



UNIVERSITI PUTRA MALAYSIA

**THE INFLUENCE OF ORGANIZATIONAL
CULTURE AND STRATEGY ON ATTITUDES
TOWARD ORGANIZATIONAL CHANGE**

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By

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**Thesis Submitted in Partial Fulfillment of the Requirement for the
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This study investigated the influence of organizational culture and strategy on attitudes toward organizational change in Malaysia. This research also examined the association between ethnic culture and organizational culture. Organizational culture was measured by using the Organizational Culture Model developed by Goffee and Jones (1998), while organizational strategy was measured by using Miles and Snow's (1978) strategic typology, and the attitudes toward change were measured by using the Dunham et. al. (1989) instrument. A total of 258 companies listed in the Federation of Malaysian Manufacturing (FMM) directory participated in the study. Chi-square tests, Pearson correlation, and cross tabulation were used to measure the association between the variables and to determine the extent of influence of the independent variables on the dependent factors. It was found that there is a strong association between organizational culture and organizational strategy. The cross tabulation results revealed that certain types of strategy prefer the adoption of certain types of organizational culture. It was



also found that there is an association between organizational culture and attitudes toward organizational change. Cross tabulation results also revealed that the different types of organizational culture have different levels of acceptance of attitudes toward organizational change. With regards to the relationship between organizational strategy and attitudes toward organizational change, it was found that there is an association between them. The cross tabulation results also showed that the different types of organizational strategy have different levels of acceptance of attitudes toward organizational change. Finally, ethnic culture was found to have no association with organizational culture.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian keperluan untuk ijazah Master Sains.

**PENGARUH BUDAYA ORGANISASI DAN STRATEGI KE ATAS SIKAP
TERHADAP PERUBAHAN DI DALAM ORGANISASI**

Oleh

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Pengerusi: Professor Md. Zabid Hj. Abdul Rashid, Ph.D.

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Kajian ini meneliti pengaruh budaya organisasi dan strategi ke atas sikap pekerja terhadap perubahan organisasi di Malaysia. Penyelidikan ini juga mengkaji perkaitan di antara budaya etnik dengan budaya organisasi. Budaya organisasi diukur dengan menggunakan model budaya organisasi yang disarankan oleh Goffee dan Jones (1998), manakala strategi organisasi diukur dengan menggunakan tipologi strategi Miles dan Snow (1978), dan sikap terhadap perubahan dalam organisasi diukur dengan menggunakan kaedah Dunham et. al (1989). Sejumlah 258 buah syarikat yang berdaftar dibawah direktori Persekutuan Pekilang-Pekilang Malaysia telah menyertai kajian ini. Ujian ki kuasa dua, korelasi Pearson dan penjadualan silang telah digunakan untuk mengukur perkaitan diantara variabel dan untuk menentukan pengaruh variabel tak bersandar keatas faktor-faktor bersandar. Kajian ini mendapati terdapat perkaitan yang kuat diantara budaya organisasi dengan strategi organisasi. Keputusan penjadualan bersilang menunjukkan terdapat sesetengah jenis strategi organisasi lebih sesuai dengan

sesetengah jenis budaya organisasi. Kajian ini juga mendapati adanya perkaitan diantara budaya organisasi dan sikap terhadap perubahan. Keputusan penjadualan bersilang juga menunjukkan budaya organisasi yang berlainan mempunyai tahap penerimaan yang berbeza dari segi sikap terhadap perubahan. Berhubung dengan perkaitan di antara strategi organisasi dan sikap terhadap perubahan, kajian ini mendapati adanya perkaitan diantara kedua-dua faktor. Keputusan penjadualan bersilang juga menunjukkan bahawa strategi organisasi yang berlainan mempunyai tahap penerimaan yang berbeza dari segi sikap terhadap perubahan. Akhir sekali, kajian ini mendapati tiada perkaitan di antara budaya etnik dengan budaya organisasi.

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CHAPTER 1

RESEARCH OVERVIEW

1.1 Background

Currently, the business environment is changing fast. Changes in technology, such as computerization and e-commerce, have created a quantum leap in data communication, work processes and the way of doing business. With increasing globalization and liberalization of markets, organizations have to prepare and cope with rapid changes in the business world. Every organization must submit to the demands of its environment, and these demands vary with changes in the environment.

Malaysia is a country that has undergone rapid economic transformation and is fast entering an era of industrialization. In the last two decades, the country's economy has been transformed from an agricultural base to an industrial base, paving the way for the country to achieve the status of a developing nation. Furthermore, as globalization has intensified and technology has grown by leaps and bounds, competition in the marketplace has also escalated.

Global competition has put pressure on organizations for cost-reduction, asset restructuring, business process reengineering, and business refocusing. This competition also requires organizations to constantly improve their work culture, take risks and be innovative. The economic turn down in mid-1997 resulted in a stock market turned

bearish and increased failures in businesses. The economic crisis has forced corporations in Malaysia into several restructuring exercises and more towards mergers and acquisition.

Reflecting the rapid industrialization, globalization, technological change, and the economic downturn effect, many organizations in Malaysia experienced periods of transition because of changes in internal and external factors. Any major driving force from inside and outside organizations provoke change. Therefore, the capabilities to serve the ever-changing needs of external and internal pressures are increasingly important. A tougher and more competitive business environment also means that organizations have to continuously reengineer and implement various measures to survive. Mastering strategies and culture for managing change has become more important today since the rate of change is greater than before.

Change has always been a real challenge to organizations. The change process in an organization is unique in each situation due to the differences in the nature of the organization, the nature of the business, work culture and values, management and leadership style, and also the behavior and attitude of the employees. Further, the risk of failure is greater as people are generally resistant to change. For some, change may bring satisfaction, joy and advantages and for others the same change may bring pain, stress, and disadvantages.

Linstone and Mitroff (1994) noted that the three factors that need to be considered and taken care of in implementing the change process are technological perspectives, organizational perspectives and personal perspectives. According to these authors, people are the most important factor to ensure successful change initiatives, yet they are also the most difficult element to deal with. This would mean that managing the human aspect of the organization is increasingly crucial and needs constant attention.

According to Dunham (1984), attitudes can be difficult to change once they have been learned. This is because there can be resistance to change from within. For any change to be effective, it is crucial to challenge and clarify people's beliefs, assumptions, and attitudes because the most potent leverage for significant and sustainable change resides within the human system at the core of every business system (Juechter et al., 1998).

Consequently, attention should be paid to managing the human aspect of organizations, specifically, by identifying the factors influencing individuals' attitudes toward change. Apart from the importance of content, context, process, and outcome issues in organizational change research, assessing the attitudes of organizational members in the change process is also imperative in order to produce the desired result.

This study attempts to investigate attitudes toward organizational change, by examining the influence of the culture and strategy of the organization. This study is especially important because managing change is important for every organization for survival in a changing environment.

Organizational change

A change in organization refers to any alteration in activities or tasks (Dawson, 1994). By definition, change is regarded as discontinuous (Espejo et al., 1996). In simple terms, change is making things different (Robbins, 1998). From a review of literature, there appears to be a number of different ways of categorizing organizational change. For instance, strategic and non-strategic change (Pettigrew, 1987; Rajagopalan and Spreitzer, 1996); incremental and radical change (Burnes, 1992; Johnson and Scholes, 1993; Goodstein and Warner, 1997); incremental change and “quantum” change (Greenwood and Hinings, 1993); changes of identity, co-ordination and control (Kanter et al., 1992); human-centered classification of change at the individual, group, inter-group or organization level (Burnes, 1992); planned change and emergent change (Wilson, 1992); and change in terms of scale (from incremental to radical) and centrality (from peripheral to core) to the primary task of the organization (Buchanan and Boddy, 1992).

For the purpose of this study, the term change will refer to “planned change,” which means, a change that is planned by the organization in response to the demands of its internal and external environment. Cummings and Worley (1993) stated that there are two key dimensions in a planned change: the nature of change and the scope of change.

The nature of change is concerned with whether change is incremental (involves first-order changes) or quantum (involves second-order changes). Incremental changes are

made within the current frame or context of the organization's strategy and design, where the focus is on making organizational components fit better with each other and with the existing strategy. Quantum change, on the other hand, is aimed at breaking out of the current design and forming an entirely new alignment among the organization's components to support a new strategic direction.

The scope of change concerns whether change is focused on a subsystem of the organization, or whether it is focused on the total system. According to Cummings and Worley (1993), when the two dimensions combine, four types of organizational change emerge: 1) large-scale change, 2) adaptation change, 3) fundamental change, and 4) reorientation change.

Large-scale organization change involves making incremental changes to most or all of an organization's structures and processes. Adaptation is incremental change in subsystems or parts of the organization. Fundamental change involves a quantum change in a part of an organization. For instance, as components of organization's environment change, certain departments, functions, or systems within the organization require fundamental change. Finally, reorientation change is the most drastic form of change, and it involves significantly altering the total organization, often in response to a major environmental shift.

Among the focuses of research on organizational change are the impact of internal/external factors, such as organizational age, size, and inertia/momentum, on an

organization's effectiveness in responding to environmental (internal/external) changes (Meyer et al., 1990; Kelly and Amburgey, 1991; Haveman, 1992; Fox-Wolfgramm et al., 1998), the linking between outcome or criterion variables (such as receptivity, resistance, commitment, cynicism, or stress) and the success or failure of organizational change (Becker et al., 1996; Dean et al., 1998), and research that deals with monitoring employee reactions to organizational change (Schweiger and DeNisi, 1991; McHugh, 1997; Wahlstedt and Edling, 1997; Yousef, 2000)

Organizational culture

The study of organizational culture is important as it has a potential relationship with organizational performance and effectiveness (Ouchi, 1981; Peters and Waterman, 1982; Gordon, 1985; Denison, 1990; Kotter and Haskett, 1992; Denison and Mishra, 1995). Organizational culture is defined as a set of shared values, beliefs, assumptions, and practices that shape and guide members' attitudes and behavior in the organization. (Davis, 1984; Denison, 1990; Kotter and Haskett, 1992; O'Reilly and Chatman, 1996; Wilson, 2001).

Culture consists of some combination of artifacts (also called practices, expressive symbols, or forms), values and beliefs, and underlying assumptions that organizational members share about appropriate behavior (Gordon and DiTomaso, 1992; Schein, 1992; Schwartz and Davis, 1981). The idea that these shared conceptions act in a normative

fashion to guide behavior has resulted in culture being called the "social glue" that binds the organization (Golden, 1992; Smircich, 1983).

Although there is as yet no single, widely agreed upon concept or definition of culture, there is some consensus that organizational culture is holistic, historically determined, and socially constructed, involves beliefs and behavior, exists at a variety of levels, and manifests itself in a wide range of features of organizational life (Hofstede et al., 1990).

Corporate culture can manifest itself in many fashions. It may be overtly stated as organizational goals, missions and corporate commitments (Deal and Kennedy, 1982). It can find expression in distinct leadership styles and company founders' values (Schein, 1991). Alternatively, corporate culture may also be more indirectly discerned through languages, stories, rites and rituals and jokes that participants share and exchange. It may also be observed through logos, artifacts or even organizational structures (Feldman, 1991; Trice and Beyer, 1993).

Multiple cultures, subcultures and counter-cultures typically exist in large companies, leading to differentiated values and behavioral responses. Corporate culture can also serve many functions. Because it influences top management value systems, it has a direct bearing on management decisions, corporate strategies and, indirectly, organizational performance. Internally, corporate culture can serve as a strong motivator by offering psychological reassurances, providing support and reaffirming expected behaviors. Externally, corporate culture communicates statements to public audiences on

what the company stands for and the strategic directions that it will take. Hence, it acts as an agent for facilitating change and environmental response (Kitchell and Mayer, 1994).

Organizational strategy

Sutton (1980), Quinn et al. (1988), and Lynch (2000) argued that there is no single, universally accepted definition of strategy. Sutton (1980) stated that the terms strategy, policy, and long-range planning are sometimes used interchangeably by different authors.

Quinn (1980) placed special emphasis on the military uses of the term. He stated that the word strategy, objectives, goals, policy, and programs have different meanings to individual leaders or to various organizational cultures. He noted that strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole, goals or objectives state what is to be achieved and when results are to be accomplished, policies are rules or guidelines that express the limits within which action should occur and programs specify the step-by-step sequence of actions necessary to achieve major objectives.

Christensen et al. (1982) defined strategy as the pattern of decision in a company that shapes and reveals its objectives, purposes, or goals and produces the principle policies and plans for achieving those goals. It is also a pattern of decision that defines the

business the company intends to be in, the kind of economic and human organization it intends to have, and the nature of economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. Similarly, Chandler (1962) defined strategy as the determination of basic long-term goals and objectives in an enterprise and the adoption of a course of action and the allocation of resources necessary for carrying out these goals.

1.2 Statement of the Problem

Few studies have investigated the relationship between attitudes toward organizational change and organizational outcomes such as organizational commitment, job satisfaction, and work ethic. For instance, some of the studies are: the relationship between Islamic work ethics and attitudes of employees toward organizational change (Yousef, 2000), organizational commitment and attitudes toward organizational change (Iverson, 1996; Yousef, 2000) and job satisfaction and attitudes toward organizational change (Yousef, 2000). However, there has been no attempt to investigate the relationship between organizational culture and strategy and attitudes toward organizational change

Organizational culture has been recognized to have an important role in organizational change effort (DeLisi, 1990; Schneider and Brief, 1996; Ahmed, 1998; Lorenzo, 1998; Silvester and Anderson, 1999; Pool, 2000). Organizational culture also describes the part of an organization's internal environment which incorporates a set of assumptions,