

Chapter-1

INTRODUCTION

‘There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of the new order of things.’

Niccolo Machiavelli—The Prince (1532)

1.1 Statement of the Problem

In recent times organizations throughout the world have been facing rapid, complex and traumatic changes. There has been tremendous pressure on the organizations to keep up with the changing times in order to survive in this ever changing environment. Intense competition, rapidly developing technology, shifting customer needs and diverse needs of the workforce are some of the factors affecting the dynamic environment. In many cases these changes require adoption of new values and beliefs and it has been seen that driving this type of change which affects people in large numbers and in diverse circumstances is extremely difficult.

In times of significant change, the role of leadership is considered critical. To improve the effectiveness of an organization, tremendous amount of resources are utilized to turn managers into leaders. But to successfully steer the transformation of organizations they must convert their leaders into change masters. However, to act as change masters, leaders need to deepen their own understanding of the required change, which requires constant improvement in the leadership competencies.

The management of the continuous change is what organizations find most excruciating. It is not only important for leaders to establish the vision of the organization i.e. to define what the future should look like but also to share the vision with the people who need to be inspired and motivated to make the changes happen, despite the obstacles. Certainly, leadership is the key success factor in reducing barriers to change and it is important for leaders to create a vision for a desired future, a strategy to manage the change and to recognize, understand and minimize the resistance to change.

It has been observed that most of the change initiatives do not achieve their objectives (Keller and Price, 2011). The leaders who initiate change, many a times do not themselves understand the need for change. Often leaders formulate unrealistic goals which are impossible to achieve. Also some leaders focus on the change process and do not consider the people aspect of change. Neglecting the people aspect could result in a traumatic experience for the people and the transition period from the current state to the desired state might become very stressful for the people impacted by the change.

Thus the present study aims to understand the role of leadership in managing change. The questions that need to be answered are: What are the leadership behaviors which would result in successful change? What is the relationship between leadership behaviors and the context of change? Does the context of change have any impact on employee stress? What are the leadership behaviors which could help reduce resistance to change? Does the culture of the organization have any role in the change success? Do factors like gender and years of experience have any relationship with resistance to change and employee stress due to change? While a reasonable number of studies have been carried out abroad in this field, very limited research has been done in role of leadership in management of change in the Indian industry. In this context, this study assumes significance.

1.2 Rationale of the Study

In the race for customers and profits, organizations need to adapt to the new realities and all those who do not adapt would be left behind and may even become redundant. Organizations are also beginning to understand that the “old ways” are no longer going to work and have realized that time changes everything and so businesses must also change to survive. Even great and iconic companies are vulnerable to collapse if they become arrogant and do not comprehend the reasons for their current success. Organizational arrogance closes the doors of learning and pushes them on the cusps of failure. No matter what the background of an organization is, the role of leadership cannot be undermined in recognizing the changed environment and effective management of change. Organizations need strong leaders who create positive change for creating sustainable competitive advantage.

The Indian mindset that manages Indian organizations is relationship driven rather than systems driven or people driven. With the opening up of the economy, the Indian organizations have faced unprecedented competition from internal and external environment. To sustain and grow within the global competition, Indian organizations were required to transform their values, beliefs, structure, processes, technology, etc. rapidly. The mindset of people in India which is tradition bound, laid-back and more resistant to change, required Indian organizations to be more sensitive and recognize the need to change. The organizations in India had to understand and master the change process as adapting to change often means breaking the old myths. Hence, an urgent need was felt for effective leadership in managing change which could help Indian organizations in keeping up and competing with international conglomerates.

Although extensive research has been conducted in the area of leadership and change management, not much has been researched in the area of the role of leadership in managing change in corporate India. Thus, there is a need to understand how leadership behavior impacts human willingness and ability to change in Indian Corporate organizations.

1.3 Objectives of the Study

The study seeks to understand as to how organizations manage change and how leadership influences its outcome. Specifically, the study investigates the role of leadership and leadership abilities of managers while managing the change process in their organizations. In this context the study attempts to:

- Analyze the leadership behaviors in leading successful organizational change.
- Examine the relationship between supportive organization culture and success of change initiatives.
- Analyze the reasons for the failure in managing change.
- Analyze the effect of the context of change on the employee stress.
- Formulate the relationship between leadership behavior and employee satisfaction.
- Identify the practices that successful change leaders employ to minimize the potential resistance to change.

1.4 Hypotheses

The purpose of the present study, as stated above is to explore the role of leadership in managing change in Indian organizations. To provide an empirical base to the study, a set of tentative hypotheses were formulated to be tested in this study.

Change always means leaving behind what one is familiar and comfortable with and facing the unknown. The transitional stage of the change process leads to uncertainty because it requires acquisition of new skills, changing habits and extra effort. Hence, initially changes are often seen to have negative connotations. Further, the greater the number of people impacted by the change effort and greater the complexity of change, higher would be the level of stress on people. This provides backdrop to the context of change and employee stress. Hence the null hypothesis to be tested is:

H₀₁: There is no relationship between context of change and employee stress.

H_{a1}: There is a relationship between context of change and employee stress.

The ever changing internal and external environment of the organization requires leaders to not only adapt to changing circumstances, but also to create the changed circumstances necessary to achieve organizational objectives. Thus, leaders and the behavior of leaders required in a stable organization will differ from that which is required in an organization undergoing change. The context of change determines the qualities, characteristics, and skills of a leader and also vice versa. The higher order changes and increased performance may result when a leader with innovative or revolutionary ideas and a vision of the future arouses a group. Hence the null hypothesis to be tested is:

H₀₂: There is no relationship between leadership behavior and context of change.

H_{a2}: There is a relationship between leadership behavior and context of change.

The people are the key factors for the successful implementation of change. Roger (2003) believed that a population could be broken down into five different segments, based on their propensity to adopt a specific innovation, namely, innovators, early adopter, early majority, late majority and laggards. Innovators and early adopters favor change, laggards reject change and early and late majority are skeptical or neutral. It is important for the change leaders to positively influence the people who are neutral towards the change and also to understand the reasons for rejecting the change by those who are against it. Resistance to change exists when the management does not take adequate measures to positively influence the neutral people and giving time and effort to understand why a few people reject change. Hence the null hypothesis to be tested is:

H₀₃: There is no relationship between leadership behavior and resistance to the change initiative by the employees.

H_{a3}: There is a relationship between leadership behavior and resistance to the change initiative by the employees.

Leaderless organization is like a rudderless boat on the turbulent high sea. According to Kotter and Heskett (1992) the distinguishing factor between successful and unsuccessful organizational culture changes is competent leadership at the top. Leadership is the key success factor in reducing barriers, nurturing staff in an environment conducive to change and producing positive change in all types of organizations. Therefore, we hypothesize that leadership has a critical role to (un)successfully steer the organization through the change process to its desired destination. Hence, the research hypothesis needs to be tested to unravel the role of leadership is:

H₀₄: There is no relationship between leadership behavior and overall change success.

H_{a4}: There is a relationship between leadership behavior and overall change success.

Culture is yet another variable which supports the success or negatively mars the implementation of change. Any brilliant change that does not fit into the organizational culture either will not get implemented or will not achieve the desired results. Culture change can assist in making a less effective organization more effective. The pressure to change is now so frequent that it is necessary to develop a culture wherein continuous change and

improvement can take place throughout the organization. The organization and its managers need to have frameworks for continuous improvement that allow the organization to respond rapidly to change. The only changes that succeed are those that fit into the culture. Resistance to change would be there if the vision of a leader differs from the values and beliefs of the existing organizational culture. Hence the null hypothesis to be tested is:

H₀₅: There is no relationship between supportive organizational culture and success of change initiatives.

H_{a5}: There is a relationship between supportive organizational culture and success of change initiatives.

Managers maintain stability and leaders create change. Leaders may not need to create dissatisfaction with the present but instead may provide a vision of a possible future that is attractive and engaging. Even without dissatisfaction and crisis it is the style of leadership which can assemble and motivate a group with enough power to lead the change effort. The leadership behavior while managing change has an impact on the employee's satisfaction which could result in the engagement of the employees. Hence the null hypothesis to be tested is:

H₀₆: There is no relationship between leadership behavior and employee satisfaction.

H_{a6}: There is a relationship between leadership behavior and employee satisfaction.

1.5 Concepts used and defined

The following is the list of concepts with their definitions used for the purpose of this study:

Leadership - Yukl (2006) defined leadership as “the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives”. The definition proposed by Yukl (2006) is accepted in this study and the concept of leadership is further examined with other variables to establish different relationships.

Organization Change- Organization change is a process by which organizations move from their present state to some desired future state in order to increase their effectiveness.

Transformational Leadership- Transformational leadership identifies the needed change, creates a vision to guide the change through inspiration, and executes the change with the commitment of the members of the group.

Transactional leadership- Transactional leadership is defined as a style of leadership where the leader influences employees to achieve organizational goals by having an exchange (quid pro quo) relationship with employees. In transactional leadership, rewards and punishments are contingent upon the performance of the followers.

Resistance to change- It refers to the attitude and willingness of the people to maintain the status quo.

Organizational culture- It refers to a set of shared values, belief, assumptions, and practices that shape and guide members' attitudes and behavior in the organization (Daft, 1998; Davis, 1984)

Employee Satisfaction- An attitudinal construct reflecting one's evaluation of his or her work conditions in organizations (Ilies and Judge, 2004). Simply, it means employee feel contented with their work and work conditions in organizations.

Stress- An individual's negative psychological reaction to a situation perceived as challenging or threatening.

1.6 Research Methodology

The purpose of the present study is to analyze the leadership behaviors in management of change in Indian organizations and to understand certain unique and interesting organizational, structural and behavioral issues underpinning the process of change management. For this it is necessary to examine and establish any relationship between various constructs related to role of leadership in management of change. The research methodology adopted in this study which includes the research design, target

population, choice of sampling method, survey design, methods of data collection and statistical tools used are brought out in this section.

The leadership behaviors and its role in management of change and other factors affecting change management could be studied in a variety of ways. The final choice of a particular research design, however, is dependent on the purpose one wants to pursue. They can be studied using experimentation or survey method. Given the objectives of the present study, experimental approaches are unnecessary and even inappropriate as it is difficult to conduct experiments on the topic under study in real settings. The survey method is used to understand the role of leadership in management of change in Indian organizations. For using the survey method, there is a need to cover a large sample of subjects in different organizations and compare the leadership behavior with respect to the context of change. Use of complexity-reduction statistical techniques could then provide information so as to derive inferences from data collected and processed. Hence, for the purposes of the present study, it was decided to adopt a cross-sectional, exploratory-integrative research design.

In-depth case studies could also be useful for bringing out insights of the subject. Yin (1994) defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. The intent of a case study is to understand a particular social situation, event, role, group, or interaction (Locke, Spirduso, & Silverman, 2000). It is an investigative process to gradually make sense of a social phenomenon by contrasting, comparing, replicating, cataloguing and classifying the object of the study (Miles & Huberman, 1984). According to Patton (1987), case studies are particularly valuable when the research data aims to capture individual differences or unique variations from one research setting to another. Case studies become particularly useful where one needs to understand some particular problem or situation in great depth, and where one can identify cases rich in information – rich in the sense that a great deal can be learnt from a few exemplars of the phenomenon in question (Patton, 1987). Hence, for the purpose of this study, apart from the quantitative study, three case studies have been used in three different organizations namely, International Crop Research Institute for Semi Arid Tropics (ICRISAT), an agricultural research organization, Oil and Natural Gas Corporation (ONGC), a public sector company and Indigm Consulting Ltd, a private Information Technology company. The case study methodology was used to ascertain employees' own understandings

of change (management, processes and practices) within selected organizations and to assess the employees' work environment and to understand their attitudes, feelings and perceptions of organizational change.

1.6.1 Research Instrument

For the quantitative study, an extensive questionnaire was used to analyze the leadership behaviors adopted by managers in reference to the context of change and to ascertain the leadership behaviors resulting in successful management of change. The variables such as employee stress, resistance to change by people and employee's satisfaction with reference to a change initiative were also examined.

1.6.2 Questionnaire Design

Welman and Kruger (2003) highlighted that the questionnaire serves as a reliable method for collection of primary data. Generally, two basic question formats are used in survey research, namely, open and closed ended questions. If the question is designed to test the presence or absence of a particular behavior, a closed question format is appropriate. Open ended questions are used when the question is designed to capture views, opinions and extent of knowledge. In this study for the quantitative research only closed ended questions were used throughout the questionnaire. Qualitative research is also conducted using the case study method to capture opinions and views of respondents in three organizations.

The questionnaire in this study was designed around the key issues that were highlighted in the literature review. The "research topic" issues in the questionnaire were developed as questions. Section I contains questions which are related to demographic information. Section II has sub sections from A to G and contains questions which are multiple choice relating to the research area of understanding the context of change, overall change success, stress due to change initiative, leadership behavior, resistance to change, organization culture and employee satisfaction.

The survey used in the research is based on the quantitative research paradigm, whereby respondents were asked to respond to each of the statements or questions by choosing from a range of agreement choices. The Likert scale was used and its advantages according to Emory & Cooper (1995) are that they are quick and easy to construct and each item meets an empirical test for discriminating ability. The Likert scale is reliable and is also treated as an interval scale. Section II contains questions having a five item Likert Scale, ranging from “Strongly Disagree” to “Strongly Agree”. Section III contains questions which are designed to capture the specific details of the change initiative in organizations.

The key issues which formed the basis of the structure of the questionnaire are as given below:

Section II A, dealt with the **Context of change** within Indian Organizations and was covered by the following questions:

- A1. The change initiatives in the organization were due to internal forces.
- A2. The change impacted the whole organization.
- A3. The change initiatives in my organization are incremental in nature.
- A4. The degree of change implemented in my organization is simple in nature.
- A5. The change initiatives took into consideration the external environment of the organization.

Section II B, dealt with analyzing the **Overall change success** in respective Indian Organizations and was covered by the following questions:

- B1. The change program met its objectives.
- B2. I was supportive of the change initiative.
- B3. I was satisfied with the way the change was led.

Section II C, dealt with **Employee Stress** when the change initiative was being implemented.

- C1. The change initiative brought more challenges for leaders.
- C2. The top leaders were hopeful of success and were not fearful of failure.
- C3. The change introduced resulted in individuals feeling stressed about the change process.
- C4. Stress in individuals was a result of fear of losing status

C5. Stress in individuals was a result of being unable to keep pace with change/innovations.

C6. During the process of implementation of change, the organization went through disorder and chaos.

C7. During the transitional phase, the individual output reduced.

C8. During the process of change, there were interpersonal problems in the organization.

Section II D, dealt with **Leadership behavior** and was covered by the following questions:

D1. The leader took responsibility for his/her decisions.

D2. The leader recognized the follower needs.

D3. The leader fully communicated the benefit of the change.

D4. The leader motivated followers to embrace the change.

D5. The leader rewarded employees to motivate them to implement the change process.

D6. The leader created a clear vision of the future.

D7. The leader developed clear strategies to advance the vision.

D8. The leader directed all activities towards achievement of the vision.

D9. The leader gave followers the authority to deal with the change.

D10. The leader gave adequate feedback during the implementation of change.

D11. The leaders acted as a role model and led by example.

D12. The leader's role was crucial for the change to be successful.

Section II E, dealt with **Resistance to Change** and was covered by the following questions:

E1. I felt change to be a threat to my personal values.

E2. I resisted change to protect my position and benefits.

E3. I felt that I had less control over my own situations.

E4. I started losing trust in the management during change implementation.

E5. I was aware of the long term benefits of a change initiative.

E6. I had confidence that change would bring about improvement in the organization.

E7. I felt undervalued due to lack of involvement in change implementation.

Section II F, dealt with **Organization Culture** and was covered by the following questions:

F1. The change efforts are focused keeping in mind the culture of the organization.

F2. Organization culture is changed to suit the objective of the change.

F3. The difference in cultures of people due to diversity has posed difficulties in implementation of change.

Finally, Section G dealt with **Employee's Satisfaction** and was covered by the following questions:

G1. The change was well led by the leaders of the organization.

G2. My level of involvement in the change management was appropriate for my position in my organization.

G3. I lost my position due to the change implementation.

G4. I was communicated the benefits of the change initiative.

G5. I fully supported the leader's approach to the management of the change.

Section III A contained questions dealing with the **Details of the change initiative** in the particular organization. The questions are as given below:

A1. What was the approximate cost of the change program?

A2. How many people did the change initiative effect?

A3. What was the approximate duration of the change program in months?

A4. What is the source of change?

A5. What was the reason for change?

A6. What was the level of experience of people implementing the change process?

A7. What is the nature of change?

A8. The impact of change was on Department, Strategic Business Unit or Entire Organization.

A9. The degree of change was Simple or Complex.

A10. The change agents were Internal to the organization or External to the organization.

A11. The change was led by an individual leader or Team of people.

1.6.3 Sample selection and size

According to Polit and Hungler (1999), “Sampling refers to the process of selecting a portion of the population to represent the entire population”. The representative sample consists of subsets of the elements of a population which allows for the study results to be generalized. The characteristics of the sample population are intended to be representative of the target population.

A combination of judgmental and convenience sampling was used in the sample selection. According to Wegner (2002), convenience sampling represents a sample drawn to suit the convenience of the researcher. Wegner further adds that judgment sampling refers to a sample where the judgment of the researcher is used to select the best sampling units. These methods were used because only those organizations were chosen which had undergone a major change initiative. As the area of the study required only managerial level employees, therefore, managerial employees of these organizations who were willing to provide information were chosen.

Deciding on the Size of Sample

When the sample size was being decided, the question that first emerged was ‘How big a sample did the researcher need?’ While the judgmental and convenience sampling technique was thought to be adequate as a technique for sampling, the formula given by Smith and Andy (1999) was used to decide upon the sample size is as follows:-

$$n = \left[\frac{Z}{ME} \right]^2 * p * (1 - p)$$

Where ME = the desired margin of error

z = z score. For a confidence level of 95 % the value of $z = 1.96$

p = occurrence of the state or condition

n = sample size

Typical surveys have margins of error ranging from less than 1% to something of the order of 4%. So I took a margin of error as 4%. The value of p may be guided by past surveys. Let's take the value as 30%. Thus the calculated value of the number of sample is as given:

$$n = \left[\frac{1.96}{0.04} \right]^2 * 0.3 * (1 - 0.3)$$

$$n = 2401 * 0.3 * 0.7 = 504$$

Pilot study

The designed questionnaire was then used to carry out the pilot study. The survey instrument was pilot tested to ensure its content validity with 30 professionals from different organizations. Some respondents were contacted in person for this purpose, while others were contacted over telephone. Based on their answering pattern and some useful discussion, suggestions were incorporated and subsequently some of the items/questions were rephrased and more technical words were removed; duplicate and controversial questions which were left unanswered by the respondents were also deleted. The modified questionnaire was the one which was used as a data collection tool/instrument (Appendix A- Questionnaire).

1.6.4 Validity and Reliability

Validity: Validity of the questionnaire was ensured by keeping the empirical design simple and using the research key deliverables. The questionnaire was also pilot tested with 30 respondents at the proposal stage of the study. The result of this was basically a few changes in the language of a few questions. This method was used to achieve face validity.

Reliability: To ensure reliability of the research, the results from the questionnaire were tested using the statistical tool Cronbach's Alpha. The Cronbach's alpha coefficient was calculated to determine the reliability and internal consistency of the items. The Cronbach's alpha coefficient value obtained is 0.672 will be discussed in section 4.3 of this study.

1.6.5 Data Collection

After analyzing the various data collection methods and research instruments, an electronic questionnaire having questions with multiple-choice responses and a 5 point 'Likert-type scale' with 1 being Strongly Disagree and 5 being Strongly Agree, was selected as the survey instrument.

The advantages of an electronic questionnaire, as highlighted by Nordick (2004), are as follows:

- Allows data to be collected speedily and there would be a major cost saving in terms of postage and stationery as the link of the questionnaire will be emailed to respondents;
- Respondents can then use the link and complete the questionnaire which would get saved in the excel file with the researcher;
- The employee will be able to fill in the questionnaire in the privacy of his or her office or home;
- The time frame allows employees to carefully ponder their responses.

An online survey was made using Google forms, the link of which was sent out to managerial level employees of selected organization wherein an organization change endeavor has been carried out. As the sampling method used was convenient and judgmental, before sending the link of the survey the respondents were contacted on phone and explained the aim of the study. Then an e-mail was send which included a link to an online survey. The e-mail was send out to 1405 participants out of which 742 were valid responses accounting for a response rate of 52.8% which is more than the calculated sample size. A sample larger than the calculated sample size enables the representation of the larger population. To increase participation and interest, the respondents' anonymity as well as their confidentiality

was assured. This was highlighted on the questionnaire itself. However, to maintain anonymity, 109 respondents did not disclose their names and 247 respondents did not disclose their company names.

1.6.6 Data Analysis

The data pertaining to the survey was exported to Microsoft Office Excel 2007 for analysis. All data was imported from an online tool called Google Forms which was used to carry out the survey via e-mail.

The data collected was then statistically processed using SPSS 20 for Windows, to provide the analysis of the data obtained. The nature of the research analysis is descriptive as well as inferential, as this survey is looking at the impact of the implementation of change programmes on people and the effective leadership behaviors in managing change in organizations. Descriptive statistical analysis enabled the researcher to reduce, summarize, organize, evaluate and interpret the numeric information (Polit and Hungler, 1999). The statistical methods used were descriptive statistics consisting of frequencies and percentages as well as means and standard deviations. Factor Analysis was done on variables and then inferential statistical tests were used like Pearson's Correlation and Multiple Regression to establish relationship between various variables. The hypotheses framed in this chapter were statistically tested and correlation was conducted to reflect how the variables are related to each other. Graphs were also used to illustrate the responses to the various sections of the questionnaire.

1.7 Scope of the Study

The scope of the study has been limited to Indian organizations. For effective management of change, organizations require managers to turn into leaders, hence, the main focus of the study would be only employees in managerial positions in the organization. A quantitative study has been carried out in organizations in the following industries: IT, banking, automobiles, pharmaceuticals, FMCG, power sector, telecom sector, engineering & construction and steel industries. In addition, qualitative studies have been carried out in three

different organizations namely International Crop Research Institute for Semi Arid Tropics (ICRISAT) an agricultural research institute, Oil and Natural Gas Corporation (ONGC) a public sector company and Indigm Consulting Limited, a private Information Technology organization.

1.8 Plan of the Study

The study is divided into six chapters. The first chapter covers an overview of the study. It defines the statement of problem, implications of the study, rationale of the study, the objectives of the study, research methodology and statistical techniques used for the empirical analysis, scope of the study and also the plan of the study. In addition to this, it states the various hypotheses which are proposed to be tested and the sampling method, data collection method used in the study.

The second chapter carries out review of the literature by reviewing leadership theories and models of change management. In addition, a review has been carried out on aspects, such as typology of change, organizational change process, Leadership and change, appropriate leadership for transformation and change, and characteristics of change leaders.

The third chapter reviews the literature on organization culture and change, cultural change process in organizations, resistance to change and the impact of change on employee stress and employee satisfaction.

Chapter four carries out a detailed analysis of the research questions. The testing of hypotheses and the interpretation from these findings is also carried out based on the research objectives which were framed in the first chapter.

The fifth chapter presents the case studies on International Crop Research Institute for Semi Arid Tropics (ICRISAT) an agricultural research institute, Oil and Natural Gas Corporation (ONGC) a public sector company and Indigm Consulting Limited, a private Information Technology organization. All the case studies highlight the role of leadership in managing change. The case studies describe in detail the background of the organization and the various aspects of the organizational processes and practices and brings out the issues and challenges faced by the leaders of the organization in managing change.

The concluding chapter which constitutes the conclusion carries out a brief recapitulation of major findings and provides various recommendations/policy implementations. It also suggests the scope for future research work.