

POWER TO THE PEOPLE? THE LIMITS OF EQUALITY-BASED INVOLVEMENT IN MANAGING STRATEGIC CHANGE

DANIEL Z. MACK
Singapore Management University
50 Stamford Road, #05-01, Singapore 178899

ABSTRACT

We conducted a real-time inductive study of a strategic change at an organization in the hotel industry. Our findings suggest that the equality-based involvement—designed to promote equal opportunities for voice among employees—unintendedly undermined the implementation of strategic change. Our study contributes to the literature on strategic change by highlighting the limits of equality-based involvement practices when organizational members have asymmetric motivations and covert emotional reactions.

INTRODUCTION

There has been increasing research underscoring the importance of wide organizational involvement in managing the challenges of the strategic change process (Ketokivi & Castañer, 2004; Mantere & Vaara, 2008; Oreg, Bartunek, Lee, & Do, 2018; Oreg, Vakola, & Armenakis, 2011). Because strategic change involves a radical adjustment of the organization's goals and work processes (Gioia & Chittipeddi, 1991; Gioia, Thomas, Clark, & Chittipeddi, 1994), change agents and change recipients may have conflicting interpretations about the meaning and process of the proposed change that would undermine its implementation (Balogun & Johnson, 2004; Weber & Mayer, 2014). Scholars have suggested that such conflicts can be managed with wide organizational involvement, which facilitates the alignment of beliefs among change agents and recipients. Prior research has documented how wide organizational involvement create better goal alignment and forge collective ownership among stakeholders to support strategic change initiatives (Han, Chiang, & Chang, 2010; Ketokivi & Castañer, 2004; Mack & Szulanski, 2017).

However, the processes by which organizational involvement could undermine strategic change has received relatively less attention. Most of prior empirical work has taken the benefits of organizational involvement to generate alignment and support for strategic change initiatives as given, and thus has implicitly assumed that the heterogeneity of organizational members' interests and motivations has little impact on whether conflicts could be adequately addressed during the involvement. Moreover, because of positional or hierarchical differences and related power asymmetry, organizational members may also have sub-goals and interests that may not be compatible with those of others (Balogun, Bartunek, & Do, 2015; Vuori & Huy, 2016). Involving organizational members with different motivations and interests might exacerbate the risk of conflicts and differences.

In this study, we conducted a real-time longitudinal examination of the change process at "HotelCo", an organization, which was once leading with a diverse portfolio of hotel properties in an Asian region but became underperforming as a result of heightened competition in its hospitality industry. To facilitate a turnaround, HotelCo appointed a new CEO in its top management, which subsequently involved a wide representation of its members in its strategic

change process. We followed HotelCo's change effort over the course of a three-year period and conducted multiple waves of interviews with various members of the organization that included the top management, middle management, as well as the frontline operational employees at different hotel properties' locations.

At the outset, top management as change agents seem to have applied state-of-the-art change intervention techniques to create wide involvement and buy-in. Contrary to conventional expectations, however, our findings highlight how the process of involving operational employees unintendedly led to worsening organizational productivity during the implementation of strategic change. Although wide organizational involvement created more opportunities for employees to contribute their ideas, it also surfaced heterogeneous motivations among them. As perceived power disparities were reduced, operational employees engaged in social comparisons and developed feelings of deservingness. At the same time, wide involvement instilled hidden fear among middle managers, who were covertly afraid that their newly empowered subordinates could report matters that might damage their careers. Middle managers became more hesitant in addressing deviant frontline employees' behaviour. The latter took advantage of new direct access to top managers to raise a host of issues driven by personal interests. As collective ownership of organizational problems diminished, top management spent more time addressing these issues at the expense of improving the organization's productivity—the key goal of strategic change.

METHOD AND DATA

We tracked, in real time, the implementation of the strategic change process at HotelCo (pseudonym). Although HotelCo leads a chain of hotels mainly in the Asian region, the company also has different hotel properties in various locations around the world. With the expansion of established global hotel brands into HotelCo's local market, coupled with the proliferation of many small startup boutique hotels, HotelCo was facing tremendous competition as occupancy rates across its hotel units fell. To cut losses and improve performance, the new CEO launched several strategic change initiatives at HotelCo, one of which includes increasing employee involvement in strategic planning with the expectation that the strategic changes will be implemented more effectively with wider ownership.

Data collection

Our primary data came from private interviews conducted over a three-year period. We carried out more than 100 interviews with key organizational members in different roles: top and middle managers, and operational employees. Because HotelCo has several hotel units in its portfolio, we visited and interviewed employees not only from the corporate headquarters but also interviewed employees from seven other properties, each at a different location to ensure that our data is not hotel-location-specific. We sampled the interviews to obtain a range of perspectives and interpretations. This approach allowed us to triangulate and validate their accounts. The interviews lasted between 40 minutes to two hours, with each interview lasting for at least an hour. We asked for permission to audio record these interviews and obtained permission in 92 percent of the interviews.

Following prior research, we started using a structured interviewing approach to gain an understanding of their personal background and job scope within the context of the hotel

organization. During the interviews, we asked our informants to describe the changes that HotelCo had been implemented and how they felt about the changes. As the interview progressed further, we supplemented our structured interviews with more questions to probe into the nature of the issues that they raised, as well as their interpretation and responses to the issues.

While we were on site, we observed and took notes of work processes and interactions among employees. We also interacted with other employees whom we did not interview with to validate our sense of the situation on site. Finally, we also analysed archival documents that include confidential company documents, media releases, shareholder reports, and the local newspapers. These additional sources of information provided us with the additional confidence in ensuring the internal validity of our findings.

Data analysis

To have a more holistic understanding of our data, we first developed narratives of the strategic changes from the perspective of top management, middle managers and operational employees. These perspectives were placed into general flow diagrams such that we could better visualize the actions and reactions of the different stakeholder groups. While the flow diagrams were initially complex, we did not simplify the diagrams prematurely to ensure that we did not omit any factor that might turn out important across and within stakeholder groups in subsequent analyses. Several broad but insightful themes began to emerge from the different change narratives: (1) although middle managers and frontline employees were outwardly supportive of the greater organizational involvement practices, they had contrasting private opinions of their deservingness and emotional reactions, and (2) there was a decreasing sense of collective ownership of the organization coupled with worsening operational efficiency over time. As we reviewed the literature to understand these emerging themes, we realized that these outcomes were rather unexpected, and we have little theory to explain how wide involvement could lead to such organizational underperformance during strategic change.

Following the approach taken by Gioia, Corley, and Hamilton (2014), we then analysed our data in an iterative manner. We read the interview transcripts and openly coded portions of them to mark and describe the different content and themes in the transcripts (Corbin & Strauss, 1990). While reading the transcripts, we also iterated back and forth with the related literatures throughout the process to facilitate the identification and coding of novel themes in our data. For instance, when potentially novel themes began to surface in the coding process, we revisited the related literature to form some preliminary insights that would become the basis for informing and revising our coding in subsequent iterations. As much as possible, we also sought to interpret the data from different theoretical perspectives to check the novelty of our emerging insights (Mantere & Ketokivi, 2013).

Using an abductive approach that allow inferences to the best explanation (Locke, Golden-Biddle, & Feldman, 2008; Mantere & Ketokivi, 2013), our research focus evolved through different iterations that include: (1) the involvement of frontline employees during strategic change, (2) interactions between change agents and recipients, and (3) the emotional responses of change recipients to change initiatives. In each iteration, we highlight the issues with the current interpretation of the data, such as whether the codes are internally consistent with other data. We explored different alternative interpretations to improve on the fit of our theoretical model with the data, until we derive a parsimonious explanation that is also novel to the literature.

While we coded first-order codes, we contrasted the codes with one another. This allowed the recognition and characterizing of the properties of the codes to develop more abstract conceptualizations, which facilitated the aggregation of the first-order codes into second-order themes and higher order constructs. We then derived our emergent data structure of how middle managers and operational employees responded to top management efforts to promote wide organizational involvement in the strategic change process, which provides an illustration of the linkages between our raw interview data and inductive theorizing. In the following sections, we present these emergent themes and coded dimensions, which we will weave them together to form a coherent explanation of how wide organizational involvement affected the strategic change process.

FINDINGS

Organizing Equality-based Involvement in Strategic Change

To create a more inclusive environment for strategy making, the CEO decided that a holistic approach was necessary to empower employees of the organization. Because traditionally the level of welfare and benefits accorded to an employee was scaled to the employee's position in the organizational hierarchy, the CEO felt that frontline employees were often marginalized and were working under suboptimal conditions. The CEO's decision to widen employee involvement seemed to bear fruit as many employees noted that the company has started to develop a culture where people were less hesitant in voicing up their concerns.

Surfacing motivational tensions

However there was another group of influential employees who experienced mixed feelings about the nature and implications of wide organizational involvement. The initial intention of mutual respect was to create an inclusive environment for all employees, but some employees in the middle management rank felt that the definition of mutual respect as a basis for empowering organizational involvement was vague and created a lot of confusion, and employees harbored private beliefs about what mutual respect meant.

Middle managers noticed that frontline and operational staff not only became more confident in openly voicing out issues, but they were increasingly using the opportunity to raise concerns that were more of a personal nature. Hence, many middle managers felt that operational employees were starting to exploit the involvement opportunity to further their self-interests.

In contrast to operational employees, middle managers seemed generally less inclined in pursuing the short-term opportunities or quick gains. Middle managers were more concerned about their long-term career growth at the hotel organization, and interpreted these short-term opportunistic behaviors as not serving their long-term best interests.

Inducing middle managers' covert anger and fear responses

Middle managers were increasingly annoyed and angered that the well-intended policy to encourage more involvement among operational staff seem to have backfired, with increasing cases of staff "abusing" the upward feedback system. Middle managers were felt fed up about the tendencies for the frontline staff to shirk their work duties, because they felt that their actions

could be justified under the mutual respect policy. These shirking behaviors hurt the performance of the hotels, and in turn the productivity of middle managers—how much results they could accomplish. Despite their felt anger, middle managers kept their anger covert as they feared expressing their true feelings might exacerbate conflict with their subordinates.

Deteriorated organizational decision making

Over time, there was increasing feelings among employees that people were caring less about organizational matters, were less interested about taking charge of failures when they arose. Middle managers also felt that employees became less passionate about the reputation of the organization, and were less concerned about upholding the company's image and standing in the industry. Because middle managers focused on self-preservation and avoided actions that could lead to recriminations by front line employees and risk harming their hierarchical positions, communications among colleagues became more constrained under a fearful culture that emerged in the organization.

Organizational underperformance

Whereas top management's intention in enacting diffused empowerment was to enable greater initiative taking by the frontline staff and increase customer service, the policy unintendedly led to greater inefficiencies by forcing senior managers to shift more time and attention toward resolving escalated complaints—many of which turned out to be self-interested and largely inconsequential for organization performance. Although HotelCo's occupancy rate has remained stagnant over time, the expenditures per room was on the rise. Yet, senior managers devoted less attention to matters related to organizational revenues and profitability.

DISCUSSION

Our analysis of HotelCo reveals a set of themes across our informants about the asymmetric motivations between operational employees and middle managers during their involvement in the strategic change process and how asymmetric cognitions, emotions, and behaviors undermine the emergence of collective psychological ownership that top managers aspired to achieve through wide organizational involvement in strategy making.

Our study contributes to the strategic change literature by investigating the cognitive, emotional and structural underpinnings of organizational involvement. We provide a textured understanding of the benefits and limitations of wide organizational involvement as a central means to facilitate strategic change. Our study reveals how equality-based organizational involvement could increase challenges and workplace inefficiencies, decreasing organizational resources that help realize strategic change.

More generally, our findings reveal how organizational structures such as hierarchy can influence significantly individual-level motivations, perceptions and emotions of employees during strategic change. In turn, these psychological underpin the behaviors of employees, which in aggregate influence the nature and quality of their involvement at the organizational level. By highlighting the various macro and micro linkages in our theoretical model, our study provides a novel multilevel theory of the emotional, cognitive and structural underpinnings of organizational involvement in strategic change.

REFERENCES AVAILABLE FROM THE AUTHOR(S)