ORGANIZATIONAL CHANGE AND JOB SATISFACTION: AN ANALYSIS OF MEDIATING EFFECT OF ORGANIZATIONAL TRUST

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ABSTRACT

Organizational change is a growing area of importance for modern organizations' strategic development. Effective organizational change is imperative for the success of competitive organizations. The available theory conceptualizes that organizations have realized the equal importance of job satisfaction and organizational trust as a mean to gain and sustain competitive advantage. Therefore, an attempt has been made to study the relationship among three variables of the study viz; organizational change, job satisfaction and organizational trust, and to analyse the mediating effect of organizational trust on the relationship of organizational change and job satisfaction. The analysis has been done on the basis of primary and secondary data. The primary data has been collected from 150 respondents of an IT company with the help of three standardized questionnaires. The hypotheses have been tested using correlation and regression analysis. The findings based on correlation analysis confirm a positive and significant relationship between organizational trust and job satisfaction (r=0.62); organizational trust and organizational change (r=0.74) and organizational change and job satisfaction (r=0.52). Furthermore, the results of regression analysis shows that organizational trust exerts a mediating effect on the relationship of organizational change and job satisfaction (β=.264; p<.01; Adjusted R^2 =.112). The study concludes that organizational change should be carried out in an atmosphere of mutual trust. It further leads to the formation of an affective bond between the organization and employees, which in turn, leads to job satisfaction.

Keywords: *Organizational Change, Organizational Trust, Job Satisfaction, IT Sector, Employee Engagement.*

Introduction:

In today's turbulent environment, Indian organizations have realized that the formula for success has become different for different organizations. Several factors which spelt success in the past have now lost their usefulness. The existing literature also states that knowing how to change and when to change has become critical for survival in modern economies. To contend in the competitive world, organizations need to develop a series of actions to stimulate their development. This poses formidable challenges and heralds new opportunities. Organizations, therefore, need to learn new skills to face the uncertainties of the environment. This scenario has persuaded organizations to focus on developing learning capabilities, in order to deal with all the complexity, diversity and challenges that describe the environments where they act (Ulrich, 1998).

Managing organizational change process is a strong challenge for organizations, as it represents a path in which they can build up structured courses of action in order to become more effective (Robbins, 1999). The success in bringing about the change can be attributed mainly to the process of change (V Krishnamurty, 2007). It is essential to take the organization and

people together in any change rather than to impose changes on them to maintain pace. To foster change, organizations have to modify the attitude of people with flexibility, dynamism and responsiveness (M Subramanya, 2011).

Organizational change causes individuals to experience a reaction process (Kyle, 1993). It raises key issues that need to be understood, specifically, the ones related to the perceived consequences of a change process. An organizational change process generates a perceived efficacy by the workers. If a change is not managed effectively, then it affects the satisfaction level of employees.

Organizational Change:

Organizational change is the process by which organizations move from their present state to some desired future state to increase their effectiveness (K. Aswathappa, 2012). Lewin (1947), described change as a three-stage process that includes unfreezing, moving, and freezing. During the unfreezing stage, individuals and organizations become motivated to change. In the moving stage, the necessary change is implemented. The freezing stage is reached when the change becomes permanent. Bridges (1991) frames this process as endings, transitions, and new beginnings. Armenakis, Harris and Feild (1999), also developed a model on change to consolidate theory and research and described change as a three-stage process that includes readiness, adoption, and institutionalization. Organizational change is the shift in behavior of the whole organization to one degree or another (Majid et al., 2011). It is an effort that consists of actual physical changes in operations which leads to different emotional stimulations (Bernerth, 2004). No wonder as told by Mckinsey Consultants, 80 percent of organizations down their shutter as they do not understand change and 90 percent die early death as they refuse to change (K. Aswathappa, 2012).

Managing organizational change is still a challenge for many managers, despite being an area of research that has generated significant amount of knowledge over the years (Tsoukas & Chia, 2002). Currently managers' major concern is effectiveness with change and choosing the right steps towards it. From the employees' point of view, however, the concerns are different. Uncertainties with the consequences of change and its impact on their work are common concerns. Involving the employees in the change process right from the beginning is a good strategy, as the employees' resistance to change is a critical variable to be controlled.

Job Satisfaction:

Job satisfaction has been characterized by researchers as essential to organizational performance (Mathieu, 1991; Ostroff, 1993). Most people experience some degree of satisfaction or dissatisfaction with their work which tends to vary from one job to another; as some aspects of the job are more satisfying than the others. It is also believed that satisfaction with one's job may influence various aspects of work such as efficiency, productivity, absenteeism, turnover, and intention to quit and also an employee's overall wellbeing. Figure 1 shows that productivity of employees generally falls as they become dissatisfied, distracted, confused and preoccupied with potential outcomes immediately following an organizational transition such as a major restructuring, corporate downsizing, merger, acquisition, or even rapid growth spurt. But if the organizations manage the change in time, then the productivity of employees rises again.

Figure 1: Organizational Productivity
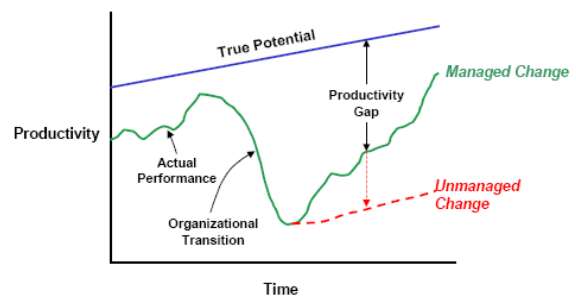
Source: Coghlan and David, 1999

Job satisfaction refers to how well a job provides fulfilment of a need or how well it serves as a source of enjoyment for an employee. Vroom (1982) defined job satisfaction as workers' emotional orientation towards their current job roles. It is basically the psychological disposition of people towards their work. Job satisfaction is the feeling of an individual about his or her job (Smith, 1969). Job satisfaction has the potential to affect a wide range of behaviours in organizations and contribute to employees' levels of wellbeing (George & Jones, 2008). It is often assumed that more satisfied workers are more productive and support organizational change.

Employee job satisfaction is a critical success factor for every organization. Satisfaction in one's job leads to increased commitment levels and dissatisfied personnel can create problems. Several antecedents of job satisfaction have been studied over the years viz; compensation, opportunity for advancement, leadership style, working environment, organisational structure and climate (Kline & Boyd, 1991). Overall, job satisfaction describes a person's affective reaction to a set of work and work related factors (T.A Judge, 1994). It involves workers' feelings towards different dimensions of working environment.

Organizational Trust:

Organizations have recognized the importance of trust to gain and sustain competitive advantage. Trust

enables people to live in risky and uncertain situations. It is crucial to successful knowledge sharing and it appears to influence organizational performance (Bukowitz & Williams, 1999; Rolland & Chauvel, 2000; Roberts, 2000). Joseph & Winston (2005) described organizational trust as "a feeling of confidence and support in an employer". Organizational trust refers to employees' faith in corporate goal attainment and organizational leaders and to the belief that ultimately, organizational action will prove beneficial for employees". They further believed that the determinants of organizational trust are work group cohesion, integrity and receiving information through social integration and mentoring. Gilbert & Tang (1998) pointed out that when there is not enough trust in organization, an individual will have to spend more time and energy to supervise others' behaviours so as to protect his/her own interests. Whereas, high levels of trust among employees increases their performance, thus contributing to profitability.

Literature Review:

The hallmark of any learning organization is change. Change is inevitable in a progressive culture (Allen Barclay, 2009). The globalization of economy has led the business environment to be more dynamic with unprecedented challenges of market place, technology and human resources (Shivani Shah, 2011). Change is considered as a norm in the period of upheaval, such as the one in which we are living. The business enterprises encounter many challenges that may vary from relatively minor change process such as fine tuning the workforce to major transformations like organizational restructuring. Such changes may be viewed as problems in workplace on one hand; while on the other hand, these may provide competitive advantage for the organization (Chandrakanta Sahoo, 2011). A booming business is the one which adheres to the old system till the time it is profitable and captures the new system as soon as the old system becomes unprofitable (Deepti Pandey, 2011). An organization is called successful when it changes simultaneously with the changing environment. And if it does not, its long lasting sustainability in the market can be at stake. The momentum for change can be sustained by providing the requisite resources for change and by building trust among employees (P Sudarkodi, 2011). The literature reviewed reveals that change is essential for the success of any organization. Also, the biggest asset of a successful organization is its highly satisfied employees (Arfan Khalid, 2011). Therefore, an attempt has been made to study the relationship among three variables of the study viz; organizational change, job satisfaction and organizational trust, and to analyse the mediating effect of organizational trust on the relation of organizational change and job satisfaction.

IT Sector in India:

IT & ITES sector includes IT services, engineering design, R&D services, ITES (IT-enabled services) or BPO and hardware. The Indian Information Technology (IT) and Information Technology Enabled Services (ITES) sectors go hand-in-hand in every aspect. The industry has transformed India's image on the global platform. Table 1 show that the contribution of the IT sector to India's Gross Domestic Product (GDP) has registered an impressive growth since the year 2007-08. The table further depicts the downward trend from the year 2011 to 2013. The reason for the same was global financial crisis. Due to credit crunch, there was slowdown in U.S and European market, which had a huge impact on Indian Economy. Therefore, the revenue of IT sector was decreased, as maximum business of Indian IT sector came from these markets. This further led to decrease in the contribution of IT sector to India's GDP. From 2013 onwards, it showed an increasing trend. The contribution of IT sector to India's GDP increased from 6.6 in 2012-13 to 7.5 in 2014-15. It indicates that IT industry has a significant role in the economic growth of India. IT and ITES sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living.

Table 1: Contribution of IT industry in GDP of Indian Economy

Year	India's GDP (percentage at constant prices)	IT contribution (percentage at constant prices)
2007-08	9.7	5.2
2008-09	6.7	7.0
2009-10	7.4	7.0
2010-11	8.5	7.2
2011-12	6.1	6.8
2012-13	6.9	6.6
2013-14	6.6	7.0
2014-15	7.2	7.5

Source: Various Issues of Economic Survey and Nasscom

As apparent from above, the IT sector has been a growth engine for Indian Economy. But, according to Nasscom, the attrition rate is as high as 25 percent in IT sector in India for the year 2014-15. This is further supported with the research conducted by research firm, Nirmal Bang, that more and more employees are leaving Tata Consultancy Services Ltd. (TCS) - India's biggest employer in the private sector. In its annual report, TCS highlighted that to mitigate the growing risk of attrition; employee involvement continues to be a focus area. The literature also reveals that effective management of organizational change is

one of the most important strategy to achieve employee involvement. Therefore, the study has been carried out with respect to IT sector.

Objectives of the Study:

The specific objectives for the present study are as under:

1) To study the relationship between Organizational Trust (OT) and two organizational behaviour constructs viz; Organizational Change (OC) and Job Satisfaction (JS).
2) To understand the mediating effect of Organizational Trust (OT) on the relationship of Organizational Change (OC) and Job Satisfaction (JS).

Research Methodology:

Research is a scientific and systemic search for pertinent information on a specific topic. It constitutes the blueprint for the collection, measurement and analysis of data.

Sample and Collection of Data:

The primary data has been collected from 150 respondents of an IT company, Tata Consultancy Services Ltd. (TCS). The primary data has been collected with the help of three standardized questionnaires viz. organizational change scale, job satisfaction scale and organizational trust scale. The organizational change scale (2007) by Achilles A. Armenakis consists of five dimensions (valence, principal support, efficacy, appropriateness and discrepancy) with twenty four statements. The job satisfaction scale (2001) by Paul Spector consists of nine dimensions (pay, promotion, supervision, operating conditions, contingent rewards, co-worker, fringe benefits, nature of work and communication) with thirty six statements. The organizational trust scale (2010) by Paliszkiewicz consists of 15 items to measure organizational trust among all levels of management. The reliability of sample has been satisfactory with Cronbach Alpha estimate equal to 0.92.

Hypotheses of the Study and Proposed Model:

To achieve the objectives of the study, the following hypotheses have been framed:

**H$_{1a}$:** There is a significant correlation between organizational trust and job satisfaction.

H$_{1b}$: There is a significant correlation between organizational trust and organizational change.

H$_{2a}$: There is a significant correlation between organizational change and job satisfaction.

H$_{2b}$: There is a significant mediating effect of organizational trust on the relationship of organizational change and job satisfaction.

The proposed model for testing of hypotheses is presented below (Figure 2).

Figure 2: Proposed Model for Hypotheses Testing
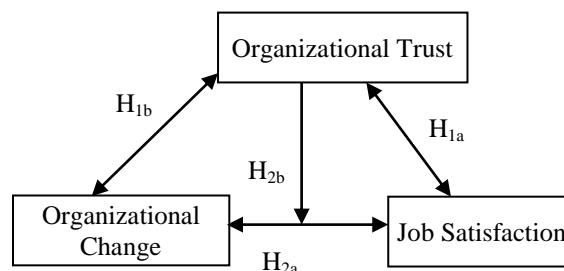
Statistical Tools for Analysis:

To analyse the relationship between Independent Variable (Organizational Change), Mediator Variable (Organizational Trust) and Dependent Variable (Job Satisfaction) Correlation Analysis has been carried out. Regression Analysis has been used to assess the mediating effect of Organizational Trust on the relationship of Organizational Change and Job Satisfaction. The data has been analyzed using statistical analysis software, SPSS.

Discussion & Findings:

In order to explore the relationship among three variables of the study, correlation analysis has been carried out and the results have been shown in table 2 for all variables at 0.01 level of significance.

Table 2: Correlation between Organizational Change, Job Satisfaction and Organizational Trust

	Organizational Change	Job Satisfaction	Organizational Trust
Organizational Change	1		
Job Satisfaction	0.52**	1	
Organizational Trust	0.74**	0.62**	1

** Significant at 0.01 level of significance

The results in table 2 have shown positive and significant relationship of organizational trust with job satisfaction (r = .62) and organizational change (r = .74) at 1 percent level of significance. It implies that effective management of organizational change go hand in hand with high levels of organizational trust. Therefore, when an organizational change is implemented, after careful deliberation and planning, change recipients express less uncertainty and have more trust. Further high levels of trust among employees increase their performance. As a result, the employees working with positive attitude and energy will be more satisfied. Hence, first and second hypotheses are accepted.

The results further depict that organizational change has also been positively and significantly correlated with job satisfaction (r = .52) at 1 percent level of significance. This implies that an organizational change that provides more autonomy for decision

making makes their employees more involved and increases their satisfaction level. Hence, third hypothesis is accepted.

To examine whether organizational trust mediates the relationship between organizational change and job satisfaction, Baron and Kenny's (1986) linear regression method has been applied. To verify the existence of a mediation effect, the following conditions (table 3) need to be fulfilled:

Table 3: Baron and Kenny's (1986) Linear Regression Method

S.No	Conditions to be fulfilled
Step 1	The Independent Variable (Organizational Change) should be a significant predictor of the Dependent Variable (Job Satisfaction).
Step 2	The Independent Variable (Organizational Change) should be a significant predictor of the Mediator Variable (Organizational Trust).
Step 3	The Mediator Variable (Organizational Trust) should be a significant predictor of the Dependent Variable (Job Satisfaction), while controlling the Independent Variable (Organizational Change).

The result of mediating effect is shown in table 4, 5 and 6 respectively.

Table 4: Effect of Organizational Change on Job Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	Adjusted R^2	t-value	Sig.
	B	Std Error	Beta			
OC	.611	.048	.722	.208	13.077	.000

Dependent Variable: JS

The results in the table 4 indicate that organizational change and job satisfaction (step 1) has been positively related at 1 percent level of significance. The β value is significant (.722) with adjusted R^2 (.208). This implies that 20.8 percent variation in job satisfaction has been due to organizational change. It can be inferred that organizational changes influence job, individual and organizational characteristics and, therefore, job satisfaction. Thus, the results satisfy the condition given in first step i.e. organizational change is a significant predictor of the job satisfaction.

Table 5: Effect of Organizational Change on Organizational Trust

Model	Unstandardized Coefficients		Standardized Coefficients	Adjusted R^2	t-value	Sig.
	B	Std Error	Beta			
OC	.244	.044	.433	.173	5.573	.000

Dependent Variable: OT

Table 5 shows that organizational change has been found to be a significant predictor (step 2) of criterion variable (organizational trust) at 1 percent level of significance with the standardized β value for the dimension being .433. The adjusted R^2 (.173) reveals that 17.3 percent variation in organizational trust has been due to organizational change. This implies that organizational change is an important variable that creates employees' trust in management. Therefore, second condition is also fulfilled i.e organizational change is a significant predictor of organizational trust.

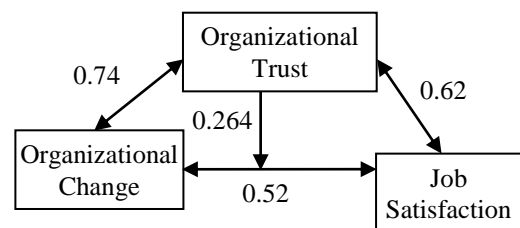**Table 6: Effect of Organizational Change and Organizational Trust on Job Satisfaction**

Model	Unstandardized Coefficients		Standardized Coefficients	Adjusted R^2	t-value	Sig.
	B	Std Error	Beta			
OC	.104	.050	.158	.108	2.077	.040
OT	.383	.042	.264	.112	9.11	.000

Dependent Variable: JS

The results reveal that (step 3) organizational trust has been found to be a significant predictor of criterion variable (job satisfaction) with the standardized β value for the dimension being .264 at 1 percent level of significance. But the study shows that organizational change has been found to be non-significant at 1 percent level of significance on job satisfaction with the standardized β value for the dimension being .158. Therefore, condition given in third step i.e. organizational trust is a significant predictor of job satisfaction making the relationship between organizational change and job satisfaction non-significant is satisfied.

The adjusted R^2 (.112) shows the causal relationship between organizational trust and job satisfaction. It is inferred that organizational trust predicts 11.2 percent of job satisfaction. Also the t value has been found to be 9.11, which is significant at 1 percent level of significance which proves the reliability of our regression model. Further, the results show that organizational trust reliably predicts job satisfaction and has a full mediating effect on the relationship of organizational change and job satisfaction. Thus, fourth hypothesis is also accepted. The graphical presentation of results is shown in Figure 3.

Figure 3: Graphical Presentation of Results

Suggestions:

The study reveals the mediating effect of organizational trust on the relationship of job

satisfaction and organizational change. The results further show that beliefs of efficacy and valence are most important for creating trust among employees. Also, the level of trust highly influences the employee's attitude towards promotion, contingent rewards, fringe benefits and nature of work. Therefore, the organizations should adopt the following strategies to create the atmosphere of mutual trust:

- Effective Communication with Employees: For effective communication, the use of social media should be increased along with traditional techniques of communication like meetings, letters, electronic mails, telephonic conversation etc., for more open dialogue as effective communication is the key to create the atmosphere of trust within an organization. Once the trust gets established, the employees believe that the change is appropriate for them which further leads to better working environment.

- Sharing Information with Employees: Sharing information is one of the best ways to build trust among employees. It means disclosing information that is considered privileged, including sensitive and important topics such as the competition's activities, future business plans and strategies, the way group activities contribute to organizational goals, and performance feedback. Providing employees with complete information motivates them to think broadly about the organization and the inter-relationships of various groups, resources, and goals. This builds trust and increases the credibility of an organization.

- Assessment of Employee's Capacity and Development of Strengths: The incremental approach should be used to assess the capacity of employees over a period of time. In this, the employees are given short term assignments and they are assessed on the basis of each assignment which they complete step by step. It makes the process of promotion transparent and creates trust among them. Further, to develop the strength of employees, 9-Box Grid should be used as it evaluates company's talent pool on the basis of employees' actual performance and their potential. It tabulates the results and presents them in a format which helps to create a development plan for individual employee.

- Recognition of Effective Work: The organizations should recognize and reward the employees who perform well in the workplace. It goes a long way in increasing their motivation level and building trust. Whether it's a formal award program, a feature published on the intranet, or a personal note of thanks, applauding success should always be a part of organizational plan.

- Promotion of Employee Engagement: The organizations should generate the feeling of efficacy among their employees by involving them in decision making process and providing principal support to achieve employee engagement. The employees should be encouraged to develop and enhance their skills through training and workshops. This will help employees to positively accept the change and implement it for effective working. Contingent reward and fringe benefits in accordance with the efficiency and capability of the employees should also be provided to enhance employee engagement.

Limitations and Future Research Directions:

- The data has been collected only from TCS, an IT company; hence the results may not be generalized.
- The study can be conducted on large sample for better results in future.

Conclusion:

In today's scenario, nothing is permanent but change. The organizations need to adapt themselves to changing environment. The main goal of this study is to clarify the relationship among organizational change, job satisfaction and organizational trust. As discussed earlier, organizational readiness for change is a critical precursor for the successful implementation of change in organizations. The employees should be informed, involved and well integrated in the change process. Informing the employees of all consequences and expectations builds the trust among employees. It makes them highly motivated and satisfied as change is not forced upon them, but, they are involved in the change process. Thus, job satisfaction arises as a consequence of the relation between organizational change and organizational trust.

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