



Contents lists available at ScienceDirect

Journal of Business Research



Organizational capacity for change, change experience, and change project performance

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ARTICLE INFO

Article history:

Received 6 February 2014

Received in revised form 12 July 2015

Accepted 18 July 2015

Available online xxxx

Keywords:

Organizational capacity for change

Change performance

Continuous change

Dynamic capability

Technological turbulence

ABSTRACT

Building on the literature on organizational capacity for change, this study addresses two questions. First, why are some organizations more capable of change than others? Second, are organizations that are better at changing also more successful with their change projects? An analysis of data from a questionnaire given to top management in 134 firms in Germany found that an organization's capacity for change associates positively with the performance of its change projects. Higher levels of technological turbulence do not strengthen this relationship but weaken it. This study also shows that higher levels of technological turbulence as well as perceived positive previous change experiences are positively associated with an organization's capacity for change, but higher levels of competitive intensity and the amount of previous change experience are not.

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1. Introduction

The capacity of an organization to institutionalize and manage change on an ongoing basis is receiving increasing attention from both management research and practice. Change is by no means anything new to organizations. Both researchers and practitioners paid increasing attention to the management of organizational change, and to date, the number of articles on this topic has grown dramatically (Buchanan, Claydon, & Doyle, 1999; Lawler & Worley, 2006; Schreyögg & Noss, 2000). However, a wide range of contradictory and confusing approaches and theories occur in the change management literature (e.g., Burnes, 2004; Cummings & Worley, 2009; Thames & Webster, 2009). Guimaraes and Armstrong (1998) argue that there is also a lack of empirical evidence and consisting mainly of superficial analyses and personal opinions. Doyle (2002) suggests that existing practice and theory rests on unchallenged assumptions about the nature of organizational change.

Although a lack of consensus exists regarding a commonly accepted framework for the management and the implementation of change in organizations, substantial agreement on three important issues does exist. First, the concept of change itself has changed over the past few years: "Change is changing" (Miller, 2004, p. 9). Today organizations face increases in the pace, complexity, and unpredictability of change

(Burnes, 2004; Kerber & Buono, 2005; Kotter, 1996; Miller, 2004). Second, whether triggered by external or internal factors, change has become much more diverse as it comes in all shapes, forms, and sizes (Balugon & Hope Hailey, 2004; Burnes, 2004; Kotter, 1996; Luecke, 2003), and as a result, companies from all industries are interested in change. Third, the successful management of organizational change is a critical factor for all organizations in order to survive and succeed in today's highly competitive and turbulent business environment (Balugon & Hope Hailey, 2004; Lawler & Worley, 2006; Luecke, 2003).

Regarding the last point in particular, poor success rates of change initiatives appear on a regular basis. Beer and Nohria (2000), Balugon and Hope Hailey (2004), and Pelletiere (2006) point out that a failure rate of 70% of all change initiated programs occurs. Hence, change is risky but the paradox is that organizations have no choice and must change in order to stay competitive (Klarner, Probst, & Soparnot, 2008). In addition, the high failure rate may also suggest that a valid framework for organizations on how to implement and manage change successfully is lacking. One of the causes of this high failure rate may be that traditional approaches of change management are based on equilibrium assumptions (Lawler & Worley, 2006; Schreyögg & Noss, 2000). Lewin's (1947) well-known three-step process of unfreezing–moving–refreezing as well as the punctuated equilibrium approach (Miller & Friesen, 1982; Tushman & Romanelli, 1985) implies that organizations exist in some form of equilibrium before a disruption occurs. The organization then goes through a relatively short period of dramatic shifts and transition, followed by a new period of stability. So both models rest on the two basic assumptions that organizational change

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is a clear-cut and distinctive process and that it is relatively rare in organizational life (Schreyögg & Noss, 2000).

Organizational capacity for change (OCC) is receiving increasing attention (Soparnot, 2011). Judge and Douglas (2009, p. 645) call this capability “the new and increasingly strategic imperative of the 21st century.” However, despite its often-claimed importance and the emerging literature, the understanding of OCC is still in its infancy. So far, very little research exists about possible antecedents, consequences, or relationships with other constructs (Klarner et al., 2008; Meyer & Stensaker, 2006; Shipton, Budhwar, & Crawshaw, 2012). Most change management studies are theoretical and conceptual, dealing mainly with the construct itself and its single dimensions while providing recommendations on how to develop an organization's capacity for change (Lawler & Worley, 2006; Meyer & Stensaker, 2006; Thames & Webster, 2009). Judge and colleagues (Judge & Douglas, 2009; Judge & Elenkov, 2005; Judge, Naumova, & Douglas, 2009) conducted three empirical studies, while others include Bennebroek Gravenhorst, Werkman, and Boonstra (2003), Horz, Heeg, and Caglar (2010), Arnulf (2012), and Kok and Driessen (2012).

This study builds on this previous research and aims to extend theory in two further directions. Judge and colleagues found a positive relationship between an organization's capacity for change and its environmental performance (Judge & Elenkov, 2005), and also between OCC and firm performance (Judge & Douglas, 2009; Judge et al., 2009). Higher versus lower levels of perceived environmental uncertainty have a positive effect on the extent to which OCC occurs in an organization (Judge & Douglas, 2009). Environmental uncertainty strengthens the relationship between OCC and firm performance (Judge et al., 2009). According to Judge and Douglas (2009), organizational adaptability associates positively with OCC whereas organizational alignment does not. This study draws on the contingency approach as it distinctively theorizes the relationship between the organization's internal and external situation (i.e., the context factors), its structure, the behavior of its members, and the organizational efficiency (Jacobs, van Witteloostuijn, & Christe-Zeyse, 2013). This allows the exploration of why some organizations are more capable of change in relation to structural as well as behavioral aspects. An organization's capacity for change is positively related to the performance of its change projects, i.e., the organization's capability to successfully lead and manage “a cascading series of inter-related change initiatives” (McGuinness & Morgan, 2005 p. 1312), as well as to previous change experiences, i.e., experiences from earlier change events that were further developed through constant learning processes. In summary, this article addresses two important research questions: Why are some organizations more capable of change? Are organizations that are better at change also more successful in the performance of their change projects?

This study uses data from a survey of 134 large German companies from the manufacturing and processing industries to analyze change management projects using multiple regression analysis. The results of this study indicate that more change-capable organizations are more successful with regard to their change projects' performance and that some factors have a positive influence on this construct while others do not. The findings of this research not only reveal further important relationships with the OCC construct but also extend the research on the continuous approach to change as well as on the dynamic capabilities approach (Teece, Pisano, & Shuen, 1997). The article proceeds with a short review of the relevant literature, followed by the development of the research hypotheses. The next section provides a description of the data, sample, and variables and a report on the regression analyses. In the final sections provide results, conclusions, and suggestions for future research.

2. Literature review

The issue of how organizations can best cope with evolving, volatile, rapidly changing, and unpredictable business environments is a topic of

increasing interest among managers and researchers. Managers of large companies worldwide are concerned about how to remain competitive and succeed under such conditions: “Experiments to increase the capacity to adapt and learn are carried out in large companies all over the world” (Achtenhagen, Melin, & Müllern, 2003). Among researchers, there seems to be wide consensus that organizations need to develop capacity for rapid adaptation, innovation, and flexibility (Kok & Driessen, 2012; Levinthal & March, 1993; Pettigrew & Whittington, 2003; Van den Bosch, Volberda, & de Boer, 1999). Within the broad stream of research on this topic, the capacity of an organization for change emerged as a promising new construct (Bennebroek Gravenhorst et al., 2003; Judge & Elenkov, 2005; Judge et al., 2009; Klarner et al., 2008; Meyer & Stensaker, 2006; Shipton et al., 2012). However, there is no commonly accepted definition of this concept. Table 1 shows key definitions of OCC from different authors.

Despite the disagreement reflected in the range of definitions, certain characteristics of the OCC construct emerge. First, the essence of

Table 1
Definitions of organizational change capacity (OCC).

Source	Definition
Pagliarella (2000)	[...] the concept of capacity to change , which we define as an organization's ability to initiate and successfully achieve change on an ongoing basis.
Auster et al. (2005)	Change capable : the ability to adapt and evolve successfully again and again, even though specific change initiatives may vary dramatically in terms of scope, depth, and complexity.
Judge and Elenkov (2005)	Organizational capacity for change (OCC) is defined as a broad and dynamic organizational capability that allows the enterprise to adapt old capabilities to new threats and opportunities as well as create new capabilities.
McGuinness and Morgan (2005)	Organizational change capability (OCC) is a multi-component formative construct [...] that represents an organization's capability of implementing incessant change [...], its essence being a capability for leading and managing a cascading series of inter-related change initiatives.
Meyer and Stensaker (2006)	We define [capacity for change] as the allocation and development of change and operational capabilities that sustains long term performance. Making change happen without destroying well-functioning aspects in an organization and harming subsequent changes requires both capabilities to change in the short and long term and capabilities to maintain daily operations. ... Our understanding of change capacity is that organizations are capable of implementing large-scale changes without compromising daily operations or subsequent change processes.
Klarner et al. (2007)	Organizational change capacity is the organization's ability to develop and implement appropriate organizational changes to constantly adapt to environmental evolutions (external context) and/or organizational evolutions (internal context) in either a reactive way (adaptation) or by initiating it (pro-action).
Klarner et al. (2008)	Organizational change capacity can be defined as an organization's ability to develop and implement appropriate organizational changes to constantly adapt to its environment. This implies a focus on multiple changes over time, which is contrary to the literature's predominant view of change as isolated events. Change capacity is thus a dynamic capability. However, change capacity not only describes a dynamic process of continuous learning and adjustment that enables the organization to cope with unknown future circumstances, but also describes the ability to implement those changes.
Judge and Douglas (2009)	[...] organizational capacity for change (OCC) , which is defined as a combination of managerial and organizational capabilities that allows an enterprise to adapt more quickly and effectively than its competition to changing situations.
Buono and Kerber (2010)	[...] change capacity —the ability of an organization to change not just once, but as a normal response to changes in its environment.
Judge (2011)	OCC is a dynamic, multidimensional capability that enables an organization to upgrade or revise existing organizational competencies, while cultivating new competencies that enable the organization to survive and prosper.

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