

IMPACT OF ORGANIZATIONAL CHANGE ANTECEDENTS ON JOB SATISFACTION: THE MEDIATING ROLE OF PERCEIVED FULFILLMENT OF PSYCHOLOGICAL CONTRACT

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Abstract

The relationship between employee and employer has faced revolutionary shifts in the past decades, causing radical changes in psychological contracts. This study explores the impact of organizational change antecedents as cause (type of change, personal impact of change, frequency of change and successfulness of past changes) on the perceived fulfillment of organizational obligations as content/mediating variable (job content, career development, social atmosphere, organizational policies, work life balance, and rewards) and job satisfaction as consequence. Furthermore, this review offers propositions based on current literature for further in-depth empirical investigations to find out the combined effects of organizational change antecedents, perceived fulfillment of organizational obligations and behavioral outcomes with academic and practical relevance.

Keywords: Organizational Change antecedents, Job Satisfaction, Perceived Fulfillment of Organizational Obligations, Employee Relations

Introduction:

The extensive workplace transformations and transitions have affected the employee-employer relationship in contemporary organizations. Few empirical researches can be found in the last decade about how employees respond to these major organizational changes and how employees take decisions based on attitude towards change (Freese, 2007, 2011; Pate, *et al.*, 2000; Smissen, *et al.*, 2013). This change and uncertainty are the fundamental elements demanding redefine the employer-employer

relationship (Guest, 2004; Shore, *et al.*, 2004). So far, the development of theory and research progressed to two different angles about influences of PC and organizational change alongside employees' attitude and behavior.

On one hand, the organizational change researchers have highlighted individual level factors e.g. attitude towards change (Freese, 2011), Normative commitment to change (Armenakis, *et al.*, 2007; Cunningham, 2006), resistance to change (Stanley, *et al.*, 2005; Oreg, 2003) openness to change (Wanberg and Banas, 2000; Axtell, *et al.*, 2002), affective commitment to change (Cunningham, 2006; Herscovitch and Meyer, 2002), coping with change (Cunningham 2006; Judge, *et al.*, 1999), Change commitment (Herold, *et al.*, 2007; Hornung and Rousseau, 2007), Readiness for change (Madsen, *et al.*, 2005). Oreg, *et al.*, (2011) reviewed empirical studies published in the last 60 years related to "change recipients' reactions towards organizational change". Empirical research related to impact of organizational change on psychological contract is scarce, with few longitudinal research (Pate *et al.*, 2000; Freese, 2011). There is still need to find out individuals' understanding of exchange relationship with employer and their sense making towards major organizational changes.

On the other hand, the behavioral researchers of the view that the introduction of organizational change event as breakdown of exchange relationship between employee and employer (Bellou, 2006; Kickul, *et al.*, 2002; Freese, 2011). Furthermore, the exchange relationship is primarily based on promises, obligations, and expectations on both sides; fulfillment or non-fulfillment heavily influences the attitudes and behaviors of employees in the event of major organizational changes (Freese, 2011; 2011; Bellou, 2006). Based on few studies in this field, there is still need to highlight the importance of perceived fulfillment of organizational obligations in the event of major organizational changes, e.g. mergers and acquisitions. Several authors have consensus psychological contract is influenced in the event of organizational change (Hiltrop, 1995; Anderson and Schalk, 1998; Freese, 2000; 2007; 2011; Guest 2004; Bellou, 2006; Pate, *et al.*, 2000). However, literature lacks which way organizational change influences the psychological contract.

SIGNIFICANCE AND THE SCOPE OF PROPOSED STUDY:

It is assumed that with the introduction of major organizational changes the most likely thing to happen is non-fulfillment or lower fulfillment of psychological contract. What are the reasons behind some employees report contract violation whilst other employees are not only happy or willing to stay with current organization but also keep a good working relationship with their employer? This study is aimed at answering this central question. Due to global financial crises in the last decade;

commercial banks have become a question mark for their survival, i.e. mergers and acquisitions are the most likely tool to manage organizations on sound scales. The reforms carried out by the State Bank of Pakistan have caused major changes in commercial banks. The employees in these organizations have faced new co-workers, new HR policies and guidelines, new supervisors, new methods of operations and working styles, downsizing, cost cutting, no additional benefits or promotions, lack of training and development etc. These characteristics of organizations make this study not only interesting, much needed, but also important to examine employment relationships during difficult circumstances.

The scope of this study is not limited to organizational change or psychological contract. It will not only examine antecedents of organizational change, but also perceived fulfillment of organizational obligations but also job satisfaction. Further research on psychological contract after major organizational changes is much needed. It has become the need of time to study employment relations, promises, obligations, and expectations due to regulations carried out by the central bank and its policy impact on commercial banks in the country.

THE PROPOSED CONCEPTUAL MODEL:

The proposed conceptual model of this study points out how organizational change influences psychological contract and its impact on job satisfaction as the consequence of this change. Due to the changing nature of obligations, promises, and expectations, the psychological contract is influenced by both employees and employers. This study will be more focused on how psychological contract non-fulfillment occurs due to major organizational change that further changes the overall already established psychological contract.

The proposed conceptual model of this study widens the scope of psychological contract theory by looking at different angles at the same time. None of the previous studies have examined this combination of important variables by looking at psychological contract fulfillment as content "(work content, career development, social atmosphere, organizational policies, work life balance, and rewards see e.g. Freese, *et al.*, 2008)", antecedents of organizational change as cause and job satisfaction as consequence. This study will use "Tilburg Psychological Contract Questionnaire TPCQ" developed by Freese, *et al.*, (2008) to measure content of psychological contract instead of types of psychological contract (Smitsen, *et al.*, 2013, Freese, *et al.*, 2008; 2011). TPCQ is the most useful scale to measure psychological contract not only by looking at content-oriented approach but also evaluation-oriented approach.

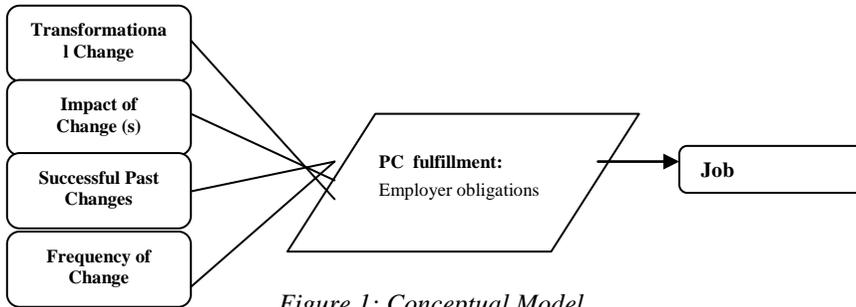


Figure 1: Conceptual Model

ANTECEDENTS OF ORGANIZATIONAL CHANGE AND PSYCHOLOGICAL CONTRACT:

Contemporary organizations are faced with several transformations in international and external environment that requires the employer to redefine and adjust to already existing promises, obligations, and expectations in exchange relationship with employees (Herriot, *et al.*, 1997). It is understood to consider an organization strong in operations has less negative consideration about organizational change. According to Schalk and Freese (2000) organizational change is the adaption by any organization to its environment i.e. growing competition, globalization, governmental regulations, introduction of new technologies. Oreg, *et al.*, (2011) in their seminal work about 'Change recipients' reactions to organizational change' summarized the following antecedents of organizational change:

- 1) *Change recipients' characteristics,*
- 2) *Internal context,*
- 3) *Change process,*
- 4) *Perceived benefit/harm, and*
- 5) *Change content*

This study adapts the four major antecedents of organizational change above except change process (how change was implemented). Change recipients' characteristics consist of control variables (e.g. age, gender, education, work experience etc.). Internal context is the combination of frequency of change (how frequently changes are implemented in this organization) and history of change (perceived belief of employees about the past changes that how successful were past changes in this organization). Perceived benefit/harm explains the personal impact of change (the personal impact of change on change recipient). Finally, change content refers to the type of organizational change that was implemented e.g. major or minor organizational changes. Major organizational changes refer to as revolutionary or transformational changes (McNamara, 2006) in this study. However, minor changes in organizations that researchers refer to as accommodative type of organizational change are not considered in this

study because this current study is about organizations who have gone through major organizational changes in the past three years time e.g. large-scale organizational changes (mergers and acquisitions, downsizing/layoffs, restructuring) etc.

These changes affect the fulfillment of psychological contract either entirely or partially, but also affect organizational values leaving a major impact on perceived organizational obligations towards its employees. Many researchers have studied the relationship of employees' behaviors and the fulfillment of psychological contract with respect to psychological contract breach or violation (Turnley, *et al.*, 2003; Suazo, 2009, Rousseau, 1990). It is proposed that out of change antecedents (type, impact, frequency, and successfulness of past changes) the personal impact of change, transformational change (Change type), change frequency will have a negative impact on lower fulfillment of psychological contract and successfulness of previous changes will have a positive impact.

TYPE OF CHANGE:

The type of change, i.e. transformational change is included by considering mergers and acquisitions (Bellou, 2006). Many prominent authors in this field have found the significant impact of the type of change (Morrison and Robinson, 2000; Rousseau, 1995; Bouckenoghe, 2010). Rousseau (1995) has identified two types of organizational changes; 1) Transformational change, and 2) Accommodative change. A clear distinction can be made between these two types i.e. transformational changes are revolutionary changes related to change in nature and redefine the psychological contract in actual like layoffs, downsizing, mergers and acquisitions, new policies and procedures etc. On the other hand, accommodative changes are evolutionary adjustments to the current psychological contract framework like working hours, benefit and pay packages, appraisal criteria etc. It is proposed that when changes are introduced to employees' daily work routine, tasks, roles, or assignments, employees will more likely to adapt new work conditions and make necessary amendments towards his perceived fulfillment of employer obligations which in turn results change in existing psychological contract (Freese, 2007). Therefore, transformational changes are more likely to strongly influence the content of psychological contract fulfillment as compared to accommodative type of organizational change. As a result, minor organizational changes i.e. accommodative changes will not be examined in this study. The focus of this proposed study will be to examine transformational changes i.e. mergers and acquisitions, restructuring, etc. rather than the whole generic concept of organizational change types. It results in the following proposition:

Proposition 1: Large-scale organizational changes/transformational changes have a negative effect on fulfillment of organizational obligations.

INTERNAL CONTEXT:

Another one of the most important aspects identified by Oreg, *et al.*, 2011, is frequency of change considered as another independent variable for this study. According to Smissen, *et al.*, (2013) frequency of change is a key variable whilst studying influence of organizational change. Many researchers stated that employees are concerned with how frequently changes occur in their organization (Oreg, *et al.*, 2011, Rafferty and Griffen, 2006, Smollan, *et al.*, 2009). Employees are confronted with many changes in a short span of time e.g. downsizing, change in HR policies and procedures, change in mission/vision, change in structure etc., that causes employees anxiety and stress (Axtell, *et al.*, 2002), absenteeism (Martin, *et al.*, 2005), depression (Axtell, *et al.*, 2002), psychological withdrawal (Fried, *et al.*, 1996). The more frequent changes faced by employees, the more their psychological contracts are affected (Freese, 2007). Smollan, *et al.*, 2009, found majority of the respondents have a negative impact about change. It can be argued that more employees are confronted with organizational changes result in lower fulfillment of psychological contract, more psychological contract violations and feel least responsible in reply to perceived psychological contract obligations. Therefore, it results in following proposition:

Proposition 2: The more frequent changes result in the lower the fulfillment of organizational obligations.

Proposition 3: Successful changes in the past affect the fulfillment of organizational obligations positively.

PERSONAL IMPACT OF CHANGE:

Perceived benefit or harm is considered by investigating individual employees' personal impact due to organizational change. Organizational changes with high personal impact result in negative attitude towards change or more resistance towards change. High personal impact changes cause major changes in way of daily work for employees, e.g. change in their routine roles, work style. Employees with lower job satisfaction show lower levels of organizational commitment and also reduce their extra contribution towards organization. This is the most important antecedent of organizational change and results in the following proposition:

Proposition 4: The event of major organizational change with high impact results in lower perceived fulfillment of employer obligations towards employees.

JOB SATISFACTION AND ORGANIZATIONAL CHANGE:

Job satisfaction is the positive or negative feelings that employees have towards their employment (Odom, *et al.*, 1990). Job satisfaction has a negative relationship with lower fulfillment of perceived organizational obligations. Employees whose expectations from their employer are not met due to major organizational change event will result in lower fulfillment of organizational obligation and as a consequence employees will be less satisfied with their jobs. Similarly, if employees are satisfied with their jobs will be more willing to accept organizational changes. According to Cordery, *et al.*, (1993) lower levels of job satisfaction are negatively associated with attitude towards change. Several authors (Coyle-Shapiro & Kessler, 2002; Turnley & Feldman, 1998) reported that employees feel lower fulfillment of their psychological contracts especially with regard to extra role behavior, organizational identification, commitment, loyalty and satisfaction. Thus it could be proposed as:

Proposition 5: Employees perceive lower fulfillment of organizational obligations due to organizational changes as a result influencing job satisfaction negatively.

Proposition 6: The perceived fulfillment of organizational obligations mediates the relationship between antecedents of organizational change (type, impact, frequency of change and successfulness of past changes) and job satisfaction.

CONCLUSION:

This study reviewed how the antecedents of organizational change influence the fulfillment of organizational obligations and consequently job satisfaction of employees in the event of major organizational changes. The proposed conceptual model highlights the importance of psychological contract fulfillment and job satisfaction with further focus on which aspect of psychological contract fulfillment is affected with the introduction of major organizational changes. In this model the interaction between perceived fulfillment of organizational obligations and antecedents of organizational change is highlighted and the ways employees feel about their jobs positively or negatively.

The propositions included in this study will result in more empirical tests for future research based on the current literature discussed. The guideline offered through these propositions may result in more in-depth investigations to find out the combined effects of antecedents of organizational changes, the perceived fulfillment of organizational obligations and behavioral outcomes such as job satisfaction. This study not only provides academic relevance but also practical guide for HR managers

to identify the values and different groups of employees and their level of job satisfaction. There is a greater need to give proper importance to employment relationships before implementing or introducing large scale organizational changes. This study also highlights the importance should be given to the aspects of employees' past experiences of organizational changes, and how many times change has happened in the past alongside personal impact of these changes so that the practitioners and change agents may get effective basis for future implementation and introduction of planned organizational changes.

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