

THE IMPACT OF ORGANIZATIONAL CHANGE ON FORMALIZATION PERCEPTION: AN APPLICATION OF IT SECTOR

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ABSTRACT

The aim of this study is to investigate the effect of organizational change on formalization perception of employees. The research questions are: “What is the effect of organizational change on employees’ perceptions of formalization?” and “How the degree of formalization differs before and after privatization period?”. A conceptual model is developed and research hypotheses are tested. The findings based on the data obtained reveal that statistically, with 5 % confidence interval, there is a significant and positive relation between organizational change and formalization degree with regard to structure.

Keywords: Organizational Structure, Organizational Change, Formalization Perception, IT Sector

1. INTRODUCTION

Organizational change is obliged and decided in order to realize special or general aims and to adapt environmental changes. It depends on management's sectorial peculiarities and administrative structures. Organizational change is indispensable

in order to maintain the effectiveness and productiveness of the organizations. In this study formalization perception is influenced by organizational change. The formation of attitudes toward change and constructs are integrated from theories of organizational change with the overarching attitude perspective. Resulting from the prevalent neo-liberal trend of privatization occurring in Turkey, contingency factors (formalization, specialization, centralization) are the most important factors in changing the organizational structure.

Privatization policies have changed with time in Turkey. In order to find out how privatization process affected organizational change, a survey has been done among Turkey's leading IT sector company employees and the results are evaluated in this paper. The IT sector company, which was investigated in this study, is one of the most important cases of privatization in Turkey. Organizational structure elements were the most effected factors of this privatization processes. We focused especially on formalization level, comparing the before-privatization and after-privatization periods. We evaluate these aspects comparing the before-privatization and after privatization periods of the Turkish leading IT sector company. This study examines the changes in those employees' perception level of formalization.

2. CONCEPTUAL FRAMEWORK

For all type of organizational change, there is a source of changes. It may be the pressure from the outside or inside. Each organizational change has its source of changes. We studied privatization which is one of the external sources of change.

The major dimensions studied under the category of structural dimensions have been centralization, formalization, complexity, and organizational size. Formalization is one of them used in this study. Formalization is the degree to which an organization emphasizes rules and procedures in the role of performance of its personnel.

Formalization is one of the most important attributes of organizations to highlight important differences in the adoption of Technologies among employees. Formalization is the amount of written documentation that directs, guides, and controls employees (Lay and Guyness, 1997).

It is believed that formalization has a negative effect on the adoption of innovation (Bingham, 1976; Lai and Guynes, 1997). Formalization has been linked to greater work alienation (Aiken and Hage, 1966; Allen and Lafollette,

1977) among employees. There is a growing interest in understanding how organizational change is experienced by employees (Judge, 1999).

Privatization as an organizational change desire for transferring assets held by the government to private sector for financial, social and political reasons, privatization in broader sense, has attracted more attention in 1980s and become a rescuer for the economies of countries which suffered financial problems. Privatization of IT Sector Company has started to be used by the economies to attain considerable revenues in parallel with technological developments.

Today's people, and therefore entities, do not accept technologies less than they are used to but ask for those more developed. Fast and high-quality communication facilities created by technology have become inevitably essential which made IT one of the most favorite sectors. Following up this global development closely, Turkey has wanted to make use of this trend by privatizing its IT company which was having the qualities of a monopoly. Turkish IT sector is one of the most important cases of privatization in Turkey which was investigated in this study. The sale of public assets to the private sector has also been linked to a reduced regulatory role of government and political issues connected to policies of liberalization and deregulation.

Turkey's attempt to privatize Turkish IT sector during the period of high demand to such companies in international markets has been brought to a successful conclusion after a long process due to inconvenient legal infrastructure and lack of experience. This privatization operation brought along a number of criticism. Privatization of Turkish IT was heavily criticized from the viewpoint of price and method of privatization.

The factors related to organizational structure like formalization have an effect on organizational change. Organizational change must be supported and accepted by employees in the organization. In organizational change literature, privatization is an activity that refers to shift of the production of goods and services function from the public to private sector. Based on privatization, employees' experiences and perception of formalization may change over time. Theoretical and empirical literature has linked change and privatization. But it is not clear how privatization affects organizational formalization degree among employees.

These studies emphasize that organizations only change and restructure via their employees, and successful change will occur only when organizational members change their organizational behaviors and attitudes (Jones, Jimmieson, & Griffiths, 2005; Meyer, Srinivas, Lal and Topolnytsky, 2007). Therefore,

employees are at the heart of organizational change (Porras and Robertson, 1992; Tetenbaum, 1998). High level of formalization refers to the structures of jobs and positions with evidently describe responsibilities, regulations, functions, goals and procedures.

The aim of this study is to investigate the differences between after and before privatization period. Organizational change is different from sector to sector. The perception of formalization level is shaped as responses of employees' organizational behavior.

In this study, the literature of privatization and the IT sector are examined while examples of privatization are reviewed. And results of valuation constituting the subject matter of related critics are analyzed.

We expected, through empirical findings, to provide a fundamental for assessing the effectiveness of privatization and also some directions for future research.

3. RESEARCH METHOD

In order to confirm construct validity of the scales and subscales used in the model factor analyses were conducted. The proposed methodology will be quantitative analysis, using questionnaire data based on survey design. In this study, for scaling formalization we have developed a questionnaire that was based on organizational structure literature review and discussion with experts. The questionnaires arranged in 5-point likert format. SPSS 18.0 software package was used for statistical analysis. To discern the significance of the difference between two groups t-test was used. We used paired two sample t test to compare the same employees' formalization perception before and after privatization period. The t-test is a statistical hypothesis test in which two sets of data are different from each other, and is most commonly applied when the test statistic would follow a normal distribution. The questionnaires have been done among Turkey's leading IT sector company employees in Ankara Regional Office. The total sample consisted of 250 people. We sent questionnaire to all employees, 164 utilizable questionnaires were received back representing about 67% response rate for all questionnaires.

In order to understand the impact of organizational change on formalization perception we hypothesized that;

H₁: There will be significant differences between after and before privatization situation and formalization level.

4. RESEARCH FINDINGS

This study is based on parametric tests. The reliability of 25 item scale, as measured by Cronbach's alpha was .730. Analysis begins with the descriptive statistics of the demographic variables (gender, marital status, age, education level, title, total working time). Demographic data analysis reveal that 62,4 percent of the participants are male, 37,6 percent are female, 56,4 percent are 40-49 age range, 23 percent are 30-39 age range, 71,5 percent are married, 28,5 percent are single, 52,7 percent of participants have masters' degree, 31,5 percent have university degree, 79 percent are team leader, 28 percent are expert, 14 percent are technical worker, 4 percent are administrative worker 6 percent are manager.

Total working time is main determinant to evaluate the differences between before and after period. All participants have 10 years and over total working time in company.

Table 1. Paired 2 Sample t-Test Results

	%95 Confidence Interval Differences		t value	Sig. (2-tailed)
	Low	High		
(before formalization situation) – (after formalization situation)	-,26884	-,04146	-2,695	,008**

According to table 1, the results show that there are significant differences in the level of formalization before and after privatization period (**p<0,05). Our main hypothesis is accepted. Formalization level was high in before privatization; in the opposite it was low after privatization period.

5. CONCLUSION

This study provides an empirical assessment of the impact of organizational change on formalization perception. In particular, this study examines the changes in those employees' perception of formalization.

The findings show planned organizational change that occurs in the passing from the public to the private sector. These results emphasize the importance of employees' in the privatization process.

To this end, the basic hypothesis of research is accepted. The most important results of the study are; there is relationship between formalization and privatization which was one of the external sources of organizational change. If proximity between employee and organizational structure increases, the organizational commitment of personal will raise and competitiveness of organizations will get higher.

In this way, this study shows that organization has a system of well-defined jobs, division of labor which provide efficiency in organization after privatization period. All employees' activities are not limited, they share a common purpose and want to act together and communicate easily with each other.

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