

3-PHASE EMPLOYEE READINESS MODEL FOR SUCCESSFUL CORPORATE TRANSFORMATION

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CONTEXT AND BACKGROUND

- **Globalization has created unprecedented disruptions, imposing profound changes on business models in corporations across all industries.**
 - **As a result, companies have had to deal with traumas such as:**
 - Dramatic technological shifts
 - De-regulation in industries (banking, telecommunications)
 - Economic uncertainty in relation to energy supply
 - Rapid growth
 - Increased global competition
 - Major shifts in demography and values
- In this period of **unprecedented change**, organizations must **transform** in order to capture future opportunities.
- Despite growing evidence pointing to the need for corporate transformation, less than 40% of transformation programmes are successful. *(Isern, Meaney, Wilson, 2008)*

CONTEXT AND BACKGROUND

- **Innosight, 2016 stated the following:**
 - Average tenure of companies on the Standard & Poor's 500 Index (S&P 500) in 1965 declined from 33 years to 20 years in 1990.
 - Forecasts indicate that nearly 50% of the current S&P 500 companies will be replaced in the next ten years.

CONTEXT AND BACKGROUND

Table 1: S&P 500 Churn Over the Past Six Years
Sample companies that have exited and entered the index

EXITED THE S&P 500	ENTERED THE S&P 500
Family Dollar	Dollar General
Eastman Kodak	Facebook
Covidien	Regeneron
Computer Sciences Corp.	Accenture
Abercrombie & Fitch	Fossil Inc.
Sprint	Level 3 Communications
International Game Tech	Activision Blizzard
J.C. Penney	Trip Advisor
National Semiconductor	PayPal
Safeway	Universal Health Services
H.J. Heinz	Altera
US Steel	Under Armour
Radio Shack	Illumina
Dell Computer	Seagate Technology
Avon	NRG Energy
The New York Times	Netflix

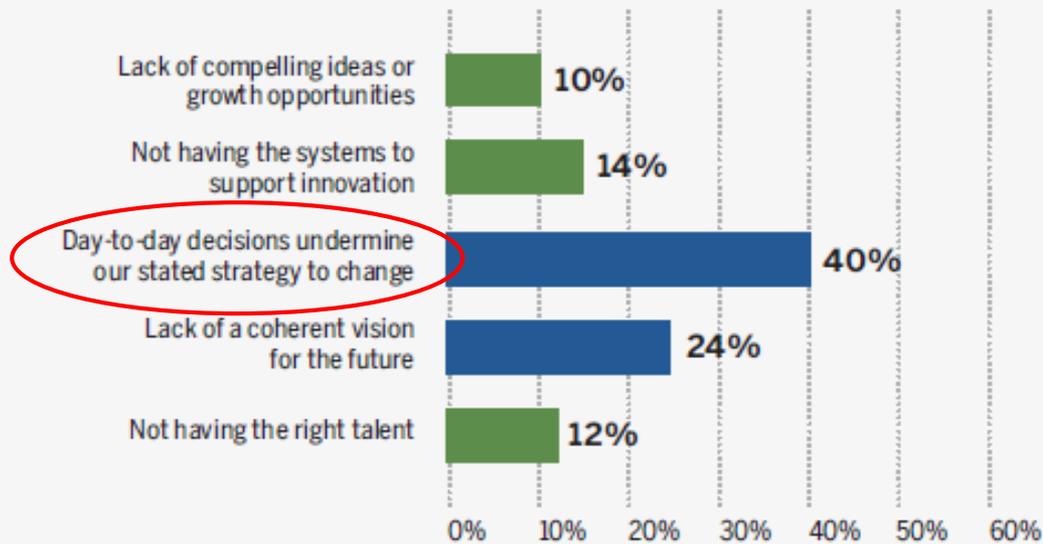
Source: Innosight Executive Briefing // Spring 2016

CONTEXT AND BACKGROUND

- Caribbean based organizations across industries (e.g. manufacturing, telecommunications and financial services) are continuously embarking on cross border operations and business model transformation.
- Caribbean Small States are very open to international trade, highly exposed to natural disasters, economic shocks, high debt and low growth.
(IMF Report on Caribbean Small States, 2013)
- Paucity of empirical work within the Caribbean context linking Human Resource Management to Corporate Transformation.
- Both the nature of the firm and the socio-cultural environment have influence on the Human Resource Management System-**Contingent Perspective**. *(Lerxtundi & Landeta,2011)*
- Organizational Culture and Operating Environment influence readiness for change.
(Hanpachem et al, 1998; McNabb & Sepic, 1995)

INHIBITORS OF SUCCESSFUL TRANSFORMATION

"What is your organization's biggest obstacle to transform in response to market change and disruption?"

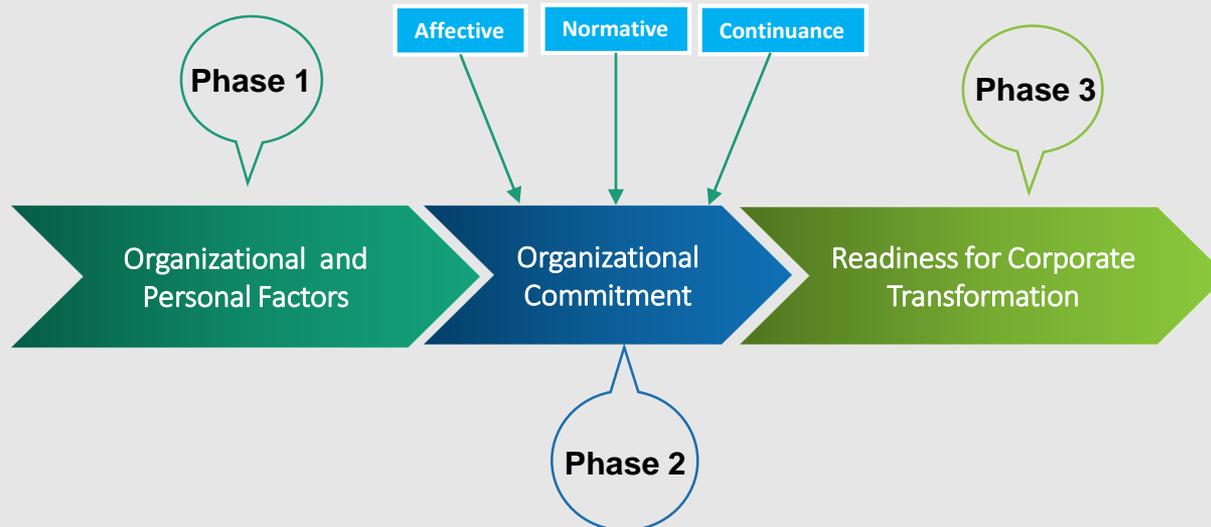


Adapted from Innosight Executive Briefing // Spring 2016

CONTEXT AND BACKGROUND

- Theoretical consensus supported by empirical work, suggests that **employee readiness** is necessary for successful change.
(Armenakis et al., 1993; Bernerth, 2004; Cunningham, Woodward, Shannon, MacIntosh, Lendrum, Rosenbloom, Brown, 2002; Eby, Adams, Russell & Gaby, 2000).
- Organizational and personal factors are accepted predictors of both organizational commitment and individual readiness for change.
(Benjamin & David, 2012; Cho & Park, 2011; Cunningham et al., 2002; Madsen et al., 2005; Ramakrishnan & Krishnan, 2009).
- OC can be defined as “the relative strength of an individual’s linkage to the organization.” *(Mowday, Porter & Steers, 1979, p 226).*
- Strategic Human Resource management needs to focus on the alignment of organizational and personal factors with organizational commitment for driving employee readiness for corporate transformation.

3-PHASE EMPLOYEE READINESS MODEL



Construct	Predictors	Functional Definition
Organizational Factors	Trust in Organizational Leadership (TOL)	Trust in management decision making capability
		Confidence in fair treatment
	Trust in Peers (TIP)	Confidence in colleagues skills
		Peer support and assistance
	Perceived Organizational Support (POS)	Organization supports employee well-being
		Organization supports employee's opinions
	Flexible Policies & Procedures (FPP)	Structure supports efficient changes
		Changes support outcomes
	Logistics & Systems Support (LSS)	Environmental conditions supports goals
		Resources provided for problem resolution
Personal Factors	Participation (PAR)	Influencing outcomes
		Contribution to policies
	Self Efficacy for Change (SFC)	Adoption to changes
		Optimism during challenges
Organizational Commitment	Affective	The organization's problem are my own
	Normative	Organization and employee values are aligned
	Continuance	Fear of losing emotional, social and economic investment
Readiness for Corporate Transformation		Readiness to accept radical change
		Coping with corporate wide changes

Social Exchange Theory - Blau (1964)

- Social exchange is a reciprocal arrangement that takes place between people within each phase of the model.
- For example:
 - Employees' commitment to the organization is driven by their perception of the employers' commitment to give them support. *(Al-Kahtani, 2013; Colquitt et al., 2014; Giaque,2015); and*
 - Employees who perceive high levels of organizational support will demonstrate increased commitment to reciprocate *(Wu & Liu, 2014).*

RESEARCH QUESTIONS

RQ1

What is the contribution of specific organizational and personal characteristics to organizational commitment of employees ?

RQ2

Does organizational commitment of employees impact employee readiness for corporate transformation?

METHOD

- Nomothetic research
- Population
 - 23 financial Firms (Jamaica, Barbados, Trinidad & Tobago , Grand Cayman)
 - Banking & Financial Services, Insurance, Investments, Mortgages (Building Societies)
- Unit of analysis - the individual
- Convenient sampling
- A cross-sectional survey study with self administered survey questionnaire.
- Statistical analysis - PLS-SEM was used to simultaneously do confirmatory factor analysis and multiple regression to fit research model to data.

STATISTICAL ANALYSIS

RESEARCH PROPOSED PATH	COEFFICIENT VALUE	T-VALUE	P-VALUE	ENTERPRISE EVIDENCE
H1: TOL→OC	0.374	6.073	0.000***	Supported
H2: TIP→OC	-0.135	3.503	0.000***	Supported
H3: POS→ OC	0.326	5.424	0.000***	Supported
H4: FPP→OC	-0.027	0.608	0.543	Not supported
H5: LSS→OC	0.072	1.267	0.228	Not supported
H6: PAR→OC	0.066	1.400	0.162	Not supported
H7: SFC→OC	0.156	3.779	0.000***	Supported
H8: OC→ RCT	0.503	13.143	0.000***	Supported

Note: * sig. at $P \leq 0.05$
 ** sig. at $P \leq 0.01$
 *** sig. at $P \leq 0.001$

Notably in this study five hypotheses were supported: H1, H2, H3, H7 and H8.

Main Findings

RQ1

The findings demonstrate that TOL, POS & SFC positively impact OC.

FPP & LSS does not impact OC.

The findings indicate that PAR does not have any relationship with OC - consistent with other findings. (*Kamal et al., 2009; Lansbury & Wailes, 2001*).

TIP has a significant and negative impact on OC.

RQ2

OC is a driver RCT.

Discussion Points

TOL, POS & SFC are critical antecedents of OC.

OC impacts employee personal well being and willingness to attain organizational goals.

Success rate of CT can be influenced by reciprocal exchanges between the organization and the employee as explained by **Social Exchange Theory**.

The implications of the findings are HRM should focus on:

- the functioning and adaptation needs (*attraction, selection, attrition & socialization*) of the organization.
- the socio-emotional needs of stakeholders during transformational change.

My future research will test the applicability and robustness of the model in other cultural settings to further inform the change readiness literature.

In this **volatile, uncertain, complex and ambiguous (VUCA)** environment, an increasing number of corporate leaders will lose control of their organization's future.