

THE INFLUENCE OF ORGANIZATIONAL CHANGE ON THE EMPLOYEE'S PERFORMANCE

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Abstract: *In order to survive in a global knowledge economy, all organizations that want to position themselves well in the market must initiate changes or adapt to the already occurring changes in the environment. The aim of this study is to explore the impact of organizational changes on performance of employees. The significance of this study is in determining how different types of organizational changes affect employees and their performance. It is extremely important to study changes from the perspective of employees. If employees do not see the change as a threat, they will more easily accept it and therefore take part in it, which in turn leads to improved performance and quality in the organization. Change produces a deep effect on an employee's attitude, so it will result in performance of employees. Achievement of an organization depends on how it enhances employee performance and encourages commitment to the organization. Today, knowledge and ideas quickly become outdated, and employees must acquire new knowledge throughout their entire lives in order to cope with changes. This main goal of present study is to expand the existing base of scientific knowledge, so it can be a useful base for researchers to develop further analysis.*

Key words: *organizational changes, change management, employee performance, organizational learning*

1. INTRODUCTION

Change is an essential characteristic of organizational, civic and personal life. Change is something we sometimes strive for and sometimes resist. It would not be an exaggeration to suggest that society is full of change and questions about how, when and in what ways change should occur. Achieving a goal, making progress, and even avoiding a crisis very often implies the implementation of planned changes. Change can serve as a means to address many important challenges such as those related to politics, governance, rule of law, philosophy and the distribution of information, rights and resources.

Changes represent the basis of survival and development of all organizations, social and business systems. Today there are many factors that generate constant changes that force organizations to change themselves in order to adapt to changed conditions and new challenges. The most important factors of change are scientific and technological development, competition, market, international relations, economic system, legal system, fiscal and monetary policy of the country, etc. Changes in the organization itself imply a change in its business and development strategy, production technology, organization, management, workers. To survive, an organization must manage change and use it for its own development. Responding quickly to changes and adapting to changes is the most important challenge for modern managers. Managers are the ones who must encourage and implement change. They must overcome the inertia and resistance to change that exist in every organization and create such a climate that people see changes as their own opportunities, not as threats to them. Therefore, instead of studying organizational stability, more and more organizational changes are being studied (Bogdanović, 2015).

In today's modern era of the knowledge economy, organizations gain a competitive advantage through employees and their knowledge. In human nature is to want things to remain unchanged. Even when organizational change results in a better work environment or process improvements, people will resist change. The main reason is that every change is a path into the unknown, which consequently means a path into uncertainty, which creates stress. Therefore, after examining and identifying the causes of changes, the main task of the manager is to implement changes, overcome resistance to changes, control the implementation of changes and their results.

Performance of employees defined as the degree of accomplishment and achievement of task of an individual (Kansal & Singh, 2016). In today's modern learning organizations employees are required to show proactivity, initiative, creativity and motivation. Dulger (2009) indicated that the degree of tolerance and employee commitment toward change has important implications for employees' performance. The business success of depends not only on how the organization makes the most of the competences, but

also how it makes better employee performance and stimulates commitment to the organization (Karanja,2015).

The main objective of this study was to investigate effects of organizational changes on the employee performance and thereby contribute to a better understanding of this relationship and expand the existing literature in the field.

2. ORGANIZATIONAL CHANGE

Organizational changes represent changes from the current state of the organization to the desired one in order to improve its efficiency. Sometimes organizations themselves initiate changes, and sometimes they are forced to adapt to changes that occur in the external environment. Taking this global approach into account, we are talking about two basic types of changes: developmental (internal) and adaptive (external) changes.

Internal causes of changes in the company are changes that lead to an internal imbalance, due to changes in one and the absence of other components. This requires changes to achieve an internal balance of the company's components.

External causes of changes are changes in the environment that lead to external imbalance, mismatch of the company with the requirements of the environment, which sets the demand for changes in the company.

Managers must be able to quickly notice changes in the environment, to analyze and interpret them, and to encourage and implement changes in their own company. Managers' abilities to overcome inertia and resistance to change, which exist in every company, and to create a positive atmosphere for change, so that people see changes as their own opportunities, and not as threats and threats to their position, are very important.

In modern theory, the organization is seen as a complex and open system: complex, because it consists of numerous subsystems (human, technical, resource, informational, etc.); open, because in order to survive, it must communicate with environment. All factors, which disrupt the balance, both between organizational subsystems, as well as the balance between the organization and the environment, represent cause of organizational changes. Imberman (2003) claimed that organizational changes are necessary in order to ensure organizational strategies realization.

Since change management is a modern discipline, in practice and theory much attention is paid to this discipline. This is how numerous definitions of the concept of organizational changes were created. In this paper we will mention a few:

- Organizational change represents the launching and adding a new series of action, belief and attitude among considerable segments of a population. Reason behind this is that opportunities arise at external and internal environment (Tichy, 1983)
- Organizational change can be defined as the process through which something becomes different (Pakdel, 2016)
- Organizational change is considered as an purposeful change design in the official structure of the organization, systems, processes or product market, which is trying to improve the achievement of one or more organizational goals (Lines, 2005)
- Change in the organization is the process of transformation which occurs in behavior, structures, policies, intentions or the output of organizational units (Hanson, 1996).

Every organizational learning is organizational change, but every organizational change is not organizational learning. This phrase, however, hides an important conclusion: organizational learning is only one of different types of organizational change

Organizational learning is most often defined as a change in the cognitive structures and behavior of the organization's members, which ensures an increase in the organization's ability to adapt to its environment. Learning is the process that underlies and creates change.

Change itself is one of the ways that organizations learn. The purpose of learning is to acquire new, necessary knowledge and to use it effectively in practice, so that the organization has a competitive advantage over other organizations.

3. EMPLOYEE PERFORMANCE

Performance can be defined as the ability of an organization to achieve its goals (Stainer, 2006). Performance indicators should be integrated and interdependent in order to provide an overall perspective on the company's goals, business strategies and specific objectives, as well as on the company performance (Testic, Tomic, Gajic, Kuzmanovic, & Tomic, 2014).

Performance measurement is a concept that allows the coordination of component parts of complex organizations. The companies which are capable of using the frameworks and methods for measuring performance in the management of their strategies, systems and processes have the ability to achieve competitive advantages (Spitzer, 2007).

Iltner, Larcker, and Randall (2003) point out that measuring the company performance means easier access to the information needed to identify strategies and coordinated management processes such as goal-setting, decision-making and performance evaluation. An essential condition for the fulfillment of the objectives is the proper selection of key indicators for performance assessing (Lohman, Fortuin, & Wouters, 2004).

This research represents a further contribution to the idea, which was discussed by a number of authors, that employees' loyalty in service organizations have a positive influence on the performance (Balkyte & Tvaronaviciene, 2010; Cavacoa & Machado, 2014).

The relevance of the topic for service companies is considerable, since employee loyalty is very important for company success. Service companies generate their income by providing services and they are based on human capital.

Loyalty signifies a person's devotion or sentiment of attachment to a particular object and employee loyalty can be defined as employees' commitment to the organizational success and thinking that working for that organization is their best opportunity (Iqbal, Tufail, & Lodhi, 2015). Loyal employees are faithful to the organization and do their best in service providing, which has a direct and significant influence on the service companies' performance.

A considerable body of theoretical and empirical research has been done on employees' influence on company performance. Sila (2007) researched employee performance or the effect of employee fulfillment on company performance and Fulmer, Gerhart, and Scott (2003) explored whether superior firm-level relations between employees can be associated with better financial and market performance relative to other firms.

Baptiste (2008) indicates that, whilst the issue of employee wellbeing at work has reached a new level of importance in the minds of managers, but a little attention was paid to the connection between performance and employee wellbeing.

Yee, Yeung, and Cheng (2008) indicated that the importance of employee attitudes, including employee loyalty, and their impact on operational performance has largely been neglected and that loyal employees are more capable and have a direct impact on delivering a higher level of service quality, which has an indirect impact on company performance.

Loyalty behaviors will generate both market share and profitability increases for the service company (Chi & Gursoy, 2009) and, if employees are committed to organization and performing at a higher level, this will have an indirect impact and a positive influence on organizational performance (Ali, Rehman, Ali, Yousaf, & Zia, 2010).

4. THE EFFECT OF ORGANIZATIONAL CHANGE ON EMPLOYEE'S PERFORMANCE

Today's organizations are faced with constant changes. It can be said that change is the only constant in modern times. Every organization that wants to achieve and maintain its competitiveness must implement change management as a priority discipline. The increasing frequency of changes in the working environment imposes the need for employees to adapt to the changes. However, almost every change is accompanied by certain changes. In these conditions, the primary task of the manager is to consider not only how the change affects the performance of the organization, but also the employees themselves.

In learning organizations, employees are expected to show creativity, initiative, proactivity, motivation. The success of an organization depends not only on how well it uses human resources competencies, but also how well it manages to improve employee performance and commitment to the organization.

Feedback is one of the ways to improve employee performance, which is the goal of almost every organizational change. Feedback is a proposal for how employees can change their behavior and is a tool for organizational change.

Lewin's change management model (1951) consists of three distinct phases: unfreeze, change phase and refreeze. Unfreezing is the stage of preparing the organization for changes. It implies those activities in the organization that will enable changes to be made in the most efficient way possible. This phase includes process of explaining to employees the causes of changes and the necessity of making changes and inciting dissatisfaction among employees with the current situation in the organization and a sense of guilt for maintaining the current situation. The second phase - the phase of change is the most difficult to implement. It includes overcoming all resistance to change and changing employee behavior, as well as organizing learning and training to implement employee behavior. In the third phase, named refreezing, employees integrate new behaviors into their way of working.

There are many studies focused on influence of organizational change on employee's performance. Karanja (2015) found that organizational changes have positive influence on employee performance. Similar results were reached by Ahmed, Rehman, Asad, Hussain and Bilal (2013). According to the study conducted by Kansal and Singh (2016), a positive attitude leads to an improvement in employee performance, and the organizational change itself creates a greater impact on the attitude of employees, which results in increased performance. On the report of Wanza and Nkuraru (2016), structural changes and organizational leadership influenced university employees' performance positively. According to the authors, structural changes, leadership, technology and organizational culture affects the employee's performance positively.

5. CONCLUSIONS

Change is an essential characteristic of organizational, civic and personal life. Change is something we sometimes strive for and sometimes resist. It would not be an exaggeration to suggest that society is full of change and questions about how, when and in what ways change should occur.

People always support what they are involved in and then help make it happen. Support for change will be stronger if the change allows active participation of individuals in planning and implementation. The goal is to accept the change as something that is unique to the individual, that is, something that he wants and can live with. Acquaintance with changes leads to acceptance of changes, when the manager is prepared to listen and change his plans, if there is a clear message that they are not effective, or if they could be acceptable without jeopardizing the goals to be achieved.

Organizational change can affect all aspects of the operation and functioning of the organization. Therefore, management should implement regular training program, in order to enable changes at the level of the entire organization by improving them so that it reaches a higher, more qualitative level of functioning. These changes that apply to individuals include recruitment, selection, replacement and transfer, training and development of personnel, and supervision and counseling.

The first group of individual changes involves bringing in and placing the right people in the right places to help the process of introducing changes at the level of the entire organization.

The second group of changes aims to train and develop personnel for the changes that will be introduced at the organizational level. This process implies the existence of a good training program that will enable employees to better understand the changes and how to introduce them.

The third group of individual changes includes supervision and counseling with the aim of providing assistance to managers to manage changes as effectively as possible.

This study adds to the body of knowledge that organizational changes have significant effect on employee performance.

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