EMPLOYEE COMMITMENT IN TIMES OF RADICAL ORGANIZATIONAL CHANGES

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Abstract. *This paper deals with employees' organizational commitment during radical organizational changes. It is stressed that organizational changes usually lead to decreased employees commitment, caused by increased job insecurity, decreased morale and trust, and increased stress. It is also emphasized that there are three types of organizational commitment. Finally, it is recommended that organizational commitment should be managed by applying adequate human resource management practices.*

INTRODUCTION

Organizational changes are increasingly becoming a major component of everyday organizational functioning. All organizations must adapt to new business environment if they are to survive. These changes often involve reorganization which affects employees in many ways (laying off, facing with new job requirements, etc). Consequently, the employees have begun to re-evaluate their commitment and relationship with organizations.

In the last two decades organizational commitment has received a great attention. Many authors indicate that employees' organizational commitment is an important issue, because it may be used to predict employees' performances, absenteeism and other behaviors. Also, organizations value commitment among their employees because it is assumed that committed employees engage in "extra-role" behaviors, such as creativeness or innovativeness. Since low job performances, absenteeism and lack of creativeness are costly to organizations, organizational commitment is assumed to be a desirable quality of their employees. But radical organizational changes have affected employees' commitment, mostly negatively.

1. ORGANIZATIONAL COMMITMENT - DEFINITION AND TYPES

There are many definitions of organizational commitment, but researchers agree that organizational commitment reflects a multidimensional psychological attachment of an individual to the organization [1, p.10]. Organizational commitment has two basic dimensions: a) it characterizes the employee's relationship with the organization, and, b) it has implication for the decision to continue or stop membership in the organization [2, p.9].

According to Allen and Meyer (1990), there are three types of organizational commitment: affective, continuance and normative organizational commitment [2, p.8].

Affective commitment is the most common representation of organizational commitment. It represents employee's emotional attachment to organization and its goals. It results from an agreement between individual and organizational values and goals. Individuals who are affectively committed to their organizations believe in the organizations' goals and wish to maintain their organizational membership. Individuals develop a sense of affective commitment toward their organizations when they feel competent performing their jobs and are satisfied with their roles as organizational members.

There are many factors that may influence the level of affective commitment. They can be divided into two groups: a) individual-level factors, and b) organizational factors. Individual-level factors include, for example, factors such as: personality, values orientation, education, age, etc. Organizational factors include: believing that employee's roles and job goals are clearly defined, management support, regarding employee's job performances, etc. [1, p.12].

Continuance commitment represents cognitive attachment between employees and their organizations because the costs of leaving organizations outweigh the benefits [1, p.15]. Costs may include loosing a good pay and other forms of material benefits, established networks or contacts, image, necessity to reallocate, job search expenses, etc. Sometimes employees express continuance commitment because of personal investments in nontransferable investments. These investments include some special skills that are unique to a particular organization, close working relationships with coworkers, and other benefits that make it too costly for one to leave organization and seek employment elsewhere.

There are many factors that may lead to continuance commitment. One of them is the level of investment they have accumulated in organization. Some of employees make financial investments upon joining an organization. On the other side, some of them make nonfinancial investments to gain the role status within their organizations (they "sacrificed" to create it). The second factor leading to a sense of continuance commitment may be the employees' perceived lack of alternatives outside of the organization. If employees believe that fewer work opportunities exist outside of their organizations, the perceived costs of leaving current organizations will be higher, and they will develop a stronger sense of continuance commitment to their organizations.

*Normative commitment r*epresents feeling of obligation to remain with an organization [1, p.9]. Employees think that they ought to remain with an organization because they think it is morally right to do so (employees have received scholarships, training investments, etc.). Factors that may influence the level of normative commitment are education, age, etc.

Organizational commitment is a dynamic, reciprocating concept, too. That means that if the employees are committed to their organization, they expect their organization to be committed to them. Figure 1 represents this reciprocal relation.
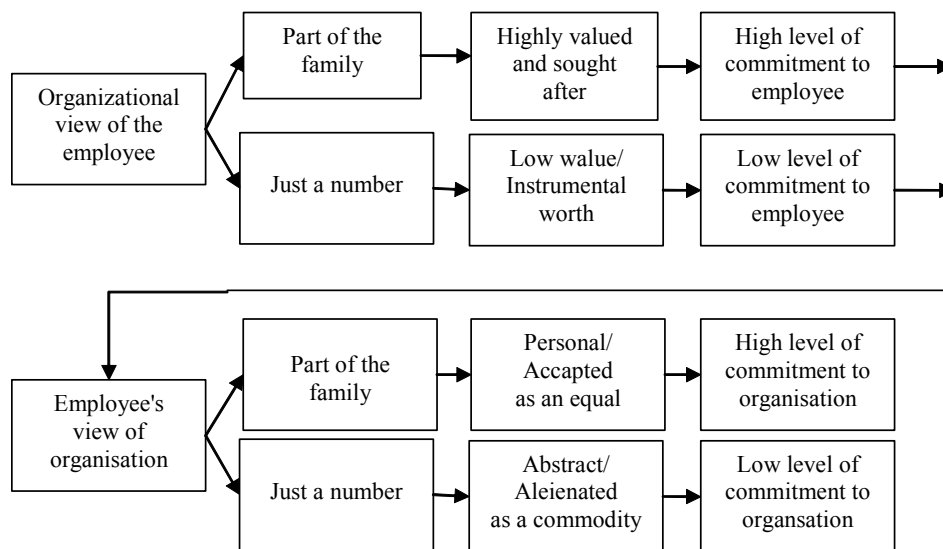

Fig. 1. Psychological Attachment and Commitment: Organization and Employee Viewpoints

Source: T. Gardner, P. Wright: "Employee commitment in times of radical change: further evidence of a changing psychological contract", *Basic and Applied Social Psychology*, 1998, 20, p.320.

2. IMPACTS OF ORGANIZATIONAL CHANGES ON EMPLOYEES' COMMITMENT

In periods of radical changes such as mergers, acquisitions and downsizing, employees may feel that their attachment (commitment) to the organization has changed, usually decreased. The main reasons leading to decreased commitment during this organization transition are [2, p.10-13]:

1. job insecurity,
2. decreased trust,
3. job redesign, and,
4. increased stress.

1. *Job insecurity* occurs only in the cases of involuntary job loss [3, p.440]. Some authors conceptualize job insecurity as "the perception of a potential threat to continuity" [4, p.11]. Since the basic characteristic of mergers, acquisitions and downsizing is threat to continuity and involuntary job loss, this changes lead to job insecurity.

Greenhalgh and Rosenblatt (1984) formulated a job insecurity model with two variables, as follows:

job insecurity = perceived severity of threat x perceived powerlessness to resist threat

a) The severity of the threat to continuity depends on the scope and importance of the potential loss. For example, severity of the threat to continuity depends on whether [3, p.440]:

- the anticipated loss is temporary or permanent,
- the action causing the loss is layoff or firing,
- change represents loss of the job itself or loss of job features.

b) The sense of powerlessness is second element of job insecurity model. Powerlessness can take four basic forms. The first form is lack of protection. Employment contracts and unions are forms of employees' protection serving to reinforce individual's power to resist threats to continuity. If there is no such protection, the sense of powerlessness will be high. The second form is unclear expectancies. Sometimes employees do not know what performances are necessary to maintain status in a job. The third form of powerlessness is culture of the organization. An authoritarian culture, for instance, would provide little opportunities and many threats. The fourth factor affecting powerlessness is the employees' beliefs about the organization's procedures for employees laying off. If procedures are perceived as unfair, the sense of powerlessness will be higher.

There is no doubt that job insecurity affects the work performances. But many authors have found different evidences. Some of them have found that a moderate amount of job insecurity leads to increased work performances, but some of them have found that job insecurity leads to decreased work performances. Joel Brockner (1992) has found a very interesting relation between job insecurity and work performances which can be shown as follows (Fig. 2) [5, p.16]
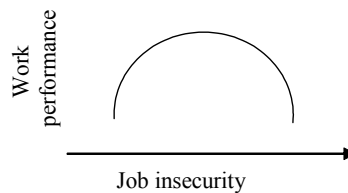

Fig. 2. The Effect of Job Insecurity on Work Performance

In general, we may conclude that in the case of high job insecurity employees commitment will decrease, especially its affective component. But we assume that continuance component could have an increasing tendency to some level, before it starts decreasing as job insecurity becomes more threatening.

2. *Decreased trust*. The role and importance of trust in employee and employer relationship have been recognized in management literature. It was found that trust has a significant association with effectiveness, quality of organizational communication, team work, performances, etc. Trust is based on the psychological contract and on the ethical behavior of management. Radical organizational changes associated with layoffs or breaking psychological contracts often lead to a sense of unethical management behavior.

The psychological contract held by an employee consists of beliefs about the reciprocal obligations between the employee and his or her organization. Employees assume if

they work hard enough and express high performances, their jobs will be safe. But corporate restructuring during 1980s and 1990s has changed this traditional employee/employer relationship. The basic dimension of a new employment contract is that the employment relationship is situational [6, p.158] Noer. This means that no one has a lifetime job. The employees assume this new contract as violation of the old psychological employment contract, which usually leads to reduced commitment to the organizations.

Also, the employees may express decreased trust in management when they consider management behavior as unethical. Until the early 1980s most managers balanced the interests of the various stakeholders [7, p.44]. But in the nineties it became obvious that managers put in the first place the interests of the shareholders. The explanation could be that management suffered significant pressure from shareholders who expected high returns on their investments. Consequently, the management often implies massive layoffs in order to reduce costs and improve profits. But, beside shareholders, the organizations' stakeholders are employees, society, etc. What about their interests?

We may conclude that the greater degree of trust that the employee experience, the greater individual sense of violation will be. Therefore, those to be most affected are those who are most emotionally committed to their employers.

3. *Job redesign*. A significant concern of many employees during radical changes is their inability to absorb and cope with increased work loads. The employees are concerned if their job characteristics will change too much. The changes could be quantitative or qualitative. Quantitative changes imply increase in work while qualitative ones imply changes in tasks. Employees often perceive this new environment as more threatening rather than filled with opportunities. The employees, who lack the ability to cope with their new tasks, are more likely to respond negatively to such radical changes. Consequently, they are likely to express less commitment to their organizations.

4. *Increased stress*. Radical organizational changes often lead to increased stress which consequently leads to reduced commitment. Stress is primarily caused by uncertainty or the inability to adapt to the new work situation. It has been widely documented that during downsizing, for instance, the best performers, who are essential for the continuation of the organization, often leave voluntary. Consequently, crucial skills disappear if organizational memory is disrupted or completely lost. Also, clinical observation of the victims of downsizing attests that their experiences of loss signify that downsizing is an extremely traumatic event [8, p.134].

The symptoms of stress are different. Employees may express, for instance: passive, aggressive or resigning behaviors. According to Elizabeth Kubler-Ross (1969), employees who see organizational changes as extremely traumatic events go through several stages in which they express different feelings: denial, anger, bargaining, depression and acceptance [6, p.131].

It is obvious that stress caused by radical organizational changes mostly leads to decreased morale, motivation and commitment to the organization.

3. MANAGING EMPLOYEES ORGANIZATIONAL COMMITMENT

Employees' commitment is a valuable and intangible asset which can produce very tangible results. It is therefore important for management to build and manage employees' commitment, especially after radical organizational changes. Since there are different types of commitment it is important to build the right one.

Empirical evidence shows that affective commitment is strongly related to the results that organizations value the most. So, the management should implement policies which will increase this type of commitment. These policies could be divided into two groups: short-term and long-term policies [9, p.23]:

Short-term policies leading to increased affective commitment are:

- treating the employee with respect and consideration; employees must feel that they are valued and appreciated,
- organizations are to be customer-oriented; employees tend to identify with an organization that respects them as well as its customers,
- management must clearly define the job and responsibilities of employees; supervisors must precisely communicate to their employees what has to be done and what their expectations are,
- designing stimulating jobs; a tasks that allows employees to use their skills, professional knowledge and judgment, offers job enrichment and employee autonomy. This significantly contributes to increasing organizational commitment, and,
- providing high quality information to employees about company's plans and activities; this is extremely important during periods when the company is experiencing a crisis since, at that time, employees feel insecure and uncertain about the future.

Long-term polices leading to increased affective commitment are human resources management practice which are valid for a long period of time. These practices are:

- *Recruitment and selection*. Recruitment strategies may be designed to influence the desirable type of commitment. Organizations may provide practical job previews that describe both positive and negative aspects of the job. When organizations provide such information, applicants are better able to determine whether the job will meet their specific needs.
- *Socialization and training*. Providing a supportive environment tends to be a very effective strategy for strong sense of employees' commitment. Training, otherwise, might lead to different forms of commitment. Employees who receive training might perceive that the organization values them as individuals and therefore develop a stronger affective commitment. The same training could lead to the development of continuance commitment if it provides specific skills which are valuable only to that organization.
- *Assessment and promotion*. The perception of fairness in the assessment and promotion process is also very important. Affective commitment is likely to decrease when an employee perceives assessment and procedures as unfair.
- *Compensation and benefits*. Compensation and benefit packages may be viewed in two different ways. If the employees view a compensation and benefits package from a purely financial view point, then continuance commitment may increase. If however, the employees perceive the organization as one that is fair in rewarding its employees, then affective commitment is likely to increase.

CONCLUSION

From an organizational point of view, employees commitment is a valuable asset. It has a strong correlation with job performances, absenteeism, motivation, creativeness, etc. Organizational commitment is not a unidimensional phenomenon. There are different types of it: emotional, continuance and normative commitment. Employees with high emotional attachment to organization have strong motivation to contribute to the organization goals, because they see them as theirs. Continuance commitment refers to the employees who remain with the organization because the costs of leaving it are too high. Normative commitment comprises the employees who have some obligation to stay with an organization.

Radical organizational changes often lead to reduced commitment caused by increased job insecurity, increased stress, decreased trust and job redesign. Since organizational commitment has strong correlation with job performances it is very important to reinforce it by applying the right human resources polices.

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ORGANIZACIONA POSVEĆENOST ZAPOSLENIH U USLOVIMA RADIKALNIH ORGANIZACIONIH PROMENA

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U radu se govori o organizacionoj posvećenosti zaposelnih u uslovima radikalnih organizacionih promena. Ukazano je da u uslovima takvih promena najčešće dolazi do smanjenja posvećenosti zaposlenih preduzeću zbog povećane nesigurnosti zaposlenja, umanjenog morala i poverenja i povećanog stresa. Takođe, ukazano je da postoje tri tipa organizacione posvećenosti. Konačno, ukazano je i na potrebu da se upravlja organizacionom posvećenošću zaposlenih primenom odgovarajućih praksi upravljanja ljudskim resursima.