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Analysis of Internal Stakeholder Clusters' Role in Initiating and Managing Changes

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Abstract

Changes, process innovations are constant in the majority of organizations. In order to manage changes, to perform even plain process innovations leaders have to make their best effort to involve internal stakeholders as participants of decision making, and 'owners' of the consequences. Corporate practices often underestimate the role of internal communication despite the fact that numerous studies have stated that the lack of information and disinformation can significantly inhibit the birth of new ideas and the implementation of innovations.This paper presents the results of a primary research conducted in order to explore the attitudes of internal stakeholders toward changes, process innovation and related internal communication. The purpose of this study is to show the influence of respondents' personal characteristics (position, time spent at the company, education level) on their changes supporting attitude, as well as to explore the impact of company culture on employees behavior regarding innovation.

Keywords: *internal stakeholders, internal communications, process innovation*

1. Introduction

Change is an essential concomitant of today's corporate environment which is typically not accepted with undivided enthusiasm by those affected. However, no expert denies that the commitment to change is the basic condition for maintaining competitiveness, so the presence of a leader who is able to manage changes effectively and the development of corporate culture supporting the changes can be posted as half the battle.

Besides the ability of adaptation to change and the development of environment supporting and even encouraging innovation, the consciously planned and properly managed corporate communication is also a necessary but not sufficient condition for the enterprise

value creation. The corporate communication can be understood as the sum of individual communication links (Borgulya, 2010) thus it can be assumed that the ultimate success of communication is largely determined by the participants' individual characteristics in the process, too. The information deficit, i.e. insufficient horizontal and vertical transmission of information can be one of the obstacles to organizational success. The human resources management and PR together create a framework for programs introducing changes successfully (Oliver, 2009), which is manifested, among other things, in supporting, encouraging corporate culture.

2. Internal Communications and Change

Integrated organizational communication is a planned, conscious process that delivers information to the affected ones in accordance with the strategic objectives of the organization. Integrated communication is comprehensive, consistent and targeted information exchange that uses channels in the most efficient way. (Borgulya, 2003) A process-oriented, but broader approach can be found in the stand of the European Confederation Public Relations (CERP). It defines internal public relations as a sequence of actions, during which, after defining public opinion groups we share information based on their interests and is important from the point of view of the organization. (Nyárádi-Szeles, 2004)

The turbulent external environment poses a continuous change, challenge for the companies, so unforeseeably many changes take place also in the organizations. "We mean an organizational change a transformation that occurs in the essential characteristics of the organization." (Bakacsi et al.,1996; p.166). The group of stakeholders in changes can be divided into change initiators and parties affected, the former is mostly managers, the latter is subordinates as part of the process. (Borgulya, 2003)

Among others change could be one of the engines of innovation. Innovation means novelty, renewal, change, in the public consciousness the term basically has a positive content, thanks to the associated supposed progress, development. In process-oriented approach innovation is the totality of scientific, technical, financial and commercial activities leading to the development of new products, production processes (OECD, 2000). In a broader sense, management innovation, process innovation, opportunities for development and change appear (Iványi - Hoffer, 2010; pp. 16-17). Innovation can be triggered by the goal of corporate cost efficiency, improving effectiveness as well (Erdős, 2004).

Proper communication is an important element of successful management of changes. According to some surveys, the key to success in carrying out changes communication task and problem gives 2/3 part and third-part is the design of vision (Noszkay, 2009).
While specific product and technological innovation are not the direct responsibility of the leaders, creating stimulating environment and monitoring the process are management responsibility in any case. It is important to notice, however, that the nature of supporting

medium and effective communication can be different at the various stages of innovation process. Innovative capacity of an organization is influenced by a multitude of external and internal factors, one of which is corporate culture. Differentiation affects innovation ability positively while correlation is negative regarding centralization, formalization. A basically decentralized organization with the plurality of information channels makes exploration and transmission of innovative proposals possible but this medium is likely to be the hotbed of conflicts as well. To sum it up we can say that 'the structure that facilitates changes, makes conflicts general' (Bakacsi et al. 1996; p. 226).

We can find recommendations in literature also for the content of communication. Model ELÉR by Okley-Krug (1997) proposes to focus resources for the future, which assumes solution-oriented approach instead of being problem-orientated in communication. Such organizations are characterized by open atmosphere, stimulation to explore creative solutions. (Nyárádi-Szeles, 2004). Solution-oriented communication emphasizes aims and benefits from realized changes. Openness and the proper handling of individual stakeholders' habit, attitudes are particularly important in the case of programs introducing changes. The design process should take into account different priorities from the environment and deal adequately with the pragmatic attitude in the short term and the cynical in long term, i.e. the group of rejecting the changes fundamentally on an emotional basis and who do not wish to participate in the process. (Oliver, 2009) Thus, in relation to changes stakeholder groups are far from being considered uniform. The participants can be grouped according to several criteria, but basically we can characterize them as having easily winnable, neutral or recalcitrant attitude. (Borgulya, 2003)

3. Study of Attitudes to change - empirical research

The plan of questionnaire-based quantitative research has been compiled on the basis of the previous literature review. Research goals have been induced by the results of previous studies. During the research I formulated several findings related to intern communications, among them this paper presents the results of the examination of respondents' attitudes towards changes, innovation.

3.1 The aim of research

The aim of the research was the examination of respondents' value judgments, attitudes related to process innovation, change and related to them communication. In determining research topics I tried to accomplish a multi-faceted investigation. I made the respondents evaluate some findings that can be associated with changes and related communications in issues of enterprise environment. My aim was to explore the relationship between the supportive or obstructive nature of corporate environment and respondents' attitudes towards changes.

The study covered also issues concerning the behavior, daily routine of those surveyed and on the basis of these it searched the engagement related to changes. In case of Likert scaled questions used in the questionnaire a control question has been placed to confirm the respondents' expected positive propensity about assumed initializing role in innovation. When examining responses for the range of issues relating to disposition, initiating and executing change, a potential process innovation, factor and cluster analysis were used.

The aim of study was also to uncover interrelations of the respondent's personal characteristics (function, employment in the company, qualifications), the corporate environment with focus on the company size and corporate culture supporting innovation, changes.

The empirical research data collection occurred in June 2013 with on-line questionnaire, by arbitrary sampling, on the sample of 110 people, which is not representative, the data were processed by Excel and SPSS software package. The research results cannot be generalized.

3.2 Demographic characteristics of the sample

Regarding the demographic composition of the sample, 43.6% were male and 56.4% female. A significant number of respondents, almost 63%, is between 31 and 45 years, 25.7% represent age group 18-30, while 5.7-5.7% are in age groups 46-55 and over 56. Organizations qualified by the respondents in terms of the number of their employees appear in the sample according to table 1.

Table 1: Distribution of number of employees in qualified organizations (%)

Number of employees	Rate in the sample
Under 10 people	14,70%
11-50 people	13,80%
51-250 people	24,80%
251-500 people	11,90%
501-1000 people	10,10%
Over 1001 people	24,70%

Source: by the author, based on own primer research, 2013, N=110

3.3 Results

In the first part of the questionnaire respondents evaluated formulations related to the practice of their employing organizations. I examined the assessment of information flow standard and the functioning of inner communication with the help of ten five-point Likert-scaled questions. All in all, the respondents evaluated the standard of internal information flow, communication 3.1 scale value as moderate. The average scale value varied between 3 and 3.3 for large number of questions, by comparison, although the difference is negligible (2.9),

communication about changes had the most negative evaluation among respondents, which probably is related to increased information needs specific to such cases.

There were several questions in the questionnaire about the features of organizations, companies as the environment supporting changes and this way supporting potential innovation. Table No 2 shows the results of the most important ones.

Table 2: Opinion on companies' operation related to innovation and change

	N	Minimum	Maximum	Mean	Std. Deviation
q2.3 My company develops by meeting customer demands on a higher level	106	1	5	3,86	1,222
q2.1 There is continuous change at my company	110	1	5	3,55	1,122
q2.6 My company is innovative	107	1	5	3,31	1,239
q2.2 My company intends to meet the new challenges with the help of technological development	109	1	5	3,27	1,207
q2.4 My company's management encourages employees to submit ideas / suggestions.	110	1	5	3,11	1,302
q2.5 Changes within the company are made in accordance with the opinion of the employees.	108	1	5	2,52	1,123

Source: by the author, based on own primer research, 2013, N=110

Half of the respondents consider his company more innovative than not, however, over 52% of them think that their employer does not or only minimally encourages employees to propose improvements in relation to developments. The issue examining the accordance of occuring changes and the stakeholders' opinion got an underlined low assessment of 2,52. According to the respondents their employers tend to see the potential for progress rather in providing higher standard of customer demands than in technological innovations. I examined the respondents' perceptions of engagement using seven Likert-scaled questions. The averages of respondents evaluation are presented in table 3.

Table 3: Opinion on the environment supporting changes and employees' participation

	N	Minimum	Maximum	Mean	Std. Deviation
q3.1 During my work I consciously looking for opportunities for development	109	1	5	4,01	,977
q3.6 I get instructions rather on my tasks' final result and not the way of execution	108	1	5	3,60	1,093
q3.2 I deliver my ideas and suggestions on multiple channels to my superiors	110	1	5	3,21	1,076
q3.3 I get correct feedback on my suggestions	107	1	5	3,19	1,275
q3.5 I have scope of authority to implement my suggestions	107	1	5	3,16	1,311
q3.4 Based on my suggestions measures are taken	105	1	5	2,95	1,130
q3.7 Besides the daily work I have enough time to search for performance enhancing options	110	1	5	2,76	1,108

Source: by the author, based on own primer research, 2013, N=110

Although in the light of the results obtained the respondents on the base of changes, with regard to developments characterize themselves as actively engaged, initiators (question q3.1's had the highest average and the lowest standard deviation), the 2.76 assessment of the control question that inquires about energy remaining for development beside daily operational tasks indicates the contrary.

The respondents assessed corporate activity related to the implementation of innovative proposals also remarkably low. A significant number of respondents perceived that any improvement ideas fall on deaf ears, to find out what the cause of this is, however, would require further research.

3.3.1. Factor Analysis results

Issues examining employee initiative and effective contribution related to changes were further analyzed using factor analysis. The results of factor analysis indicated two clearly distinct factors that could be appreciated properly from professional point of view.
The two factors obtained, initiative for innovation effort and implementation intentions/opportunities, were interpreted as variables. Despite the best intentions initiative and opportunity do not necessarily overlap but it can be assumed that along the two dimensions specific groups of respondents are outlined as a result of further analysis.

Table 3: Rotated Component Matrix[a]

	Component	
	1	2
q3.4 Based on my suggestions measures are taken	,866	,190
q3.3 I get correct feedback on my suggestions	,835	,126
q3.5 I have scope of authority to implement my suggestions	,773	,263
q3.6 I get instructions rather on my tasks' final result and not the way of execution	,635	,092
q3.7 Besides the daily work I have enough time to search for performance enhancing options	,602	,126
q3.1 During my work I consciously looking for opportunities for development	,105	,897
q3.2 I deliver my ideas and suggestions on multiple channels to my superiors	,259	,834

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

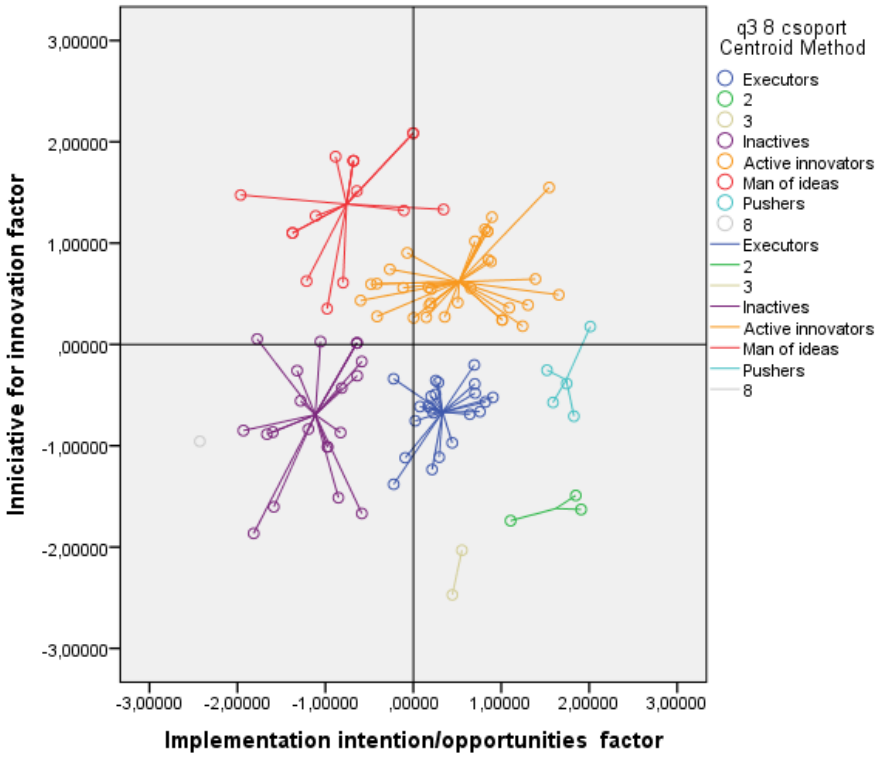
Source: by the author, based on own primer research, 2013, N=110

3.3.2. Respondents clusters based on contribution to change

Based on the test results the program differentiated eight clusters, eight groups of respondents. Depiction of clusters in Scatter plot graph helped illustrate and review the innovation / change-related attitudes of respondent groups, clusters. (Fig.No.1)
Taking into account the number of elements included in each cluster, and defining the five percent threshold, the test was continuable in respect of five clusters:

- The relatively active group of respondents with regard to innovation, initiative and the implementation of changes - I have named these respondents as *active innovators*
- The initializing changes but less active in implementation group of respondents - they should be seen as *initiators/men of ideas/a think tank*; there can be respondents who are inspirational not because they are not able to implement factually but because their opportunities in the field of implementation are limited
- The passive ones both in initiative and implementation who are more contemplative than actually participating in their habit, these employees can be named *inactive* in respect of organizational innovation
- The *executors* were those respondents in the sample who play an active role in implementation but initiate change less.
- The *pushers* are the members of the cluster with the smallest number of elements, the respondents who are pioneers in implementation.

Figure 1: Respondents clusters based on contribution to change



Source: by the author, based on own primer research, 2013, N=110

3.3.3. Correlation study

The resulting clusters reflect attitudes related to innovation and changes. However, an issue arises, if there is a significant correlation in relation to personal characteristics, corporate environment characteristics and outlined groups of respondents. To diagnose it the variables were analyzed in a crosstab: looking at the corporate and the respondent characteristics as independent variable and the cluster characteristics as dependent variable.

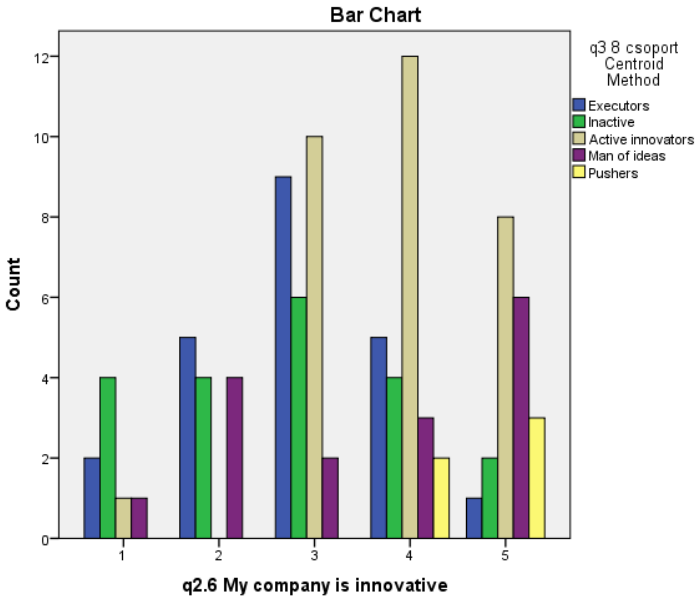
Between clusters and personal characteristics, i.e. job title, education level and employment in the company and the company macro-characteristics (number of employees) there was no detectable correlation at 0.05 (5 percent) level of significance based on the Pearson Chi-square test .

At the same time - on the basis of the results obtained - there was evidence of a significant correlation at 5 percent significance level between the five clusters and the evaluations of the change-related characteristics of corporate environment.

Chi-square test value, made in relation to value judgments of the five clusters and percieved innovation level of the company, of 0.02, which is less than 0.05, so I rejected the null

hypothesis, thus the relationship between the variables is proved. Regarding the investigation of the strength of the relationship Cramer's V was governed because of the nature of the variables (nominal data). Its value of 0.281 showed a slightly stronger than medium association between variables.

Figure 2: Relation to value judgments of the five clusters and innovation level of the company



Source: by the author, based on own primer research, 2013, N=110

Showing the results in the bar chart it turned out that companies judged by respondents as more innovative than the medium have more employees who can be classified into the active and inspirational segments. Enterprises rated innovative employ also all the pushers, the most dedicated employees along the realization. (Fig. No. 2)

Similar results were confirmed by further correlation studies carried out in relation to other issues about corporate environment supporting change, with regard to changes and supportive environment encouraging submission of innovative proposals, in the case of companies taking into account the views of employees and operating in accordance with them the groups of active and inspirational employees are overrepresented.

4. Summary and Conclusions

This study presented the results of the research examining employee attitudes observable in relation to changes, process innovation. Based on the not representative research five clusters have been outlined in relation to attitudes, contributions towards changes. Despite the fact that according to the literature change initiators and managers are typically senior staff

members, the results did not show relationship between personal characteristics and clusters, thus it cannot be justified that management position would predestine employees for active participation in changes or the opposite, either.

An important result of the research, however, seems to be proved on the basis of those that corporate environment, its supporting, initializing changes, open in relation to proposals character shows a correlation with the employees' habitus related to changes.
For organizations considered basically as innovative the number of employees committed to changes and equally capable to initiate and perform them is higher.

Although the research studied several questions related to internal communication, detailed presentation of these results is beyond the scope of this study but it is important to note that the targeted, tailored to the specific characteristics of individual clusters application of these devices (especially by the incorporation of attitudes towards changes) may undertake a significant role in the successful management of changes, thus contributing to the corporate value creation process.

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