practices has on employees is recognized as an area where more research is needed (Macky & Boxall, 2007).

The Ability-Motivation-Opportunity (AMO) Model

In the recent years, HR-practices have been categorized into an 'AMO-model', suggesting that *ability*, *motivation* and *opportunity* to perform are three essential components of employee performance. In that regard, HR systems aiming to improve employee performance, should consist of compositions intending to enhance employee ability, motivation and opportunity to contribute (Jiang et al., 2012). Drawing on this, Lepak, Liao, Chung & Harden (2006) and Jiang et al. (2012) argue that HR practices can be grouped into one of the following categories: ability-enhancing, motivation-enhancing and opportunity-enhancing HR practices.

Moreover, Jiang et al. (2012) elaborate in their review that much of the existing literature on HR systems assume that different components of HR systems have identical impact on outcomes. However, newer research has challenged this view, and suggest that different HR practices may influence the same outcomes in heterogeneous ways (e.g. Batt & Colvin, 2011; Gardner, Wright, & Moynihan, 2011; Gong et al., 2009). This implies that the different effects of the different components of HR practices (i.e. ability-enhancing, motivation-enhancing and opportunity-enhancing) should be explored separately.

The relationship between HR practices (AMO) and change readiness

Depending on the strategic objective of the organization, different functions of the HR system are required (Lepak et al., 2006). When the aim is to enhance

employees' capabilities, skills, knowledge and attitudes to prepare for change, it is likely to believe that the organization benefits from having HR practices obtaining desired outcomes such as change readiness. When HR practices satisfy the need of employees, commitment to change is likely to be higher (Conway & Monks, 2008). To support this, it could be expected that the appropriate HR practices have a positive impact on change readiness.

In essence, the first aim of this thesis is to identify whether *perceived* HR practices in an indirect way could shape individual change readiness, mediated by one or more beliefs influencing change readiness (i.e. appropriateness, management support, change confidence, personal valence)

Ability-enhancing HR-practices and change readiness

Ability-enhancing HR practices focus primarily on ensuring that the organization has properly skilled employees (Jiang et al., 2012), e.g. in an organization characterized by change, making sure that the employees have right skills and competencies to deal with new situations and demands. Training and development, consisting of practices such as ongoing training, hours of training, team training and leadership training, are HR practices aiming to improve employees' knowledge, skills and abilities (Lepak et al., 2007). When employees experience training and high quality development opportunities, it is expected that this will make them more capable and equipped to deal with changing and uncertain scenarios. Additionally, an individual's self-efficacy is improved as a result of training and development (Bandura, 1977), thereby increasing the belief the employee has about the ability to deal with a potential change. Therefore, we propose that perceived training and development will strengthen individual change self-efficacy.

> *Hypothesis 1: Perceived ability-enhancing activities, such as training and development, will indirectly strengthen individuals' change readiness by strengthening their change efficacy.*

Motivation-enhancing HR practices and change readiness

Motivation-enhancing practices are designed to enhance the motivation of the employees, for instance by competitive compensation, extensive benefits, career

development or incentives and rewards (Jiang et al., 2012). Incentives and rewards, consisting of practices such as individual bonus, profit sharing and gainsharing, are HR practices aiming to improve employee motivation and effort (Lepak et al., 2006). Drawing on change readiness literature, when potential benefits related to a proposed change is detected, it will most likely increase the employees' buy-in to change (Bernerth, 2004). When potential benefits, such as incentives and rewards, are detected in the evaluation of a proposed change, an individual's personal valence related to that change is likely to increase. Therefore, we hypothesize that motivation-enhancing HR practices will increase an individual's evaluation of potential benefits (i.e. personal valence) related to a change.

Hypothesis 2: Perceived motivation-enhancing HR practices, such as incentives and rewards, will indirectly strengthen individuals' change readiness by strengthening their personal valence.

Opportunity-enhancing HR practices and change readiness

Opportunity-enhancing HR practices, such as employee involvement and flexible job design, are designed to empower employees to apply their abilities and motivation in a way that contributes to reaching organizational goals (Jiang et al., 2012). Researchers argue that even though employees possess the right abilities, and are motivated to work to reach organizational objectives, in order to act accordingly they must be provided with the right opportunities (Lepak et al., 2006). Opportunity-enhancing HR practices, such as participation, voice empowerment and information sharing, are HR practices intended to increase employees' opportunities to contribute. Thereby, including employees in decision making, would facilitate an opportunity to perform (Lepak et al., 2006).

Furthermore, employee participation was found to have a great effect on satisfaction and productivity during change. The greater the employee participation, the more satisfied the employees were found to be (Coch & French, 1948). Considering a changing environment, individuals being involved and participating in the development of change, access information which makes it possible to better understand the complexity, and justification, of the change (Coch & French, 1948). This implies that the level of involvement in developing

change efforts increases the understanding of, and need for, change. This further implies that employee involvement could increase the appropriateness of a change, i.e. the understanding of that change is needed or that the change makes sense. We therefore propose that level of employee involvement can strengthen the appropriateness of a change.

Hypothesis 3: Perceived opportunity-enhancing HR practices, such as level of employee involvement, will indirectly strengthen individuals' change readiness by strengthening the appropriateness of a given change.

The role of change context

A large role in a change process, and the response it receives in the organization, is played by the organizational context in which the change is embedded. Research on change context has been largely dominated by a focus on the external change context, including industrial and environmental factors (Lawrence & Lorsch, 1967). Thus, more research on internal change context has been called for. In this paper, the internal change context is characterized as a change turbulent environment, which reflects a great amount of changes going on in addition to the main change initiative (Herold, Fedor & Caldwell, 2007).

In a change turbulent environment, there will be multiple changes overlapping, in addition to other distractions. Even a change that is well-planned could be negatively affected by the prevalence of other changes, as individuals may feel change overload. Also, those who struggle with one single change, should experience challenges as more changes arise (Herold, Fedor & Caldwell, 2007). Thus, because individuals may feel information and change overload when change turbulence is high, we propose that change turbulence negatively will moderate the predicted relationships between perceived HR practices the beliefs influencing change readiness. We therefore further hypothesize:

Hypothesis 4: The relationship between perceived ability-enhancing HR practices and individual change readiness, mediated by change efficacy, will be negatively moderated by change turbulence.

Hypothesis 5: The relationship between perceived motivation-enhancing HR practices and individual change readiness, mediated by personal valence, will be negatively moderated by change turbulence.

Hypothesis 6: The relationship between perceived opportunity-enhancing HR practices and individual change readiness, mediated by appropriateness, will be negatively moderated by change turbulence.
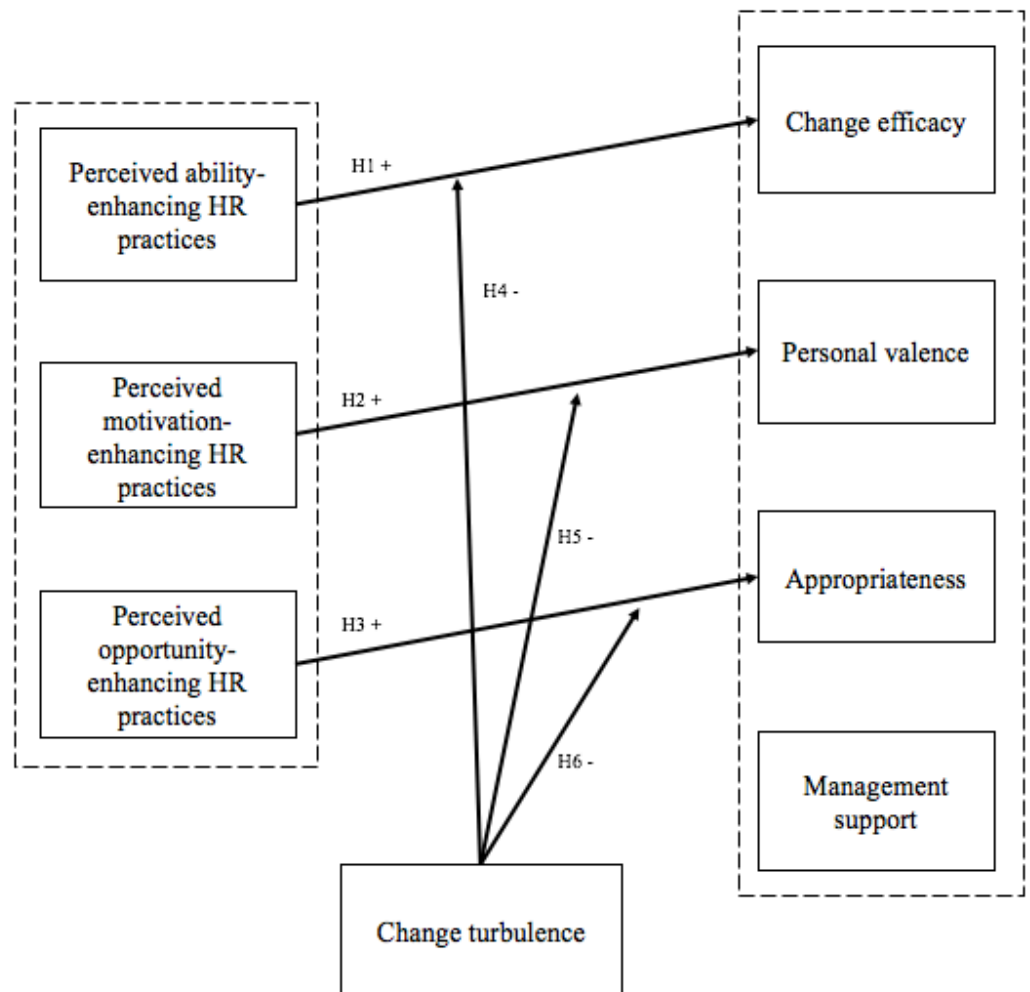

Figure 1: Our proposed model

Methodology

Sample and procedure

In order to obtain field data, we will collaborate with a Norwegian insurance company. The company has, in the recent years, been in a competitive and changing environment, in particular due to the digital transformations in the banking and insurance industry. To cope with this environment, the company hired consultants to map the current situation in the company, which resulted in identification of areas where they need to develop capabilities, competencies and new fields of expertise. Currently, the company is developing and enhancing employees' competencies and expertise, in order to "deliver" fast on new requirements and become a leading digital organization in the future. In addition, there are other organizational areas (i.e. creating flexibility in routines, and enable development through reacting properly to disruptive trends), that need to be improved for the organization to succeed in upcoming times of change turbulence.

In order to test our hypotheses, we will distribute self-report questionnaires (see Appendix 1) using the online survey and feedback software QuestBack. We aim to get a minimum of 200 respondents, and will distribute the questionnaire to approximately 500 respondents. All measures in the questionnaire will be translated from English to Norwegian, by using a back-translation method (Brislin, 1970). The questionnaire will be distributed to employees, middle managers and top managers, from different departments in the organization.

Measures

Independent variable

In order to capture HR practices in organizations, different methods have been applied within the HRM literature, e.g. finding percentage of employees covered, or objectively assessing the presence or absence of such practices (Gardner, Moynihan, Park & Wright, 2001). A third method is to apply a Likert-type scale aiming to measure the extent of HR practices in an organization (i.e. Delery & Doty, 1996). The purpose of this study is to measure the *perceived* HR practices, categorized in accordance with the AMO-model. Hence, items created to measure the *perception* of HR practices are necessary, and further research is needed before deciding which items to use in this research.

Dependent variable

Change readiness will be measured on the scale developed by Holt et al. (2007), based on the four factors 1) appropriateness, 2) management support, 3) change self-efficacy, and 4) personal valence. In sum, this scale consists of 25 items, where appropriateness is measured by 10 items, management support is measured by six items, change self-efficacy is measured by six items and personal valence (termed personally beneficial) is measured by three items (see Appendix 1). All items are measured on a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Moderating variable

To measure change turbulence and capture the extent to which additional change initiatives or distractions in the organization caused backdrops for the main change, we will use four items developed by Herold, Fedor and Caldwell (2007). This scale includes items such as "This change occurred during a turbulent time for our work unit" and "This change would have been easier if we were not already dealing with a number of other changes" (Herold, Fedor & Caldwell (2007, p. 946) (see Appendix 1). These items will be measured on a Likert-type scale from 1 (strongly disagree) to 5 (strongly agree).

Control variables

In order to test the relative impact of independent variables in our analysis and increase the internal validity of our study, we will include age, gender, educational level and tenure in the organization as control variables. The respondents will be asked to indicate their age by selecting one of six categories (1: 18-25, 2: 26-35, 3: 36-45, 4: 46-55, 5: 56-65, 6: 65 years or older). Gender will be included as a dichotomous variable, male will be coded as 1 and female will be coded as 2.

Additionally, research by Judge et al. (1999) suggested that Openness to Experience (one of the Big Five personality dimensions) was positively related to coping with organizational change. Individuals who score high on Openness to Experience tend to be more tolerant and flexible when they are exposed to new situations, which means that they should cope more effectively with change initiatives (Judge et al., 1999; Choi, 2011), i.e. score higher on change readiness. Therefore, we will add a control variable for Openness to Experience, measured

on a subscale from the NEO Five-Factor Inventory (NEO-FFI) (Costa & McCrae, 1992).

Tentative plan for completion of thesis

After handing in the preliminary thesis report, we will develop and test the questionnaire to selected people who are not familiar with the theory. We will develop the questionnaires in QuestBack, as this is the software system used and approved by the company. We will write an email in collaboration with the HR Department, that is to be sent out to selected employees one week before we send out the questionnaire. This email will be an introduction of our research field, and inform employees about the upcoming anonymous questionnaire. We plan to send out the questionnaire during week 6, and send a reminder to those not answered after one week. We will transfer the data and start working with the dataset in the end of week 7. We estimate to spend one month analyzing data, and one month to write findings and discussions. By the following month, we aim to finalize conclusions, limitations and implications. This leads us to handing in a draft of our final thesis by May 2017. We do want to mention that this timeframe serves as a tentative plan for completion of our thesis, and do expect that some of the activities might take less/more time than expected.

Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Develop questionnaire, translate items and pre-test to people not familiar with the theory	x							
Finish questionnaire and prepare for data collection	x	x						
Send out questionnaire using QuestBack, send reminder after one week if necessary		x						
Write up theoretical perspective		x						

Transfer data from QuestBack, start analyze data			x					
Complete methodology and data analysis section				x				
Discuss findings, write up conclusions and limitations					x			
Hand in draft of the thesis					x			
Change draft according to feedback, deliver final version of our thesis						x		

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Appendices

Appendix 1 – Questionnaire

Under development

Perceived HR practices (independent variable) – TBA
Perceived ability-enhancing HR practices
Perceived motivation-enhancing HR practices
Perceived opportunity-enhancing HR practices

Change readiness (dependent variable)
Appropriateness
1. I think that the organization will benefit from this change
2. It doesn't make much sense for us to initiate this change
3. There are legitimate reasons for us to make this change
4. This change will improve our organization's overall efficiency
5. There are number of rational reasons for this change to be made
6. In the long run, I feel it will be worthwhile for me if the organization adopts this change
7. This change makes my job easier
8. When this change is implemented, I don't believe there is anything for me to gain
9. The time we are spending on this change should be spent on something else
10. This change matches the priorities of our organization

Management support
1. Our senior leaders have encouraged all of us to embrace this change
2. Our organization's top decision makers have put all their support behind this change effort
3. Every senior manager has stressed the importance of this change
4. This organization's most senior leader is committed to this change
5. I think we are spending a lot of time on this change when the senior managers don't even want it implemented
6. Management has sent a clear signal this organization is going to change

Change efficacy
1. I do not anticipate any problems adjusting to the work I will have when this change is adopted
2. There are some tasks that will be required when we change that I don't think I can do well
3. When we implement this change, I feel I can handle it with ease
4. I have the skills that are needed to make this change work
5. When I set my mind to it, I can learn everything that will be required when this change is adopted
6. My past experiences make me confident that I will be able to perform successfully after this change is made

Personally beneficial (personal valence)
1. I am worried I will lose some of my status in the organization when this change is implemented
2. This change will disrupt many of the personal relationships I have developed
3. My future in this job will be limited because of this change

Change turbulence (moderating variable)
1. This change occurred during a turbulent time for our work unit
2. This change suffered from too many other distractions
3. We were still trying to digest earlier changes when we embarked on this one
4. This change would have been easier if we were not already dealing with a number of other changes