

READY TO GO...?

Trust in Organization and Readiness to Change as Predictors of Successful Organizational Innovations: Conceptual Model with Preliminary Support

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ABSTRACT

Trust has been a long triggering construct for scholars across various disciplines. While individual level trust has been extensively dealt with by scholars in psychology; trust among strategic partners has been analyzed in extant research by strategy scholars. In the cross section of the two disciplines, organizational behavior researchers have shown attempts to link individual level trust to organizations. This paper is an effort to evaluate the trust in organization construct. Following this core objective, we aimed to combine trust in organization to perceived success of organizational level innovation. Yet, we content that readiness level of employees for change will be a mediator between trust in organization and perception of success of organizational level innovation. Qualitative insights from depth interviews allowed us to revise our model and advocate on methodological suggestions for further research avenues.

Key Words: Trust in organization, readiness to change, perceived organizational success, case analyses approach.

DEGISIME HAZIR MISINIZ?

Basarili Orgutsel Yeniligin Onculleri Olarak Orgute Guven ve Degisime Hazir Olma: Kavramsal Model Onerisi ve Temel Bulgular

OZET

Guven konusu, pek cok farkli disiplinde uzun suredir tartisilan bir konu olmustur. Bireysel duzeyde guven olgusu psikoloji yazininda cok tartisilmisken, kurumlar arasi guven strateji arastirmalarinin temel noktalarindan biri olmustur. Iki disiplinin orta noktasinda, bireysel duzeydeki guveni kuruma baglayan calismalarin sayisi son derece azdir ve bu calisma,

bireylerin kuruma duyduklari guveni arastirma amaciyla yapilmistir. Ikincil amacimiz, kuruma duyulan guven duygusunu algilanan kurumsal basariya baglamak ve iki degisken arasinda degisime hazir olma durumunun araci etkisini arastirmak olmustur. Mulakatlar sonucunda elde ettigimiz bilgiler, modelimize yeni degiskenlerin eklenmesini saglamis ve bakis acimizi zenginlestirmiştir. Bulgular ve kavramsal model, yazina kuruma guven noktasinda katkı saglamayi amaclamaktadır.

Anahtar Kelimeler: Kuruma guven, degisime hazir olma, algilanan kurum basarisi, cok degiskenli vaka analizi

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INTRODUCTION

Heraclites' statement that change is the only constant is even more prevalent in today's fierce environment. Organizations need to adapt to changing circumstances via constant innovation which is the primary source of growth and success (e.g., Grinstein, 2008). However for successful innovation, employees should feel ready for change. In a study conducted in 2009, Bouckennooghe et al. measured the readiness levels of employees for change and dimensionalized readiness for change at emotional, cognitive and intentional levels (Bouckennooghe et al., 2009).

Similarly, recent studies emphasized that trust in overall organization acts as a positive driver for change because in a trust-driven culture, employees will see the change as an opportunity for learning and for growth. (e.g., Schoorman et al., 2007; Gilbert et al., 1998). With this study, we attempt to analyze and present how trust in organizations affects perceived success of organizational level innovations via readiness of employees for change. To date, there is limited number of studies that analyzed organizational level innovation using these and we hope to contribute to our understanding by combining these three constructs into a whole framework.

The remainder of the paper is organized as follows. We present our theoretical background that focuses on trust in organization, readiness for change and perceived success of organizational level innovation constructs. After our propositions, we continue with the methodological approach where we discuss our procedure, measures and proposed statistical approaches. Following our findings, we discuss the implications of our results with a novel model proposed.

1. THEORETICAL BASIS

Measuring and analyzing organizational level innovation has been a holy grail of research especially since the last decade (e.g. Tushman & O'Reilly, 1996; Gibson & Birkinshaw, 2004; He & Wong, 2004; Lubatkin et al., 2006). Faced with turbulent dynamics at macro level,

organizations need to have maneuverability and keep up with changes (Tellis et al., 2009). As argued among majority of scholars in the field, organizational level innovation is viewed as a significant performance indicator of tackling with change management. While many studies (e.g. Belderbos et al., 2010; Andriopoulos & Lewis, 2009; Matzler et al., 2005) measured the successful innovation performance of organizations at cognitive-output level, evaluating the perceptions of employees regarding the success of organizational level innovation offers viable avenues for scholar attention.

In a study, Vakola et al. (2004) focused on change from the perceptions of employees and they argued that when employees felt ready for change, they will be more committed to their organizations and will experience positive employee outcomes. Findings of the study emphasized three important variables that accounted for readiness to change and these were emotional, cognitive and intentional readiness variables. With same token, plethora of studies offers evidence for relationship between positive employee outcomes and successful organizational level performance. Accordingly, we form our first hypothesis as below:

Proposition 1: When employees feel ready for change, they will perceive organizational level innovations as successful.

Since its conceptualization in 1967 by Griffin, organizational trust has been extensively explored in variety of fields yet there are still differences in ways scholars conceptualize it (Peters & Karren, 2009; Ellonen et al., 2008; Kenning, 2008; Erturk, 2007; Iurato 2007, Lamsa et al., 2006; Ratnasingam, 2005; Smith, 2005; Politis, 2003; Wang, 2003; Dirks & Ferring, 2001). As argued by Rawlins (2008) who conducted a compiled study on organizational trust, feeling secure to organization's responses against unstable and risky conditions has emerged as the common definition of the construct. A large body of organizational behavior research has linked trust and change constructs at employee levels (e.g. Rawlings, 2008; Kaneshiro 2008; Perry et al 2007; Moye & Henkin, 2006; Nyhan et al., 2000) and many researchers (e.g. Ellonen et al., 2008; Kenning, 2008; Erturk, 2007) argued that employees need to trust to their organizations regarding the unknowns and threats that change will bring forth. Theories of trust in organizations (e.g. Spitzer, 2007; Moye & Henkin, 2006) proposed that in organizational contexts where flow of communication among different positions is open and direct, where vision is embraced by everyone, where culture is supportive of innovations, employees will feel valued and as members of the organization.

Coined with organizational citizenship behavior (Cook & Wall, 1980), employees will not perceive change as a threat to their current posts. A related stream of research (Dirks & Ferrin, 2001) on trust emphasized that employees tend to view organizational change as an opportunity to grow and learn given that they share the common goals, objectives at all levels of the organization. Accordingly, we form our second hypothesis as below:

Proposition 2: When employees have trust in their organization, they will feel ready for organizational level change.

There is a significant number of studies (e.g. Belderbos et al., 2010; Andriopoulos and Lewis, 2009; Agarwal et al., 2003) that correlated trust to perceived organizational level of innovation yet only a small portion of these studies were conducted in services sector (few exceptions on health services industry). Additionally, almost none of these studies tested the intervening effects between trust and perceived organizational level innovation which we aim to cover with the current study. We argue that when employees develop strong senses of trust in their organizations, they will not perceive changes as threat to their positions in the organizations. Gradually as they feel ready for change, they will accept and incorporate the whole change process of the organization. The result will be successful organizational level innovation as perceived and supported by employees. Accordingly, we form the last two hypotheses of this study as below:

Proposition 3: When employees have trust in their organizations, they will perceive organizational level innovations as successful.

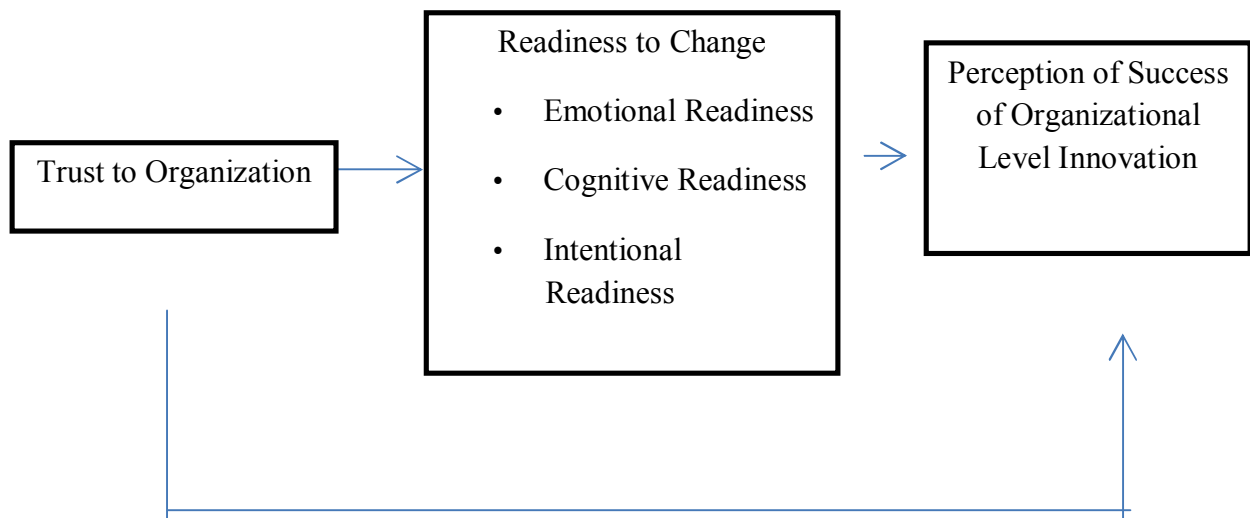
Proposition 4: Employees' feelings of readiness for change will mediate the relationship between their trust in organization and their perceptions of success of organizational level innovation

2. METHOD

2.1. Procedure

We aim to explore and analyze relationships among trust in organization, readiness to change and perceived success of organizational level innovation constructs. We argue that when employees trust in their organization, they will not see change as a threat and hence they will fully commit themselves to the change process. Based on the extant literature and regarding the arguments discussed in the background, we present our theoretical model in Figure 1.

Figure 1: Proposed Research Model



We attempt to explore and showcase relationships among trust to organization, readiness to change and success of organizational level innovation. We argue that when employees trust to their organization, they will not see change as a threat and hence they will fully commit themselves to change process. Testing and if possible, providing empirical evidence for the proposed model of relationships constitutes the primary aim of this study. Outcome of this integration will be successful organizational level innovations.

Testing multi-dependent relations among constructs requires implementation of combined and different research approaches. Rooted in contributions of Cronbach (1951) who discussed the validity and reliability matters in social sciences, scholars suggest that any empirical finding should be supported by qualitative insights ex-ante. The preliminary insights collected from the lens of participants will add to the validity of the research model and the most pronounced ways of conducting research within the boundaries of qualitative sciences include interviews, focus groups, verbalization, and repertory grids. These instruments are valuable in terms of finding answers to questions of why the proposed constructs are theorized to be interrelated. Focus groups and case analyses are some of the eminent contexts where these qualitative research instruments can be embedded.

Appreciating the suggestions of scholars, we aimed to gather ex-ante insights on our constructs. Since our research questions include trust in organizations and readiness to change which are rather subjective and difficult to operationalize, we decided to have in-person

interviews with participants from select companies. Staying in compliance with case-method rigid of Yin (2003), we selected three multinational automobile companies which also have subsidiary operations in Turkey. The selection criteria of these companies were multifaceted: The companies were all from different countries in terms of head-quarter locations, they were in operation from more than ten years and all had number of employees above 400 in Turkey. For privacy concerns, we will name these three companies as A, B and C.

Company A is headquartered in the USA and has operations in Turkey for 7 years. In terms of market share, they hold a competitive position and most of the time; they are positioned in the top second among others. There are 432 employees both in managerial and non-managerial positions. Company B is Germany origin and regarding the market share, they have dominated Turkey since their existence. There are around 412 managerial and non-managerial employees and the subsidiary of Company B has been in Turkey market for 20 years. Company C is originally a French company with employees around 470 in Turkey. Their market position has been challenged especially during the crises and the fluctuations of their revenues faced company practice downsizing in certain divisions.

Automotive industry has faced challenges during the recent crises and most of the companies had to consult to cost cutting policing including lay-offs, cuts in research and development and imposed budget constraints. These policies are known to have countervailing and confounding effects on employees' performance and satisfaction indicators. Yet, the most intriguing and unfortunate reflection on employee behaviors relates to reduced or loss of trust which stands as the most challenging feeling to re-build once destroyed and which is reported to be true in many scholarly studies.

With official permissions of our select companies, we conducted our in-depth and semi-structured interviews at their places and with 6 participants from each sample unit. Yin (2003) in her seminal chapter on case analyses, advices us to use 5 to 8 people for a simple case study which we respected in our present investigation. Researchers personally conducted the in-depth interviews at company sites and other than immediate needs for clarifications and posing of the questions, researchers assumed non-participant roles during the whole process. Each group discussion lasted around 2 hours and they were conducted in each consecutive week. Time allocated for the administration of the interviews was between September and October 2011.

In each of our sample unit, there were both managerial and non-managerial employees. Average tenure was 4 years and average age was 32. Distribution of gender was rather imbalanced (72 % male and 28 % female participants) which can be explained with the nature of industry. Education status for managerial level employees was high (90 % MBA degrees) while non-managerial employees were, in average, high school graduates. Their participation was voluntary and we ensured them of the full confidentiality of the responses.

The first step consisted of construct clarification. Participants were asked to phrase the meaning of trust in one sentence. Then they were kindly requested to connote this sentence with the recent crises and their trust in organization. The aim of this three folded procedure was to clarify the implication of trust in general and then relate the construct to realms of organizational studies. They were then asked about the effects that recent crises had on their current tasks and on their organizations as a whole. With the second part of the questions, we aimed to establish links between feelings of trust and implications of change. The latent part we sought to discover was readiness level of employees and how they perceived themselves in terms of readiness for change. The final category of questions was related to perceived success of their organizations at group and at organizational level. Since this reflects the perceived categories of employees on success, we established a second criterion where we compared the perceived success with objective data gathered from annual reports of companies.

To examine our model in further detail and find additional variables that could account for the interpretation, we posed questions regarding the interaction between trust in organization and change level. Specifically, we aimed to unfold the moderators that could operate on this interaction at latent construct level. Our in-depth interviews ended in our predetermined time intervals and after thanking and debriefing our participants on our study, we started the transcribing process.

3. FINDINGS

3. 1. Preliminary Findings

We transcribed the thoughts processes and verbalization outputs of our participants verbatim. We categorized the output with respect to three common concepts namely trust, change readiness and perceived organizational success. In order to ensure that our categorization was objective, we included two non-participants for purification and categorization of items. Inter-judge reliability was 85 % indicating acceptable level of agreement among statements of our participants.

There was almost consensus among our participants regarding the definition of trust. The common denominator of trust was verbalized as feeling of continuance, commitment and attachment to their current organization. They associated trust more with affective commitment to the organization. For trust in organization, they emphasized the importance of continuance of their work and the expectation that they will not be laid off during any crises prone repercussion. Some of them faced downsizing in terms of tasks they performed and some of them were made accountable of tasks beyond their task specifications and their salaries. None of them had to face lay-offs.

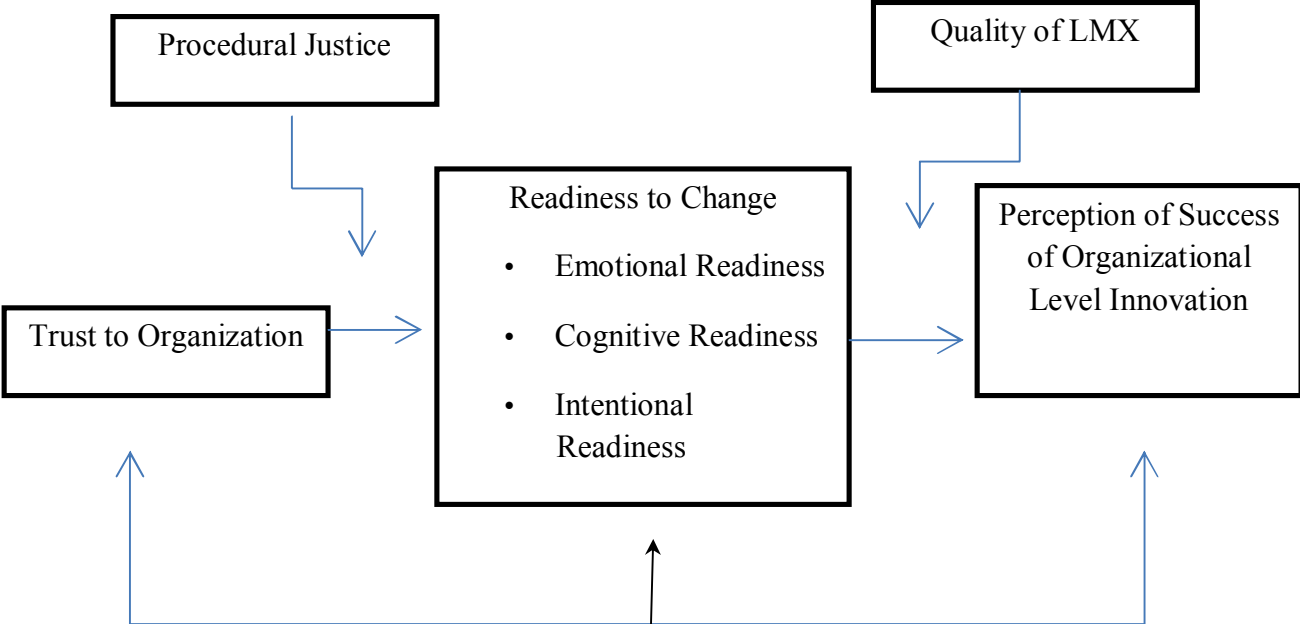
The major connotation our participants established with crises was fear. They were intimidated because they could face the risks of losing their jobs. In root causes of this fear was the change dynamic which brings uncertainty and anxiety at structural and personal levels. Most of them responded to the degree of readiness for change in terms of financial resources and whether they had alternate plans to support them in cases of loss of jobs. Emotional readiness was already implied in their responses regarding the trust in organization construct.

Perceived success of their organization was mostly verbalized in terms of market shares and their internal knowledge. They also tended to consult to Capital Turkey Magazine polls which aims to find companies that employees like to work for most. In order to cross check the reliability of their statements, we made pair-wise comparisons with annual report data of these three companies regarding recent year market share performances.

The most interesting part from these interviews relates to additional constructs they suggested and worded. One of them was justice and namely procedural justice. Accordingly, almost all participants perceived existence of procedural justice as a must to be ready for change. Justice was also seen as a triggering element to strengthen trust in the focal organization itself. In

same vein, structure of their tasks was also seen as a determining variable on the relationship between trust in organization and readiness for change. Given that their tasks were unique, necessitated conceptual skills and higher education; they did not conceive the repercussions of crises as threatening. Insights of the interviews were fruitful and many additional insights were grasped. Henceforth, we decided to revise and propose our model as in below Figure 2 Revised Model.

Figure 2: Revised Research Model



4. CONCLUSIVE REMARKS WITH FURTHER DIRECTIONS

With this study, we attempted to propose a model to be empirically validated for further scholarly interests. Embraced with insights from in-depth interviews administered in sites of select companies, we modified our original research proposal and were enlightened with additional avenues that need focus. We added procedural justice as a moderator in the relationship between trust in organization and readiness to change. Supported by extant studies in justice literature, existence of procedural justice is found to be a positive driver for various employee outcomes such as employee satisfaction, commitment and reduced intentions of turn over. In more concrete terms, we propose that trust in organizations will lead strengthen the readiness level of employees under existence of procedural justice. With same token, we added another control variable which is quality of leader-member exchange relationship. When employees feel supported from their immediate supervisors and when the quality of relationship observed between them is high, the relationship between reediness to

change and perceived success will increase because employees will actively participate in the changing process. The third construct we added in our present investigation relates to task characteristics. Owing to significant contributions of Hackman and Oldham (1976) and the novice approaches suggested by Adam Grant (2009) we decided to add Job Characteristics Model as a third moderating variable for the relationship between trust in organization and perceived organizational level success. This relationship has numerous supports in relevant literature (e.g. Brockner et al., 1994; Ambrose and Schminke, 2009) and it is reasonable to expect that job characteristics such as autonomy and feedback will have moderating effects on this proposed relationship.

The empirical validation of this model is challenging yet very contributive and intrinsically motivating. The first approach that should be paid attention while conducting the empirical test relates to common factor validity (e.g. Campell and Fiske, 1959). Since most of these constructs are self-reported, it is indispensable to collect data from at least two different sources and in different time intervals (e.g. from both managers and employees in different time sets). Checking for the factor loadings is also a must to explain for the common factor variance. For face validity concerns, questionnaires should be pretested in a convenient sample for clarification purposes (e.g. Cronbach, 1951; Muthen and Muthen, 2010).

An important methodological implication of this model relates to hypotheses testing. Since all employees are nested in groups and these groups are nested in larger organizational contexts, Hierarchical Linear Modeling approach should be utilized. Multiple regression results will only inform us on correlation values across our constructs which should be at same level. Yet, in reality, almost all constructs have cross-levels and are measured including organizational settings. Therefore application of HLM has received its right applauds among scholars.

One major limitation of this study relates to its infancy. We proposed a theoretical model that could be tested empirically, in field settings and we only gathered insights from our participants from three select companies. Number of companies was limited even though the scope of their representation was wide and all-inclusive. Yet, Yin (2003) who is an advocate on qualitative studies ensures us on the generalizeability from in-depth interviews given that they are conducted in a rigor manner. Yet we should also inform our readers on the caveat that findings from case analyses and in-depth interviews are only of informative nature and can be generalized on theoretical grounds.

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