Organizational Readiness for Change: A Case Study on Change Readiness in a Manufacturing Company in Indonesia

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ABSTRACT

In today's environment, changes are compulsory for an organization in order to survive and stay competitive. Although, planned change is intended to make the organization more effective and efficient, resistance from members of the organization are expected as they foresee potential threats that can affect their future. Therefore, readiness for change from the members of the organization is a critical factor in successful change implementation. This paper discusses the aspects of organizational readiness for change which consist of perception toward change efforts, vision for change, mutual trust and respect, change initiatives, management support, acceptance, and how the organization manage the change process. This paper is also supported by a case study from a manufacturing company in Indonesia

Keywords: change readiness, perception toward change efforts, vision for change, mutual trust and respect, change initiatives, management support, acceptance, managing change.

INTRODUCTION

Because of increasingly dynamic environments, organizations are continually confronted with the need to implement changes in strategy, structure, process, and culture. Many factors contribute to the effectiveness with which such organizational changes are implemented. One such factor is readiness for change. Readiness is reflected in the organizational members' beliefs, attitudes, and intentions regarding the extent to which changes are needed and the organization's capacity to successfully make those changes. It is the cognitive precursor to the behaviors of either resistance to, or support for, a change effort (Amenakis, et al., 1993).

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There are seven aspects of change readiness according to researches, which include perception toward change efforts, vision for change, mutual trust and respect, change initiatives, management support, acceptance, and how the organization manage the change process. At its core, change readiness involves a transformation of individual cognitions across a set of employees (Amenakis, et al., 1993). It is the people who are the real source of, and the vehicle for, change because they are the ones who will either embrace or resist change (Smith, 2005) Therefore, it is vital to assess individual's readiness perception prior to any change attempt.

The purpose of this article is to clarify specifically the seven aspects of an organization readiness for change and to measure each of these aspects in a manufacturing company in Indonesia.

1. PERCEPTION TOWARD CHANGE EFFORTS

Employees' perception toward change efforts that take place within the company is an important aspect of change readiness. Moreover, employees' perceptions of the organization's readiness for change have been identified as one important factor in understanding sources of resistance to large-scale change (Eby, et al., 2000). These perceptions can facilitate or undermine the effectiveness of a change intervention (Armenakis, et al., 1993; Lewin, 1951). Employees as the target of change are central to the success of the change efforts because their attitudes, skills, motivations and basic knowledge form a significant component of the organizational environment in which change is to be attempted (Smith, 2005).

Perception influences employees' attitudes and behavior intention in facing the impending change. Past experiences, on the other hand, influence perception process in interpreting information that pass through individual cognitive process. Employees' perceptions toward the success of previous change efforts also influence change readiness. Information related to change will be associated with the individual's past experiences by giving particular attribute toward the initiated change. Individuals have preconceived notions about the extent to which the organization is ready for change. These perceptions are likely to evolve over time as individuals develop a history within the organization (Eby, et al., 2000). McDonald and Siegal (1993), Iacovini (1993), and McManus, et al. (1995) suggested that employee's attitudes toward a pending change can impact morale, productivity and turnover intentions (Eby, et al., 2000).

Moreover, employees' perception toward company's flexibility in facing change is also crucial. Employees' perceptions of the organization's ability to accommodate changing situations by altering policies and procedures was strongly related to perceived readiness for change (Eby, et al., 2000) . Employee's perceptions of the degree to which their organization has the flexibility to achieve change, and the extent to which they can actively and genuinely participate in the process, are important factors in achieving

successful change (Smith, 2005).

2. VISION FOR CHANGE

A vision states and clarifies the direction in which an organization needs to move. Without a sensible vision, a transformation effort can easily dissolve into a list of confusion and incompatible project and can take the organization in the wrong direction or nowhere at all (Kotter, 1995). Therefore, employees' understanding and comprehension toward company's vision and change's vision is very vital. Kotter (1995) also suggested the importance of creating a vision of what the change is about, tell people why the change is needed and how it will be achieved (Smith, 2005). Martin (1993) as well as Terry (2001) pointed out that a vision is an important part of a change process but leaders of organizations need to be aware that a vision should only give a direction to employees (Stadtlander, 2006).

People within an organization have to have the same aspiration toward the imminent change. Strebel (1996) noticed that many change efforts fail because executives and employees see change differently. For example, for many leaders, change means opportunity – both for the business and for themselves. But for many employees, change is seen as disruptive and intrusive (Stadtlander, 2006). Through active, ongoing and meaningful involvement in the change process people can be helped to see the connections between their personal work and attitudes and overall organizational performance and employees can be encouraged to embrace personal responsibility for achieving change (Smith, 2005). Personal valence, which clarifies the intrinsic and extrinsic benefits of the changes, can help develop momentum for change. Specifically, when employees see how the change will benefit them, they will begin to seek out ways to improve the transition (Bernerth, 2004).

3. MUTUAL TRUST AND RESPECT

Individual and organizational readiness and capacity for change needs to be based on a sound foundation of mutual trust and respect. It is important that a sufficient amount of trust is established to allow staff members to openly express dissenting views and compromise democratically. According to Cummings and Huse (1989), for change efforts to be successful, employees must trust not only the management, but also their co-workers (Eby, et al., 2000).

Mutual respect and trust are the important foundations for an effective work team. Sundstrom, et al. (1990) revealed that organizations are increasingly implementing work teams for many different reasons; to better meet customer needs, to increase innovation, and to improve organizational productivity (Eby, et Al., 2000). He, and also Goodman, et al. (1988) found evidence that work teams can enhance a variety of important organizational outcomes under appropriate conditions. While Goodman, et

al. (1988), as well as Cohen and Bailey (1997) found outcomes associated with the use of work teams include more favorable employee attitudes and other quality of work life indicators, as well as enhanced productivity and overall organizational effectiveness (Eby, et al., 2000).

4. CHANGE INITIATIVE

Organizations are continually confronted with the need to implement changes in strategy, structure, process, and culture (Armenakis, et al., 1993)**.** This is because the world has grown increasingly complex, resulting from the greater interdependence among world economies. At the same time, the world has become increasingly dynamic, resulting from the information explosion and worldwide communications (Zeffane, 1996). Without undertaking change, organization will lose its ability to compete. Without introducing adequate change in a timely and ethical manner, organizations will face difficult times and significantly reduce their chances of long-term survival (Christian and Stadtlander, 2006).

Most successful change effort begin when some individuals or some groups start to look at the company's competitive situation, market position, technological trends, and financial performance. They then try to communicate their findings, especially those that are related to crisis, potential crisis, or great opportunity that may arise This first step is essential because just getting a transformational started requires the cooperation of many individuals (Kotter, 1995).

All members of the organization should have the privilege to propose or initiate necessary change. But at the end it is the organization's leader who has to decide or initiate the necessary changes. Organization leaders become leaders because of their planning skills and their abilities to envisage and communicate a better future (Zeffane, 1996). However, people in the organization must be given the opportunity to be involved in all aspects of the change project and they must be given the opportunity to provide feedback (Waddel and Sohal, 1998).

It is people who make up organizations and it is they who are the real source of, and vehicle for, change. They are the ones who will either embrace or resist change. Actually, people do not resist change per se, rather they resist the uncertainties and the potential outcomes that change can cause (Waddel and Sohal, 1998). If Organizational change is to take hold and succeed then organizations and the people who work in them must be readied for such transformation (Smith, 2005).

5. MANAGEMENT SUPPORT

Management support for change efforts is an essential factor in creating change readiness. Armenakis, et al. (1993) revealed that the degree to which organizational

policies and practices are supportive of change may also be important in understanding how an employee perceives the organization's readiness for change (Eby, et al., 2000). This, according to Beckhardt and Harris (1987), and also Schneider, et al. (1992), in Eby et al. (2000), may include flexible policies and procedures, and logistics and systems support (for example, quality equipment, monetary resources). In addition, Armenakis, et al. (1993), as well as McManus, et al. (1995) also found that the level of trust in management may foster perceptions that the organization can withstand rapid organizational change (Eby et al., 2000).

Supports for change should be reflected in an effective change leadership. An effective leadership involves monitoring change, making the necessary mid-course corrections, and knowing when to initiate a new vision. Leading and managing strategic change requires that leaders have the capacity to learn from and adapt to change. In that process, organization learning is fostered in an environment of openness and mutual trust that allows people to embrace change and experiment without feeling threatened (Zeffane, 1996).

One form of management support toward organization's change effort can be reflected by forming a special team. The team is responsible to conduct analysis toward influencing internal and external conditions, plan change process in more detail, identify possible risks and anticipated actions, and to control implementation including progress evaluation and conduct adjustment toward real situation.

Management support can also be reflected from how change is accommodated by management through realignment of performance evaluation and employee compensation with change initiative program. Change demands sacrifice from employee. During change process, employee will feel uncomfortable with the new surrounding. Thus, sacrifice, participation and commitment from members of organizations have to be rewarded through performance evaluation and compensation.

Management action toward any obstacle in dealing with change process reflects the extent of management support. Confidence that management has taken optimal steps to face any obstacle reflects the change readiness level.

6. ACCEPTANCE

Change should be able to improve the organization's overall performance. However, for many employees, change can create feelings of uneasiness and tension, and as the change begins to take shape, organizational members may feel a sense of uncertainty and confusion (Bernerth, 2004). Because organizational change typically impacts how work is accomplished, an employee's reaction to the specific type of pending change may also be important (Eby, et al., 2000).

Employees are willing to accept change if they are convinced that the change is

beneficial for them. However, many employees do not realize the benefit and advantage of change. They are only concern about the immediate result. On the other hand, the benefit of most change can be enjoyed over a period of time. Developing understanding of the nature of and reasons for change in the early stages can provide a sound base for subsequent changes and a greater willingness to take risks and extend beyond current boundaries (Smith, 2005).

A well planned change would not be accomplished without the support of capable and committed change agent. Beckard and Harris (1987) argued that reshaping capabilities involves the knowledge, skills, and abilities of the organization as a whole to carry out the necessary requirements for successful change implementation (Jones, et al., 2005). Turner and Crawford (1998) discussed organizational capabilities needed for change. They proposed a taxonomy consisting of engagement, development, and performance management capabilities. Engagement is based on informing and involving organizational members in an attempt to encourage a sense of motivation and commitment to the goals and objectives of the organization. Development involves developing all resources and systems needed to achieve the organization's future directions. Proactively managing the factors that drive the organization's performance to ensure it consistently and effectively achieves the intended change is the capability Turner and Crawford label performance management (Jones, et al., 2005).

Changes always involve risks. Change involves moving from a known state to an unknown one, of ending the way things are done and doing things in new ways, of letting go. Thus, to reduce this risk, change readiness is mandatory. A failure to assess organizational and individual change readiness may result in managers spending significant time and energy dealing with resistance to change. An investment in developing change readiness can achieve a double benefit. Positive energy goes into creating preparedness for the changes and, in turn, there can be a significant reduction in the need for management of resistance once organizational revival is underway (Smith, 2005).

7. MANAGING CHANGE

Change would be hindered if there is conflicting programs in organization's environment. Through program realignment, all programs and initiatives within an organization have to be managed to align with the ongoing change program.

Conviction that leaders within the organization are able to manage a changing organization is a crucial foundation for growing employees' confidence toward a successful change program. According to Armenakis and Harris (2001), implementing organizational change is the most important, but also is the least understood, skill of leaders. Gilmore, et al. (1997) found that numerous organizations have experienced less than desirable performance improvement and unfavorable employees' reactions to

needed organizational changes (Armenakis and Harris, 2001).

Confidence that organization is able to deal with a challenging change is the reflection of change readiness. Sources of potential obstacle during change process have to be identified and anticipated. Pardo del Val and Fuentes (2003) have identified five fundamental sources, namely direct costs of change (Rumelt, 1995); cannibalization costs, that is to say, change that brings success to a product but at the same time brings losses to others, so it requires some sort of sacrifice (Rumelt, 1995); cross subsidy comforts, because the need for a change is compensated through the high rents obtained without change with another different factor, so that there is no real motivation for change (Rumelt, 1995); past failures, which leave a pessimistic image for future changes (Lorenzo, 2000); and different interests among employees and management, or lack of motivation of employees who value change results less than managers value them (Waddell and Sohal, 1998).

Measuring Change Readiness: A Case Study in a Manufacturing Company in Indonesia
Method
In measuring an organization's readiness for change, a change readiness survey was conducted at Company X, a manufacturing company in Indonesia. A quantitative research used self-completed but structured questionnaires, where respondents' names were kept confidential. This confidentiality allowed respondents to freely express their thoughts. Respondents were chosen through a stratified random sampling.

Participants
There were 153 employees participated in the survey, where male respondents dominated by 88%. Respondents were relatively young; about 40.3% were below 25 years old, 31.3% were 25 to 30 years old, 18.7% were 30 to 35 years old, 8.2% were 35 to 40 years old and 1.5% were 40 to 45 years old. About half of the respondents (51.9%) were high school graduates and one third of them (35.1%) held a bachelor degree. 9.2% of the respondents had diplomas, 2.3% had obtained either Masters or PhD and the rest of the respondents (1.5%) were junior high school graduates.

Respondents' work periods in the company were variable. 23.5% of the respondents have been working for less than a year, 36.4% for 1 to 3 years, 18.9% for 3 to 5 years, 7.6% for 5 to 7 years and 13.6% for more than 7 years. Their working experiences were also variable. Fresh graduates composed 34.8 % of the respondents, 29.5% responded the company as their second employment, 25% as the third employment, and 10.6% responded to have been employed more than 4 times.

Aspects of Change Readiness
Change readiness measurement was judged on a scale of 1 to 4 which covered 7 aspects. The first aspect was the perceptions toward change efforts, which discussed the employees' attitudes toward the initiation of changes. The second aspect was the understanding the vision of change to measure how the prospect of change was well

communicated and understood by the employees. The next aspect was mutual trust and respect, which assessed the amount of trust and willingness to work together with every member of the organization, including the organization leaders. Change initiatives measured how the organization members initiated the change. Organization would not be ready for change without the management support for change, which was the management's commitment to be supportive and consistent in establishing changes. Acceptance to change defined how much change was accepted. Managing change assessed parameters that describe how to establish changes.

RESULT
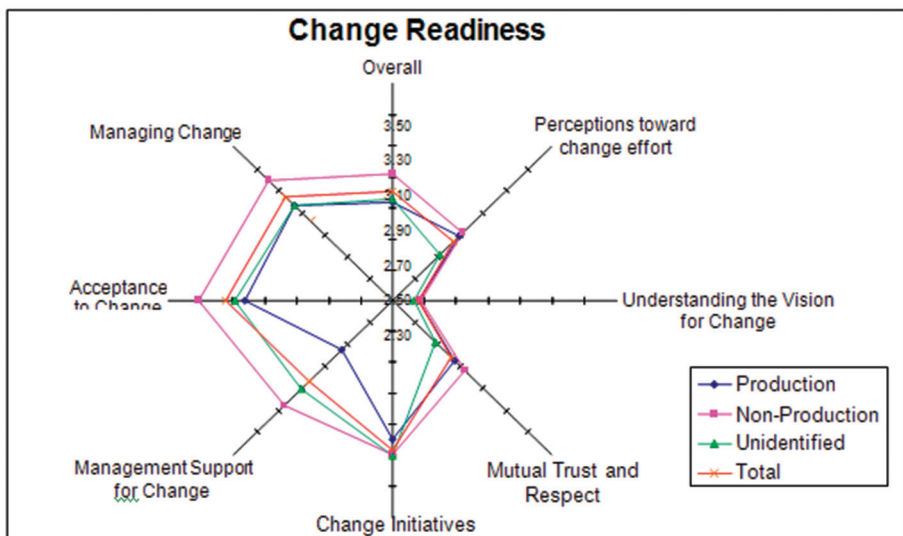
Observing all seven aspects of change readiness obtains ranks as follows: (starting with the highest score):
1. Acceptance to Change
   3.34
2. Change Initiatives
   3.26
3. Managing Change
   3.24
4. Management Support for Change   3.04
5. Perceptions toward Change Effort   2.84
6. Mutual Trust and Respect   2.82
7. Understanding the Vision for Change
   2.46

Overall, Company X **readiness index** toward changes was **3,00 out of scale 4**. Due to

the higher index than the threshold (2, 5), it can be concluded that the level of readiness is **READY.** However, there was a chance where respondents missed or skipped certain questions (e.g. to remain unidentified) which caused fluctuations in the number of respondents' answers.

CONCLUSION

When members of an organization are ready for change process, the change implementation will be easier for the change agents. Organizations consist of people, whose perceptions can facilitate or undermine the effectiveness of a change program. Change also needs vision and should be communicated effectively. Change initiatives should be made by creating a sense of urgency in the organizations. Managers need to help people to clearly see their role in new ways of doing things in order to build commitment to change. People usually afraid of the uncertainty they will face because of the change. In this situation, managers should give the people the opportunity to participate in the change projects and to give feedback. In a changing environment, the role of leaders is very critical in inspiring people to support and participate in the change initiatives. According to these following prospects, Company X has met the requirement to commence change successfully; therefore they have obtained the status **READY** to change. Issues which need further development in creating change readiness include improving understanding of change vision by doing more effective and consistent communication.

Before implementing a change program, an organization should measure the readiness of its people based on the seven aspects, in which the aspects with low score should be given specific attention. By doing so, an organization will improve its readiness in implementing a change program.

The case study discussion on the Indonesian manufacturing company should contribute to the better understandings regarding organizational readiness for change and its aspects and should become a foundation for a further research to the extended level of generalization.

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