

# An Investigation into the Impact of Organisational Change Strategy on Employee Morale and Performance at Company X

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## ***Abstract***

*There are numerous academic studies on organisational change that are based on research conducted on organisations operating in the private business sector. This study investigated the organisational change strategies adopted by a non-profit pharmaceutical company based in Pinetown, South Africa. The organisation was faced with operational inefficiencies and a declining financial position that prompted the leaders to embark on an organisational change strategy to address the problems. The aim of the study is to investigate how the organisational change strategies have affected employee morale and performance. The findings of the study indicated that three major organisational change strategies were implemented, being structural, behavioural and turnaround strategies. The specific strategies were the restructuring of divisions, sales growth strategy, and organisational culture change. The findings confirm that employee morale has declined since the changes were implemented. The lack of employee participation in the planning of the change strategy, confusion over desired behaviours, lack of role clarity, and high job insecurity, all contributed to this low morale. Performance however has not been negatively affected, as 49% of participants agree that they are making greater effort since the changes were implemented and are still committed to the organisation. Recommendations to management to address the low employee morale include increasing dialogue with employees by allowing them to participate in the planning of future changes. Organisational change affects career plans and progression; therefore management should provide career development support to have a committed workforce.*

**Key Words:** *Organisational Change, Employee Morale, Operational Inefficiencies, Change Strategies.*

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## **Introduction**

Organisational change usually occurs in response to internal or external factors that can affect the organisation's sustainability such as new market entrants, disruptive technology, competing products, or declining profitability that prompts a review of the organisation's strategic goals and plans. While the organisation undergoes change, the individual employee is ultimately forced to change as they participate in various change initiatives. The uncertainty that can be created by the change can have a detrimental impact on employee morale. Organisational change usually results in a clash between the commercial aspect and its people aspect, thus change will not be successful if managers disregard the people elements

of change (Brown, 2011:167). This study analyses the various organisational change strategies that are typically used by change agents to effect change and investigates which change strategy has been adopted by the non-profit manufacturing organisation under review.

## Background to the Study

The company which was established in 1994 is a manufacturer of plasma derived pharmaceutical products. The organisation is the largest fractionation company in Africa and the sole supplier of some of the plasma derived pharmaceutical products sold in South Africa. The growth in market demand for plasma derived products and the consequential need to increase production capacity to meet this demand resulted in an increase in the workforce from 198 to 250 in the last five years. As a pharmaceutical manufacturer the company is required to comply with current Good Manufacturing Practice (cGMP) which is the accepted industry standard for pharmaceutical companies (World Health Organisation, 2014:79). Improving the level of compliance has necessitated in the installation of new sophisticated plant and equipment, recruitment of highly skilled employees, and more focused technical training programmes. In spite of these initiatives, the organisation has experienced disruptions in its supply chain which has impacted on product availability. The pressure on employees to meet high product demand had negative consequences such as production losses. Inadequate management oversight compounded these problems resulting in decreasing employee morale. The other challenges faced by the organisation that prompted the organisational change strategy included the difficulty in maintaining routine manufacturing operations while simultaneously planning for an expansion project. The leadership was faced with the challenge of rectifying current operational problems while developing plans to address future growth requirements. The organisation embarked on a restructuring program initiated by the Chief Executive Officer (CEO) by rearranging several departments such as moving the Planning and Logistics department from the Manufacturing division to the Finance division to increase efficiencies while enhancing management oversight.

The new structure has been partially implemented with changes in scope of control for some of the affected Senior Managers. The remaining structural changes will be implemented when the new managerial posts created to separate manufacturing operations and supply chain management have been filled. In addition, the organisation implemented a new performance management system to drive the behavioural changes to support the change strategy. An external consultant was engaged to implement the performance management system for managers and supervisors. The performance management system will be rolled out to the remainder of the employees after a period of one year. Managers and Supervisors have been faced with dealing with the organisational changes and the implementation of the performance management simultaneously which could lead to stress. The organisational changes created uncertainty and mistrust. Thus management engaged the performance management consultant to conduct a change management survey and facilitate change management workshops.

The change management survey only determined the low levels of morale and trust at the company without investigating the causes. The impact of the change management strategy on employee morale and performance needs to be assessed as the organisation's long term strategy to expand into the Southern African region is reliant on committed, productive employees. The organisation depends on highly skilled employees in its production plant. Demoralised employees can result in high turnover which is a risk that the organisation needs to address by improving the morale. It is not clear whether the new organisational change strategy brought harm or good to the organisation, but evidence on the ground suggest that there was some kind of disruption in the organisational processes.

## Aim of the Study

The aim of the study is to investigate how the organisational change strategies have affected employee morale and performance. The output of the study will include recommendations on additional changes that should be implemented to improve employee morale and performance.

## Research Questions

The following research questions were addressed in support of the stated research objectives:

- Which organisational change strategies have been implemented at the company?
- How have the change strategies affected employee morale and performance?
- What additional initiatives should management implement to increase employee morale and performance?

## Significance of the Study

This study is based on a non-profit manufacturing organisation which has been in existence for 21 years and has not undergone any significant organisational changes during that period. Previous research studies have focused on understanding resistance to change, but there has been little research on the effects of organisational change on performance. The findings of this research will contribute towards understanding how major organisational change affects both employee morale and performance. From the organisation's perspective this study is significant, as the lack of understanding by management of the employees' true perspectives of the organisational changes will prevent management from responding appropriately to address employee concerns. This study will give a platform for employees to communicate how the organisational change has impacted their job satisfaction and performance. Organisational change is a significant event for the organisation itself and employees whose opinions are often not considered until resistance to change is encountered. The strategy chosen to implement organisational change will determine the complexity of the change process, which may have major impact on employee morale and performance. It is therefore important for management to take cognisance of the impact of alternative organisational change strategies on employees' wellbeing and address negative consequences of the change on organisational performance.

## Literature Review

Organisational change impacts individuals and the organisation in different ways. Change affects not only the organisation's systems and procedures, but also relationships between internal and external stakeholders.

According to Brown (2011:164) organisations respond to challenges in the internal and external environment by implementing changes which could be minor and easily achieved with little resistance, or major, requiring significant changes in how employees and the organisation operate. The presence of new competitors putting pressure on product prices, consumers demanding better quality products and services, and rapid response to their changing needs, compels organisations to review their capacity to respond accordingly. The organisation should undertake a diagnosis process to identify the problems areas, and determine what structural, behavioural or technical programmes need to be implemented in order to enhance the performance of the organisation (Brown, 2011:136). The diagnosis process is important as Armenikas and Harris (2009:130) point out that to genuinely support new change initiatives, employees must have confidence in the diagnosis of the problems. For the individual, change signifies alterations to established work relationships and job skills, modifications to work practices, and different patterns of behaviour (Brown, 2011:164). For the organisation, change denotes changes to the organisation structure, manufacturing processes and policies and procedures (Brown, 2011:164). With reference to this company, the organisational changes were major and included changes in work relationships as divisions were restructured, and a performance management system was introduced to drive new behaviours, such as accountability. Past research has focused on three aspects of change, being factors driving change, the content of organisational change, and the types of organisational change processes (Janićijević, 2013:28).

## Basic Change Management Strategies

Most researchers on organisational change strategies recognise the early work of Chin and Benne (1969) in classifying the three basic strategies of change, being “rational empirical, power coercive and normative re-educative” (Janićijević, 2013:29).

### Rational Empirical Strategy

The rational empirical strategy is based on the premise that the organisation’s members are rational individuals who, when presented with evidence that the change will be beneficial to them and the organisation, will accept it (Janićijević, 2013:30). Management will concentrate on diagnosis of the problems faced by the organisation and collecting convincing information to justify the need for change to employees. This strategy follows a top-down approach where employees adopt a passive role with little participation, resulting in likely high resistance (Janićijević, 2013:30). The emphasis of this strategy is on changing tasks or roles within the organisation, and little attention is given to social relationships that exist in the organisation (Janićijević, 2013:31).

### Power Coercive Strategy

The power coercive strategy advocates the view that the organisation is a political system in which powerful individuals direct the activities of the organisation and can use their power to initiate and impose changes on others in the organisation (Janićijević, 2013:31). The basis of this strategy is that those members of the organisation in positions of authority are expected to set the direction of the organisation, while those in lower levels are expected to submit to this control without reservation (Janićijević, 2013:31). The power coercive strategy is similar to the rational empirical strategy, in that the change is driven from the top, but there is some, though little, participation of employees who are expected to comply with the change initiatives (Janićijević, 2013:31). This strategy does not focus on modifying the values and beliefs of members of the organisation as they are required to comply with the new changes (Janićijević, 2013:31). The leader following this strategy does not give sufficient information to subordinates to assist them in understanding why the change is necessary, with the result that employees resist the changes and the levels of motivation and loyalty decrease (Janićijević, 2013:32).

### Normative Re-Educative Strategy

The normative re-educative strategy is established on the principle that the organisation is a social system in which the culture of the organisation, which includes shared values and beliefs, drives the behaviour of its members (Janićijević, 2013:32). Thus, rather than trying to change behaviour through rational arguments, the emphasis is on changing individual beliefs and values through a process of learning (Janićijević, 2013:32-33). Unlike the power coercive and rational empirical strategies, employee participation is high, using the normative re-educative strategy, leading to comparatively low resistance to change and high commitment from employees in supporting the changes (Janićijević, 2013:32-33). The choice of change strategy is usually determined by the drivers of change, with factors demanding a rapid response favouring a power coercive strategy, while rational empirical and normative re-educative strategies require some level of participation by employees – which is time consuming. The change strategy being implemented at this organisation appears to be a combination of all three change strategies. Employees were informed of the reasons why management embarked on a change process and were encouraged to provide feedback on the proposed changes, but the changes were subsequently implemented with little further participation of employees. However, while managers subsequently participated in a values workshop as part of the change process, non-managerial employees did not participate in a similar values workshop. An organisational change strategy may be defined as the plan an organisation develops to improve organisational efficiency through various change initiatives (Brown, 2011:195; Janićijević, 2013:29). There are three broad categories of organisational change strategies determined by Brown

(2011:195) – structural, technological, and behavioural strategies. The structure of the organisation is normally established after the strategy has been approved, and defines the hierarchical levels and numbers of employees required to achieve the strategy. Structural strategies focus on improving organisational and employee performance by changing reporting lines, restructuring business units, and reviewing work roles (Brown, 2011:196; Gibson, J.L., Ivancevich, J.M., Donnelly Jr, J.H. and Konopaske, R. 2012:499). The structure of the organisation produces human and social relationships, thus attempts to change the structure which disturbs these relationships may be resisted (Gibson *et al.*, 2012:499). Structural changes also include altering the nature of the job, such as the job description and role responsibilities, and redesigning the composition of departments or business units (Gibson *et al.*, 2012:500).

### **Restructuring Organisations**

Organisational restructuring is usually adopted as a turnaround strategy to survive in an increasingly competitive environment. Restructuring in the context of this research will be taken to mean reorganisation of divisions, cost reductions and reengineering of processes. The two most important aspects to be determined in a restructuring are – the identification of the affected stakeholders, and the establishment of a communication plan (Recardo & Heather, 2013:27). Before embarking on a new structure design, the leaders should assess the current structure by reviewing available data to identify its strengths, weaknesses, and the root cause of the poor organisational performance (Recardo & Heather, 2013:27). The organisation's leaders should make use of benchmarking of similar structures to design the new organisation structure; taking into consideration the alignment of the new structure with the vision and mission of the organisation (Recardo & Heather, 2013:28). The new structure design phase should extend into specifying the work teams and examining the detailed job tasks required to support the new structure (Recardo & Heather, 2013:28). The support of the Executive and middle management responsible for steering the new organisation is critical for the successful outcome of an organisational restructuring (Recardo & Heather, 2013:23). This support is demonstrated by actively participating in developing or endorsing the strategy to drive the restructuring and taking the initiative to rationalise the restructuring to key internal and external stakeholders (Recardo & Heather, 2013:23-24). Middle managers have direct access to lower level employees and have to deal with questions and confusion surrounding the changes; thus they play a crucial role in providing information and driving acceptance of the changes. The restructuring process at the company will be completed when the new managers who will lead the new divisions have been appointed.

### **Downsizing**

Many organisations across the world have implemented downsizing strategies in response to efforts to reduce costs to address declining profits. Downsizing has major implications for the organisation as it can result in the loss of knowledge from long serving employees and provoke resentment when employees are opposed to this strategy. The loss of knowledge can result in survivors of downsizing feeling frustrated and demotivated, leading to deteriorating job satisfaction (Appelbaum, S.H., Habashy, S., Malo, J-L. and Shafiq, H. 2003). Downsizing usually entails an additional workload for the survivors, leading to stress and decreased job performance (Shook & Roth, 2010:137). However, the benefits of downsizing include more rapid decision-making as unnecessary hierarchical levels are eliminated, and unproductive employees are made redundant (Shook & Roth, 2010:146). The Executive of the organisation stated that there would be no retrenchments, but as vacancies have arisen, some positions have been downgraded, or not filled, and tasks redistributed amongst remaining employees.

### **Mergers and Acquisitions**

Shook & Roth, (2010:137) found that many organisations pursue a merger and acquisition strategy to avoid research and development costs associated with new market entry, and also as a mechanism to achieve increased market share rapidly. The global pharmaceutical industry has experienced major consolidation of

companies through mergers and acquisitions in recent years in the background of price control regulation and increasing competition (Bradfield & El-Sayed, 2009:202). The industry is faced with major challenges, such as declining research and development productivity to develop new products to combat competition from generic medicines as patents expire (Bradfield & El-Sayed, 2009:204). Research by Mitra (2007:282) found that there were 22 major pharmaceutical mergers and acquisitions deals between 1990 and 2004. Only two of the top ten pharmaceutical companies in the world maintained their status through gradual growth rather than mergers and acquisition deals (Mitra, 2007:282). It has been acknowledged that further consolidation is unsustainable (Mitra, 2007:285). A non-profit company is precluded from merging with or converting to a for profit company (Companies Act 71 of 2008, Schedule 1, Section 2 (1) a.). The merger and acquisition strategy is thus not a viable option for the company to pursue.

### **Behavioural Strategy**

Organisational change fundamentally entails changing human behaviour in order to improve organisational performance. Behavioural strategies which focus on the human resources of an organisation play a crucial role in the performance of the organisation, as employees with high morale who are motivated will align their behaviour to achieve the strategic goals (Brown, 2011:198). The culture of the organisation plays a role in determining which change strategy will be appropriate for the organisation, because culture influences the behaviour of employees and how they will respond to change (Janićijević, 2013:27). Organisational culture is defined by Brown (2011:83) as the system of collective values and beliefs held by members of the organisation which connects with the organisational structure to drive behavioural norms. According to Brown (2011:424) a plan directed towards changing the organisational culture should begin with articulating a clear vision of the new strategy and the actions required to achieve it.

### **Share the vision**

The leadership must communicate a clear vision of the future to gain employee buy-in.

### **Empower the individual**

The participation of employees should be encouraged in outlining the vision to achieve alignment between the individual's goals and the organisation's vision.

### **Develop Trust**

An effective performance management system which provides feedback will help to develop trust.

### **Reward Performance**

Good performance should be recognised and autonomy in decision-making should be encouraged to empower employees in lower levels of the organisation. The organisation's leaders should target specific levels in the organisation, which will help to emphasise the behavioural and cultural changes required to achieve large scale change (Heckelman, W.L. Unger, S. and Garofano, C. 2013:26). It is the responsibility of senior managers to act as role models and drive the culture at the organisational level, by clearly communicating and emphasising the values, beliefs and culture they want to establish (Heckelman *et al.*, 2013:26). At the team level, the goal is to convert strategic goals into team responsibilities and adapt to the impact of these changes on the team (Heckelman *et al.*, 2013:26). At the individual level, the precise behaviours that are expected of the individual should be stipulated, and this should be reinforced by rewarding employees who display commitment to the new cultural values (Heckelman *et al.*, 2013:26). Problems will arise if management and employees have differing views on what behaviours are acceptable. Research by Heckelman *et al.* (2013:26) supports the view that aligning the goals of the individual to the organisation plays a major role in the acceptance and implementation of change interventions by

employees. Training is the main method used to initiate behavioural change focusing on problem solving, communication and decision making (Gibson *et al.*, 2012:501). This literature supports the decision of the company's Executive to hold a values workshop with its management team to discuss which values were important for the organisation to meet its strategic goals.

### **Performance Management**

Performance management is defined as the various activities introduced by a supervisor to drive the behaviour of a subordinate (deNisi, 2011:268). The ultimate objective of a performance management system is for employees to change their behaviour to improve organisational performance (deNisi, 2011:265). A change in behaviour will only occur when employees acknowledge the need for change and appreciate the positive results emanating from the change (deNisi, 2011:265). Furthermore, when employees do not realise how their actions impact the organisational performance, their behaviour will not be influenced by a reward system based on firm, wide performance (deNisi, 2011:272).

### **Technological Change**

Technological change encompasses the adoption of new processes for converting resources into products and services (Brown, 2011:197; Gibson *et al.*, 2012:503). Technological strategies include the purchase of new machinery and the implementation of new computer systems (Brown, 2011:197). The use of new equipment and manufacturing techniques has the potential to improve quality and productivity and result in cost savings, but this must be accompanied by structural and behavioural change to be successful (Gibson *et al.*, 2012:503). Employees may require training to acquire new skills to operate the equipment, and automation can alter working conditions and affect career paths and promotion opportunities (Gibson *et al.*, 2012:504). In addition the level of independence required by employees may change the nature of the manager's job from basic supervisory to coaching and consultation (Gibson *et al.*, 2012:504).

### **Business Process Reengineering**

Business process reengineering (BPR) is defined as a major remodelling of processes to realise gains in cost, service, quality and speed (Altinkemer, K., Ozcelik, Y. and Ozdemir, Z.D. 2011:130). According to Brown (2011:399) reengineering focuses on radically changing the work activities and fundamental processes of the organisation, in contrast to merely improving existing processes. BPR projects involve large monetary expenditures on new equipment, new personnel and training of employees (Altinkemer *et al.*, 2011:135). Research by Altinkemer *et al.* (2011:138) found that manufacturing and operations were the most affected functional areas when BPR was implemented in organisations. BPR activities are often met with challenges in the initial stages of implementation as they underestimate the level of resistance from affected employees and the difficulty in changing old habits (Altinkemer *et al.*, 2011:138). The company is a capital-intensive company, thus ongoing replacement of plant and equipment is a requirement to remain sustainable and competitive.

### **Turnaround Strategies**

According to Hough, J., Thompson Jr., A., Strickland III, A.J. and Gamble, J.E. (2011:206) turnaround strategies are usually employed when a business which has been successful is faced with serious threats brought about by poor financial performance. These turnaround strategies include revising the business strategy to increase market share, or selling off assets (Hough Jr *et al.*, (2011:207). A common tactic is to implement turnaround plans to produce increased sales volumes. This can be achieved by hiring more sales personnel, price reductions, greater sales and promotion expenditure and quick-win product improvements (Hough Jr *et al.*, 2011:207). Cost cutting measures may also be implemented when operating deficiencies can easily be identified and the organisation's cost structure is flexible to withstand major changes (Hough Jr *et al.*, 2011:207).

### Change Management Models

Lewin's 3 Step Change Model and Kotter's Eight Step Plan for Implementing Change are the two main models used to implement changes. Lewin's (1951) classic model of change entails three phases of unfreezing, changing and refreezing. This model is usually applied in situations of planned change. Unfreezing involves interrogating the organisation's present state and discarding the old behaviours and procedures that are deemed ineffective (Gibson *et al.*, 2012:489). Management should be able to clearly demonstrate how the changes will be beneficial to the employees and the organisation and provide assurance to refute the negative sentiments or fears surrounding the consequences of the change. The change phase entails developing new behaviours and procedures to replace the old methods, through training and empowerment of employees (Gibson *et al.*, 2012:490).

### Kotter's Eight Step Plan for Implementing Change

John Kotter's 1996 model of change contains eight sequential steps for implementing change, which are interrogated in recent research by Appelbaum *et al.* (2012:765-782). They are: Establish a sense of urgency; Create a guiding coalition; Develop a clear vision and strategy; Communicate the change vision; Empower people to act on the vision; Create short term wins; Consolidate gains and produce change; and Institutionalise the change. Steps 1 to 4 focus on changing the status quo similar to Lewin's unfreezing phase. Steps 5 to 8 focus on cementing the changes. Appelbaum *et al.* (2012:766-775) discuss in detail the significance of each step highlighting the need for visible and constant support from top management to gain collaboration. Kotter's model has been accepted as a model for change, but a review of literature by Appelbaum *et al.* (2012:776) found that Kotter's work had not been validated. The model requires all eight steps to be followed, which is not necessarily relevant, and it is not comprehensive enough to cover all possible situations (Appelbaum *et al.*, 2012:775). This model, however, provides practical steps to managers who have the task of implementing organisational change.

### Effects of Organisational Change on Employee Morale

Employee morale is defined as the feelings, attitudes and "psychological state of well-being" of employees in the workplace. This is often associated with satisfaction, but focuses more on the emotional state of the employee. Research has shown how high morale benefits the organisation through high productivity, improved performance, low absenteeism, innovation, and high quality work (Ngambi, 2011:764). Conversely, low morale will negatively affect the organisational employees due to demotivated employees.

### Emotional Reaction to Change

The Kubler-Ross Change Curve was developed by Elizabeth Kubler-Ross to demonstrate the stages of grief; and is now utilised to demonstrate the usual emotional stages that people experience in response to change (Goodman & Loh, 2011:244). When major change occurs in the organisation, employees go through the various stages of the change cycle at different rates (Goodman & Loh, 2011:244). It is important for leaders to acknowledge that some employees will focus on the logical explanations for the change, whilst others will be concerned about the people impact and the disruption of relationships (Goodman & Loh, 2011:244). Research demonstrates that employees who have little experience with organisational change display more emotional reactions compared to employees who have experienced change previously (Stensaker & Meyer, 2012:107).

### Breach of Psychological Contract and Job Insecurity

When organisations undergo changes due to restructuring or downscaling, employees may experience breach of the psychological contract with the organisation to provide job security and career advancement opportunities (van der Smissen *et al.*, 2013:1072). The stable environment which is familiar to the



employees is disrupted leading to feelings of insecurity (Goodman & Loh, 2011:243; Reisel, W.D., Probst, T.M., Chia, S-L., Maloles, iii, C.M. and König, C.J. 2010:85) and loss of trust due to the fractured implicit or explicit agreement between the employees and the organisation (Sloyan & Ludema, 2010:251-252). The restructuring process can result in stress and anxiety for employees; and can threaten their commitment to the organisation (Colquitt, J.A. Lepine, J.A. and Wesson, M.J. 2011:544-545). Middle managers therefore experience the biggest decrease in morale and commitment to the organisation due to the breach in the psychological contract to provide job security and career progression as maintained by (Yang, 2009:577).

### **Perceived Injustice**

Employee reaction to organisational change is influenced by their perceptions of organisational justice, which comprises distributive, procedural, interpersonal and informational justice (Fuchs & Edward, 2012:41). Distributive justice is related to equity theory and refers to whether employees perceive there to be fair distribution of job tasks and consequences following the implementation of organisational change (Fuchs & Edward, 2012:41). Changes that result in additional tasks for some employees or demotion due to reducing the hierarchical levels in the organisation may be perceived as unfair by affected employees and result in reduced employee morale. Procedural justice refers to whether procedures are observed to be consistent, ethical, and objective (Fuchs & Edward, 2012:41). The effects of perceived injustice include decreased job satisfaction (Hopkins and Weathington, 2006). Interpersonal justice refers to the extent to which individuals are treated with respect and dignity while executing organisational change (Fuchs & Edward, 2012:41). The manner in which employees are treated will influence their self-esteem and determine whether or not they actively support the change initiatives (Fuchs & Edward, 2012:54). Managers who have decision making authority will be concerned about the level of control they will have after the changes, while non-managerial employees who don't have decision making authority are more concerned about the direct impact of the change on their own position.

### **Lack of Support for Change**

Research by Morrison and Milliken (2000) found that when management does not actively encourage employee participation during organisational change and recognize employee opinions, a "climate of silence" develops when employees are unwilling to express their opinions on important matters. This eventually leads to decreased employee motivation and commitment (Morrison & Milliken, 2000). Management should demonstrate through their actions that they respect the opinions of employees in order to achieve true participation. When employees do not voice any opinion on a major organisational change initiative which personally affects them this should indicate to management that there is possibly a breakdown in trust between the employees and management.

### **Effects of Organisational Change on Employee Performance**

The primary objective of organisational change is to increase organisational performance, the success of which can be measured at lower levels of the organisation by the change in how employees perform their jobs (Carter, M.Z., Armenakis, A.A., Field, H.S. and Mossholder, K.W., 2013:943).

### **Role Confusion**

Research suggests that restructuring an organisation can have minor negative consequences for job performance as changes in specialisation or centralisation of tasks may lead to confusion about how and by whom tasks should be performed, which can delay decision making and obstruct learning (Colquitt *et al.*, 2011:544).

### **Reduced Work Motivation**

Fear over job security can lead to reduced motivation for good work performance and an increase in abnormal behaviours such as taking longer breaks and late coming (Reisel *et al.*, 2010:86). Employees may begin to question their future in the organisation, leading to “psychological withdrawal” that results in an intention to leave the organisation.

### **Disruption of Working Relationships**

An organisation has formal and informal networks, and the relationships that employees have are established through these networks. Initiatives to Increase Employee Morale and Performance: Jaros (2010:97) suggests that when employees conclude that the planned change initiative is not beneficial to the organisation, their level of commitment to the change is likely to be low. Management therefore need to demonstrate clearly how the objectives of the change initiative are aligned to the strategic goals of the organisation (Jaros, 2010:97).

### **Communication**

The failure of previous change initiatives and effectiveness of the leaders affect employee attitudes towards organisational change. The leaders should acknowledge these failures or past events that may have created scepticism and illustrate how the current initiatives will be different (Sloyan & Ludema, 2010:266). Management can counteract these negative attitudes by being transparent and allowing for open communication and involvement of employees in the change process. To encourage two way communications and build trust, management should initiate more informal discussions where they can listen and respond to employee concerns regarding the change (Sloyan & Ludema, 2010:266). Special attention should be focused on those divisions within the company that are directly affected by the organisational restructuring. Sloyan and Ludema (2010:267) suggest providing specific information to different employee groups to assist them in assessing how the changes affect them personally in addition to the benefits of the organisation.

### **Increased Interaction**

Creating an environment where trust prevails and support is provided to employees is critical to maintaining the change as found by Carter *et al.*, 2013:946).

### **Participation**

Employees can be used as change agents in their work groups by involving them in planning the change implementation or allowing them to participate in pilot programmes which gives them greater understanding of the objectives of the change initiatives (Whelan-Berry & Somerville, 2010:185). Effective participation by employees will assist them to take the initiative to solve problems that arise due to the changes which will increase their motivation and morale (Armenikas & Harris, 2009:130).

### **Training**

Training courses can be conducted to highlight the values and behaviours needed to maintain the changes (Goodman & Loh, 2011:248). Employees may feel threatened by the introduction of new technology if they do not have the skills to use the new systems or equipment. Leaders should consider implementing coaching programmes to improve employee morale and performance. A coach, acting as a change agent can drive optimism and help employees be resilient and confident in their ability to adapt to the changes.

### **Team Building**

Organisations depend on people working in teams to bring about change. Team building activities can improve co-operation between team members and improve inter-personal relationships which is important to increase trust and improve performance. The effects of the group exercises can have a high impact on improving employee morale.

### **Recognition and Rewards**

Recognising and rewarding employees for displaying the right behaviours and good performance will boost employee morale and performance.

### **Change Organisational Culture**

The actions and attitudes of top management influence subordinate responses to change; therefore they should lead by example and maintain an organisational culture favourable towards change (Sloyan & Ludema, 2010:266). The results of the change survey indicated that employees preferred a clan culture while the top leadership preferred a market culture. In a clan culture employees are willing to work hard in return for fair compensation in an environment where tradition and rituals are dominant (Colquitt *et al.*, 2011:37). In a market culture the emphasis is on increasing market share, sales growth and financial performance (Colquitt *et al.*, 2011:38). These differences can lead to low morale as employees may become confused and anxious. Management can influence culture change through the use of cultural communications which includes rituals, announcements and stories (Colquitt *et al.*, 2011:40).

### **Research Methodology**

Business research is performed using two general approaches in collecting and reporting on information, being the Positivist (quantitative) and Phenomenological (qualitative approach).

#### **Positivism (Quantitative) Approach**

Positivism supports the use of the natural science methods in the study of social reality (Bryman & Bell, 2007:16). The positivist approach relies on collecting data on reality that is observable and can be measured and analysed to discover relationships in the data that can be generalized to the population (Saunders *et al.*, 2012:134). Hypothesis are developed and tested through the data analysis process to enable conclusions to be drawn on “observable social reality” rather than perceptions (Saunders *et al.*, 2012:134). The positivist approach was considered more suitable for this study.

Quantitative research is generally used with a deductive approach where data is collected to test a theory (Saunders *et al.*, 2012:162). The study sought to identify which system wide changes had been implemented at the company thus it was necessary to obtain extensive coverage of the organisation to answer the research question. The benefits of the quantitative approach are that the use of probability sampling techniques enables the results to be generalizable to the population (Saunders *et al.*, 2012:163). A qualitative approach usually adopts a non-probability sampling approach which does not allow for generalizability. To answer the research questions on the effects of the change on employee morale and performance using the qualitative approach would have required interviewing a vast number of employees due to the diversity of the population on which this study is based. This was not considered economical both in terms of time and cost due to the geographical dispersion of participants. A mixed method combines both the quantitative and qualitative approaches in research design (Saunders *et al.*, 2012:166). While this method may provide additional benefit, it is time consuming and not cost effective.

### Research Design

Research design influences the choice of data sources; the types of data collected and provide the context for identifying the relationships amongst variables (Cooper & Schindler, 2003:146).

### Descriptive Studies

According to Saunders *et al.* (2012:171) descriptive studies are used to illustrate a precise summary of people, occurrences or conditions. According to Cooper and Schindler (2003:161) these descriptions provide data on “the who, what, when, where and how” of the population being investigated. Formal studies associated with the descriptive studies involve estimating the percentages of the population that have certain attributes and investigating the association between various variables (Cooper & Schindler, 2003:161). Descriptive studies are sometimes performed as a precursor to exploratory or explanatory research (Saunders *et al.*, 2012:171). The research design used for this study was the descriptive study, as it sought to identify which organisational change strategies were implemented at the company, and the impact of these changes on employee morale and performance.

### Research Strategy

A research strategy is the plan of action that the researcher will follow in answering the research questions (Saunders *et al.*, 2012:173). The research strategies associated with the positivist approach are the experimental design, quasi-experimental design and survey methods. The survey method is primarily linked with the quantitative research approach (Saunders *et al.*, 2012:163). This method consists of a cross sectional design in which data is collected simultaneously at a specific point in time usually by means of a questionnaire or structured interview (Bryman & Bell, 2007:55-56). The survey strategy is cost-effective and enables the collection of uniform data from a large population according to Saunders *et al.* (2012:177) and was the chosen research strategy for this study.

### Target Population

The population for this study was made up of all permanent and contract employees of the organisation who commenced employment on or before 1 April 2014 when the restructuring process kicked off. The sample was drawn from this population of 202 employees who were still employed as at 23 March 2015. The population in this study is geographically dispersed with 180 employees based in Pinetown, 15 in Westville and the remaining 7 in satellite offices in other provinces in South Africa.

### Sampling Strategy

The two sampling techniques used in research studies are the probability and non-probability sampling methods. Using the probability sampling technique, the likelihood or prospect of each sample unit to be selected is known and likely to be uniform for all items (Saunders *et al.*, 2012:261). Research questions can be answered using this probability sampling technique since the sample can be used to construe statistical inferences about the population (Saunders *et al.*, 2012:261). In contrast using the non-probability sampling method the probability of each sampling unit being selected is unknown, and thus this method cannot be used to develop statistical extrapolations about the population to answer research questions (Saunders *et al.*, 2012:262). Probability sampling can be further classified into simple, systematic, stratified or cluster random sampling (Saunders *et al.*, 2012:261). This study used a stratified random sampling as the most appropriate sampling technique. Stratified random sampling involves using one or more characteristics to divide the population into appropriate and significant divisions (Saunders *et al.*, 2012:276). The population was divided into employee groups of Executive, Management, Section Heads, and Staff. The Executive team was excluded from this study as they were directly responsible for the execution of the organisational changes and would not present an objective evaluation of their own actions. All the managers, section

heads and staff in the divisions that were restructured were selected as participants as this group was most affected by the change initiatives. The remaining participants from the general staff were selected using Microsoft Excel 2010 random number generator. A self-administered questionnaire was used for this study. There are several advantages to using a self-administered questionnaire (SAQ). Employees can complete SAQs at a convenient time and at their own pace (Bryman & Bell, 2007:242). SAQs are less intrusive than other forms of data collection. SAQs are cheaper and faster to distribute especially where respondents are geographically dispersed, than the time and cost of conducting interviews (Bryman & Bell, 2007:241). This was important for this study as employees are dispersed in three different locations in Pinetown and Westville, and 8 employees are based outside the KwaZulu-Natal Province. SAQs enable the researcher to communicate easily with participants who might otherwise be unavailable or difficult to contact (Cooper & Schindler, 2003:341). SAQs eliminate the risk of interviewer variability which occurs when an interviewer asks questions in a different manner or different order (Bryman & Bell, 2007:242). This could result in respondents' answers being biased. Due to the sensitive nature of the questions asked, it was important to ensure a high level of confidentiality to ensure respondents' answers were genuine. The use of the internet to administer SAQs is not without some disadvantages. A security risk may arise due to hacking of the website resulting in breach of confidentiality or data may be lost due to a technological breakdown (Wagner, C., Kawulich, B. and Garner, M. 2012:102).

### Questionnaire Construction

The questionnaire was constructed after taking into account the research objectives, research questions and literature review on organisational change strategies and their impact on employee morale and performance. The questionnaire consisted of 28 questions grouped into four sections as detailed below:

- Section A: Biographical data - 6 questions
- Section B: Organisational change strategies- 11 questions
- Section C: Employee morale -6 questions
- Section D: Performance - 5 questions

List questions were used for section A to collect information on the biographical data. Closed questions using the Likert style rating were used for sections B to D. The Likert-style rating requires respondents to state how strongly they agree or disagree with a statement or range of questions typically on a four, five or seven rating scale as maintained by Saunders *et al.* (2012:436).

### Pilot Study

A pilot study is used to refine the questionnaire so that respondents will not have problems in answering the questions and there will be no problems in analysing the data as stated by Saunders *et al.* (2012:451). This will enable an assessment of the validity and likely reliability of the data that will be collected (Saunders *et al.*, 2012:245). This phase is important to test the appropriateness of the wording of the questions (Sekaran & Bougie, 2013:158). The pilot study was conducted with 10 participants and 8 responses were received. All but one respondent stated that they completed the questionnaire in less than 10 minutes. Gender was omitted from the biographical data as including it would allow individuals to be easily identifiable in the management and section head levels, which would have discouraged participation in the survey. A self-administered questionnaire was chosen as the most efficient data collection instrument. Survey monkey was used to distribute the questionnaire electronically to those participants with access to a computer with internet access. An introductory e-mail was sent to all participants two days prior to the survey being distributed, informing them about the study and requesting their voluntary participation. This technique has been found to be effective in encouraging participants to comply with the request to assist the researcher. Due to the fact that some employees did not have access to computers in the workplace, hard copies of the questionnaire were printed and hand delivered to those participants by the researcher. A participant letter was attached to each hard copy questionnaire. The researcher explained the purposes of the study to the

participants and arranged to collect the completed questionnaires the following day if the participant was willing to partake in the study. A reminder e-mail was sent to those participants that had not responded three days prior to the closure of the survey. This e-mail prompted additional participants to respond, with a final total of 106 completed questionnaires being received out of a sample of 150.

## Data Analysis

Descriptive statistics is used in quantitative research to describe and summarize data about the sample numerically (Saunders *et al.*, 2012:502). Descriptive statistics focuses on two attributes being the central tendency and the dispersion (Fisher & Marshall, 2009:95). The mean, median and mode are the common measures of central tendency used in business research as maintained by Fisher and Marshall (2009:95). Descriptive statistics was used in this study which was presented using tables, pie charts and graphs to summarise the findings of the study. The limitation of descriptive statistics is that it cannot provide data for causal analysis (Fisher & Marshall, 2009:95). Inferential statistics are techniques to perform the data analysis on samples which findings can be generalised to the population (Fisher & Marshall, 2009:97). Non-parametric statistical tests were conducted in this study due to the data not being normally distributed. The Kruskal-Wallis test used in this study is the non-parametric test equivalent to the one-way ANOVA and an extension of the Mann-Whitney U test to allow the comparison of more than two independent groups (Cooper & Schindler, 2003:816). Spearman's rank correlation coefficient was used to calculate the strength of the relationship between two variables. A software package, IBM SPSS 22, was used to analyse the data collected for this study. The raw data was coded and categorised for ease of capture, into SPSS. Each questionnaire received was evaluated for completeness prior to capture into SPSS.

## Validity and Reliability

Validity and reliability is important to ensure the quality of the research and its conclusions (Wagner *et al.*, 2012:80). The confirmation of the link between the level of employee morale and the organisational changes was confirmed through the pilot study. The content and construct validity was ensured by using the literature review to guide the questions asked in the self-administered questionnaire taking into account the research questions.

## Reliability

Reliability implies that the data collection methods and analytical procedures would produce consistent findings if they were repeated by another researcher or duplicated on another occasion (Saunders *et al.*, 2012: 429). Cronbach's alpha which measures the correlation of items in the test is commonly used for internal consistency as maintained by Kimberlin and Winterstein (2008:2277) and was used to test reliability in this study.

## Limitations of the Study

The study was limited to Non-Executive employees who had been employed on or before 1 April 2014. The study relied on participant perceptions of the changes they had either observed or experienced. It is therefore possible that a lack of clarity on the Executive's strategy communication could lead to misunderstanding on what change strategies were being implemented in the organisation. A second limitation is the mistrust in the organisation between the Executive management and staff that may have influenced some respondents not to be completely accurate in their responses. The researcher reduced this limitation by providing assurance to the respondents about their anonymity, using the survey instrument and additional assurance was provided by not requiring identification of the department in which the respondent worked. The closed-ended questions did not allow the researcher to conduct in-depth interviews with the participants – which may have yielded additional information. However, given the sensitive nature of the questions, this may not have yielded unbiased information.

### Elimination of Bias

Saunders *et al.* (2012:192) defines participant bias as any issue that can generate a false response such as the lack of privacy while conducting interviews with participants. Researcher bias is defined as any matter that causes bias when the researcher records responses such as the researcher's own personal views (Saunders *et al.*, 2012:192). Selection bias can occur during the sample selection phase of research. This was avoided by using a stratified random sampling method. The lack of anonymity for participants may influence their responses. The only personal data collected was in the biographical section of the research instrument which was required for data analysis, but limited to prevent identification of participants and thus biased responses. A standard research instrument was used for the study to ensure that all participants answered the same questions. The wording was checked during the pilot survey to ensure that all participants interpreted the question the same way. The use of SurveyMonkey reduced the opportunity for participants to discuss their responses with others. The electronic questionnaire was designed to require all questions in each section to be completed before proceeding to the next section. Personal contact between the researcher and participants was limited except for the divisions where hard copies had to be distributed to participants through their managers. A covering letter was attached to each hard copy questionnaire and thus personal contact with the respondent was avoided. Objectivity was maintained during the data collection process by collecting all completed hard copy questionnaires for analysis together with the electronic questionnaires distributed via SurveyMonkey to eliminate selectivity.

### Ethical Considerations

Ethics in a research perspective refers to behavioural principles that guide conduct in relation to the rights of participants and those that are affected by the research (Saunders *et al.*, 2012:226). The researcher provided participants with information on the purpose of the study and encouraged them to contact the researcher with any questions they might have concerning the study. Informed consent is more explicit than general consent from a potential participant to partake in a research project and involves giving participants adequate information about the study that might influence their decision to participate (Alasuutari, P. & Bickman, L. and Brannen, J. 2008:99). This includes providing them with the opportunity to ask questions, time to reflect without any intimidation, and the right to decline or withdraw from participating (Saunders *et al.*, 2012:238; Alasuutari *et al.*, 2008:99). All participants who responded did so willingly, and no participant requested additional information from the researcher. A letter of consent was provided to the participants together with the questionnaire. This letter explained the reasons for conducting the research, and informed participants that their participation was voluntary. The participant letter was clear on the objective of the study to ensure that no harm came to participants. Individuals and organisations should remain anonymous unless explicit consent to attribute comments has been obtained (Saunders *et al.*, 2012:231). The participants were assured of their anonymity and that their responses would be treated confidentially. The questionnaire used in the study did not include the participants' names or gender thus ensuring an adequate level of anonymity. The permission letter from the organisation to conduct the study was obtained beforehand.

### Results

A total of 150 questionnaires were distributed, with 106 questionnaires being completed and returned. A good response rate of 69.3% was achieved. The acceptable response rate for academic studies involving individuals is approximately 50% according to Saunders *et al.* (2012:269).

### Pilot Study

The pilot study was conducted with 10 participants and 8 completed questionnaires were received. The results of the pilot study were reviewed and additional comments made by some of the respondents were taken into account in adjusting the research instrument. Question 5 in Section A on the biographical data

was changed to reflect the hierarchical level instead of the job grade due to concerns over anonymity expressed by some respondents, as there are few employees in certain grades. Five questions in Section B were changed in response to comments received during the pilot study. While most respondents stated that the questions were clear and concise, analysing the results of the questions on organisational change strategy revealed that some respondents were unclear on what organisational change entails. These questions were thus refined to be more precise in identifying possible organisational change strategies. Two questions in Section C were rephrased to remove a negative connotation, and two questions were substituted with new questions to include additional information from the literature review. One question in Section D was deleted from the final questionnaire as it was considered not beneficial in answering the research questions. One question was amended to remove a negative connotation.

### Descriptives

The three statistical tests used to analyse the data are: - the median, skewness, and kurtosis. In evaluating the distribution of values of numerical data in a diagram depicting the results of statistical testing, the data are positively skewed if it is concentrated to the left in the diagram with a long tail to the right (Saunders *et al.*, 2012:495). If the data are concentrated to the right with a long tail to the left the data are negatively skewed (Saunders *et al.*, 2012:495). The kurtosis refers to the pointedness or flatness of the distribution in contrast to normal distribution (Saunders *et al.*, 2012:495). The kurtosis value is referred to as leptokurtic and is positive when the distribution is more pointed. The kurtosis value is referred to as platykurtic and is negative when the distribution is flatter. A kurtosis value that is flanked by extremes of pointedness and flatness is declared to be mesokurtic and has a kurtosis value of zero (Saunders *et al.*, 2012:495).

The majority of respondents (40.6%) were between the ages of 31-40 years. 26.4% of the respondents were between the ages of 21-30 and 22.6% were between the ages of 41-50 years. Respondents over 50 years of age constituted 10.4 % of the respondents (N=106). Africans constituted the majority of the respondents at 54.7%, Indians 31.1%, White 9.4% and Coloured the smallest at 4.7%. 98.1% of the respondents are permanent employees of the organisation. 44.3% of the respondents have worked for the company for 1 – 5 years, 28.3% for 6 – 10 years, 9.4% for 11 – 20 years and 17.9% for over 20 years. The general non-supervisory staff formed the majority of respondents at 69.8%.

This statistic is in line with the characteristic of the organisation in which the majority of the employees are in non-supervisory operational roles. Section Heads formed 13.2% of respondents and managers formed 17% of respondents. 7.5% of the respondents have been in their current role for less than 1 year, 22.6% between 6-10 years, 5.7% between 11-20 years and 12.3% more than 20 years. The majority of respondents representing 51.9% of the sample have been in their current for 1-5 years.

### Identification of Organisational Change Strategies

The first research question sought to identify which organisational change strategies have been implemented at company. The vision and strategic goals of the company clearly explained: 50.9% of respondents agree and 16.0% strongly agree that the SMT have clearly explained the vision and strategic goals of the organisation. 15.1% are not sure, 14.2% disagree and 3.8% strongly disagree (N=106). The majority of respondents (67.0%) agree that the SMT have clearly explained the vision and strategic goals of the company.

This question was crucial in providing assurance that the respondents have been provided with information that will assist them to appropriately identify which organisational change strategies have been implemented at the company. This confirms the finding by Brown (2011:174) that the process of establishing an environment conducive to change, begins with first formulating and communicating a clear vision for the future of the organisation. The majority of respondents (67.9%) agree that the company is embarking on a strategy to increase sales. Turnaround strategies used by organisations facing poor financial



performance typically include increasing sales volumes in order to increase market share (Hough Jr *et al.*, 2011:207).

#### **The organisation has Restructured its Divisions**

52.8% of respondents agree and 32.1% strongly agree that the company has restructured its divisions in the last 12 months. 1.9% strongly disagrees, 4.7% disagree and 8.5% are uncertain. (N=106). The majority of respondents (84.9%) agree that the company has restructured its divisions in the last 12 months. This finding confirms that structural strategies which includes restructuring, centralising and decentralising are one of the three basic strategies used to effect organisational changes (Brown, 2011:196).

#### **The organisation is Downsizing/Retrenching**

42.9% of respondents disagree and 19% strongly disagree that the company is downsizing. 12.4% agree, 3.8% strongly agree, while 21.9% are unsure. (N=105) Research findings indicated that downsizing has not been established as a change strategy at the company as 61.9% of respondents disagree that the organisation is retrenching. Brown (2011:196) maintain that downsizing generally occurs during periods of economic downturn when companies are facing cash flow problems and struggling to survive. The problems facing the company are driven by internal factors rather than external economic conditions thus downsizing may not have been the most appropriate strategy to address the problems.

#### **SMT is driving a Culture change through Changing Values and Behaviour**

48.1% of respondents agree and 12.3% strongly agree that the SMT is driving a culture change in the company through changing values and behaviours. 11.3% disagree, 3.8% strongly disagree and 24.5% are unsure. (N=106)

#### **SMT is Driving a Culture Change**

The majority of respondents (60.3%) agree with the statement that management is driving a culture change in the company through changing values and behaviours. However there is a significant difference in how many years a respondent has been with the company and perceiving that Senior management is driving a culture change in the organisation through changing values and behaviour ( $H(3) = 9.182, p = 0.027$ ). Employees who have been employed for less than six years disagree with the statement. Brown (2011:31) explains that new employees need time to adjust to the organisational culture, thus they may not be aware of the existing culture of the organisation.

#### **Direct Supervisor/Manager has Changed under new Structure**

15.2% of respondents strongly disagree and 32.4% strongly disagree that their direct supervisor or manager has changed under the new structure. 17.1% of respondents are unsure, 22.9% agree and 12.4% strongly agree. (N=105).

#### **Direct Supervisor/Manager has Changed**

In the management group, 50% of respondents agree while 50% disagree that their direct supervisor has changed. The general staff who form the majority of respondents (69.8%) are the least affected by changes in reporting line as 52.1% disagree and 16.4% are unsure that there has been a change in their direct reporting line. This question was included to assess to what extent the individual respondent was affected by the restructuring.

### **New Machinery/Computer Systems have been Introduced**

38.7% of respondents disagree and 22.6% strongly disagree that new complex machinery or new computer systems have been introduced in their department. 19.8% agree, 6.6% strongly agree and 12.3% are unsure. (N=106)

### **New complex Machinery/Computer Systems has been Introduced**

The results indicated that the median response for this statement is 2 while the skewness is 0.479 and the kurtosis is -0.912. The positive value of the skewness indicates that the bulk of the distribution lies to the left of the median, which is 2 (Disagree). This finding does not support Brown (2011:197) who maintains that organisations employ technological strategies to modernise their operations by purchasing new machinery or introducing automation and new computer systems.

### **Standard Operating Procedures have Changed frequently**

38.1% of respondents disagree and 9.5% strongly disagree that standard operating procedures for their job have changed frequently in the past 18 months. 32.4% agree, 8.6% strongly agree and 11.4.0% are unsure. (N=105).

### **Standard Operating Procedures Changed Frequently**

This finding indicates that there has been no business reengineering that has taken place at the company as 47.6% disagree and 11.4% are not sure if standard operating procedures have changed frequently in the last 18 months.

### **I have participated in a new performance management system**

32.1% of respondents disagree and 12.3% strongly disagree that they have participated in a new performance management system in the past 12 months. 30.2% agree and 9.4% strongly agree, while 16.0% are unsure. (N=106).

### **Participated in a New Performance Management System**

Results showed that the PMS is not fully implemented but is a key component of the change strategy as it will drive an improvement in the organisational performance.

### **Management used their Authority to Impose Changes on Employees**

27.4% are unsure if management used their authority to impose the changes on employees without considering their opinions. 23.6% agree, 23.6% strongly agree, 3.8% strongly disagree and 21.7% disagree with the statement. (N=106).

### **Management used their Authority to Impose Changes**

There is a significant difference in how many years respondent has been with the company and Management being perceived as using their authority to impose changes on the employees without considering their opinions ( $H(3) = 9.231, p = 0.026$ ). People that have been with the company between 6-20 years are more likely to disagree that management used their authority to impose changes, and people below 6 years and above 20 years are more likely to agree. This supports the finding by Stensaker and Meyer (2012:107) who maintain that employees who have broad experience with change exhibit less emotional reactions than those employees with limited change experience.

### **SMT Demonstrates Behaviour that Supports the Change**

41.5% are unsure if the SMT demonstrate behaviour that supports the changes. 25.5% agree, 4.7% strongly agree, 11.3% strongly disagree and 17% disagree. (N=106).

### **SMT Demonstrates Behaviour that Supports the Change**

There is a significant difference in race and believing that Senior management demonstrates behaviour that supports the change ( $H(3) = 10.052, p = 0.018$ ). Africans are more likely to disagree or remain neutral.

### **Impact of Organisational Change on Employee Morale**

#### **There was Adequate Consultation regarding the Restructuring**

38.5% of respondents agree and 12.5% strongly disagree with the statement that there was adequate consultation with employees regarding the restructuring. 20.2% agree, 5.8% strongly agree and 23.1% are unsure. (N=104).

#### **There was Adequate Consultation with Employees**

The majority of respondents (51%) agree that there was inadequate consultation regarding the restructuring. There is a significant, moderate, negative correlation between Management using their authority to impose changes on the employees without considering their opinions, and there being adequate consultation with employees regarding the restructuring ( $r = -0.407, N = 104, p < 0.0001$ ). This finding supports Janićević (2012:30) who found that when the power coercive strategy is used to effect change, the participation of the organisation's members is low and consequently high resistance is encountered.

#### **I am pleased with career development opportunities**

30.8% of respondents disagree and 24.0% strongly disagree that they are satisfied with their career development opportunities. 15.4% are unsure about the statement, while 19.2% agree and 10.6% strongly agree. (N=104).

#### **I am pleased with career development opportunities**

The majority of respondents (54.8%) are not satisfied with their career development opportunities at the company. 50% of the Managers disagree with the statement. Kruskal-Wallis and crosstabs shows that there is a significant difference in current employment level at the company, and being pleased with the career development opportunities available to them ( $H(2) = 7.042, p = 0.030$ ). General staff are more likely to disagree and Section Heads are more likely to agree.

#### **Employees have fear of losing their jobs**

43.3% of respondents strongly agree and 25.0% agree that employees have a great fear of losing their jobs. 5.7% strongly disagree, 11.5% disagree and 14.4% are unsure. (N=104) Shook and Roth (2010:146) found that downsizing has a negative impact on the organisation as it increases fear and career insecurity resulting in stress in employees. The fear of job losses is surprising given that 42.9% disagree and 19% strongly disagree that the organisation is downsizing. 77.8% of managers, 67.1% of general staff and 61.5% of Section heads agree that employees do not feel secure due to fear of job losses. The job insecurity is not isolated to a particular race group as at least 61% of all races indicated a fear of job losses. The culture of the company has changed for the better: 37.5% are unsure if the culture has changed favourably since the

changes were implemented. 28.8% disagree, 13.5% strongly disagree, 16.3% agree and 3.8% strongly agree. (N=104).

**The culture of the organisation has changed for the better**

This finding supports the research by Smollan and Sayers (2009:445) who found that change recipients predominantly exhibited negative emotional reactions to changes in the culture of the organisation.

**Commitment has not been affected by changes**

40.8% of respondents agree and 16.5% strongly agree that their commitment to the company has not been negatively affected by the changes. 25.2% are unsure, 3.9% strongly disagree and 13.6% disagree. (N=103)

**My commitment to the company has not been negatively affected**

The majority (57.3%) agree that their commitment to the company has not been negatively affected by the changes. This finding supports Yang (2009:574) who found that not all employees are apprehensive about structural changes. All three employee groups being general staff, Section Heads and Managers indicated a strong commitment to the company. 54.2% of general staff, 61.5% of Section Heads and 66.7% of Managers stated that their commitment to the company had not been affected by the changes. This is in contrast to Yang (2009:577) who found that middle managers suffered the greatest breach in their psychological contract with the organisation resulting in a severe decline in their work morale and loyalty to the organisation. The change management workshops were inadequate: 43.3% strongly agree and 25.0% agree that the change management workshops have not assisted in clarifying the changes. 14.4% are unsure while 5.8% strongly disagree and 11.5% disagree. (N=104).

**Change management workshops were inadequate**

The majority of respondents (68.3%) agree that the change management workshops were ineffective in clarifying the changes. This supports Shook and Roth (2010:144) who found that organisational structural changes such as mergers and acquisitions or downsizings have a negative impact on employees who may feel disempowered and left feeling confused about what behaviours are appropriate. Heckelman *et al.* (2013:26) state that changing culture at the individual level requires the leaders to specify the behaviours that employees must demonstrate, cease or continue performing in order to be effective. There is a significant, moderate, negative correlation between the culture of the organisation having changed for the better since the changes were implemented, and the change management workshops being inadequate leaving unanswered questions about the change ( $r = -0.477$ ,  $N = 103$ ,  $p < 0.0001$ ). Janićijević (2012:32) maintains that the disadvantage of the power coercive strategy is that it results in a lack of understanding of changes, which results in their ineffective implementation.

**I have received adequate training**

40.4% of respondents agree and 12.5% strongly agree that they have received adequate training to perform their job well. 16.3% are unsure, 8.7% strongly disagree and 22.1% disagree. (N=104)

**Changes in reporting lines is causing confusion**

30.8% of respondents agree that changes in reporting lines is causing confusion about responsibility for certain tasks. 11.5% strongly agree, 29.8% disagree, 8.7% strongly disagree and 19.2% are unsure about the statement. (N=104) This supports the finding by Recardo *et al.* (2013:34) that a hurried restructuring can result in a lack of role clarity.

### **I receive regular feedback on my performance**

28.8% of respondents strongly disagree and 32.7% disagree that they receive regular feedback on their performance. 12.5% agree and 3.8% strongly agree with the statement, while 22.1% are unsure. (N=104) There is a significant, moderate, positive correlation between receiving regular feedback on my job performance, and being provided with adequate training to perform their job well ( $r = 0.416$ ,  $N = 104$ ,  $p < 0.0001$ ). The majority of respondents (61.5%) do not receive regular feedback on their performance.

### **The work environment is motivating**

16.3% of respondents strongly disagree and 24% disagree that the work environment is motivating. 28.8% are unsure, 22.1% agree and 8.7% strongly agree with the statement. (N=104).

### **The work environment motivates me to perform well**

There is a weak low negative correlation between employees feeling motivated by the work environment and the insecurity due to fear of job losses. ( $r = -0.259$ ,  $N = 104$ ,  $p < 0.008$ ). This finding is in contrast to Reisel *et al.* (2010:76) who found that job insecurity negatively affects attitudes towards the organisation. A greater number of employees (40.4%) disagree than agree (30.8%) that the work environment motivates them to perform well.

### **I make greater effort in my job performance**

40.4% of respondents agree and 8.7% strongly agree that they make greater effort in their performance since the changes were implemented. 17.3% disagree, 4.8% strongly disagree and 28.8% are undecided. (N=104) This finding supports Carter *et al.* (2013:943) who maintains that the primary objective of organisational change is to increase organisational performance which is demonstrated through employee's job performance behaviours. There is a very weak low negative correlation between employees making greater effort in their job performance and the insecurity due to fear of job losses. ( $r = -0.148$ ,  $N = 104$ ,  $p < 0.134$ ). This finding is in contrast to Reisel *et al.* (2010:76) who found that job insecurity negatively impacts work performance. The study was successful in identifying the organisational change strategies which have been implemented at the company. The findings confirm that the organisational changes have had a significant impact on employee morale and performance.

## **Findings and Recommendations**

The literature review focused on the two main elements of the study:

- Identifying organisational change strategies
- Investigating the impact of the organisational change strategies on employee morale and performance

The review of the literature on organisational change strategies firstly recognised that change in organisations typically occurs in response to internal or external challenges which force the organisation to adapt its strategy and operations. In responding to these challenges, the executive leaders adopt a change strategy which is usually driven by the complexity or urgency of the change. Three basic change strategies were identified, being: - the rational empirical, power coercive and normative re-educative strategies. The different characteristics of the three change strategies were identified which was used to ascertain which strategy had been adopted by the SMT at the company. The rational empirical strategy provides logical explanations to employees to aid them in understanding the reasons for the change. The power coercive strategy relies on the leadership asserting their power over employees by forcing them to comply with the changes. The normative reactive strategies involve the participation of employees in learning new ways in

which to behave within the organisation. The literature review identified three basic organisational change strategies, being:- the structural, technical, and behavioural strategies. Components of structural strategies include restructuring, downsizing, and mergers and acquisitions. Behavioural strategies focus on changing the organisation through changing the behaviour and performance of the individual employee. Tactics employed include changing the culture of the organisation through creating and communicating a shared vision, and aligning the goals and values of the individual with the values of the organisation. The literature review acknowledged the crucial role that management plays in acting as role models and demonstrating the desired behaviour that employees should emulate.

Organisational change can be confusing for employees, and the actions of management will influence whether or not employees accept the changes. Communication is crucial in ensuring that employees are clear on what behaviours are desired. Performance management is one of the tools used by management to influence the behaviour of employees by providing feedback, setting goals for future performance, and providing incentives to encourage improved performance. The literature review did not associate the implementation of a performance management system directly with organisational change strategies. Effective human resource practices normally include a performance management and performance appraisal system. At the company however, the introduction of the PMS coincided with the implementation of the organisational change plans. Technological change strategies involve the introduction of new sophisticated equipment or new computer systems to improve the process of producing goods and services. This may require the retraining of employees who do not possess the necessary skills to use the new equipment or computer systems. Business process reengineering is more complex than merely changing processes, and usually requires a big financial investment.

The major turnaround strategy identified in the literature review was increasing sales revenue by increasing sales volumes, reducing prices, or finding new markets. The literature confirmed that this strategy is usually used during a recession when the financial security of an organisation is at risk. The literature review confirmed that there are many negative emotional reactions associated with organisational changes. These reactions are often influenced by the hierarchical level of the change recipients, and the direct impact that the changes have on the individual. However, the changes do not always result in negative reactions, as some employees are indifferent. Organisational change has a direct influence on the employee's performance in many instances, which can negatively affect the performance of the organisation. The literature review recognised that management should anticipate how the changes will affect employees before the change is implemented, and provide support to employees to ensure that the motivation and morale of employees does not decrease. Several authors identified the need for active participation of employees in the change process. The need for effective communication was identified as important to not only get the buy-in of employees, but to keep them apprised of developments during the change process.

### **Findings from the Primary Study**

The primary objective of this study was to identify which organisational change strategies have been implemented at the company. The study was effective in identifying the major change strategies implemented, being the restructuring of divisions, the implementation of a new sales growth strategy, and the organisational culture change. The study established that the power coercive strategy was used by senior management to effect the change, and that there was insufficient participation of employees in the early implementation stage. The second objective was to investigate how the organisational change strategies have affected employee morale and performance. The study confirmed that employee morale has decreased as a result of the changes that were implemented. Respondents perceived a psychological breach of the organisation to provide job security, and 54.8% of respondents are not satisfied with their career development opportunities. The literature review found that when employees do not believe the planned change is beneficial to the organisation, their commitment level is low. This study found the opposite to be true. It found that despite the job insecurity fears, dissatisfaction with career development opportunities, and the ineffective change management workshops; 57.3% of respondents were still committed to the

organisation, which suggests that they concede that the change will be beneficial to the company. The study contributed to existing literature on change management by identifying that the performance of employees is not always affected negatively by the change initiatives. 49.0% of respondents reported that they make greater efforts in their performance since the changes were implemented. It can be concluded that management's objective of improving the performance of the company through the organisational change strategy has been successful. The study found that the behavioural change strategy has not been successfully implemented. Employees are unsure of what behaviours are acceptable, and the SMT are not effectively modelling the desired behaviours. 42.3% of respondents disagree, while 37.5% are unsure that the culture of the organisation has improved since the changes were implemented.

## Conclusion

The findings confirm that organisational change is a great undertaking that should not be implemented hastily. Management needs to first identify and assess the impact of the change strategies on operational activities, career progression, and talent retention, employee morale and performance. Employee participation and involvement will increase employee support for the planned change actions.

The study recommends the following:

### **Management should re-design the new organisation structure and clarify on the new structure and reporting lines**

There appears to have been insufficient ongoing communication about the restructuring as 17.1% of respondents are unsure if their direct supervisor or manager has changed. Communication about change should be frequent and ongoing to keep employees abreast of changes. Role clarity is required to address the confusion over responsibilities for certain tasks.

### **Management should provide divisional change management workshops**

The change management workshops were segregated according to hierarchical level. This may have contributed to their ineffectiveness as employees were not able to engage directly with the SMT who was driving the change to understand what new behaviours were required.

### **Management should create focus group to determine source of job insecurity**

It is recommended that management investigates the root causes of this widespread fear of job losses. Management should form a focus group, which includes representatives of all divisions, to brainstorm the issue and develop recommendations to the SMT to address the problem.

### **Management should provide regular performance feedback**

The SMT should formalise the performance appraisal system to ensure that all employees receive regular feedback on their performance. The rollout of the performance management system should be accelerated as this will directly influence the performance of the employees and ultimately improve the organisational performance.

### **Management should provide recognition and reward**

To reinforce new behaviours, management should recognise and reward those employees who exhibit the required behaviours.

### Career planning and development

The Human Resources Manager at the company should guide managers in designing career development plans for employees which will assist in improving job satisfaction. The study was successful in finding that the company has adopted the basic change strategies which are used to effect organisational change. The study also found that the organisational change strategies are often not implemented in isolation, and a combination of strategies is usually adopted. The company adopted the structural, behavioural, and turnaround strategies. The study also established the impact of the change strategies on employee morale and performance. The study determined that the wellbeing of the employee should be considered in planning the organisational change initiatives, as the initiatives have a direct impact on employee morale, motivation, and performance.

From this study the researcher has identified possible areas for further research. The restructuring is likely to be fully completed during the next 12 months; hence it would be useful to conduct a follow-up study after a period of one year to determine whether employee morale has improved, and whether employees are still committed to the organisation. This research study will be useful for organisations which are contemplating organisational changes similar to this company.

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