

Exploring the Direct Influence of the Organizational Change Process on Organizational Performance

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Abstract

Organizational change can significantly impact organizational performance, but this impact can be different depending on the nature and purpose of the change and how it is managed. The paper proposes a model for evaluating the effects of the organizational change process on organizational performance, staff retention, and organizational abandonment. The empirical study in which the model is tested was carried out among 294 employees from Romanian organizations who answered the questionnaire questions. Structural equation modeling was used to process the data and obtain the results. Effective change management and employee involvement in the change process can contribute to the success of organizational change and the development of a positive organizational culture, leading to increased organizational performance, high employee retention, and the organizational dropout rate minimization. In addition, organizations should also consider open and transparent communication with employees, as well as providing support in developing the skills and competencies of employees so that they can adapt to organizational changes and contribute to the organization's success.

Keywords

Organizational change; organizational performance; employee retention; organizational abandonment.

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Introduction

Change is inevitable in the business world and can be one of the most difficult challenges for any organization. However, while change may be necessary to remain competitive and achieve goals, it can also negatively affect organizational performance (Heckmann et al., 2016). In recent years, research has encouraged organizations to focus more on effectively managing change and engaging employees in the change process to improve long-term organizational performance. Organizational change can be an essential part of an organization's development and growth, but it can also negatively affect organizational performance, staff retention, and abandonment (Bamford and Forrester, 2003; Kotter, 2007; Amis and Janz, 2020).

Therefore, it is essential to understand better the direct influence of the organizational change process on organizational performance, staff retention, and organizational abandonment. The paper aims to evaluate the effects of organizational change on organizational performance, employee retention, and organizational abandonment by evaluating the perceptions of employees of some Romanian organizations. The work is structured in five sections. The first section presents the research topic, and the second reviews the literature. The third section outlines the methodology, while the following sections present the results, discussion, and conclusions.

1. Literature review

Organizational performance refers to the organization's ability to achieve its goals and to efficiently and effectively accomplish specific tasks. Many studies have investigated the effects of organizational change on organizational performance. For example, a study by Klamer et al. (2008) investigated the impact of the organizational change process on organizational performance in public health services. The results indicated that implementing change can improve the organizational performance of healthcare organizations, but only if the process is well planned and executed.

Employee retention is essential for organizational success, as losing talented and experienced employees can negatively impact organizational performance. Stevens (2013) examined the influence of organizational change on staff retention. The results indicated that organizational change could negatively affect staff retention, but these effects can be mitigated by clear communication and employee involvement in the change process. Wang et al. (2020) found that organizational changes had a negative impact on employee retention in the educational system. However, the same study showed that good communication between the organization and employees and a strong student orientation could reduce the negative impact of organizational changes on employee retention.

Organizational abandonment refers to the decision of employees to leave the organization following organizational changes. This can have a negative impact on organizational performance, as the loss of talented and experienced employees can lead to the loss of knowledge and experience in the organization (Dempsey et al., 2022). Lausier et al. (2020), examining the influence of organizational change on organizational abandonment, indicated that organizational change could increase organizational abandonment, but this can be mitigated by involving employees in the change process and providing appropriate benefits and rewards. In turn, Amis and Janz (2020) found that organizational changes significantly negatively impacted organizational abandonment. In addition, research has shown that employees' perceptions of organizational justice and support can moderate the negative impact of organizational change on organizational abandonment.

Organizational change is necessary for organizations to remain competitive in a dynamic business environment and adapt to market changes. Organizational change can be driven by various factors, such as technology, organizational culture, business strategies, and changes in market demand (Dempsey et al., 2022). In addition, according to Dunphy (1996), organizational changes can increase productivity, improve employee satisfaction, and increase the organization's financial performance.

In addition to impacting employee retention and organizational abandonment, organizational change can significantly impact other crucial organizational performance variables, such as employee satisfaction, productivity, and profitability (Dempsey et al., 2020).

Based on the literature review, we proposed two research hypotheses:

- H1. There is a direct, significant, positive relationship between organizational change and performance.
- H2. There is a direct, significant, positive relationship between organizational change and employee retention.
- H3. There is a direct, significant, negative relationship between organizational change and abandonment.

2. Research methodology

The research strategy involved conducting an empirical study among 294 employees from Romanian organizations based on a questionnaire regarding the influence of organizational change on organizational performance. The method used to construct the sample was stratified random sampling, with layers formed based on gender, age, and education. The paper uses structural equation modeling to evaluate organizational change's influence on organizational performance, employee retention, and abandonment, similar to other authors (Vărzaru et al., 2022; Iancu et al., 2022; Puiu et al., 2022; Vărzaru, 2022).

3. Results and discussion

To test the hypotheses, we chose structural equation modeling as a method. Figure 1 shows the theoretical model applied to employees of Romanian organizations, obtained with the help of SmartPLS v 4.0.

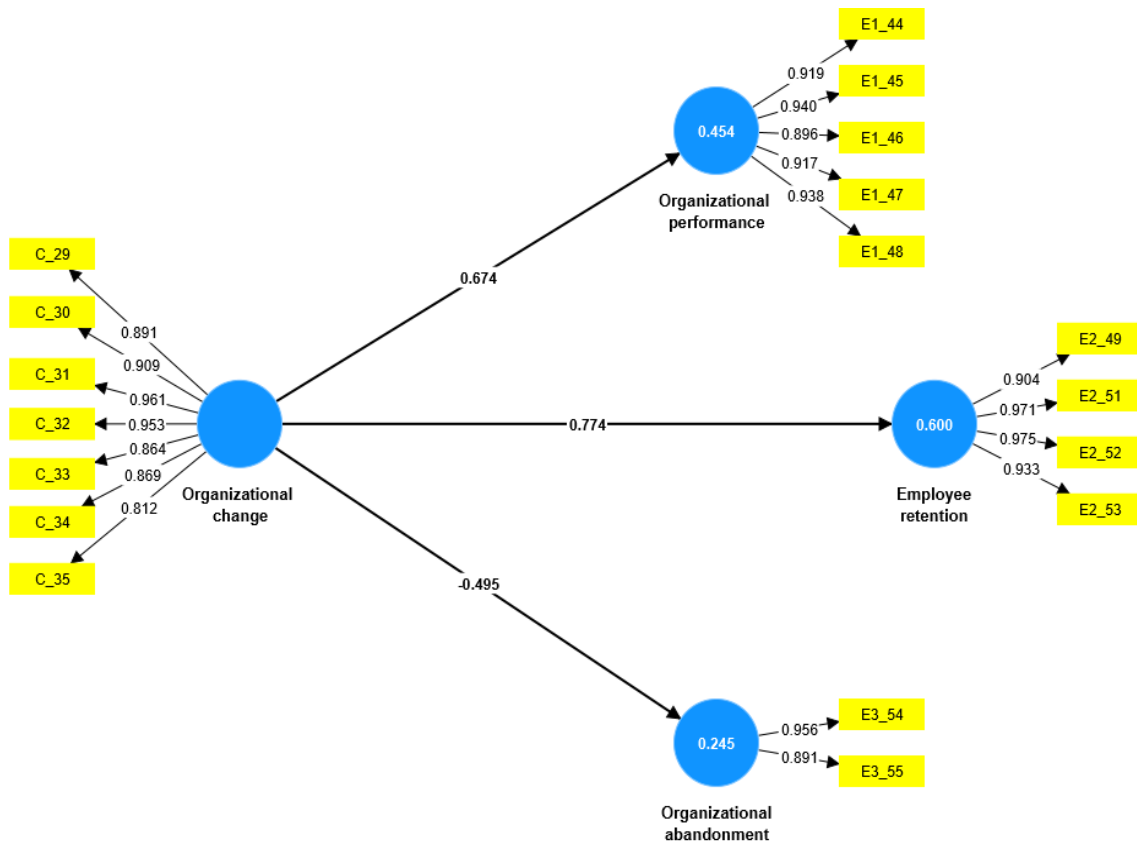


Figure 1. PLS model of direct relationships between organizational change and organizational performance

Source: Developed by the authors based on data using SmartPLS v4.0

For the model to be significant, it is necessary that the loading of each exogenous variable represented by the questionnaire items be more significant than 0.7. To increase the degree of relevance of the model, we eliminated the exogenous variables with loadings lower than 0.7, resulting in a modified model with a higher degree of relevance.

The resulting model is relevant and reliable. For example, SRMR has a value of 0.062 (<0.08), and NFI has a value of 0.934 (>0.9). Other reliability indicators (Cronbach's alpha, Composite reliability, and Average variance extracted) are shown in Table 1.

Table no. 1. Model reliability indicators regarding the direct relationships between organizational change and organizational performance

	Cronbach's alpha	Composite reliability	Average variance extracted
Organizational abandonment	0.835	0.949	0.853
Organizational performance	0.956	0.956	0.85
Employee retention	0.961	0.965	0.895
Organizational change	0.958	0.959	0.802

Source: Developed by the authors based on data using SmartPLS v4.0

The discriminant validity obtained in matrix form according to Fornell and Larcker's (1981) criterion is presented in Table 2. The model has excellent validity, with the values on the main diagonal being the highest on the row and column.

Table no. 2. Validitatea discriminantă a modelului privind relațiile directe între schimbarea organizațională și variabilele de rezultat

	Organizational abandonment	Organizational performance	Employee retention	Employee retention
Organizational abandonment	0.924			
Organizational performance	-0.418	0.922		
Employee retention	-0.551	0.811	0.946	
Organizational change	-0.495	0.674	0.774	0.895

Source: Developed by the authors based on data using SmartPLS v4.0

Path coefficients indicating direct relationships between organizational change and the outcome variables are presented in Table 3.

Table no. 3. Path coefficients in the model regarding direct relationships between organizational change and outcome variables

	Original sample	Standard deviation	T statistics	P values
Organizational change -> Organizational abandonment	-0.495	0.041	11.932	0
Organizational change -> Organizational performance	0.674	0.033	20.341	0
Organizational change -> Employee retention	0.774	0.024	31.843	0

Source: Developed by the authors based on data using SmartPLS v4.0

Following the analysis of path coefficients and significance levels (p values), it can be concluded that the organizational change process influences all three categories of outcome variables. First, the organizational change process significantly positively influences organizational performance (path coefficient 0.674) and employee retention (path coefficient 0.774). On the latent variable of organizational abandonment, the organizational change process exerts a strong negative influence, and adequate management of the change reduces the intention to abandon. The results of these analyzes demonstrate the validity of the research hypotheses.

Following the investigation of hypotheses H1, H2, and H3, we found a direct relationship between organizational change and performance. Successfully managed changes have been associated with improved organizational performance, while unsuccessful changes have resulted in decreased organizational performance. This relationship can be explained by the fact that organizational change can improve organizational processes and practices to increase productivity and efficiency. For example, a change that improves communication and collaboration between departments can increase organizational performance by reducing errors and processing time (Varzaru and Varzaru, 2016).

Change can positively and negatively affect organizational performance (Mladenova, 2022). First, well-planned and implemented change can increase productivity and efficiency by eliminating redundant tasks, improving work processes, and encouraging creativity and innovation (Bocean, 2015). Also, a well-managed change can increase employee satisfaction by improving working conditions, workspaces, and remuneration (Bocean, 2007). In addition, a well-planned change can improve the quality of the products or services provided by the organization.

On the other hand, change can also negatively affect organizational performance. For example, not well-planned or implemented changes can lead to decreased productivity and efficiency by increasing redundant tasks, confusion, and frustration among employees (Judge and Blocker, 2008). Also, adverse changes, such as downsizing or restructuring, can decrease employee satisfaction and cause organizational abandonment

(Varzaru and Varzaru, 2013). In addition, negative changes can also affect the quality of products or services provided by the organization.

Conclusions

Organizational change can also have a significant impact on employee retention. In general, changes that are successfully managed and involve employees in the change process can have a positive effect on employee retention. However, changes imposed on employees without adequate explanation or employee involvement can lead to increased organizational abandonment and decreased employee retention. For example, a change involving a reduction in working hours may be perceived negatively by employees, who may feel that their efforts are not respected and may be tempted to leave the organization.

Organizational abandonment is a significant problem for organizations around the world. Organizational change can be essential in preventing organizational abandonment by improving employee engagement and satisfaction and creating a positive and motivating work environment. In addition, organizational change should be implemented effectively and coordinated to increase employee engagement and satisfaction so that they are less likely to leave the organization. Organizations can achieve long-term success and stability in the increasingly competitive market by improving these aspects.

Therefore, organizations should consider these aspects and invest in organizational change development and change management programs. They should also consider developing strategies to improve employee retention and reduce organizational abandonment, such as improving career development programs, improving the work environment, and increasing employee satisfaction. By implementing these strategies, organizations can achieve significant benefits such as better performance, higher employee retention, and reduced costs associated with organizational abandonment.

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