Organizational Change Implementation and the Role of Human Resource Practices: a Brazilian Case Study

Autoria: Renata Simões Guimarães e Borges

The obstacles faced in the implementation of changes in organizations are more related to the absence of training employees, unfavorable motivational climate, lack of quality of work life, and difficulties with new technologies. Although many organizations are conscientious that there are many obstacles during the implementation of a strategic change, few concrete actions are carried through in this direction because it is rare for firms to consider the risks caused by the vulnerability of its human assets. The objective of this paper is to investigate how human resource practices contribute to strategic change implementation. With organizational change assuming a permanent characteristic in firms’ routine, it is important to analyze the impact of recent changes. Then, we investigated the relationship between human resource practices and employee’s perceptions of strategic organizational change. A case study was conducted in a large Brazilian mining organization. This firm has been carrying out a strong process of organizational development in the past five years. The sample size is 234 respondents. The partial last squares (PLS) method was utilized to investigate the relationship between human resource practices and organizational change. The results suggest that how employees perceive organizational change is significantly influenced by the human resource practices. It means that, the success of a change implementation also depends on how human resource practices are perceived. This is a powerful tool that managers may utilize to minimize the negative impact of the changes. Moreover, this result confirms that human resource management is strategic to organizational development, and it should participate actively in the strategy development and implementation processes.

1. Introduction

The organizations change in order to face the increasing competitiveness, the new laws and regulations, the introduction of new technologies, and the variations in the preferences of consumers or partners. The same way, workers must change their behavior standards to deal with these demands. The difficulties inherent to the transition process are clear, mainly when organizational actors perceive the process of change as being threatened.

The obstacles faced in the implementation of improvements are related more to the absence of training employees, unfavorable motivational climate, lacks of quality of work life, and difficulties with new technologies (BECK et al., 2008). Although many organizations are conscientious that there are many obstacles during the implementation of a strategic change, few concrete actions are carried through in this direction (PLOWMAN et al., 2007). It is rare that firms consider the risks caused by the vulnerability of its human assets (LUSCHER & LEWIS, 2008).

The human resource are the potential basic of any company, industry or service, public or private, big or small. Creativity and innovation have been so important, specially now, because of the success teams depends not only on the knowledge that flows, but of the volume of innovation that can be generated (CABRERA et al., 2006).

Considering these concerns, the aim of this paper is to investigate if human resource practices, adopted by the organization, help the strategic change implementation process. It means that how employees perceive human resource practices influences their perception of organizational change. Thus, the main question is proposed: What is the relationship between human resource practices and the organizational change perceived by employees?
The human resource construct is composed by six variables that represent the human resource practices adopted by the organization analyzed. The organizational change construct is built based on Hernandez & Caldas (2000, 2001) model. These authors adapted and validated to Brazilian reality the Judson (1980) and Baron & Greenberg (1989) organizational change approaches.

This paper contributes to the literature because it investigates the importance of human resource practices in an organizational change context. Also, it promotes a literature review about human resource management. And, finally, it contributes by developing and validating of a new model of human resource practice and organizational change evaluation.

The paper is structured as follows. First, the concept of human resource management is developed, especially in the Brazilian context. After that, the strategic organizational change is described. Finally, after explaining the methodology, data analysis and findings, the conclusions were presented.

2. Human Resource Management

The human resource management provides an equilibrium between the organizational necessities - improvement of the performance and the sustainability of the competitiveness – and the development of satisfied work relationships. The responsibility of attracting and keeping workers can be considered a source of competitive advantage. It is through the intellectual capital that the organization can identify information and rapidly change it into opportunities.

The most significant assets to achieve competitive advantage are the human sources (BARNEY, 2001). T Buck et al. (2003) found that in a transition economy firm performance is positively associated with human resource management high-commitment investment strategies. But, Schuler & Rogovsky (1998) argue that strategists prefer to use other forms of competitive advantage than to deal with human behavior as a strategic one. This paper intends to break this barrier by showing the importance of human resource practices to deal with human resource, specifically to implement a strategic organizational change.

The human resource management activities have grown and become strategic mainly because of the crescent acquisitions, mergers and downsizing; human resource management started to participate strategically in the decision making process in order to manage the organizational culture and operations. Thus, the new role of human resource management was more imposed than voluntary. The department acted reactively and, as result, they are facing deeply change. A new profile is requires of the human resource professionals and the traditional activities have been redesigned (ULRICH, 2000).

Human resource management has faced, with difficulties, this transition phase. The redefinition of HR employees’ role and the reorganization of the department demand indicated, for some, the end of the area. Because of the drastic reduction in numbers of workers, this also accented the trend of downsizing and decentralization for other areas of the organization. Ulrich (2000) adds that this situation is part of a deep alteration of the old for the new one, which emerges more valued assuming an essential function in the strategy of the organizations.

Human Resource Management (HRM) is based in two pillars: the human resource politics and the human resource practices. The HR politics are the principles and basic lines. Konrad & Linnean (1995) utilize the term “formalized Human Resource Management structure” to refer to formal programs, rules, positions and patterns of procedures that guide the decision making in the organization. The HR practices are the procedures, the concretion of the explicit or implicit politics of HRM. We must consider that although documents certify
the organization HR politics, there may be contradictions between the formal level and what is really carried through.

Human resource practices are defined by Wright et al. (1994) as organizational activities directed to manage the human resource toward fulfillment of organizational goals. These organizational activities have a strategic importance because they can directly enhance a firm’s performance. The empirical research of Collins & Clark (2003) supported the proposition of Wright et al. (2001) that human resource practices lead to higher firm performance developing and reinforcing employees’ motivation.

However, management practices can vary from country to country. Organizations have enough freedom to adapt the human resource practices considering the strategy of the firm, the economic interests and the culture that the organization is inserted in (GOODERHAM et al., 1999). In Brazil, the development of human resource management is limited to imitating the practices adopted in the United States. However, the application of these solutions occurred in a distinct reality, generating difficulties in its implementation. Although human resource management acted in a conservative way until 1990, with emphasis in the bureaucratic activities, significant modifications in HRP can be noticed in recent years. The changes in the world-wide context demanding a reorientation of the HRM and the failure in adopting American practices contributed to the establishment of a movement that started considering the HRM as strategic (FISCHER, 1998).

2.1 The Human Resource Practices

In this research, we analyze the six main human resource practices adopted by the studied organization, which include: communication program, career planning program, wellness program, recruiting and selecting program, training and development program, and compensation program.

Communication programs - The communication inside of the organization can assume four basic functions: control, motivation, emotional expression and information. When the employee receives formal orientation about organizational structure, hierarchy, behavior and ethics, the communication is exerting the control function. The communication process can act as motivational function when it clarifies employees’ activities, feedback, and informs the group performance quality. The communication can also act as emotional expression when members of a work group express their frustrations and feelings of satisfaction. The communication program facilitates the process of decision making transmitting data for identification and evaluation of the alternatives (BOHLANDER et al., 2003). In order to facilitate the information transmission, organizations have available several communication channels: Internet, e-mails, Intranet, periodicals, wall boards, bulletin boards, pamphlets, and outdoors, among others. Beyond transmitting information to the employees the organizations normally offer spaces to hear claims and suggestions.

Career planning program - The career planning program has been one of the practices of human resource that has suffered more alterations. It has a high degree of complexity related with the difficulties employers are facing in compensating the employee for the work given, according to Coelho & Dallagnelo (2003). The career concept has changed and the new view transfers the responsibility for career management from the organization to employees. The workers have assumed the responsibility for the construction of their own careers. They have to have knowledge and experiences that are valuable for organizations and the market. The organization’s role is to support employees in the management of their careers by supplying them with information and direction about work expectations. For the career planning development to be effective managers of all levels must be trained about the basic aspects of job planning, performance evaluation, analysis of abilities, and feedback (BOHLANDER et al., 2003).
Wellness programs - Programs of support to employees are frequent in the organizations, generating great benefits and reducing costs through the reduction of absenteeism and turnover. These programs usually support workers in case of stress, chemical dependence, illnesses, smoking habits, and stimulate the practice of physical exercises. Moreover, Milkovich & Bouderau (2000) add that it is a demonstration that the employer is committed to respectful and cooperation relationship.

Recruitment and selection programs – Recruiting and selection is the process of generating qualified applicants and choosing among them to fill jobs in an organization. This method can be conducted by human department management (internal) or can be made using employment agencies (external). Most organizations combine internal and external methods.

Training and development programs - The training is a process of acquisition of abilities, rules, concepts or attitudes more focused and guided for short-period of time, while development is a longer process. The process of training and development should be part of the organization’s strategy, being used as a strategic tool to achieve the firm’s goals. Tolfo (2000) adds that the development process also involves more than offering information but also learning attitudes that are required. Milkovich and Bouderau (2000) affirm that investments in training are associated with profitability.

Compensation programs - Compensation practices vary according the type of organizations. The mix of compensation programs are basically the same, what varies is the proportion that they are utilized to compose the compensation program. For example, sales compensations are more aggressive in relating performance and results with variable pay. Compensation practices can be basically divided into base pay, variable pay, and indirect pay. Base pay is the salary, the amount of money that employees receive usually according time worked. Variable pay is defined as the pay for performance, which can be paid through bonuses, incentives, and stock options. Indirect pays are the benefits that organizations usually offer such as medical insurance and retirement pension (MATHIS & JACKSON, 2000).

The compensation practice must be designed to attract, keep, and motivate the employee. Base pay and variable pay influence the organizational performance in different manners. Pay level is responsible for the attraction and retention process as well as influencing the sense of equity. What will differentiate individual effort is the variable pay mix which is responsible for motivating employees (GERHART & MILKOVLICH, 1990). This kind of remuneration compensates when individual, groups, and organization pre-established goals are achieved. This should encourage cooperation and communication between employees and groups (LAWLER, 2003).

3. Organizational Change

The organizational change is not a new phenomenon. But, according to Wood Jr., Curado & Campos (1994), the changes that are occurring in the organizational context now are different from the changes that occurred in the past, where predominated a comfortable standard of continuity. However, now the authors add that consumers demanding, new competitors, reduction of the products’ life cycle, new profile of the work force, and many other factors had become a torment to organizations.

In Brazil, the subject of organizational change has become a worry for executives, consultants and researchers. Moreover, recent research reveals that there still is a limited capacity for developing a significant and successful change in organizations (MACHADO-DA-SILVA & FERNANDES, 1998). The implementation of an organizational change leads to processes that are neither calm nor safe when the desired results are evaluated. It is a
complex process, but in a simple vision, could indicate a planning-action implementation. Many times, the process is uncertain and discontinuous (MOTTA, 1997). It would be easier to carry through an organizational change if the people always favorably accept it.

When a change is proposed in the work environment, most times it generates a perception of a threat to work life that is already organized and relatively safe. This perception of a threat provokes an internal disequilibrium that frequently triggers certain immediate reactions to reestablish the previous balance state (FONSECA, 2000). Thus, the management of the change involves the understanding of organizational context, as well as the ability to act and to mobilize resource to promote it. When necessary, the fast and impacting changes are not a consensus and generate little commitment. Moreover, for producing a quicker effect, it is almost always traumatic, resulting in great resistance (FONSECA, 2000).

According to Lobos (1979), there is a great conceptual and semantic confusion about organizational change, because it has been mixed with the concept of Organizational Development. To facilitate the reader’s understanding about this construct we decided not to cite several definitions. We present only one definition that met these research guidelines: organizational change: "[…] is any transformation of structural, strategic, cultural, technological nature, human being, or any another component, capable to generate impact in parts or in the set of organization" (WOOD Jr. et al., 1994, pg. 64).

Although there are diverse typologies of organizational change, it seems to be a consensus among authors that changes generally are centered in following variables: "technology", "structure", and "people" (BARON & GREENBERG, 1989). These three variables represent the targets of changes significantly. It is important to remember that the efforts of organizational change can be greater in some variables than another. Usually, change in workers’ behavior requires more effort and investment than assimilates new technologies (CABRERA et al., 2006).

Changes in people: The process of change in people is not so simple and it is one of the most argued topics in the literature. According to Silva and Vergara (1999) the difficult task is to manage changes, not only changes in politics, procedures and structures, but also in people. The biggest level of complexity in organizational change is the need of promoting new patterns of behavior in individuals and teams (SILVA & VERGARA, 1999; HERSEY & BLANCHARD, 1977). The efforts of changes in people usually represent an organizational reaction to environmental demands. The basic presupposition is that effectiveness depends greatly on the behavior of the people in the workplace. This target of change generally involves changes in the attitudes and behaviors of the members of the organization through processes of communication, solutions of problems and decision-making.

Summarizing, the literature argues that the processes of changes are inevitable. Moreover, the phenomenon of the resistance is a potential factor. However, the perspectives of success or failure of these initiatives have much to do with the form as the changes are managed. A key factor, in this case, is the degree of involvement of employees who suffer the impacts of the change and the perceptions they develop during this process. Therefore, we expect that individuals less resistant tend to see positively the team development and the new politic management, because they believe that changes can improve their work satisfaction. Then, the hypothesis is:

Hypothesis: The human resource practice are positively and significantly related to strategic organizational change.
4. Methods

4.1 Organization and sample

This is a case study in one of the largest global companies of mining and metal industry. This Brazilian organization recently passed through organizational development changes. In the past decade, this company faced a privatization process that changed the organizational culture and goals. It also faced a downsizing process that affected the organizational structure. The unit of analysis is a branch of the company that is responsible for product exploitation and transportation. The sample was randomly obtained. The 234 answers represent 30% of the population.

4.2 Measures

The field research was accomplished through semi-structured interviews with professionals from the human resource department, aiming at a better understanding of the sector activities. A pre-test was also developed to identify potential flaws – either inconsistency or complexity of questions, or ambiguity and unreachable language – and there has been a reformulation of some items, along with elimination of others. A 5 points Likert type scale was used. Later on, the structured questionnaires were completed.

The first part of the questionnaire assesses the demographic data of the participants. The second one investigates the variables of organizational change implemented in the last five years. The aspects analyzed were: negative experience with organizational change, acceptance and declared support, moderate acceptance, and threat to social relations. These questions were validated by Chaves (2005), which were based on Hernandez and Caldas’ (2000, 2001) organizational change model due to its consistency with Brazilian culture. The third part presents questions that assess the human resource practices specifically set to the studied company. Questions were created considering two referential systems: a) data from the interview with professionals of the HR department of the company, approaching the practices of HR management in that organization; b) questions extracted from the quality of work life diagnostic instrument developed by Walton (1973). In the last part of the questionnaire the respondents had the opportunity to express their feeling about the organizational development programs, answering how satisfied or how unsatisfied they are.

4.3 Analysis strategy

The quantitative analysis of data was divided in many steps. Firstly, an analysis of missing data outliers. After that, some assumption were evaluated as being the normality and linearity ones. After treating data, the exploratory factor analysis was used to indicate if the data was being grouped into two factors, which means, the two constructs (human resource practices and strategic organizational change) proposed in the research. Having had an affirmative result, we went on to the analysis of the hypothesis.

The human resource practices construct is composed of the following variables: communication program, career plan program, wellness program, recruiting and selecting program, training and development program, and compensation program. Finally, the Strategic Organizational Change construct presents such variables: negative experience with organizational change, acceptance and declared support, moderate acceptance, and threat to social relations. Each variable is measured by at least three questions. In the case of human resource practices construct, the questions were formulated based on the interviews with human resource managers. The interviews were developed in order to build the questionnaire to measure the six human resource practices adopted by the organization studied. The organizational change construct is built based on Hernandez and Caldas (2000, 2001) model.
These authors adapted and validated to Brazilian reality the Judson (1980) and Baron and Greenberg (1989) organizational change approaches.

To analyze the proposed model, the partial last squares (PLS) technique was used as the confirmatory factor analysis. Hair Jr. et al. (1998) affirm that the objective of the factor analysis is to exploit patterns in relations among a number of variables. Those patterns are represented by constructs composed by variables which carry high load in that dimension. The PLS can be used in that way because variables can be considered the indicators of the construct – each variable has a load in each construct – and, besides that, the researcher has total control over the variables’ specification. By using that technique, the researcher is also allowed to use specific statistical tests of model adequacy, which is not possible through factor analysis.

We utilized the composite reliability to measure the model internal consistency. Another way of measuring quality and relevance of the model according to Lohmöller (1984) is by using the blindfolding technique. According to the author, the technique consists of hiding part of the data while the parameters are estimated, and then rebuilding the hidden part now using the estimated parameters. That process is repeated until all the data is hidden and rebuilt. The technique doesn’t require assumptions of distribution, which makes it ideal to be used with the parameter estimate method PLS. The results of the validation are obtained via cross-validation and jack-knife.

The jack-knife technique consists of estimating parameters 234 times (sample size) on a database along with 234 observations, eliminating one observation at a time. The average pattern errors and other distribution measurements are obtained due to 234 estimations for the same parameter. When holding that data, a significance test can be taken to indicate the adjustment of the proposed model. The cross-validation technique is used to measure how well an observed amount can be rebuilt by the model and its parameters. This technique consists in using a database to estimate the parameter and another one to confirm the results of the validation.

5. Results

5.1 Sample characteristics

The majority of respondents are predominantly male (87%). Of the total sample, 55% are aged over 40 and 45% are aged up to 40, indicating that the company presents a balanced group of employees considering the ages. In this sample, it was verified that 42% of employees finished high school. Only, 3% have only elementary education, 13% are undergraduates, and 23% of respondents have completed some undergraduate course. Finally, 3% of employees have obtained a graduation degree.

A relative stability at work was observed, where 60% of the sample represented people that have been working for the company for 6 to 20 years, indicating a low turnover. However, 16% of the employees have been there for less than one year, confirming that the organization is hiring people because it is expanding its production. As a result, according to data, we can infer that the stability at work is high because 24% of employees work in this firm for more than 20 years. Analyzing the job position, 12% of respondents are top and middle-managers. Another 12% occupy superior level positions like engineers. The majority, 76%, occupy operational functions or technical administrative functions.

5.2 Relationship between HR practices and organizational change

The PLS was utilized in order to investigate the relationship between the human resource practices construct and the strategic organizational change. The composite reliability
of HR practices construct is 0.91. According to Table 1, the variables, communication, career planning, wellness, recruitment and selection, training and development, and compensation and benefits have consecutively 57%, 74%, 66%, 58%, 68% and 61% of the explained variance associated with the construct. They present loadings as follows, consecutively: 0.86, 0.76, 0.81, 0.76, 0.82, and 0.78. In this case, the human resource practices construct is strongly explained by its variables, indicating a strong internal consistency.

The composite reliability of strategic organizational change is 0.90. According to Table 1, the variables, negative experience, acceptance and declared support, moderate acceptance, and threat to social environment have consecutively 80%, 84%, 85%, and 80% of the explained variance associated with the construct. They presented loadings as follows, consecutively: 0.91, 0.91, 0.92, and 0.90, indicating that there is a strong internal consistency.

Table 1: PLS result

<table>
<thead>
<tr>
<th>Construct</th>
<th>Variables</th>
<th>Mean</th>
<th>S.D.</th>
<th>Loading</th>
<th>Residuos variance</th>
<th>Variance extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative experience</td>
<td></td>
<td>2.87</td>
<td>0.70</td>
<td>0.91</td>
<td>0.20</td>
<td>0.80</td>
</tr>
<tr>
<td>Acceptance</td>
<td>Strategic Organizational Change</td>
<td>3.92</td>
<td>0.60</td>
<td>0.91</td>
<td>0.16</td>
<td>0.84</td>
</tr>
<tr>
<td>Moderate acceptance</td>
<td></td>
<td>3.87</td>
<td>0.65</td>
<td>0.92</td>
<td>0.15</td>
<td>0.85</td>
</tr>
<tr>
<td>Threat to social env.</td>
<td></td>
<td>3.50</td>
<td>0.80</td>
<td>0.90</td>
<td>0.20</td>
<td>0.80</td>
</tr>
<tr>
<td>Communication</td>
<td>Human Resource Practices</td>
<td>3.47</td>
<td>0.71</td>
<td>0.86</td>
<td>0.43</td>
<td>0.57</td>
</tr>
<tr>
<td>Carrier planning</td>
<td></td>
<td>3.39</td>
<td>0.73</td>
<td>0.76</td>
<td>0.26</td>
<td>0.74</td>
</tr>
<tr>
<td>Wellness</td>
<td></td>
<td>3.58</td>
<td>0.63</td>
<td>0.81</td>
<td>0.34</td>
<td>0.66</td>
</tr>
<tr>
<td>Recruitment</td>
<td></td>
<td>3.55</td>
<td>0.84</td>
<td>0.76</td>
<td>0.42</td>
<td>0.58</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td>3.87</td>
<td>0.51</td>
<td>0.82</td>
<td>0.32</td>
<td>0.68</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td>3.47</td>
<td>0.58</td>
<td>0.78</td>
<td>0.39</td>
<td>0.61</td>
</tr>
</tbody>
</table>


As expected, the Chi-square statistic for this model is significant due to sample size sensitivity ($X^2 = 182.90$, df=114, p<.01). The overall fit indices are good because the comparative fit index is greater than 0.90 (CFI=0.941) and root mean-square error of approximation is less than 0.05 (RMSEA=0.048). The path between HR practices and strategic organizational change is significant ($\lambda=0.356$, p<0.05).

The results of the jack-knife procedure showed that strategic organizational change construct variables were all considered significant, which means they confirm the quality and relevance of the proposed model. For the human resource practices construct, this technique cannot be used, since a hexogen latent variable does not suffer any influence from another construct. The obtained results from cross-validation technique were significantly positive, indicating that the model can be rebuilt based on its variables. After running the PLS, the results suggest that human resource practices are positively related to strategic organizational change. They suggest that the employees that approve the human resource practices tend to support and perceive as positive the recent strategic organizational changes.

6. Discussion and Conclusion

The objective of this paper is to investigate the relationship between human resource practices and organizational changes. Proceeding in this research we developed a model based on two constructs—human resource practices and organizational change. Each construct has its own variables.
The human resource practices variables are the six main practices adopted by the researched organization. Thus, the developed model also permits the researcher to analyze how employees perceive each of these practices. The results suggest that the programs training and development, wellness, and recruitment and selection were well evaluated. These results met the human resource manager’s expectations outlined in the interview. However, compensation and benefits, communication, and career planning programs deserve more attention because employees perceived that these practices did not meet their needs and expectations.

The result of compensation and benefits practice were as anticipated by human resource department managers. During the interviews the HR managers revealed that employees tend to believe that they are not properly rewarded for their performance. In this case, we recommend that the organization should further investigate to better evaluate the results about compensation and benefits practice. The communication practice should be revisited in order to better meet the employees’ needs. Nonetheless, the career planning practice which was the worse evaluated program should be completely reviewed.

The organizational change construct is composed by four variables that measure how employees perceive the organizational change. The employees of this firm have a high degree of acceptance. The perception of organizational change as a negative experience is not a point of attention because the overall mean is low. However, we believe that employees with negative perceptions are important to organization because they can reveal some problems that managers might not identify. We also consider that the negative perception can vary due to the level of job satisfaction, organizational commitment, or personal factors such as personality traits. Finally, the result of organizational change as threat to environment is high. This result was expected because the organization implemented a downsizing program to cut costs. One of negative consequences of downsizing is the psychological conditions of the remaining employees.

Finally, the analysis results suggest that the model has a good internal consistency and can be used to measure the employees’ degree of perception of human resource practices and organizational change. The PLS results implies that how employees perceive organizational change is positively and significantly influenced by how they perceive the human resource practices. It means that, the success of changes programs also depends on how human resource practices are managed. Summing up, this is a powerful tool that managers should utilize to minimize the changes’ impacts. Moreover, this result confirms that human resource management is strategic to the organizational changes by participating actively of the strategies development and implementation.

7. References


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