

HAUNTED BY THE PAST: EFFECTS OF POOR CHANGE MANAGEMENT HISTORY ON EMPLOYEE ATTITUDES AND TURNOVER

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ABSTRACT

Change management research has largely ignored the effects of organizational change history in shaping employee attitudes and behavior. This paper develops and tests a model of the effects of poor change management history on employee attitudes (trust, job satisfaction, turnover intentions, change cynicism and openness to change) and voluntary turnover.

INTRODUCTION

Organizational change research has tended to ignore time and history as important contextual forces that influence the occurrence of change in organizations (Pettigrew, Woodman, & Cameron, 2001). The aim of this research was to understand the effects of previous history of change management on employee attitudes and behavior. The effects of previous change history on employee attitudes can be explained using schema theory (Rousseau, 2001) and the frame of reference implications of schemas in social judgment (van den Bos et al., 2005). A schema is a “prototypical abstraction of a complex concept, one that gradually develops from past experience, and subsequently guides the way new information is organized” (Rousseau, 2001: 513). We suggest that the experience of poor change management in the organization develops a schema that captures the essence of that experience (e.g., “this organization is bad at managing change”). All attitudinal and behavioral effects of the previous experience will flow through this schema because the schema will affect the perception of future organizational events, thereby influencing attitudes and behavior. Thus, the experience of poor change management results in (and is represented in) a schema of poor change management history (PCMH-schema). We expect that the PCMH-schema will, in turn, be negatively related to employee attitude towards the organization in general and towards change management in particular. A history of poor change management will result in a loss of faith in the organization (represented by low levels of trust in the organization) and its ability to manage change in particular (represented in cynicism about organizational change). The lack of trust in the organization will lead to unwillingness on the part of the employees to make themselves vulnerable to the actions of the organization. Thus, low trust will lead to lower job satisfaction, intention to leave, and finally, exit from the organization. Cynicism about change will create lack of openness for change efforts in the organization. Openness to change has been found to be related to job satisfaction and turnover intentions.

Finally, PCMH-schema may, by itself, contribute to turnover. Literature relevant to these predictions is reviewed next.

Poor Change Management History, Trust, Job Satisfaction, and Turnover Intentions

Trust has been defined as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau, Sitkin, Burt, & Camerer, 1998: 395). Trust consists of two elements: a belief that the other is trustworthy and a willingness or intention to be vulnerable to their actions (Kim, Ferrin, Cooper, & Dirks, 2004; McKnight, Cummings, & Chervany, 1998). In a high trust employee-organization relationship, the employee trusts the organization to look after his/her interests and remains willing to be vulnerable to treatment by the organization; conversely, in a low trust relationship, the employee may refuse to be vulnerable and choose to exit the organization. Trust at any given time is a consequence of past experiences with the trustee (Dirks & Ferrin, 2003; Mayer, Davis, & Schoorman, 1995; Rousseau, 1998). For example, a cooperative action of another party in prisoner’s dilemma-type scenarios increases trust and the likelihood that cooperation will be reciprocated (Boyle & Bonacich, 1970). In a meta-analysis of the antecedents and consequences of trust in leadership, Dirks and Ferrin (2003) noted that participative decision-making and fairness of outcomes, procedures, and treatment led to greater trust in the leader. In the context of organizational change, if the employee feels that the organization is incapable of managing change effectively or safeguard employee interests in the context of the change, trust in the organization will be undermined. Previous experience of poorly managed change should, therefore, lead to lower trust in the organization. Thus, we predict that PCMH-schema will be negatively related to trust (Hypothesis 1).

The organization and its representatives (supervisor, senior management) influence many aspects of the employee’s working environment, including job roles, rewards and recognition, and career development (Dirks & Ferrin, 2002). A lack of trust in the organization is likely to result in lower job satisfaction. Indeed, Dirks and Ferrin (2002) found a strong positive relationship between trust in organizational leadership and job satisfaction across 34 studies (a corrected mean effect size $r = .65$). Based on this literature, we predict that trust will be positively related to job satisfaction (Hypothesis 2).

Employee withdrawal--as a consequence of low trust--can be interpreted in light of trust beliefs and the willingness (or intention; Mayer et al., 1995) to make oneself vulnerable to another party. A belief that the other party can be trusted leads to risk-taking in relationships. On the other hand, under conditions of low trust, employees will be less willing to take risks. The ultimate manifestation of the unwillingness to take risk would be a decision to withdraw from the organization. Indeed, trust has been found to be negatively related to turnover intentions and actual turnover (Dirks & Ferrin, 2001, 2002). Based on this literature, we predict that trust will be negatively related to turnover intentions (Hypothesis 3).

Job satisfaction has consistently been found to be negatively related to turnover intentions (Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004b; Lum, Kervin, Clark, Reid, & Sirola, 1998). Indeed, most theoretical approaches to turnover note the role of job dissatisfaction as an initiator of the turnover process (Hom, Caranikas-Walker, Prussia, & Griffeth, 1992). Therefore, we predict that job satisfaction will be negatively related to turnover intentions (Hypothesis 4).

Poor Change Management History, Change Cynicism, and Openness to Change

Wanous et al. (2000: 133) define cynicism about organizational change (CAOC) as “a

pessimistic viewpoint about change efforts being successful because those responsible for making change are blamed for being unmotivated, incompetent, or both". In the context of organizational change, cynicism arises from previous experience of change that was mismanaged or failed to achieve its objectives. In the words of Reichers et al. (1997: 48): "cynicism... is a response to a history of change attempts that are not entirely or clearly successful". We argue that previous experience of *poor* change management will lead to low levels of expectancy regarding the success of current change programs and faith in the ability or motivation of managers to implement change. Thus, we predict that poor change management history will be positively related to CAOC (Hypothesis 5).

Employee openness to change is vital for the success of most change efforts in organizations. Openness to change consists of two elements (Miller et al., 1994): "(a) willingness to support the change and (b) positive affect about potential consequences of the change" (Wanberg & Banas, 2000: 132). There is growing research attention devoted to understanding the antecedents of openness to change (Wanberg & Banas, 2000). As expected, change management practices, such as participation in decision-making and adequate communication are positively related to openness to change. In addition, personality variables, such as resilience, have been linked with openness to change (Wanberg & Banas, 2000). On the other hand, given that CAOC involves pessimism about the likelihood of change success, we predict that CAOC will be negatively related to openness to change (Hypothesis 6). Finally, lack of openness to change will lead to withdrawal from the organization. Therefore, openness to change will be negatively related to turnover intentions (Hypothesis 7)

Poor Change Management History and Employee Turnover

In the academic literature, two major theoretical perspectives have provided insights into the turnover process. The first approach pioneered by Mobley, Horner, and Hollingsworth (1978) emphasized job dissatisfaction as the instigator of employee turnover. This model, and its various revisions (see Hom et al., 1992), outlined the cognitive process instigated by job dissatisfaction, including thoughts of quitting, search intentions, quit intentions, and, ultimately, turnover. The second approach, developed by Lee and Mitchell (1994), explored reasons other than job dissatisfaction that might cause turnover and led to the development of the unfolding model of turnover. This model emphasizes the role of shocks (events or experiences that cause the employee to consider leaving) in turnover.

We argue that poor change management history will lead to turnover. However, there can be two pathways that link PCMH to turnover. First, PCMH can lead to low trust and low job satisfaction which, in turn, would lead to turnover intentions and eventually exit from the organization. Thus, turnover intentions will predict actual turnover (Hypothesis 8). Alternatively, consistent with Lee and Mitchell's characterization of shocks, PCMH may force the employees to reassess their position in the organization and cause them to exit from the organization. In this pathway, job dissatisfaction may not play a role. Based on this argument, we suggest that PCMH-schema will predict actual turnover (Hypothesis 9).

METHOD

Sample and Procedure

This study was conducted in an educational institution which is a member of a university network in the Philippines. The vice president of the organization proposed to establish a separate

educational facility for the purpose of improving the tertiary preparatory studies of freshman students; this required a comprehensive revision of the academic curricula and teaching modalities, merging and integration of some academic units, downgraded work responsibilities for some jobs, reductions in number of academic staff, and relocation to another building. Prior to the implementation of the current change, the organization had a history of failed change initiatives (including poorly managed organizational restructuring which resulted in a string of law suits against the organization; see measures section for further information).

Two hundred staff members across various academic areas were surveyed. A total of 124 staff members completed surveys, representing a response rate of 62%. Gender was fairly evenly distributed (53.2% were males, 44.4% were females, and 2.4% did not report their gender). Approximately 39% of the participants were in the 30-39 age bracket. Average organizational tenure was 3.14 years ($SD=2.62$).

Data were collected at two points in time. At Time 1, a survey was administered 3 months after the initial phase of the change process. Surveys were distributed to staff members by the second author and research assistants during staff meetings. In addition, we interviewed two organizational representatives from the Human Resources Department on the previous history of change management. These representatives were asked to identify staff that had experienced poor change management history. An independent person matched the information from the organizational representatives with the survey responses using control numbers. Neither the organizational representatives nor the researcher had access to both pieces of information. At Time 2 (2 years after the survey), we obtained turnover data from organizational records for the participants of Time 1 survey. Once again, an independent person matched the survey responses with turnover data.

Measures

Actual poor change management history (PCMH). Two organizational representatives were asked to identify sections of the organization that had experienced poorly managed change in the past. These representatives observed that past change efforts (involving organizational restructuring, job redefinition, and reassignment) were ineffectively managed. For example, a change management plan was not clearly laid out by top management. Another reason for its poor implementation was that the change initiative was unilaterally implemented with no consultation or discussion with the affected parties. One of the representatives noted that the individuals responsible for the change were playing “gods”. The top management was described as antagonistic in the way they interacted with the affected employees. This resulted in a string of law suits filed against the organization. Poor change management history was coded as 1 (representing employees that experienced poorly managed change in the past) and 0 (comparison group).

PCMH-schema. This scale yielded a reliability coefficient of .79. We validated the self-report measure of PCMH-schema against the information provided by the organizational representatives, using the method of *contrasted groups* (Cohen & Swerdlik, 2002). Univariate analysis revealed that those participants who experienced poorly managed change in the past (as classified by the organizational representatives) had higher average ratings on the PCMH-schema measure ($M=4.30$, $SD=.81$), relative to their comparison group ($M=2.72$, $SD=.75$), $t(122)=-11.18$, $p<.001$.

Organizational trust. We used the 7-item scale developed by Robinson (1996). In this study, the scale had a coefficient alpha of .90.

Turnover intentions. Turnover intentions were measured with four items drawn from previous research (Fried, Tiegs, Naughton, & Ashworth, 1996; Hom, Griffeth, & Sellaro, 1984). This scale had a coefficient alpha of .89.

Job satisfaction. The 2-item scale developed by Cammann, Fichman, Jenkins, and Klesh (1983) was used to measure job satisfaction. It is designed to assess an individual's global satisfaction with the job, and has been shown to load into a single dimension that possesses adequate psychometric properties (McFarlin & Rice, 1992). This scale yielded a coefficient alpha of .72.

Cynicism About Organizational Change. CAOC was measured using the 8-item scale developed by Wanous and his colleagues (1994). For this study, the reliability coefficient of the scale was .83.

Openness to change. Openness to change was measured using a 4-item scale taken from Wanberg and Banas (2001). This scale yielded a coefficient alpha of .86.

Actual turnover. At Time 2, two years after the Time 1 data collection, we obtained turnover data from the personnel services unit. Participants were coded as 0 for stayers and 1 for voluntary leavers. A total of 23 employees (approximately 19% of the participants) had left the institution voluntarily after two years.

Control variables. We also controlled for the effects of gender, age, and tenure in our analysis.

Results

The predicted relationships were tested using path analysis. The path model had a good fit, as indicated by the various fit indices, $\chi^2(13, N=124)=13.21, ns, \chi^2/df=1.02, CFI=1.0, TLI=1.0,$ and $RMSEA=.012$. All path coefficients representing Hypotheses 1 to 7 were statistically significant and in the predicted direction.

We used binary logistic regression to identify predictors of actual turnover. Logistic regression is generally used to predict a categorical dependent variable and to also determine the percentage of variance in the dependent variable accounted for by the independent variables (Field, 2005). All study variables were included in the logistic regression. PCMH-Schema at Time 1 predicted actual turnover at Time 2. Turnover intentions at Time 1 was a marginally significant predictor of turnover ($p<.052$). Hypotheses 8 and 9 were supported.

DISCUSSION

The results of these studies provided strong support for the hypothesized relationships. PCMH (via the PCMH-schema) was negatively related to trust in the organization. This lack of trust was related to lower job satisfaction and higher turnover intentions. The results imply that when subjected to poorly managed change, employees lose faith in the organization's ability to look after employee interests. This, in turn, undermines their job satisfaction. Moreover, refusing to be vulnerable to the actions of the organization, the employees may consider exit from the organization.

On another front, PCMH-schema leads to cynicism about organizational change. Thus, previous history of poor change management lead to pessimism about successful implementation of future changes in the organization as well as undermined confidence in the ability of managers to implement change. PCMH, therefore, is an important situational predictor of CAOC. As expected, this cynicism contributed to lack of openness about change efforts in the organization. To our knowledge, this is the first study linking cynicism and openness to change. Finally,

consistent with previous research (Wanberg & Banas, 2000), openness to change was related to turnover intentions. These findings draw attention to a possible downward spiral created by poor management of change. PCMH would lead to cynicism, which in turn creates lack of openness towards change. The lack of openness would hold employees back from participating in change efforts and jeopardize the successful implementation of change. This would re-create a poor experience of change and reinforce PCMH-schema and the employee may choose to exit from the organization.

There is a dearth of research linking change-related variables and actual turnover. PCMH-schema was the strongest predictor of turnover. Our findings can be interpreted in light of the unfolding model of turnover (Holtom et al., 2005). PCMH can act as a shock, making the employee re-evaluate his or her role in the organization and predict employee exit from the organization over time. It is interesting that PCMH-schema predicted turnover a fair distance in the future (as much as two years). This finding is consistent with recent evidence of the strong and *lasting* effects of shocks (Kammeyer-Mueller, Wanberg, Glomb, Ahlburg, 2005). Kammeyer-Mueller et al. (2005) analyzed the predictive ability of critical events (that make employees more or less likely to stay) measured at the time of entry into an organization, as well as experiences over time. Although changing attitudes provided extra predictive ability, and measures more proximal to turnover date were better predictors, employee experiences at the start of the employment were predictive of turnover over a period of two years.

Future research would benefit from a temporal separation of the self-report measures to strengthen causal relationships. While we were able to relate PCMH-schema with actual turnover, future research should attempt a more fine-grained analysis of the PCMH-turnover relationship. The precise steps from the experience of PCMH-related shock to eventual exit (i.e., the unfolding process) should be analyzed. Insights from such an analysis may assist retention efforts and thus may be of considerable practical value to managers. Moreover, we did not assess the impact of job market predictors of turnover, such as job opportunities. Inclusion of these variables would provide a more complete understanding of the employee turnover process.

REFERENCES AVAILABLE FROM THE AUTHORS

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