The effects of organisational change on employee psychological attachment

An exploratory study

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Abstract Employee commitment is a concept which has attracted much attention in recent years. Research has focused on relationships between commitment and various facets of individual performance and on the psychological basis of the commitment itself. Profiles the pattern of employee commitment found in an exploratory study of employees of a large retail bank which is undergoing a process of both structural and cultural change. Three bases of employee commitment – internalised commitment, identification commitment and compliance commitment – are profiled against the pattern of commitment which the literature suggests will be found across various employee grades. Evidence from the exploratory research is presented which suggests that major change may result in the (at least partial) dissolution of internalised commitment on the part of employees, coupled with a corresponding increase in compliance commitment. Implications for the organisation and the future success of the change process are examined, together with recommendations for further research.

Introduction

The financial services industry has undergone dramatic change over the past two decades. Following the sweeping deregulation of the 1980s banks were faced with new and competitive operating environments and as a consequence strived both to increase operating efficiencies and develop new income streams through various structural and strategic change initiatives.

Implicit in such dramatic change is the relatively new orientation by banks towards marketing and more recently the adoption of relationship banking principles (Axson, 1992; Berry, 1997; Holland, 1992). The summary effect of these changes has been the creation of a climate in which the role of the bank employee has changed from “teller to seller” and where such employees represent a key facilitator in the implementation of relationship banking.

Within this context, this study examines the state of employee commitment in the retail banking industry. The research takes the form of a case study into one long established banking institution. The process of change and the management of the change process within the case bank are discussed and used as the organisational context within which various exploratory hypotheses about the effects of change on organisational commitment are tested.
Organisational change within the case bank
The case bank is a leading banking institution within the UK and Republic of Ireland, with a retail branch network of circa 400 branches. While change initiatives have taken place, and continue to take place, within the case bank, these are typical of those being experienced by many organisations within the industry, and include changes to structures and processes, strategies and staffing.

Structures and processes
In an attempt to become less bureaucratic and to move decision making closer to the customer, the branch network has been divided into geographically distinct operating areas. Within these, much of the decision making formerly reserved for head office has been delegated to senior managers. Typically such decisions were lending related, but developing management information systems enabled area by area comparison in a range of matters, including costs and product sales. The new structure and circulated information therefore also had the effect of introducing inter-area competition.

The various change initiatives also resulted in the centralisation of much branch outlet administration, further changing the role of the branch. In essence, the various changes are resulting in the role of the branch slowly evolving into that of sales outlet.

Structural and process changes within the case bank can be summarised as follows:

- the movement of decision making closer to the customer by the introduction of autonomous geographically based business units;
- the development of revised reporting lines, with the separation of the sales and costs functions;
- the separation of retail and corporate business to facilitate specialisation; and
- the development of dedicated “group” units, for example marketing and credit.

Strategies and staffing
In an attempt to become more efficient and effective, major cost-reduction and sales development strategies were simultaneously introduced. A dedicated bank-wide, sales division was created at head office level to coordinate training and liaise closely with marketing department in terms of new product development and implementation strategy. Weekly and monthly sales targets have been introduced for specific product groupings, with branch performance being published internally. As a result of these changes, a marketing orientation has come into a position of dominance within the organisation, with senior management being committed to the development of a true marketing orientation.
New human resource policies have been introduced alongside these changes. A voluntary parting scheme was introduced, aimed at senior “more costly” staff, while at the same time, school leavers and graduates were being actively recruited into the branch network at the newly created “bank assistant” grade. This grade attracts a salary package 50 per cent below that which it replaced. A substantial training programme was introduced in an attempt to bridge the experience gap which had arisen as a result of the departure of a significant number of long-serving staff. However, the effectiveness of this was undermined by budgetary restraints and poor retention rates for the newly appointed bank assistants.

At the same time, remote distribution channels were being developed, one example being a 100 per cent increase in the size of the automated teller machine (ATM) network in the space of three years. Telephone banking and Internet banking are currently being implemented.

Strategic and staffing changes in recent years can be summarised:

- creation of mission statement and chief executive’s vision;
- becoming more marketing-oriented, including growth in marketing department’s size and influence, the engagement of dedicated advertising and PR agencies, and greater marketing awareness at branch level;
- increase in competition monitoring;
- development of an area-wide “retail sales” division, with an emphasis on developing personal selling skills and measuring sales performance (both in terms of “number” of sales and “quality of service”);
- voluntary parting scheme for senior and long-service staff;
- regular intakes of school leavers and graduates at the newly created “bank assistant” grade;
- new salary scale for junior appointees;
- development of an area-wide training team to develop key skills and operational competency (discontinued due to cost factors); and
- introduction of area managers to take control of geographical concentrations of branches.

**Change within the case bank – summary**

The cumulative effects of the various changes which have impacted on the retail banking sector have resulted in fundamental changes to organisational structures, systems and processes, and to management strategies. Such changes in the case bank have been manifested in structural change, staff recruitment and working practices changes and an embracing of relationship marketing strategies across the organisation, the latter involving new and high
technology distribution channels. While such change has been extensive for this particular institution, it remains typical of that undertaken at industry level, both in the UK and the USA.

The extent of the change which has occurred within the case bank is such that it has profound implications for both values and working practices within the organisation. Since these are the cornerstones on which organisational commitment is founded, an understanding of the impact of such change on commitment levels within the bank is essential for its future development.

Organisational commitment and organisational change

The impact of organisational change on various facets of individual behaviour is well documented. Demers et al. (1996, p. 22) contend that:

Organisations tend to be very good at planning and orchestrating the technical and structural aspects of change, but poor at guiding and supporting the human side – the personal reorientation associated with change.

Smither (1994) cites five typical barriers to change associated with various sources: disruption of personal relationships, perceived threat to status, preference for the status quo, economic factors and problems associated with organisation development specialists. Similarly, techniques to help overcome these barriers have been much discussed, and include involving managers and employees in the change process, the use of informal leaders, the use of organisation development specialists and the creation of a new vision for the workplace. What these techniques all have in common is that they either rely for their success on employee commitment, or are aimed at maintaining commitment per se. The role of employee commitment in the management of change process can therefore be argued to be a central one, both from the perspective of consolidating change and from that of the likely future success of ongoing change programmes.

In order to develop this argument further, it is first necessary to examine the essential nature of organisational commitment.

Organisational commitment

Organisational commitment is a construct which attracts many definitions. For example, Jaros et al. (1993, p. 989) note that:

For over two decades, researchers have persistently and gradually refined the meaning of organizational commitment. It has evolved into a complex concept that can serve as a summary index of work-related experiences and as a predictor of work behaviours and behavioural intentions.

Morrow (1983) has identified over 25 commitment related concepts and measures. By way of introduction to the concept, we can look at the work of Porter et al. (1974, p. 604) who define commitment as “the strength of an individual’s identification with and involvement in a particular organisation”, having based their assessment on measures of motivation, identification with
the values of the organisation, and employees’ intentions of remaining members. Buchanan (1974, p. 53) takes the definition one stage further and describes commitment as being:

A partisan affective attachment to the goals and values of an organisation, to one’s roles in relation to the goals and values, and to the organisation for its own sake, apart from its purely instrumental worth.

This definition distinguishes between attachment based on exchange (involvement in return for extrinsic reward) and that based on a moral attachment where involvement is based on value congruence (between the individual and the organisation). This distinction is one which has been made by many researchers in the area, going back as far as Kelman (1958), Becker (1960) and Etzioni (1961). Indeed, Kelman distinguishes between commitment based on compliance (the individual adopts specific patterns of behaviour and attitudes in return for specific rewards and to avoid costs associated with quitting/withdrawal from the organisation), identification (where attitudes and behaviours are adopted in order to gain association with a valued third party) and internalisation (in which individuals adopt specific behaviours and attitudes because their content is congruent with the individuals’ value systems).

While recognising that employee commitment can be approached from a number of perspectives, O’Reilly and Chatman (1986) develop Kelman’s theme and identify psychological attachment (the psychological bond linking the individual and the organisation) as a central theme in all the various approaches to commitment. Psychological attachment, according to O’Reilly and Chatman (1986, p. 493):

Reflects the degree to which the individual internalises or adopts characteristics or perspectives of the organisation.

The three bases for an individual’s psychological attachment to an organisation identified by O’Reilly and Chatman closely match those of Kelman, namely:

1. compliance, or instrumental involvement for specific, extrinsic rewards;
2. identification, or involvement based on a desire for affiliation; and
3. internalisation, or involvement predicated on congruence between individual and organisational values (O’Reilly and Chatman, 1986, p. 493).

This approach to employee commitment has been subsequently adopted by other researchers in the area. For instance, Jaros et al. (1993) in an attempt to come up with a sharper definition of commitment defined:

1. continuance commitment (where the employee feels compelled to commit to the organisation because the monetary, social, psychological and other costs associated with leaving are high);
2. affective commitment (commitment based on an emotional bond); and
(3) moral commitment (based on internalisation of norms and identification with organisational authority; the degree to which an individual is psychologically attached to an employing organisation through the internalisation of its goals, values and mission).

Both O’Reilly and Chatman’s (1986) analysis and that of Jaros et al. (1993) provide factor analytic support for the idea of a multi-dimensional approach to the study of commitment. Indeed, their findings lead Jaros et al. (1993, p. 970) to conclude that:

Single factor models do not represent the conceptual and empirical domain of organizational commitment.

Each of these dimensions of commitment – internalised, identification and compliance (O’Reilly and Chatman, 1986) – can be seen to be threatened by any process of organisational change. Movement into new products and markets may result in changes in identification commitment as the core nature of the business (that which attracts identification commitment) changes. It is also fair to argue that organisational development which results in changes in the organisation’s core underlying values poses a significant threat to internalised commitment on the part of employees – by its very nature such change will dissolve the shared values on which internalised commitment is based.

Compliance commitment can be affected by organisational change in a number of ways. The obvious case is where organisational change results in economic changes to terms and conditions of employment. It can also be argued that compliance commitment may be affected by changes in identification and internalised commitment – for example, the dissolution of shared values between the individual and the organisation, or changes in the nature of the organisation’s business, may lower individuals’ internalised and identification commitment, thereby leaving compliance commitment as the main basis of employee attachment.

Many of the strategies identified above for overcoming the barriers to change emphasise the need to ensure continued employee commitment in times of change.

However, by comparing the employee commitment profile found across various employee grades in the case bank with the pattern of commitment which the literature suggests will be found, this paper provides exploratory evidence suggesting that in many instances “continued” commitment is not possible. What may be required instead is the creation of new commitment contracts between the organisation and its employees, based on the new organisational values and practices.

The importance of employee commitment

Commitment to organisations has variously been found to be positively related to such organisational outcomes as job satisfaction (Bateman and Strasser, 1984; Mowday et al., 1982), motivation (Mowday et al., 1979) and attendance (Mathieu and Zajac, 1990; Steers and Rhodes, 1978). At the same time,
commitment has been found to be negatively related to outcomes such as absenteeism and labour turnover (Cotton and Tuttle, 1986; Clegg, 1983). Mowday et al. (1982) concluded that highly committed employees wish to remain with their employing organisations.

That is not to say, however, that such relationships are straightforward and directly observable; indeed, it appears that other variables moderate these relationships to an extent (Mathieu and Zajac, 1990). For example, and in keeping with this, Jaros et al. (1993) found that commitment affects turnover only indirectly, through withdrawal intentions. However, what is important from the perspective of the present study is that such relationships do exist, and are associated with potentially positive outcomes for the organisation.

Adopting the theoretically sound approach of multi-dimensional commitment (O’Reilly and Chatman, 1986; Jaros et al., 1993), a number of studies have illustrated the importance of having employees whose commitment is based on more than simple compliance commitment. Smith et al. (1983) argue that many key behaviours in organisations rely on acts of cooperation, altruism and spontaneous unrewarded help from employees.

O’Reilly and Chatman (1986) found commitment based on internalisation to be significantly related to both intrarole behaviour (behaviour expected as part of the job) and extrarole behaviour (prosocial acts beyond what is outlined in the job description; actions for which the individual receives no immediate reward but which benefit the wider organisation), tenure intentions and turnover. Attachment based on identification or pride in affiliation is also related to extrarole behaviour, tenure intentions and turnover. Compliance attachment, on the other hand, was not found to be significantly related to either intrarole or extrarole behaviour or turnover, but was negatively related to intention to remain with the organisation.

Finally, two further studies into commitment and performance are of particular relevance to the present research on the effects of change on commitment in the retail banking industry. Iversen et al. (1996) found that “affective commitment” (commitment based on the adoption of the values, attitudes and beliefs of the organisation – essentially internalised commitment) has a statistically significant net impact on service accomplishment (“the perception of the employee that the service encounter was successful in creating value for the parties to the service encounter” – Iversen et al., 1996, p. 40); in addition, it was also found to have a statistically significant impact on employee acceptance of change. Benkoff (1997) concluded that commitment is significantly related to the financial success of bank branches.

The study
Within the context of the industry-wide change discussed above, the case bank has been attempting to develop a relationship banking culture, as outlined. To assess its success to date in this regard, and to facilitate the ongoing process of change management, a research project has been established to profile the bank’s core underlying culture. This will take the form of a longitudinal study,
utilising both quantitative and qualitative sources of information. As part of the initial culture profiling exercise, respondents within the case bank were asked to complete a 12-item self report questionnaire on the basis of their individual psychological attachment to the institution (see Table I). The initial findings from this part of the research facilitate an exploratory analysis of the effects of organisational change on employee commitment.

The 12-item scale used to assess the three dimensions of commitment was derived from the 21-item scale constructed by O’Reilly and Chatman (1986) to

<table>
<thead>
<tr>
<th>Item</th>
<th>Commitment scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the organisation’s values were different, I would not be as attached to it</td>
<td>Internalisation</td>
</tr>
<tr>
<td>The reason why I prefer to work for this organisation over and above any other is because of what it stands for, its values</td>
<td>Internalisation</td>
</tr>
<tr>
<td>My attachment to this organisation is primarily based on the similarity of my values and those represented by the organisation</td>
<td>Internalisation</td>
</tr>
<tr>
<td>What this organisation stands for is important to me</td>
<td>Internalisation</td>
</tr>
<tr>
<td>Since joining this organisation my personal values and those of the organisation have become more similar</td>
<td>Internalisation</td>
</tr>
<tr>
<td>I feel a sense of ownership for this organisation rather than just being an employee</td>
<td>Identification</td>
</tr>
<tr>
<td>I am proud to tell others that I work for this organisation</td>
<td>Identification</td>
</tr>
<tr>
<td>I tell my friends that this organisation is a great place to work</td>
<td>Identification</td>
</tr>
<tr>
<td>How hard I work for this company is directly linked to how well I am rewarded</td>
<td>Compliance</td>
</tr>
<tr>
<td>My private views about this company are different from those which I express publicly</td>
<td>Compliance$^a$</td>
</tr>
<tr>
<td>Unless I am rewarded for it in some way, I see no reason to expend extra effort on behalf of this organisation</td>
<td>Compliance</td>
</tr>
<tr>
<td>In order for me to get rewarded by this organisation, it is necessary to express the right attitude</td>
<td>Compliance</td>
</tr>
<tr>
<td>To what extent would you prefer another more ideal job than the one you work in now?</td>
<td>Intent to leave</td>
</tr>
<tr>
<td>To what extent have you seriously thought about changing organisations since you began working here?</td>
<td>Intent to leave</td>
</tr>
<tr>
<td>How long do you intend remaining with this organisation?</td>
<td>Intent to leave</td>
</tr>
<tr>
<td>If you have your own way, will you still be working for this organisation three years from now?</td>
<td>Intent to leave</td>
</tr>
</tbody>
</table>

Note: $^a$This item was omitted from the final analysis following reliability analysis

Source: O’Reilly and Chatman (1986)
measure the three commitment dimensions which they had identified from the literature – compliance commitment, internalised commitment and identification commitment. The 12 items included in the shortened format used in this study were those which were found by O’Reilly and Chatman to load most highly on the three commitment categories after factor analysis. Five items measure internalised commitment, three identification and four compliance commitment. For each scale, Cronbach’s alpha was calculated to assess reliability. The internalised commitment and identification commitment scales were considered fit for use, producing alphas of 0.75 and 0.73 respectively. One item was deleted from the compliance commitment scale as a result of the reliability analysis; the remaining items generate an alpha of 0.49.

Respondents were additionally asked to complete a four-item scale measuring intent to leave/stay with the organisation.

The research into the relationship between change and employee commitment was essentially exploratory in nature, in that the main objective was the refinement of a research idea to facilitate further research (Kervin, 1992). To this end, the process made extensive use of a literature search, and the information gathering stage can be viewed as a preliminary investigation, both identified by Emory and Cooper (1991) as core methods of conducting such research. Although exploratory research commonly relies on the opinions of experts and the use of focus groups in the initial stages, this was not feasible in the present case given the previously agreed structure of the wider study; preliminary gathering of information would therefore rely solely on the use of quantitative methods (the questionnaire referred to above).

The justification for the adoption of the exploratory approach for this particular study lies in the nature of the subject area, and the complex set of interacting factors which influence employee attachment or commitment. Yin (1994) notes that exploratory studies are primarily useful for the generation of hypotheses centred on the phenomena under investigation, while a hypothesis testing approach is appropriate for explanatory research. However, in this case the available literature was felt to be sufficiently robust to facilitate the development of preliminary hypotheses to guide the exploratory research. These are discussed in detail below. It was also anticipated that the research would result in the emergence of further theory and hypotheses to guide future research in the area.

Questionnaires were distributed by post to a representative sample of 200 employees within the bank’s retail division. A response rate of 35 per cent was achieved after follow up (N = 70).

Comparisons were made for different employee groupings across the various measures of commitment in order to test three hypotheses relating to organisational commitment in a period of sustained change. These are discussed below.
**Hypotheses**

*Hypothesis 1 – internalised commitment*

As previously discussed, internalised commitment is psychological attachment which is based on congruence between individual and organisational values (O’Reilly and Chatman, 1986). It has been found to be significantly related to both intra- and extra-role behaviour, tenure intentions and turnover (O’Reilly and Chatman, 1986). Given its essential nature (i.e. the fact that it is predicated on shared values), it is entirely appropriate to expect that in stable conditions (those in which organisational values remain relatively constant) internalised commitment would vary across employee groupings within an organisation.

The justification for this argument is best illustrated by example. For instance, younger employees with less service would be expected to share less in the underlying core values of the organisation, as their exposure to the value system would have been of much lesser duration. Similarly, longer serving employees would be expected to display comparatively higher levels of internalised commitment – due to a longer socialisation process (during which time employees can internalise the organisation’s values) and due to the fact that those who did not share the core values would be more likely to have left the organisation (high internalised commitment is associated with higher intention to stay – O’Reilly and Chatman, 1986).

Under stable conditions internalised commitment would also be expected to be higher on the part of more senior members of staff – on the assumption that the prosocial, extrarole behaviours and higher levels of performance associated with high levels of internalised commitment would have been instrumental in securing promotion for such individuals.

However, the first preliminary hypothesis put forward in the present study is that such effects will not be found in an organisation, such as the case bank, which has recently undertaken significant and fundamental change affecting its core values. In such circumstances, what has happened in practice is that one partner to the shared values contract has changed its values; it is therefore entirely justifiable, indeed logical, to argue that as a direct result value congruence between individuals and the organisation will be lessened, at least in the short term. As a consequence, a period of socialisation may now be required to allow employees to adopt the new core organisational values, i.e. to reestablish internalised commitment.

Hypothesis 1, therefore, is that employees in the case bank will display uniformly moderate to low levels of internalised commitment.

*Hypothesis 2 – identification commitment*

As one of the country’s leading financial institutions, and with a very positive/strong market image worldwide, it was not thought likely that identification commitment would be a problem within the case bank. Identification commitment is associated with external perceptions of the organisation, and as such is less likely to be affected by internal changes.
Hypothesis 2, therefore, is that employees will display relatively high levels of identification commitment.

**Hypothesis 3 – compliance commitment**

Compliance commitment is psychological attachment based on extrinsic reward. Individuals whose commitment is based on this exchange relationship do not display the positive, prosocial behaviours associated with high levels of internalised commitment (and, to a lesser extent, identification commitment). Further, they also have a much lower intention of remaining as members of the organisation (O’Reilly and Chatman, 1986). A preponderance of employees whose attachment is based on compliance commitment would constitute a worrying sign for an organisation implementing various change initiatives and embracing a relationship-oriented marketing approach. Employees whose attachment is based primarily on compliance commitment will not share the values of such change, nor feel part of the change process – factors which would impact on their ability and possibly inclination to deliver objectives set as part of this new strategy.

Under stable conditions it would be expected that younger employees with less service would display higher levels of compliance commitment relative to senior staff with longer service records. This is for a number of reasons. First, as discussed above, such employees have had less opportunity to internalise the organisation’s core values (i.e. to become internally committed). Second, it is to be expected that (consistent with the literature) employees who fail to adopt the core values will have left the organisation over a period of time (to claim a better “exchange deal” elsewhere). Third, it can be argued that money will be a more important motivator to young people as the extent of such individuals’ satisfaction of lower order needs will, on the whole, be lower. This point is likely to have been exacerbated within the case bank by the introduction of a new starting grade attracting a salary level 50 per cent below its predecessor.

In other words, and in line with Hypothesis 1 above, ordinarily we would expect to find younger, less experienced employees displaying high levels of compliance commitment, coupled with relatively low levels of internalised commitment; the opposite would apply for longer serving, more senior employees, as discussed.

In times of fundamental change to the organisation’s core values, however, this is not expected to be the case. The dissolution of internalised commitment on the part of longer serving, senior employees is expected to result in higher than expected levels of compliance commitment on the part of such employees. At the same time, we would continue to expect new, younger employees to display the profile described above (high compliance commitment coupled with lower internalised commitment).

The third preliminary hypothesis, therefore, is that employees will display uniformly moderate to high levels of compliance commitment.

In essence, we expected to find a similar commitment profile (across all three dimensions) for all grades of employees.
Findings and discussion
Standardised scores for each of the dimensions of organisational commitment and intention to leave were calculated in percentage terms for each respondent. This facilitates comparison across the various dimensions of commitment; the scores presented represent the relative position between the minimum possible score for each dimension and the maximum possible score.

Mean scores and standard deviations for each of the commitment dimensions together with intention to leave are presented in Table II. In the case of the three measures of commitment, a low score equates to a high presence of that particular commitment dimension, whereas a high score equates to a low presence. With intention to leave, the higher the score the greater the leave intention.

As can be seen from Table II, results have been presented for 11 employee groupings. This is felt to represent all the major ways in which the employees may be broken down. The findings are discussed below.

Internalised commitment
The overall mean score for internalised commitment based on all respondents is 48.38 per cent, with a standard deviation of 16.94. Obviously, a mid-range score such as this indicates significant scope for management within the organisation to attempt to improve the level of internalised commitment.

Of much more interest in this case, however, is the breakdown of scores across the various sub-groupings identified. As can be seen from Table II, this score holds more or less constant across the various employee groupings presented, providing some support for Hypothesis 1 – that employees would display uniformly moderate to low levels of internalised commitment.

<table>
<thead>
<tr>
<th>Employee category</th>
<th>Internalised ct Mean</th>
<th>sd</th>
<th>Identification ct Mean</th>
<th>sd</th>
<th>Compliance ct Mean</th>
<th>sd</th>
<th>Leave intention Mean</th>
<th>sd</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents</td>
<td>48.38</td>
<td>16.94</td>
<td>39.73</td>
<td>22.65</td>
<td>51.96</td>
<td>19.05</td>
<td>36.96</td>
<td>28.64</td>
</tr>
<tr>
<td>Males</td>
<td>47.64</td>
<td>17.51</td>
<td>40.69</td>
<td>21.02</td>
<td>49.51</td>
<td>21.34</td>
<td>53.68</td>
<td>29.57</td>
</tr>
<tr>
<td>Junior grades</td>
<td>49.03</td>
<td>18.77</td>
<td>41.15</td>
<td>25.30</td>
<td>48.70</td>
<td>19.29</td>
<td>38.28</td>
<td>28.61</td>
</tr>
<tr>
<td>Senior grades</td>
<td>47.84</td>
<td>15.48</td>
<td>38.51</td>
<td>20.35</td>
<td>54.86</td>
<td>18.62</td>
<td>35.81</td>
<td>29.00</td>
</tr>
<tr>
<td>Age 18-25</td>
<td>44.41</td>
<td>14.02</td>
<td>34.72</td>
<td>21.25</td>
<td>52.78</td>
<td>17.62</td>
<td>36.46</td>
<td>27.97</td>
</tr>
<tr>
<td>Age 26+</td>
<td>49.71</td>
<td>17.73</td>
<td>41.50</td>
<td>23.06</td>
<td>51.67</td>
<td>19.71</td>
<td>37.13</td>
<td>29.14</td>
</tr>
<tr>
<td>=&lt;10 yrs' service</td>
<td>49.29</td>
<td>18.16</td>
<td>41.67</td>
<td>24.23</td>
<td>50.46</td>
<td>18.36</td>
<td>42.36</td>
<td>29.01</td>
</tr>
<tr>
<td>&gt;10 yrs’ service</td>
<td>47.42</td>
<td>15.77</td>
<td>37.63</td>
<td>20.95</td>
<td>53.65</td>
<td>19.96</td>
<td>31.06</td>
<td>27.44</td>
</tr>
<tr>
<td>=&lt;5 yrs at present grade</td>
<td>49.25</td>
<td>17.78</td>
<td>38.01</td>
<td>24.44</td>
<td>52.03</td>
<td>18.61</td>
<td>35.06</td>
<td>30.07</td>
</tr>
<tr>
<td>&gt;5 yrs at present grade</td>
<td>47.14</td>
<td>15.89</td>
<td>42.26</td>
<td>19.89</td>
<td>51.85</td>
<td>20.06</td>
<td>39.73</td>
<td>26.69</td>
</tr>
</tbody>
</table>

Table II.
Mean scores and standard deviations for three dimensions of organisational commitment and intent to leave the organisation.
As discussed above, normally one would expect to find particular groupings displaying much lower internalised commitment scores, matched by others displaying very high levels. Such effects have not been found in this case – no significant differences in scores have been found across the various sub-groups. For example, length of service does not display any of the expected effects, whereby those with longer service would be expected to display higher internalised commitment; similarly, internalised commitment holds constant across grades, sex, age, and time since last promotion.

Illustrative results (independent sample t-test) are presented in Tables III and IV for length of service and employee grade. As can be seen from the 95 per cent confidence intervals, there is no significant difference in the mean score for internalised commitment in either case.

These results provide support for the argument that a period of sustained and fundamental change such as that undertaken by the case bank may result in the (at least partial) dissolution of internalised commitment.

### Identification commitment

As was expected, the overall score for identification commitment is relatively high at 39.73 per cent, in keeping with the bank’s prestigious reputation in the community at large. Again, no significant variations were found across sub-groups of employees. However, in this case, this is as expected – identification

| Table III. |
| Comparison of mean internalised commitment scores for employees with less than ten years’ service (service<3) and employees with in excess of 11 years’ service (service>=3) |
| Variable | No. of cases | Mean | SD | SE of mean |
| Internalised commitment | | | | |
| Service>3 | 33 | 47.42 | 15.77 | 2.74 |
| Service<3 | 35 | 49.29 | 18.16 | 3.01 |
| Variance | t-value | df | 2-tail sig | Se of diff | 95% CI for diff |
| Equal | -0.45 | 66.00 | 0.65 | 4.13 | (-10.12, 6.39) |
| Unequal | -0.45 | 65.57 | 0.65 | 4.12 | (-10.08, 6.36) |

| Table IV. |
| Comparison of mean internalised commitment scores for junior (rank<5) and senior (rank>5) staff |
| Variable | No. of cases | Mean | SD | SE of mean |
| Internalised commitment | Rank>=5 | 14 | 45.71 | 18.17 | 4.86 |
| Rank<5 | 54 | 49.07 | 16.71 | 2.27 |
| Variance | t-value | df | 2-tail sig | Se of diff | 95% CI for diff |
| Equal | -0.66 | 66.00 | 0.51 | 5.10 | (-13.55, 6.83) |
| Unequal | -0.63 | 19.10 | 0.54 | 5.36 | (-14.59, 7.87) |
commitment is largely independent of the individual employees’ experience within the organisation; it is grounded on how individuals perceive others to view the organisation. Hypothesis 2 is supported.

**Compliance commitment**
The overall score in this case was 51.96 per cent, with a standard deviation of 19.05. There is no significant difference between this score and that for internalised commitment. Again, the score does not vary significantly across the various employee sub-groupings, providing some support for Hypothesis 3, that in times of fundamental change employees will display uniformly moderate to high levels of compliance commitment.

Tables V and VI illustrate length of service and employee grade effects. As can be seen, neither has any significant effect on the level of compliance commitment (the confidence interval includes zero in each case).

**Intent to leave**
Overall, intent to leave on the part of employees was found to be 36.96 per cent, with a standard deviation of 28.64. This represents a fairly positive position for the organisation, although the high standard deviation (28.64) is a cause for some concern. The measure holds constant across the employee sub-groupings with one exception. Males display a significantly higher intention of leaving than females, possibly reflecting employment by the case bank as a second source of income on the part of female respondents. As can be seen above, this

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of cases</th>
<th>Mean</th>
<th>SD</th>
<th>SE of mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service&gt;=3</td>
<td>32</td>
<td>53.65</td>
<td>19.96</td>
<td>3.53</td>
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<tr>
<td>Service&lt;3</td>
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<td>50.46</td>
<td>18.36</td>
<td>3.06</td>
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<td>Variance</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Equal</td>
<td>-0.68</td>
<td>66.00</td>
<td>0.50</td>
<td>4.65</td>
</tr>
<tr>
<td>Unequal</td>
<td>-0.68</td>
<td>63.40</td>
<td>0.50</td>
<td>4.67</td>
</tr>
</tbody>
</table>

**Table V.**
Comparison of mean compliance commitment scores for employees with less than ten years’ service (service<3) and employees with in excess of 11 years’ service (service>=3)

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of cases</th>
<th>Mean</th>
<th>SD</th>
<th>SE of mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rank&gt;=4</td>
<td>36</td>
<td>54.86</td>
<td>18.62</td>
<td>3.10</td>
</tr>
<tr>
<td>Rank&lt;4</td>
<td>32</td>
<td>48.70</td>
<td>19.30</td>
<td>3.41</td>
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<tr>
<td>Variance</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal</td>
<td>1.34</td>
<td>66.00</td>
<td>0.18</td>
<td>4.60</td>
</tr>
<tr>
<td>Unequal</td>
<td>1.34</td>
<td>64.45</td>
<td>0.19</td>
<td>4.61</td>
</tr>
</tbody>
</table>

**Table VI.**
Comparison of mean compliance commitment scores for junior (rank<4) and senior (rank>=4) staff
difference in intent to leave is not reflected in differences in organisational commitment between the two sexes; again, this is not as expected – since commitment scores match between the two groups across all three dimensions, it would be expected that intent to leave (which is, in part, determined by commitment) would also be constant.

Discussion

The environmental and consequential structural and strategic changes that have impacted on the case bank have resulted in significant changes to a number of core values and their associated working practices within the organisation. The findings of the exploratory research presented here in relation to organisational commitment on the part of employees provide evidence to support the exploratory argument that such changes may have a serious impact on employee commitment.

While it is recognised that the absence of longitudinal data and detailed discussion with respondents represents a limitation to the research, the results do nonetheless provide significant support for the arguments advanced, as discussed below.

In particular, the change appears to have had serious implications for internalised commitment on the part of employees, providing support for the argument that change may dissolve such commitment. Further support for this conclusion is provided when the essential nature of internalised commitment is considered. Such commitment is based on shared values, and it is fundamental that when one party to a shared contract changes, then the degree of commonality (in this case the “value congruence” between the individual and the organisation) must be loosened, at least in the short term while the other party adjusts. In the absence of longitudinal data to confirm a decline in internalised commitment during the change process, the most likely explanation which can be presented for the uniformly moderate level of internalised commitment is that employees across all grades and irrespective of age or length of service are having to learn/internalise a new set of organisational values, based in this case on a move by the organisation to a selling and relationship led culture. Therefore, the common norms of higher internalised commitment on the part of longer serving, more senior staff comparative to more junior, inexperienced staff are not being seen.

It can also be argued that these effects account for the uniformity across employee groupings in terms of compliance commitment – in the absence of commitment based on shared common values employees are displaying relatively high levels of compliance commitment (i.e. in the immediate instance the main basis of their attachment is an exchange relationship). Such an argument is predicated on the existence of a negative relationship between internalised commitment and compliance commitment. The existence of such a relationship is indirectly supported by the literature (see, for example, O'Reilly and Chatman, 1986).
In essence, employees within the case bank are displaying the patterns of commitment which we would expect to see if all the employees were relatively new to the organisation – moderate levels of internalised commitment, coupled with moderate levels of compliance commitment.

Where the bank differs from this scenario, however, is in the fact that intent to leave remains moderately low. This can be explained in part by the high levels of identification commitment, coupled with good terms and conditions of employment, and, it is believed, previous positive employment experiences with this particular organisation on the part of the employees.

It appears from the analysis that the case bank has reached a critical point in its attempts to develop a relationship marketing culture, and now faces danger on two fronts. In the immediate instance the change process itself may be under threat as internalised commitment has been shown to have a statistically significant impact on employee acceptance of change (Iversen et al., 1996). Indeed, the extrarole, prosocial behaviours associated with high levels of internalised commitment are essential for the successful implementation of change and underpin many, if not all, of the strategies advanced for overcoming barriers to change.

Secondly, it can be argued that relationship marketing – the type of culture which the bank is trying to create – more than any other marketing strategy relies on the prosocial, extrarole behaviours associated with high levels of internalised commitment (Berry, 1997; Iversen et al., 1996). The likelihood of further change initiatives being successful at this point in the case bank’s development is questionable. It appears that the immediate need is for a period of socialisation to enable employees to embrace the diet of change which has been presented to them thus far, i.e. to re-establish internalised commitment.

Conclusion
Much has been written about the effects of organisational change on individual behaviour. This has been matched by much discussion in the literature of ways to manage the change process aimed at ensuring continued employee commitment, and the benefits associated therewith. The initial findings from the exploratory study provide evidence to support the contention that where change is fundamental and affects the organisation’s core values, the basis of one of the core constituents of organisational commitment (internalised commitment) will be eroded, with implications for its other aspects (notably compliance commitment). As internalised commitment is positively associated with behaviours essential for the successful implementation of change itself, this has serious implications for the organisation. The very nature of internalised commitment also causes problems – values are complex, and it may well be the case that employees whose values were once congruent with those of the organisation will be forever lost in terms of internalised commitment following fundamental change to the organisation. This also has serious implications for the organisation, given the argument that employees originally holding the highest levels of internalised commitment will probably
occupy senior positions within the hierarchy (the prosocial, extrarole behaviours associated with such commitment having been instrumental in gaining promotion for such employees).

Many of the techniques advanced in the literature for ensuring continued employee commitment in the face of change do not address the fundamental nature of these problems. For example, increased employee involvement in the change process may increase understanding and lessen uncertainty, but if employees’ personally held values do not concur with the new value system within the organisation, then such approaches will do little or nothing to restore internalised commitment. Similarly, the use of informal leaders and methods aimed at convincing employees of the need for change do not address the core issue of ensuring value congruence between employees and the organisation.

It can be argued that such techniques may be successful where change affects the level of work practices, but does not disturb underlying organisational values. In such cases, logic and understanding of the need for change are required, to ensure continued commitment. However, when the change occurs at the level of values, more fundamental approaches are required. The aim of these must be the re-establishment of internalised commitment, not its continuance (as, by its very nature, this is not possible). Such approaches are likely to include intense periods of employee socialisation. However, it remains distinctly possible that some employees will find that the mismatch between their own personal values and the new organisational values is an unbridgeable gap. For such employees, future commitment will be based on compliance and identification, which carry their own implications for future employee performance.

In conclusion, the foregoing analysis provides evidence to support the three hypothesis model of the effects of change on employee commitment put forward. However, further research in the form of a confirmatory analysis is required to overcome the shortcomings of the exploratory approach adopted. This is currently being conducted within the case bank, and will form the basis for a further report.

References


Abstracts from the wider literature

“The effects of organisational change on employee psychological attachment”

The following abstracts from the wider literature have been selected for their special relevance to the preceding article. The abstracts extend the themes and discussions of the main article and act as a guide to further reading.

Each abstract is awarded 0-3 stars for each of four features:

1. Depth of research
2. Value in practice
3. Originality of thinking
4. Readability for non-specialists.

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Downsizing: an examination of some successes and more failures

Klasa, S.

Management Decision (UK), 1999 Vol 37 No 5: p. 424 (13 pages)

Discusses the issue of downsizing as a strategy to improve organizational effectiveness and efficiency; suggests several key reasons for the failure of downsizing exercises, including the fact that some organizations are not ready for change and some do not need to change, and that downsizing constitutes a short term solution to long term problems; contends that successful organizations have identified core competences and used the strategy to focus on those areas of business in which lies their competitive strength. Argues that the catalyst for success is the firm’s organizational context, comprising culture, trust and leadership. Examines the impact of “survivor syndrome” (the feelings, attitudes and behaviour of those who survive the downsizing exercise) and suggests ways in which organizations can counteract the negative influence of survivor syndrome. Outlines the change reaction model proposed by Alevras and Frigeri that divides employees into four categories according to the main focus of their anxiety, whether for self or for the organization; offers three case study examples of successful downsizing operations: Compaq Computer, State of Oregon and Patagonia.

Survey
Indicators: Research implications: ***
Practice implications: *** Originality: ** Readability: ***
Total number: ***********
Reference: 28AP118
Cost: £24 (plus VAT)
Work relations as a precursor to a psychological climate for change: the role of work group supervisors and peers

Tierney, P.

Journal of Organizational Change Management (UK), 1999 Vol 12 No 2: p.120 (14 pages)

Examines how social relations at work can influence employees’ perceptions of the climate for change within an organization. Focuses on relationships between employees and their supervisors and work teams, to understand how the quality of these social relationships affect the psychological climate for change. Summarizes the literature on these relationships, testing out the hypotheses derived from this in a study of employees in a US company. Concludes that employees’ relationships with their supervisors and teams shape their attitudes to the organization; that employees’ perceptions of the change climate within the organization are aligned with those of their teams and supervisors; and that the quality of the relationship with supervisor is very important for employees’ perceptions of the change climate. Analyses the implications of this study for organizational change management.

Wholly theoretical

Indicators: Research implications: *** Practice implications: ** Originality: ** Readability: ** Total number: ********

Reference: 28AJ902
Cost: £24 (plus VAT)

The changing career strategies of managers

Davies, G.

Career Development International (UK), 1999 Vol 4 No 2: p.101 (7 pages)

Examines how the changes in organizational and career structures are affecting the way that managers view their careers and develop their career strategies. Based on interviews with US managers, analyses how managers define a career, make decisions about their own careers, balance their work and personal lives, and improve their employment/career opportunities. Also looks at how events in their personal lives influence subsequent career decisions. Draws out a number of general conclusions, suggesting that parents, and other influences in early life, have a profound effect on career decisions for a considerable proportion of a person’s life, this changing as other personal relationships became important. Also analyses managers’ reactions to redundancy. Concludes that organizational change has led managers to rely less on their organization and more on their own efforts to develop their careers; that organizational commitment is balanced by commitment to their domestic and personal lives; and that employees have begun to define themselves less by occupation or an association with a specific employer, and more by their lifestyles.
Employee commitment in changing organizations: an exploration
Beukhof, G.
Journal of European Industrial Training (UK), Vol 22 No 6 98: p.243 (6 pages)

Investigates the internal organizational factors that affect employee commitment at times of organizational change. Explains the development of a questionnaire designed to measure employee commitment, investigate the factors influencing this commitment and identify the activities used by organizations to stimulate it. Surveys human resource managers of organizations in The Netherlands and identifies some correlation between work/organizational characteristics and commitment. Also identifies the impact that commitment has on the organization and its performance, and the activities that stimulate commitment. Concludes that commitment is associated with colleagues and style of management, both of which are part of informal organizational culture. Links this to discussions on learning organizations.

Upon reflection: commitment, satisfaction, and regret after a corporate relocation
Angle, H.L.
Group & Organization Management (USA), Sep 1998 Vol 23 No 3: p.289 (29 pages)

Investigates the relationship between employees’ memories of a major organizational change (in this case a relocation) and their subsequent attitudes towards work and the organization. Sets out a framework which sees the post-change responses of employees as being mediated by met expectations, their sense of organizational justice and their relative membership status. Interviews employees of a US multibusiness manufacturing organization which relocated some of its divisional facilities. Surveys employees about whether their experiences of the relocation where, as they expected; if they felt that the personal outcomes of the move were what they deserved; and if they felt more
cut off from the main organization since the move (which would affect their sense of status). Analyses how these affected employees’ job satisfaction and organizational commitment. Finds that the employees’ retrospective evaluations of the move had an impact on the subsequent attitudes to their employers and considers the implications of this for the effective management of change.

*Wholly theoretical*

Indicators: Research implications: ***  Practice implications: **

Originality: *  Readability: **  Total number: ******

Reference: 27AY538

Cost: £12 (plus VAT)

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**The rise and fall of organizational commitment**

**Baruch, Y.**

*Human Systems Management* (Netherlands), Vol 17 No 2 98: p.135 (9 pages)

Argues that the concept of organizational commitment needs to be re-examined in the light of the changes that have occurred in the way that organizations treat their employees (downsizing, etc.) and the new psychological contract that is developing as a result. Illustrates this by drawing together the most commonly used organizational commitment questionnaires to show that they focus on an employee relationship that now belongs largely to the past. Summarizes research into organizational commitment and its antecedents, again arguing that these indicate a crisis for organizational commitment. Analyses the implications for managers and for academic research. Briefly considers what might replace organizational commitment.

*Wholly theoretical*

Indicators: Research implications: *  Practice implications: **

Originality: *  Readability: **  Total number: ******

Reference: 27AR992

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19. Bernadette Cross, Anthony Travaglione. 2004. The times they are a-changing: who will stay and who will go in a downsizing organization?. *Personnel Review* 33:3, 275-290. [Abstract] [Full Text] [PDF]


25. Hadyn Bennett, Mark G. Durkin. 2002. Developing relationship-led cultures – a case study in retail banking. *International Journal of Bank Marketing* 20:5, 200-211. [Abstract] [Full Text] [PDF]