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By
NOR NAZERANAH BINTI OMAR DIN

THE FACTORS INFLUENCING EMPLOYEES' RESPONSE TOWARDS CHANGE
MANAGEMENT IN THE PHARMACEUTICAL MANUFACTURING INDUSTRY IN
MALAYSIA: A CASE STUDY OF PHARMANIAGA MANUFACTURING BERHAD

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: August 20, 2011

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supervisor, Professor Dr. Mohd, Saeed Bin Siddiq.

I hereby declare that this project entitled 'The Factors Influencing Employees' Response Towards Change Management in the Pharmaceutical Manufacturing Industry in Malaysia: A Case Study of Pharmaniaga Manufacturing Berhad' is the result of my own writing except as cited in the references. I have done this research project myself with the help and guidance of my

DECLARATION

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factors.

This study involves a thorough and critical examination of the factors influencing employees' response towards change management in a leading company of pharmaceutical manufacturing industry in Malaysia. The pertinent factors have been identified and an endeavor has been made to determine how each of these factors influences the employees' response towards the changes in a particular organization such as restructuring, merger and acquisitions, transfer, lateral moves, hiring and the feedback of the employees towards the implications of changes in the organization. This study provides theoretical perspectives to enable the management of an organization to predict the response of its employees with respect to each of the identified

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 MANAGEMENT IN THE PHARMACEUTICAL MANUFACTURING INDUSTRY IN
 MALAYSIA: A CASE STUDY OF PHARMANIAGA MANUFACTURING BERHAD**

fulfillment of the requirements for the Master of Business Administration.

Abstract of the project paper submitted to the Senate of Universiti Tun Abdul Razak in partial

ABSTRACT

However, realizing and managing effective change is a big problem for organizations because any change, no matter how beneficial to the employees and the organization, will be met with and often be sabotaged by resistance (Spiker& Lesser, 1995). In the issue of change management, the resistance to change is acknowledged as being a basic block to change, and a major reason that change does not succeed or get implemented (Mabini, Forgeson& Green, 2001). Employees resist change because they try to defend the status quo as they feel their security is threatened. Employees fear of losing jobs, fear of additional tasks and responsibilities,

phenomenon arising from the dynamics of environment and it is inevitable for an organization that desires to grow, achieve its mission, vision and objectives. Organizations have to adapt to the environment to become competitive and stay ahead or at least keep afloat.

Change, the process of moving to a new and different state of things, is an unavoidable phenomenon arising from the dynamics of environment and it is inevitable for an organization that desires to grow, achieve its mission, vision and objectives. Organizations have to adapt to the environment to become competitive and stay ahead or at least keep afloat.

The world today is changing at an unprecedented rate; and the environment within which organizations operate is characterized by instability resulting from increased global competition, technological innovation and change, limited resources, deregulations and privatization (Carnall 1995). In today's business environment, change has become an everyday part of organizational dynamics as organizations need to change to external or internal developments in order to survive and grow. As observed by Jack Welch, "If we are still doing things now the same way you did them five years ago, we are doing something wrong." (Hines, Aller-stead & McKinlay, 2005:18).

Background to the Research Topic

INTRODUCTION

CHAPTER 1

and fear of adapting to 'the new order' and thus, resist to any change efforts implemented by the organizations. Therefore, managing organizational change is, in very large part, about managing the "people" aspects of that process (Smith, 2005a).

Since change is essential for business survival in today's business environment, it is important for organizations to analyze the factors that influence employees' response toward change in organizations and to deal with them in a manner that facilitates the smooth incorporation of the change into the existing system and to effectively manage resistance toward change initiatives. Goetsch and Davis (2006) allude to the fact that the capacity to manage resistance and smoothly implement change to meet environmental challenges is essential to organizational survival.

This study is closely related to the discipline of Organizational Development and Change Management. It describes that changes within an organization can generate deep resistance in employees and making it difficult and not possible to implement organizational improvements. Basically, changes for an employee can generate considerable anxiety about letting go of the unknown and moving to an uncertain future. Employees may be unsure whether their existing skills and contributions will be valued in the future, or have significant questions about whether they can learn to function effectively and to achieve benefits in the new situation.

Resistance can be divided into three main classifications. Firstly the Technical Resistance, which is derived from the habit of following common procedures and the consideration of sunk costs invested in status quo. Secondly, Political Resistance is a type of resistance that arises when organizational changes threaten powerful stakeholders such as top executives. Changes in organizations often imply a different allocation of already scarce resources such as capital, training budgets, and good people. Finally, Cultural Resistance takes the form of

The rate of change in management within organizations is growing at a rapid pace. In 1996, a study by the American Management Association reported that 84 percent of U.S. businesses were in the process of at least one major change initiative, while 46 percent said they had three or more change initiatives in progress (Peak, 1996, as cited in Weber & Weber, 2001, p. 291). Some have speculated that nearly 75% of all American corporations have gone through some type of systematic change program (Attaran, 2000). In order to survive in increasingly turbulent environments, organizations are under tremendous pressure to execute changes in management. However, management scholars aware that productivity will be negatively affected if the occurrence of change is increasing as employees resist the change efforts. Employees may be highly skeptical of planned change initiatives and both actively and passively resist change, resulting in unsuccessful change efforts, decreases in morale or productivity, and increases in turnover or subsequent organizational failures (Dervitsiotis, 1998; Eby, Adams, Russel, & Gabby, 2000; Greiner, 1992; Goldstein, 1988; Osterman, 2000). Conversely, effective management teams recognize that positive employee response toward change is often vital to achieving organizational goals (Eby et al., 2000; Martin, 1998). Important employee responses for successful change efforts within organizations have been identified in the past literature.

The Need for a Workable Model

the Pharmaceutical Manufacturing Industry in Malaysia.

purpose of this study to examine the resistance and response of employees towards changes in norms and assumptions about how things should operate. Thus, the above theory backs the systems and procedures that reinforce the status quo, promoting conformity to existing values,

In today's business environment, almost all organizations undergo some kind of change varying from re-structuring, downsizing, retrenchment, layoffs, merger and acquisition and even bankruptcy. Such changes will mainly affect the employees within that organization and will often create anxiety and uncertainty among employees. Many employee-related matters do not remain unchanged or become unclear such as job security, employee benefits, changes in job scope and work processes, and multi-tasking. In general, employees naturally refrain and resist from moving out of a current position as they want to remain in their comfort zone. Employees resist change due to fear of the unknown and uncertainty of the future, fear of moving out of comfort zones, and fear that any change initiatives may adversely affect their competencies, worth and abilities. This fear will naturally create resistance amongst the employee as they want to protect their comfort feelings in such positions in the organization.

Problem Statement

Research suggests that successful implementation of planned change may depend on an environment that is conducive to innovation and change (Glover, 1993; Zammuto & O'Connor, 1992). This study is focused to undertake a research to identify and analyze the factors influencing employee response toward change management in the Pharmaceutical Manufacturing Industry in Malaysia, which has recently implemented significant change and experienced change management in its different forms. A survey was conducted on the employees to determine their feedback and responses which are the integral part of this study.

factors.

involved in the merger and acquisition, leadership style of the new top management and other changes introduced, characteristics of individual employees, compatibility of the companies years. However, the specified time-frame is very subjective and heavily depends on the type of out on the sampled organization that has experienced changes in management within the last five during this period. Therefore, in order to ensure the validity of this study, the analysis is carried response (whether positive or negative) toward the change initiatives would be very significant in the management. The next three to four years would be crucial to this study as the employee analyze its current policies and practices, plan its counter measures, and execute the new changes Organizations that experience a change in management usually take the first two years to

may tender their resignation if they are unable to cope with the changes. not be a long-lasting impact because employees are either able to adapt to these changes or they has an impact on the employee for a specific time frame only. The change in management may This study is guided by a specified time-frame since the change in management generally

- i. Gender
- ii. Age
- iii. Income
- iv. Years of service to the organization
- v. Academic qualifications
- vi. Job position.

employee response towards change. The six factors are;

In this study, six demographic factors have been selected as variables that influence

- i. To determine if gender is a reliable variable in employee response towards change.
- ii. To determine if age is a reliable variable in employee response towards change.
- iii. To determine if income level is a reliable variable in employee response towards change.
- iv. To determine if years of service is a reliable variable in employee response towards change.
- v. To determine if academic qualification is a reliable variable in employee response towards change.
- vi. To determine if job position is a reliable variable in employee response towards change.

Objectives of the Study

- i. Can a reliable instrument be designed to measure demographic factors such as Gender, Age, Income, Years of Service, Academic Qualifications, and/or Job Position and those variables, which influence the employees' response toward change initiatives in their organization?

The Study Question

This study is subject to certain limitations as the type and degree of changes in management implemented may differ from organization to organization which influences employee response. Nevertheless, this study is significant and serves as a contribution as it enables other organizations to predict and anticipate employee behaviors and responses should the organization experience change management.

Change refers to making something different from its initial position and involves confrontation with the unknown and loss of the familiar (Akinolu & Rafiu, 2011). Carr, Hard and Trahan (2006) claim that it connotes a significant disruption in established patterns of behavior and/or expectation and could lead to discontinuity, destruction and replacement of familiar social structures and relationships. It could alter set patterns of behavior, define relationships with others, work procedures, and job skills. All these might present individuals with new situations, new problems and challenges, ambiguity and uncertainty. On an organizational level, they could lead to alteration of policies, procedures, sunk costs,

result of change if often supposed to be, paradoxically, stability. Organizational change is the movement of an organization away from its present state and towards some desired future state to increase its effectiveness (George & Jones, 2005). Organizational change is an empirical observation in an organizational entity of variations in shape, quality or state over time (Van de Ven & Poole, 1995), after the deliberate introduction of new ways of thinking, acting and operating (Schalk, Campbell & Freese, 1998). The general aim of organizational change is an adaptation to the environment (Barr, Stimpert & Huff, 1992; Child & Smith, 1987; Leana & Barry, 2000) or an improvement in performance (Boeker, 1997; Keck & Tushman, 1993). There is a clearly variety of pressures on organizations to change and they come from many directions: the environment, the discovery of deviations from standards, new desires and visions of the future, or the fundamental nature of organizations themselves. The

The Change Environment

LITERATURE REVIEW

This study is focused on the transition period when sufficient training has not yet been provided or prior to the employees having clarity on the proposed or implemented changes. While the factors influencing employee response towards changes in pharmaceutical manufacturing industry management are seen as vital to successful organizational transformation, very few studies have gathered empirical data on employee response with respect to the critical factors before and after the change effort has been initiated in that organization.

The general perception is that employees will display positive response towards the changes in management after they have been trained and have experienced the benefits of these changes. It has been suggested that individuals progress through phases of acceptance of change (Isabella, 1990; Kets de Vries & Miller, 1984; Janssen, 1982). That is, after a change has been introduced in an organizational system, employees tend to fear the unknown and demonstrate limited support for management and the proposed change effort. After training has been conducted and employees have had initial experiences with how the change initiative will impact them, they may demonstrate greater understanding and support of the change initiative.

Organizational change causes individuals to experience a reaction process (Kyle, 1993). Scott and Jaffe (1988) describe the process as consisting of four phases, namely: initial denial (refusal to believe the change will be implemented), resistance (not participating or attempting to avoid implementation), gradual exploration (experimentation with new behaviors), and eventual commitment (accepting or embracing the change).

organization structures, and manufacturing processes and flows (Harvey & Brown 2001). Invariably, change might affect authoritative allocation of both human and material resources and encourage competition which heats up the political climate in organizations.

Based on the above listed symptoms in pharmaceutical manufacturing industry, the top management then has to convince the stakeholders on the reasons for such change measures. The

- ix. Morale is deteriorating
- viii. Workforce productivity is stagnant or deteriorating.
- vii. Personal retention and turnover is a significant problem.
- vi. Significant staffing increases or decreases are contemplated.
- v. Technology and innovation are creating changes in workflow and production processes.
- iv. Organizational communications are inconsistent, fragmented and inefficient.
- iii. Parts of the organizations are significantly over and under staffed.
- ii. Accountability for results are not clearly communicated and measurable resulting in subjective and biased performance appraisal.
- i. The need of new skills and capabilities in order to meet current or expected operational requirements.

change management in a particular organization:

Organizations that cannot or will not change according to the trend and necessity will become obsolete. The management should periodically evaluate the organizational structure of their organization to assure that it is not outdated. Basically, in this evaluation, the management will determine the necessity for changes in the organization. Based on the study carried out in pharmaceutical manufacturing industry, listed below are the symptoms indicating the need for

One area in the change literature that has received high interest is the study of why change efforts fail. One common answer is that people – employees, middle managers, or even senior managers – resist change (Post & Altman, 1994). Resistance to change is one of the commonly cited causes for the lack of success of organizational changes. As such, it is not surprising that it is a phenomenon that encourages some strong responses. Maurer (1996, p.17) assets, bluntly, that “resistance kills change,” while Foote (2001) colorfully describes resistance

Employee Resistance towards Changes

This study indicates that the above listed reasons are solid and profound for re-structuring the change environment or implementing changes in the pharmaceutical manufacturing industry. However, the change management in the organization in these situations will only be followed after the business strategy has been changed. However, we need to recognize that a change in the environment has great impact on the productivity, employee morale and ultimately employee turnover in this organization.

- i. Innovations in product, technology, materials, work processes, organizational structure and organizational culture.
- ii. New and shifting market in pharmacy industry.
- iii. Actions of global competitors, work force values, demands and diversity.
- iv. Regulatory and ethical constraints from the environment.
- v. Employees development and transition.

organization which are as follow;

list below provides the general guideline on the reasons for change management in the

Resistance is a natural and normal response to change because change often involves moving from known to unknown (Coghlan, 1993; Steinburt, 1992; Myers & Robbins, 1991). It is described as an almost inevitable psychological and organizational response that seems to apply

ultimately employee turnover.

change projects. Employee resistance has a great impact on productivity, employee morale, and resist change. Their resistance and their choices influence the success of any organization's employees with respect to these changes. It is common knowledge that many employees will network of business processes and technologies; but also the acceptance and involvement of Organizational and economic benefits sustained from these changes are not only a result of a implementation of new processes, updated systems, and acquisition of companies (i.e., "change"). Millions of dollars are spent each year by corporations to increase profits through the faced by management in implementing change.

including one of 500 Australian organizations indicating resistance as the most common problem failures of organizational change initiatives. Bovey and Hede (2001a, b) cited numerous studies Touche survey of 400 organizations indicating resistance to change as the number one reason for the failure of change initiatives. Prochaska, Prochaska and Levesque (2001) cite a Deloitte and Pung, 2007). Resistance to change is often cited as a reason for difficulties in implementing and percent thought they contributed to the sustained improvement of their organizations (Isern and initiatives indicated that only 38 percent thought these initiatives were successful and only 30 The results of a survey of 1,536 executives involved in a wide variety of change

potent, paradoxical or equal-opportunity killer of progress and good intentions."

as "one of the nastiest, most debilitating workplace cancers" and claims that "there isn't a more

No organization or individual can escape change. But the thought of change raises anxieties because people fear economic loss, inconvenience, uncertainty, and a break in normal social patterns. Almost any change in structure, technology, people, or strategies has the potential to disrupt comfortable interaction patterns. For this reason, people resist change. According to Dent and Goldberg (1999), employees are not really resisting the change, but rather

or hindering its implementation, and increase its costs.

Although writings have focused additional attention on resistance, there remains substantial variability in how the phenomena associated with resistance are perceived and ultimately operationalized. In order to understand the concept of employee resistance, it is critical to define what is meant by the term resistance. Zander (1950) defined resistance to change as "behavior, which is intended to protect an individual from the effects of real or imagined change". In the view of Folger and Skarlicki (1999, p. 36), resistance is defined as "employees' behavior that seeks to challenge, disrupt or invert prevailing assumptions, discourses and power relations". Ansoff (1990) defined resistance as a phenomenon which can deter the overall change process, either by delaying or slowing down its beginning, obstructing or hindering its implementation, and increase its costs.

ability and willingness to adapt to change (Darling, 1993). do individuals experience change in different ways (Carnall, 1986), they also differ in their change will promote commitment while negative perception will generate resistance. Not only responses from those that might be affected positively or negatively. Perceived positive effect of support change unless compelling reasons convince them to do so. Any change will result in affect people's competencies, worth and abilities, organizations' members generally do not organization transformation (Kilian, 2003). Because the future is uncertain and may adversely to any kind of change, ranging from rather modest improvements to far-reaching change and

they may be resisting the loss of status, pay, or comfort associated with the change. When change initiatives are implemented within an organization, employees may experience considerable anxiety about letting go of the known and moving to an uncertain future. People may be unsure whether their existing skills and contributions will be valued in the future. They may also have significant questions about whether they can learn to function effectively and to achieve benefits in the new situation (Tichy, 1993).

According to Cummings and Worley (2009), resistance to change can be divided into three main classifications: technical resistance, political resistance, and cultural resistance. Technical resistance is derived from the habit of following common procedures and the consideration of past effort in maintaining the status quo. Political resistance is a type of resistance that arises when organizational change threatens powerful stakeholders, such as top executives. Political resistance often arises due to an implied change in the allocation of scarce resources, such as capital, budgets, and quality employees. Cultural resistance takes the form of systems and procedures that reinforce the status quo, promoting conformity to existing values, norms, and assumptions about how things should operate.

Resistance to change is mainly an effort to maintain the status quo, that is to say, resistance is equivalent to inertia, as the persistence to avoid change (Carr et al., 2006; Maurer, 1996; Rumelt, 1995; Zaltman & Duncan, 1977). It is a behavior put up to protect an individual from the perceived effects of real or imagined threat. Graetz, Kimmer, Lawrence and Smith (2006) describe resistance to change as barriers arising from organizational policies, inappropriate use of power, challenges to cultural norms and institutionalized practices, lack of understanding, inappropriate doing, inadequate resources, incorrect information or employee suspicion of honorable management intentions.

- Harvey and Brown (2001) contend that resistance to change is usually a reaction to methods used in implementing a change rather than any inherent human characteristics. They claim that people tend to resist changes that do not make sense to them or that are forced on them against their will. Employees resist change because they have to learn something new. In many case there is not a disagreement with the benefits of the new process, but rather a fear of the unknown future and about their ability to adapt to it. De Jag (2001) argues, "Most people are reluctant to leave the familiar behind. We are all suspicious about the unfamiliar, we are naturally concerned about how we will get from the old to the new, especially if it involves learning something new and risking failure" (p. 24).
- Zander (1950) offered six primary reasons for resistance to surface if:
- i. The nature of the change is not made clear to the people who are going to be influenced by the change.
 - ii. The change is open to a wide variety of interpretations.
 - iii. Those influenced feel strong forces deterring them from changing.
 - iv. The people influenced by the change have pressure put on them to make it instead of having a say in the nature or direction of the change.
 - v. The change is made on personal grounds.
 - vi. The change ignores the already established institutions in the group.

Many forces inside an organization make it difficult for the organization to change in response to changing conditions in its environment (George & Jones, 2005, p. 571). One such force is that of power and conflict. The basis for this resistance is if a change within an organization benefits one group, but hurts another, the benefiting group will push hard for the

Organization-Level Resistance

management in the organization.

measures and analyze the influential factors and employees' response towards change cripple the organization. Thus, it is important for pharmaceutical manufacturing industry to organizational dynamics, employee resistance change into a serious issue as it can actually they feel their security or status is threatened. Since changes are becoming an everyday part of by the employees. This is because the employees are naturally quick to defend their status quo if though the changes plan are backed-up by the management, the changes are always been oppose the organization. These changes are continuous besides evolving at a rapid pace. However, even changes in the organization are not only becoming common rather it is becoming essential for manufacturing industry, changes within the organization such as re-structuring in any form of Referring back to the study which has been carried out in the pharmaceutical

compliance with change.

The area of focus for this study is employees' resistance toward change. Change is a common occurrence within organizations and resistance to change is just as common. Change and resistance go hand in hand: change implies resistance and resistance means that change is taking place. There are several types of resistance to change and by understanding these different types, it can help organizations to understand the ways to reduce resistance and encourage

Group-level resistance to change is due to group norms, group cohesiveness, and groupthink and escalation of commitment. When change alters interactions between group

Group-Level Resistance

Two of the authors comment on resistance at the organizational level. Watson (1969) discusses the resistance of change is because of conformity to norms, systemic and cultural coherence, vested interests, sacred values, and rejection of outsiders. Mullins (1999) identifies that resistance at the organizational level is due to organization culture, maintaining stability, investment in resources, past contracts and agreements, and threats to power or influence.

Mechanistic structure is the standardization of behavior through rules and procedures set forth through centralization in an organization. Resistance caused by the mechanistic structure of an organization occurs because employees working "within a mechanistic structure are expected to act in certain ways and do not develop the initiative to adjust their behavior to changing conditions". Resistance due to organizational culture occurs when change disrupts the values and norms within the organization's culture (George & Jones, 2005).

Differences in functional orientation are another area that may cause resistance to change. Different functions and divisions of an organization tend to see the source of a problem with "tunnel" vision. In other words, because of their own viewpoints, these divisions see problems as they see them rather than looking at the problem unbiased. The result is organizational inertia, because the organization must spend vast amount of time to secure an agreement about the source of the problem before it can even consider how to respond to it (George & Jones, 2005).

change while the group that is hurt by this change will resist it and fight against it. The conflict between the two groups will slow down the change and may even prevent it from happening.

At the individual level, psychological factors such as resentment, frustration, fear, settings of failure, and low motivation are the causes of resistance (Coch & French, 1948). Watson (1969) discusses preference for stability, habit, persistence, selective perception and retention, conservatism, tradition, self-distrust, and insecurity. Kotter and Schlesinger (1979) provide examples of what they see as the four most common reasons for resisting change: people focus on their own interests and not on those of the organization as a whole, misunderstanding of change and its implications, belief that the change does not make sense for the organization, and low tolerance for change. Mullins (1999) discusses selective perception, habit, or not want to alter.

Individual-level resistance includes resistance to change due to uncertainty and insecurity, selective perception and retention, and habit. Uncertainty and insecurity can result in assistance when employees do not know what the outcome of the change will be. When employees direct attention to how the change will affect their department, their function, or them personally, they are exhibiting selective perception and retention as a type of resistance to change. Resistance due to habit occurs when employees are comfortable in their daily habits and

Individual-Level Resistance

members due to changes in task and role relationships within a group, group norms are disrupted and resistance can occur. Resistance due to group cohesiveness occurs because members of a cohesive group wish to keep things such as members or tasks the same within the group. Resistance to change due to groupthink and escalation of commitment occurs because members ignore negative information, even when they realize that their decisions are wrong, in order to agree with each other, thus making a change in group behavior incredibly difficult.

Resistance to change can be considered the single greatest threat to successful strategy implementation. Resistance to change is “tridimensional,” involving affective, behavioral, and cognitive components (Oreg, 2003). The affective components is how a person feels about a change, the cognitive component is how a person thinks about change, and the behavioral component is what a person does in the face of change.

Resistance does not necessarily surface in standardized ways. It can be overt, implicit, immediate or deferred (Nadler, 1998). Resistance to change manifests itself in different ways. The significance of the degree of change is measured mainly by how those affected perceive and react to it (Carr et al., 1996). Coch and French (1948) mention grievances, turnover, low efficiency, restriction of output, and aggression against management. Which ever form it takes, it is usually viewed as a negative force, especially by the management because it can occur irrespective of the value of the change effort proposed. Graetz et al (2006) however, contend that resistance to change can also serve positive purposes such as firing change initiators to reconsider hasty plans or marshaling employees' support for new vision.

Judson (1991) identifies a spectrum of possible behaviors towards change as acceptance; indifference; passive resistance; and active resistance. Resistance to change may be expressed through deviant behaviors to truncate the process or prevent implementation. Because deviant behavior and delinquency could produce organizational losses, managing deviant behavior and resistance to change is crucial to every organization and must be accorded strategic importance.

Signs of Resistance to Change

unknown. Conner (1998) mentions that loss of control is the most important cause of resistance. inconvenience or loss of freedom, economic implications, and security in the past, and fear of the

The behavioral response may take many forms. Judson (1991) argues that the form any resistance takes depends on individual's personality, the nature of the change itself, attitudes towards it, forces driving it from the group and the organization and its environmental context. Hultman (1995) draws a distinction between active and passive responses and identifies a range of "symptoms" associated with each. The symptoms of active resistance are identified as being critical, finding fault, ridiculing, appealing to fear, using facts selectively, blaming or accusing, sabotaging, intimidating or threatening, manipulating, participating in strikes, increased absenteeism, distorting facts, blocking, undermining, starting rumors, and arguing. Those symptoms identified with passive resistance are: agreeing verbally but not following through (Maurer (1996) refers to as "malicious compliance"); failing to implement change; procrastinating or dragging one's feet; feigning ignorance; withholding information, suggestions, help or support; standing by; and allowing change to fail. Hence, resistance to change can be indicated by one or more wide range of active and passive signs, ranging from willful acts or sabotage through to procrastination.

There are three ways that exhibit resistance to change which are passive resistance, active resistance and aggressive resistance. Passive Resistance refers to negative feelings and opinions regarding the change by the employees. Signs of passive resistance by the employees include agreeing verbally but not following through, feigning ignorance and withholding information in the organization. Active resistance refers to actively opposing the change. Signs of active resistance may include strikes or increased absenteeism. Aggressive resistance refers to behavior that actually blocks the change. Signs of aggressive resistance may include subversion or sabotage. Aggressive resistance is usually rare yet can become very dangerous.

Resistance is often perceived negatively, and employees who resist are viewed as disobedient and obstacles the organization must overcome in order to achieve the new goals. In

(Mabini, Forgeson & Green, 2001).

better than apathy, avoiding group-think, and providing alternative ideas for consideration propose resistance as a necessary and positive force. The advantages of resistance include being resistance has been largely ignored by current prescriptions for the management of change; they people resist change has recently come under challenge. Some studies argue that the utility in outcome seems to be definitely confirmed. However, the almost generally accepted axiom that employees resist (Ness and Cucuzza, 1995). Resistance to change is negatively related to change (2004). Unfortunately, many companies fail to accomplish the results of change since their that can influence the outcomes of an organizational change effort (Sikora, Beaty and Forward, Rousseau, 2004). The resistance to change has usually been recognized as a significant factor Organizational change is expected to lead to increasing performance (Goodman and

Positive Resistance

Based on the study in pharmaceutical manufacturing industry, the employees can be categorized into the passive and active resistance. This is because, the employees conduct the passive resistance by ignoring the changes implementations in the organizations and feels threatened to be out from the comfort zone to adopt such changes in their organizations. Increase in the level of absenteeism represent the active resistance for the employees due to ignoring the changes that being conducted and implement in the organizations. From the study this can be strongly believed as the signs of resistance to change shown by the employees of pharmaceutical manufacturing industry to the management towards the change management.

In the event that it does not exist naturally, it may be necessary for the organization to create transitional phenomena. This would help in the "letting go" of the current way and moving

carrying what they value in the old into the new (Bolognese, 2002). This theory suggests that change will occur spontaneously only when people are prepared to relinquish what they hold dear for the purpose of acquiring something new or can find ways of

An understanding of the theory of transitional phenomena would provide valuable insight into organizational change, and why it might be met with employee resistance (Bolognese, 2002). This theory suggests that change will occur spontaneously only when people are prepared to relinquish what they hold dear for the purpose of acquiring something new or can find ways of carrying what they value in the old into the new (Bolognese, 2002).

external while transition is internal. Unless transition occurs, change will not work.

process people go through to come to terms with the situations and new environments. Change is the new team roles, the new policy, a new culture, etc. Meanwhile transition is the psychological states, "change" is not the same as "transition". Change is situational: the new site, the new boss, individuals resist, but rather the transition that must be made to accommodate the change. He and different way of doing things. Bridges (1991) believes that it isn't the actual change that The process of change is simply moving from the current way of doing things to a new

Transition and Transitional Phenomena in respect to Organizational Change

advised change":

discounts past achievements, but also because it makes us vulnerable to indiscriminate and ill-questions the need for change has an attitude problem is simply wrong, not only because it additional options and solutions. De Jager (2001, p. 25) claims, "The idea that anyone who to negative resistance; but rather, may be intended to produce better understanding as well as change. Insightful and well-intended debate, criticism, or disagreement do not necessarily equate certain instances, employee resistance may play a positive and useful role in organizational

transitions, it is almost natural for employees to resist major changes in the workplace. Any type of organizational change involves role transition of some type. In light of role

Managing Resistance to Change

effort to overcome the resistance.

understanding on the educational and communication activities been carried out as putting their that, it is equally important for the management to ensure that the employees have clear discussion groups, memos, formal reports, scheduled meetings and one on one meeting. Besides industry, the communication between management and employees occur in the form of questions as they arise from the employees. In most of the pharmaceutical manufacturing needed, identify the benefits of the change to the employees and departments, and answers all the communication and education. The top management tries to explain on why the changes are uncertainty and insecurity of their employees such as countering the resistance with actions taken by the top management of the organization in order to reduce the resistance due to In the study of pharmaceutical manufacturing industry, there are various measures and

to manage the employee resistance towards change management.

conflicting environment. In order to overcome these dilemma and phenomena, it is very crucial employee resistance too cannot be avoided. Thus, organizations and employees are left in a While change management is essential for survival in today's economy, on the other hand

person doing the changing must be in control of the process (Bolognese, 2002). the theory of transitional phenomena also suggests that in situations of voluntary change the "selling" or imposing a "change package," an ideology or a set of techniques. Apart from that, forward to the new way. Bringing about organization change "can rarely be done effectively by

resistance which are as follows;

“classic” prescription on managing resistance to change. They propose six methods for managing
A Harvard Business Review article by Kotter and Schlesinger (1979) provides the

deal with resistance. Collectively, they provide an array of options for managers to consider.
of different approaches to the management of resistance. Each takes a different angle on how to
minimizes resistant behavior and encourages acceptance and support” (p. 205). There are a range
from change depends in part of how effectively they create and maintain a climate that
change efforts. Coetsee (1999) states “any management’s ability to achieve maximum benefits
work with resistance, it can undermine even the most well-intentioned and well-conceived
in a conflicting environment. If management does not understand, accept, and make an effort to
change. When negative forms of resistance to change exist, organizations and employees are left
change efforts, organizations need to do well to circumvent negative employee resistance to
Change is essential for survival in today’s business and in order to be successful with
and then “refreezing” in a new equilibrium state.

equilibrium by enhancing the forces driving change, or by reducing or removing resisting forces,
states of dynamic equilibrium. Successful change rests in “unfreezing” an established
But within Lewin’s framework, the forces tend to be external to the change, holding situations in
direction. The idea is similar to the dialectical principle that everything generates its opposite.
effective organizational change. Any potential change is resisted by forces in the opposite
focused on the aspects of individual behavior that must be addressed in order to bring about
and removing “resistance” to proposed changes occurring within organizations. His early work
environment. In the 1940’s, social psychologist Kurt Lewin first introduced the idea of managing

Resistance is due to anxiety and uncertainty. By being supportive of employees during difficult times, managers can prevent potential resistance. Manager support

iii. Facilitation and Support

Resistance is a reaction to a sense of exclusion from the process. By involving people in the change process as active participants, they are more likely to want change rather than resisting it. This approach is likely to decrease resistance of those, who merely acquiesce in the change.

ii. Participation and Involvement

Resistance is due to lack of information or inaccurate information and analysis. One of the best ways to overcome resistance to change is to inform and educate people about the change effort and the rationale for the change beforehand. Preceding communication and education helps employees see the logic in the change effort. This reduces unfounded and incorrect rumors concerning the effects of change in the organization. Communication between management and employees can occur in the form of discussion groups, memos, formal reports, scheduled meetings, one-on-one meetings, etc. It is equally important for management to ensure that the employees have clear understanding after the educational and communication activities since education and communication is virtually useless without understanding.

i. Education and Communication

individuals that resist change by giving them key roles in the change process. effort. In other words, this approach is about “buying” the support of certain can be given a symbolic role in decision-making, without threatening the change selecting leaders of the resistors to participate in the change effort. These leaders of appearances rather than their substantive contribution. This often involves involves bringing a person into a change management planning group for the sake technique is to co-opt with people who are resisting the change. Co-optation demanding. Kotter and Schlesinger (1979) suggest that an effective manipulation Participation, facilitation, or negotiation is too time-consuming or resource-

v. Manipulation and Co-optation

resisting change are in a position of power experience of the change effort. This approach will be appropriate where those the company through early buyouts or through retirements in order to avoid the of change that are threatening or these resistors can be offered incentives to leave potential resistors. This can be done by allowing resistors to veto certain elements addressed. Managers can combat resistance by offering incentives to actual or Resistors are in a strong position to undermine the change if their concerns are not

iv. Negotiation and Agreement

special training and counseling, outside normal office premises. with their fear and anxiety during a transition period. Typical for this approach are by providing resource – both technical and emotional, helps employees to deal

The change recipients have little capacity to effectively resist and where survival of the organization is at risk if the change does not occur quickly. This approach is to be used as last resort where managers can explicitly or implicitly force employees into accepting change, by threatening people with undesirable consequences such as jobs losses, dismissals, employee transfers or not promoting them if they resist.

This six change approaches model developed by Kotter and Schlesinger can be useful to any size organization as it covers many possible issues, some an organization may never even face. The approaches of this model react to the four main resistance factors which are; self-interest, misunderstanding, low tolerance for change, and employee disagreement with reasoning. The approach is “situational” in that Kotter and Schlesinger argue that the selection of method by managers should be determined by contextual factors. However, according to Kotter and Schlesinger (1979, p. 112), “the most common mistake managers make is to use only one approach or a limited set of them regardless of the situation.”

One approach to the management of change presents the reactions of people to change as involving a progression through a series of psychological stages. For Jick and Peiperl (2003), these stages are shock (manifest as immobilization), defensive retreat (anger), acknowledgement (mourning), and adaptation and change (acceptance). For Scott and Jaffe (1989), the cycle has four phases, beginning with denial, and then moving through resistance to exploration to commitment.

Rather than treating resistance to change as something that must be overcome, Maurer (1996) argues for an approach that uses the power of resistance to build support for change. This approach is based on the view that showing respect toward resistors builds stronger relationships and thereby improves the prospects of success of the change. He identifies five "fundamental touchstones"; maintain a clear focus, embrace resistance, respect those who resist, relax and join with the resistance (Maurer, 1996). Jick and Peiperl (2003, p. 306) take a similar position, arguing that managers should "rethink resistance" by recognizing it as a natural part of the

reduce some of the negative effects of resistance to change. Even if such situation are not the norm, they are sufficient to indicate that a laissez-faire response by management is likely to be unwise given that intervention may at least take several months and that an individual can become "stuck" in a phase and not move through to acceptance. However, Scott and Jaffe (1989) also argues that moving through the phases can necessary (as a coping mechanism)-and one from which individuals will emerge (Jick & Peiperl, 2003, p. 301). If the response of individuals conforms to this pattern, it opens up the possibility that a viable approach to managing resistance is to "let nature take its course"; that is, to minimize intervention on the grounds that resistance is a phase that is both "natural"-perhaps even necessary (as a coping mechanism)-and one from which individuals will emerge (Jick & Peiperl, 2003, p. 301). However, Scott and Jaffe (1989) also argues that moving through the phases can take several months and that an individual can become "stuck" in a phase and not move through to acceptance. Even if such situation are not the norm, they are sufficient to indicate that a laissez-faire response by management is likely to be unwise given that intervention may at least

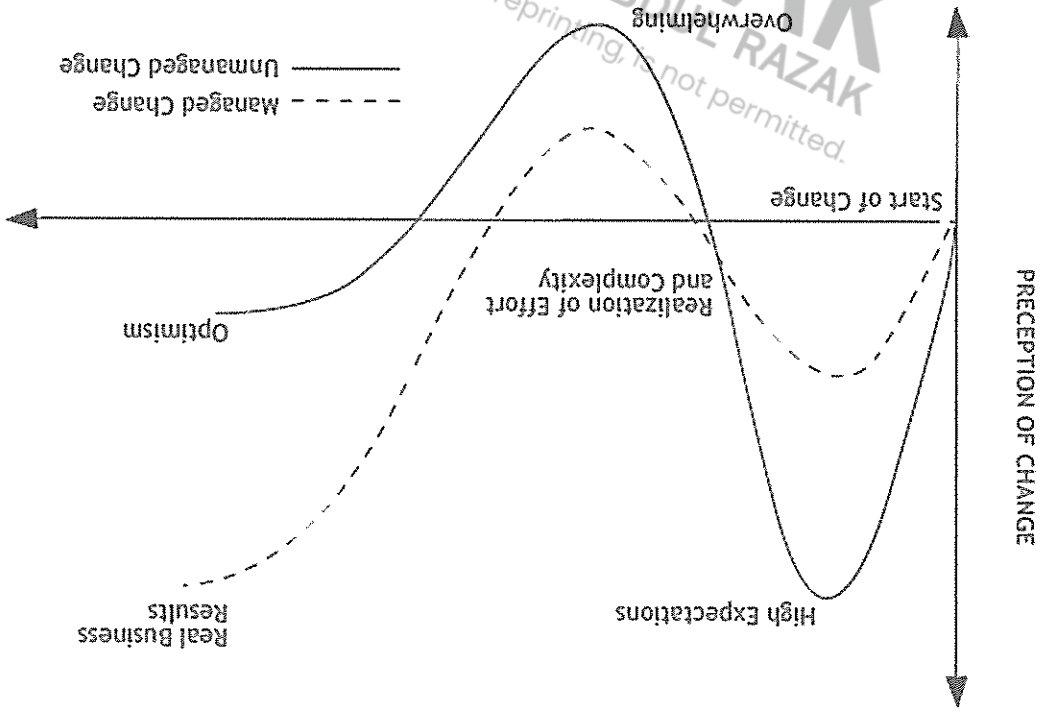
resistance emerge. Denial involves a refusal to recognize the situation being faced. This may variously involve outright denial ("this can't be happening"), ignoring what is happening on the grounds that there is a no need to act any differently because "it'll all blow over," not being receptive to new information, or minimizing the necessary change in action ("all that's needed to are a few minor changes to what we do"). Resistance begins with the recognition that the situation is not going to go away; the past is mourned, stress levels rise, and both passive and active forms of

adaptation-to-change process, a form of energy that may be able to be tapped and a form of feedback about the change process. However, for these potential benefits to be gained, the resistance needs to be active. In some instances, passive resistance may take the form of silence, that is, the withholding of feedback or information (Morrison & Milliken, 2000).

Studies show that the change associated with a change initiative or project implementation will impact how stakeholders perceive the change and their role, which has a direct correlation to their productivity. In the initial stages of any change process, expectations or impressions are created based upon the perceptions of benefits as a result of the transformation. From these expectations, employees will seek clarification of how the change initiative will impact them and their work group. Their productivity will begin to diminish if they face negative perceptions due to inappropriate answers. The lack of information or the presence of misinformation will cause them to fill in the blanks for themselves with information that may or may not be factual, thus creating barriers to the change. On the other hand, if their questions are addressed effectively and they can see how they will eventually fit into the solution, their perception would be positive which leads to an increase in productivity.

In other words, if any stage of the change process or cycle is the not managed effectively, the employees' perception will be affected negatively and this will lead to decrease in productivity. However, if the change process is managed effectively, the employees' resistance to change will be minimized and the acceptance of change will increase resulting in shorter payback cycle as shown in the diagram below.

Based on the perception of change in the graph of change management curve above, at the initial stage of any re-structuring processes, the expectations and impressions are created based upon the perceptions of benefits as a result of transformation for the organization as a whole. From these expectations, the employees would seek clarifications of how the re-structuring processes will impact them and their group. Should they face negative feedbacks and inappropriately answers, their perception and in turn their productivity will begin to spiral downward which can be seen at the high expectations line that leads to overwhelming that proven it is unmanaged to change. The lack of information will cause them to fill in the blanks for themselves with information that may or may not be factual, thus creating barriers to the implementation that could be costly to overcome and leads to the optimism. On the other hand, if



The Change Management Curve.

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lessen any dip in employee productivity.

proven change management methodology that will reduce employee resistance. This can help Such training and assistance can be offered via a proven change management program with a changes. This is especially true if the transformation will change their roles and responsibilities. and other materials should also be prepared in order for the affected employees to cope with the measures and how the change will affect the employees. The necessary training, skills, resources, the employees to cope with the changes. Basically, management can communicate the change Thus, based on these four factors, top management can actively play the role in assisting

- i. Employees are usually unaware of the change initiative.
- ii. Employees do not understand how the change will affect them.
- iii. Employees are worried how the transformation may change their roles and responsibilities.
- iv. Employees are concerned if they will be able to master the needed skills and knowledge to perform in the changed environment.

employee resistant. There are four main factors that cause employees to resist change:

Generally, employee resistance can be easily managed by knowing the factors for

managed and in return the productivity begins too increase in the real business results.

complexity of adopting the change management. As a result, the risk and the perceptions are well results would be positive which starts from a good sign of change and realization of effort and the perception of change is adopted effectively and eventually fit into the solution, the overall



To justify on this study, we are the guest on the study of the variables that has been taken into this study. The framework of this study has been developing in the lite of the literature review discussed above. This study however cannot be comprehensive enough to address all the missing gaps. Hence, we are focusing this study on the change environment in the pharmaceutical manufacturing industry.

This section describes the theoretical framework, the hypotheses, the instrument and how the instrument was tested by presenting the details of the research methodology such as the instrument, the test sample, the background of the organization where this study has been conducted, the changes initiatives implemented in the organization, sampling and data collection method, results of the pre-test and the data analysis of this study at Pharamaniaga Manuafacturing Berhad, the leading pharmaceutical manufacturing enterprise in Malaysia.

Research Model of Theoretical Framework

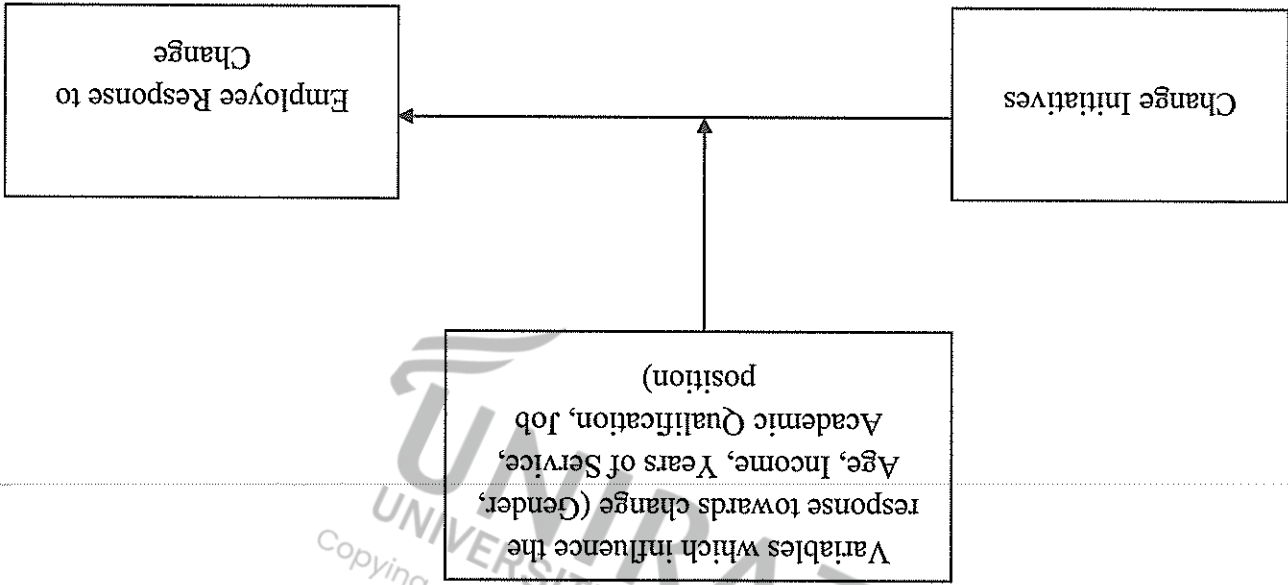


Figure 2 : The Research Model of Theoretical Framework

Based on the presented theories, thorough literature reviews and problem definition, a conceptual model is developed based on the theoretical framework as shown in the schematic

their response towards change management in the organization.

iv. H4 = There is correlation between the number of service the employees and

response towards change management in the organization.

iii. H3 = There is correlation between income level of the employees and their

towards change management in the organization.

ii. H2 = There is correlation between age of the employees and their response

towards change management in the organization.

i. H1 = There is correlation between gender of the employees and their response

follows;

Based on the designed conceptual framework shown, six hypotheses are generated as

Hypotheses

the change initiatives of the employees.

minimizes resistant behavior of employees and encourages the acceptance and support towards resistance of their employees. The management has to create and maintain a climate that well-intentioned and well-convinced change efforts taken by the management to overcome the response of employees towards the change initiatives. This also can undermine even the most important role in understanding, accepting and making efforts to work with the resistance and classified as when employees resist change in their organization. The management plays an accept and adopt the change initiatives in their organization. Alternately, negative responses are diagram above and is designed as such that positive response occurs when employees are able to

There are some drawbacks of using questionnaire for data collection as outlined by Bless and Higson-Smith (1995) in which the response rate tend to be low and the literacy levels of

and openly.

(2000). Because the participants can remain anonymous, they are more likely to respond freely individuals. Besides that, questionnaire secures participants' anonymity as mentioned by Dessler large number of individuals and is less costly as compared to interviewing a large number of data collection because it offers a quick and more convenient way to obtain information from a In this study, survey in the form of a questionnaire is used as a method or instrument for

management, motivation, benefits and remuneration, stress and the like.

section that cover areas such as job satisfaction, working environment, relationship with the measures employee perceptions across several variables. There are 18 questions in the second hypothesized to affect employee response toward change initiatives and the second section two main sections whereby the first section consists of the six independent variables which are in Appendix I, which is a self-administered questionnaire. The survey instrument is divided into The data for testing the instrument was gathered using a close-ended survey as attached

The Instrument

response towards change management in the organization

vi. H6 = There is correlation between job position of the employees and their

their response towards change management in the organization

v. H5 = There is correlation between academic qualifications of the employees and

employees within the organization.

study because it has recently experienced a few change initiatives that directly affect the workforce in this company is 350 employees. This company was chosen for the research of this company operating in Malaysia, which is Pharamaniaga Manufacturing Berhad. The number of identified and described herein. This study was carried out in a particular pharmaceutical In order to test the theoretical model described in this study, a specific company was

change, culture change, business expansion, and the like.

management, restructuring, downsizing, strategy deployment, quality-driven change, technology employee. Other forms of change that can directly impact an employee include changes in top organization. Interdepartmental employee transfers result in new direct management for the changes directly affecting an employee include employee transfers or other movements within an in leadership styles and working cultures which directly impacts employees. Other significant management changes within an organization. Changes in management usually result in changes few, if any, alternatives. Some change efforts – such as mergers or acquisitions – create sustainability in the business environment. Some of these changes are unavoidable and present Almost every organization undergoes transformation in order to survive and ensure

The Test Sample

to avoid this problem, the survey provided in this study is bilingual in English and Malay. difficulty in understanding some English words and in turn affect the accuracy of the data. Thus, incomplete questionnaires that will have to be discarded. In addition, the respondents may face respondents are not known to the researcher in advance as well as there is a risk of receiving

Pharmaniaga Group was incorporated on 21 August 2008 and is a member of the UEM Group, which has gained the status of a Government Linked Company (GLC). They are the largest integrated local healthcare company in Malaysia which are listed on the main board of the Bursa Malaysia Securities (BMS) with paid up capital of RM100 million. As a leading Malaysian healthcare company, Pharmaniaga is driven by its core businesses namely, generic pharmaceuticals manufacturing and Research & Development, logistics and distribution of pharmaceutical and medical products, sales & marketing as well as hospital equipping. Pharmaniaga has also created a niche in healthcare Information Technology (IT) solutions which forms the backbone of its operations.

They have a strong international presence in Vietnam, Brunei, Indonesia, Singapore, Papua New Guinea, Fiji, Myanmar, Cambodia, Hong Kong, the Philippines, Zimbabwe, Sudan, Sri Lanka, Kenya, Iraq and Macau. They acquired a 55% stake in an Indonesian distribution company, PT millennium Pharmacon International Tbk (MPI) in December 2004. MPI handles 18 principles, and has 27 branches, 5 sub distributors and 14 sales stations. Pharmaniaga Logistics Sdn Bhd, a wholly own subsidiary, holds a 15 year concession to supply and distribute pharmaceutical and medical products to hospitals and medical institutions under the Ministry of Health (MOH) Malaysia. Already operating in 38 sites across 3 countries (Malaysia, Indonesia & Vietnam), the Pharmaniaga Group is poised to be a regional player in the international pharmaceuticals arena.

ii. In June 2010, UEM Group Berhad (UEMG) informed Pharmaniaga that UEMG (as the vendor) has signed a Share Sale & Purchase Agreement with Boustead Holdings Berhad (as the purchaser) dated 11 June 2010 ("Agreement") in respect of the sale and transfer of UEMG's entire shareholding in Pharmaniaga to Boustead Holdings Berhad. Boustead

i. Intercompany transfer of the Product Re-engineering & Support Department from Pharmaniaga Manufacturing Berhad to Pharmaniaga Research Centre Sdn Bhd in May 2010.

The change initiatives at Pharmaniaga Manufacturing Berhad are as follow:

Pharmaniaga Manufacturing Berhad (PMB), a member of the Pharmaniaga Group is previously known as Raza Manufacturing Berhad (RAZA). RAZA was established in 1980 as the first bumiputra pharmaceutical manufacturing company. The operations began as a manufacturer and suppliers of quality generic medicines to the Malaysian Ministry of Health. Since 1994 it has extended its business into the private General Practitioner (GP) market, contract manufacturing, over-the-counter (OTC) medicines and exports. In 1999, Pharmaniaga acquired the pharmaceutical-based company, Raza Manufacturing Bhd and the company name was changed to Pharmaniaga Manufacturing Berhad (PMB). The company which is based in Bandar Baru Bangi has a modern, Good Manufacturing Practice (GMP) approved plant with an area of 7,500 sq. m. comprising the main manufacturing and administrative block and a separate cephalosporin manufacturing facility. The company is committed to providing its customers products of the highest quality, efficacy and safety.

Change Initiatives at Pharmaniaga Manufacturing Berhad

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- Holdings Bhd has proposed to acquire Pharmaniaga from UEM Group Bhd for RM534mil cash and the proposed acquisition involved acquiring 86.81% of the issued and paid-up share capital of Pharmaniaga through utilization of Boustead Holdings' internally generated funds and bank borrowing. There is a change in management in the following year due to the acquisition of Pharmaniaga by Boustead Holdings.
- iii. Resignation of the Managing Director, Mohamad bin Abdullah on November 2010. The Executive Committee (EXCO) has been set up to manage the Company. The EXCO members comprising Datuk Mohamed Azman bin Yahya, Datuk Sulaiman bin Daud, Mr. Oh Kim Sun and Puan Rosidah binti Abdullah.
- iv. Implementation of a new Microsoft Dynamics Navision-based Enterprise Resource Planning (ERP) system on September 2010 as Pharmaniaga wants to embark on a new chapter in managing the robustness of its business and leaving behind the legacy of Pronto system and evolve in tandem with the pharmaceutical industry that has evolved to a new dimension in order to stay competitive, be competitive and profitable.
- v. Appointment of Dato' Farshila binti Emran, Ebinesan @ Daniel a/ Gnanakan and Izzat bin Othman as Non Independent & Non Executive Directors on March 2011. Y Bhg Dato' Farshila Emran is currently the Managing Director of Idaman Pharma Manufacturing Sdn Bhd, a subsidiary of Boustead Holdings whereas Mr. Daniel Ebinesan is currently a Director of Financial Services of Boustead Holdings Berhad.

Sampling and Data Collection

The population targeted in this study for pre-testing the developed instrument composed of all the permanent employees of Pharamanaga Manufaktur Berhad and this includes non-executives such as assembly line operators, line leaders, clerks, technicians, supervisors; executives; and managers. Prior approval from management of the organization was obtained before carrying out the survey. The survey was handed out to employees by batches at their respective departments at different intervals in order to not interrupt daily business operations. Prior to answering the survey, the respondents were briefed by the researcher regarding the purpose of the survey and instructions were given as to how to answer the survey. The respondents were assured that their individual responses would be kept confidential and were requested to be as honest as possible when answering the questions. In total, there were 211 completed samples out of a total of 300 questionnaires that were sent out, giving a response rate of 70.3%. According to Sekaran (2000), a response rate of 30% is regarded as acceptable for most research purposes. This good response rate can be attributed to the assistance of executives in administering the questionnaires who were acquainted with the participants and thus making it easier to ensure cooperation in this study.

Results of the Pretest

The data obtained from the pretest was analyzed using SPSS (Statistical Package for the Social Sciences). In this study, SPSS is used to provide a measurement of internal consistency (reliability) of the test items called Cronbach's Alpha. The closer Cronbach's alpha coefficient is



to 1.0, the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb: “.9 – Excellent, .8 – Good, .7 – Acceptable, .6 – Questionable, .5 – Poor, and .5 – Unacceptable” (p. 231). From the results of pre-test, the Cronbach’s Alpha coefficient obtained for the eighteen items is 0.889, suggesting that the items have relatively high internal consistency and the reliability of the instrument is significant and good. This is very encouraging as the alpha coefficient is above the “acceptable” threshold of 0.7 in social science research situations.

Results and findings of the survey of this study have been gained through the data analysis from SPSS Output. Below is the breakdown of the statistics analysis of this survey.

Table 1 : Item-Analysis from SPSS Output

a) Reliability Statistics

Cronbach's Alpha	.889	18
Cronbach's Alpha Based on Standardized Items	.889	
N of Items		18

From the Item-Analysis taken from SPSS Output, the reliability statistics table above shows the Cronbach Alpha value is computed as 0.889 representing the 18 dependent variable. As the value is above 0.7, therefore it meets the statistics of reliability testing for this study.

In performing the frequency analysis using SPSS in this study, we are able to determine the breakdown for the independent variable. The frequency tables below illustrate the representation of the six independent variables.

Frequency Analysis

From the Summary Item Statistics it shows the item means, item variances, inter item covariance and the inter item correlations from the 18 dependent variables. The Scale Statistics shows that from the 18 dependent variables, the mean is stated to be 56.71, with the variance of 65.824 and computation of standard deviation of 8.113 for this study.

Mean	Variance	Std. Deviation	N of Items
56.71	65.824	8.113	18

c) Scale Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.151	2.849	3.532	.683	1.240	.035	18
Item Variances	.587	.427	.756	.330	1.773	.008	18
Inter-Item Covariance	.181	-.051	.385	.436	-7.545	.008	18
Inter-Item Correlations	.307	-.096	.579	.674	-6.054	.020	18

b) Summary Item Statistics

Table 2: Frequency Tables from SPSS Output

a) Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	82	38.9	38.9	38.9
Valid Female	129	61.1	61.1	100.0
Total	211	100.0	100.0	100.0

From the Gender frequencies, the percentage of the male respondents is 38.9% while the female respondent represents 61.1% of the total respondents. This shows that there are more female employees who work as executives, non-executives, operators and technicians in Pharmaniaga Manufacturing Berhad.

b) Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 20 years	11	5.2	5.2	5.2
Valid 20 to 30 years	123	58.3	58.3	63.5
Valid 31 to 40 years	52	24.6	24.6	88.2
Valid 41 to 50 years	22	10.4	10.4	98.6
Valid Above 50 years	3	1.4	1.4	100.0
Total	211	100.0	100.0	100.0

Based on the income level category, those earnings below RM 1500 per month are the majority of the respondent in this survey. They comprises 77.7% while those earning above RM 10 000 per month are the least group for this survey with 0.9%. This indicates that most of the employees are working as non-executives, operators and technicians in the organization.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	164	77.7	77.7	77.7
Below RM 1500	32	15.2	15.2	92.9
RM 1500 to RM 3000	5	2.4	2.4	95.3
RM 3001 to RM 5000	3	1.4	1.4	96.7
RM 5001 to RM 7000	5	2.4	2.4	99.1
RM 7001 to RM 10000	2	0.9	0.9	100.0
Above RM 10000	211	100.0	100.0	
Total				

c) Income Level

In the age category, based on the frequencies, the respondent within the range of 20 to 30 years old comprises the majority of 58.3% of the total respondents. Meanwhile, the least are those above 50 years of age with 1.4% of the total respondents. This shows that the employees in Pharmaniaga Manufacturing Berhad are mainly within the range of 20 to 50 years old.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Primary	3	1.4	1.4	1.4
Secondary / SPM	139	65.9	65.9	67.3
Pre-U / Diploma / STPM	42	19.9	19.9	87.2
Degree / Prof. Certs	27	12.8	12.8	100.0
Total	211	100.0	100.0	

e) Academic Qualification

the total respondents for this survey.

From the category of Years of Service in this survey, the highest percentage is those serving the organization between 19 months to 5 years. They represent 28.9% while the least are those serving more than 20 years in the organization. This least group represents only 3.3% of

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 18 months	60	28.4	28.4	28.4
19 months to 5 years	61	28.9	28.9	57.3
6 to 10 years	56	26.5	26.5	83.9
11 to 20 years	27	12.8	12.8	96.7
Above 20 years	7	3.3	3.3	100.0
Total	211	100.0	100.0	

d) Years of Service

The tabulation for the job position of the survey respondents shows that the highest percentage are those in the non-executive level which represents 83.9% meanwhile the least are those working as the senior managers or executive directors. They comprise 0.9% of the total respondents in this survey.

Overall from this survey conducted in Pharamanaga Manufaktur Berhad, the results and findings of the data analysis proved that the six independent variables show that there are more female employees than the male employees in the organization. The age range of most of

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	177	83.9	83.9	83.9
Non-executive	24	11.4	11.4	95.3
Executive / Supervisor	3	1.4	1.4	96.7
Front-line manager	5	2.4	2.4	99.1
Mid-level manager	2	0.9	0.9	100.0
Senior manager / Executive	211	100.0	100.0	
Director				
Total				

f) Job Position

Referring to the Academic Qualifications in this survey, the highest percentage is those with Secondary or SPM qualifications. They comprise of 65.9% while the least is 1.4% for those with only primary education qualifications.



the employees is from 20 to 50 years old and their income level range is below RM 1500 due to most of their employees are with secondary or high school level qualifications and yet most of the employees have been serving to this organization more than 19 months to 5 years, mainly comprising of non-executives such as operators and technicians.

Competency in effective change management facilitates a smooth transition from the old to the new approaches. The process of change management consists of getting those involved and affected to accept the introduced changes as well as manage any resistance to them. This

structuring process is also time dependent.

Today's restructuring process in organizations is far more sophisticated than it was 20 years ago. For example, the practice of Total Quality Management (TQM) as a change process today is expected to be more successful compared to 20 years ago. Thus, the results of re-

degree of familiarity of these employees toward change.

A restructuring process is also industry-dependent. For instance, the technology based industry such as the manufacturing industry is more susceptible toward changes since the life cycle of these products evolves. In such industry, employees are more familiar and responsive to changes as compared to employees in a more stable industry such as food services where changes take place at a slower pace. As a result, employee resistance is also dependent on the

effects based on employee resistance.

The subject of change management in organizations is very wide and versatile. There are numerous types of changes that can be implemented in an organization such as restructuring and merger. However, the methods of implementation can vary greatly, for example; downsizing, retrenchment, job rotation, transfers and etc. and each of these methods has its own benefits and

Discussion

CONCLUSION AND IMPLICATIONS

CHAPTER 5

The information collected in this study is solely based on the perception and response of the possibility that respondents elicit socially desirable responses irrespective of their true feelings. from their perspectives, represented the best answers to the survey questions. However, there is a was assumed that the respondents were willing to openly reveal attitudes and responses which, dependent on the views and perceptions expressed by those who participated in the survey. It the response of employees toward change. The conclusion based on the results of this study was gender, educational level, job experience, marital status and age may have different impact on the results obtained from this study. In other words, the biographical variables such as race, it is possible that disparities in terms of demographic data of respondents could have distorted of the population could have introduced elements of bias in the research findings. Most notably,

In addition, although the response rate for the current study is adequate, the composition

resources.

significant change initiative within the last five years due to scarcity of time and available of obtaining organizations that meet the predefined requirement of having undergone a in the same industry, without reservations. Another limitation of this research is in the difficulty pharmaceutical manufacturing industry, the findings are not generalizable to a larger population would be kept confidential. Since this research is done on one particular company in the have fear to reveal the negative aspects although it is assured that their individual responses

There are some limitations in this study whereby the respondents may not be honest and

Limitation of the Study

compensation.

process includes communication, education, training, motivation, assurance, rewards and

Employees tend to resist change or alterations of the status quo. This means that the resistance is broader than simple opposition to a particular change or more widespread than a particular group or individual's refusal to accept a specific change. There is simply the wish in most employees to maintain the consistency and comfort that the status quo holds. This generalized resistance to change stems from a variety of sources into some barriers. Although the theory of resistance is one of the many that seem to indicate all employees will resist change all

Conclusion and Recommendations

employee unions.

Since the company has union representing its employees, the levels of employee resistance may vary greatly as compared to companies that do not have any union for its employees. This is because the employees will be well represented and the general rule applies where "more voice is louder than one voice". Positive resistance is also more effective via unions. Therefore, this study could be improved further at the next phase by carrying out research to distinguish the difference of employee resistance in companies with and without

reached the entire target population.

Another limitation is the sample distribution. The target population does not have a proper representative mix of the six independent variables as the workforce of Pharmamatiaga Manufacturing Berhad is mainly comprised of non-executives such as operators and technicians since it is involved in the manufacturing sector. Since the questionnaires can only be distributed to the senior executives of each unit, it cannot be confirmed whether the questionnaires really

and tolerance level towards change initiatives in an organization. respondents towards change and hence, different individuals have different perception, response

about desired change.

Hence, it is important for managers to learn to manage and overcome resistance because failed change efforts are costly since it will decrease employee loyalty, decrease the probability of an organization in achieving corporate goals and result in a waste of money and resources and difficulty in fixing the failed change effort. Management must also seriously take into account and consider the myriad of problems that may result if they are not responsive to issues of resistance in the workplace. Although there are no certain solutions, several techniques at least have the potential to decrease or even eliminate this resistance. In fact, the importance placed on this issue might lead one to believe that resistance is inevitable when change is being

Many corporate change efforts have been initiated at tremendous cost only to be halted by resistance among the organization's employees. In many cases, vast amounts of resources are utilized by organizations to adjust and transform employees to a new way of achieving desired goals. Naturally, most employees would resist any form of change especially if it disrupts their convenience, comfort and norms. The natural tendency for individuals to defend and maintain the status quo presents a set of challenges that management must overcome in order to bring change within the organization to improve its performance.

Employee resistance toward change initiatives is an ongoing problem and a challenging issue faced by management in constantly evolving organizations of today. The process of change is ubiquitous, and employee resistance has been identified as a critically important contributor to the failure of many concerted, well-intend and well-conceived efforts to initiate and implement change within the organization to improve its performance.

At the time, their framework is still quite helpful. It creates a framework for understanding why resistance may be happening, when it does, in fact it happens.

implemented. On the contrary, some employees embrace change and become bored and uninterested if change isn't imminent. Some researcher argues that the younger generations of employees after the baby-boomers are more used to the constant rate of change and actually expect to be moving forward constantly.

The best ways to reduce employee resistance to change are also the best ways to assure that they are motivated to support the change effort. Involving people from the beginning, clearly explaining the reasons for the change, having a clear strategy, direction, and vision, and respecting the viewpoints of other people are all parts of the process. It is important for a manager to treat the participation and the communication with his or her employees as integral parts of the change process in order to initiate and implement the changes successfully. Besides that, using strategic measurement can also be a way of building support. All in all, selection of method by managers should be determined by contextual factors that contribute to resistance to change and it is important that managers do not confine to only one approach or a limited set of them in managing employee resistance toward change regardless of the situation.

Sometimes the resistance to change occurs because employees are simply not equipped to make the changes. They may not possess the skills, abilities or resources required. Other than that, employees resist to change is because of their habit, convention and privileged that they have gain from their "comfort zone". By understanding the underlying causes that affected the resistance to change by employees in the organization, the management are better to be equipped by issues and be facilitating to overcome the resistance of change. There are some recommendations on overcoming resistance to changes which are as follows:

- i. Communicate well and communicate often

Employees need to understand what is happening, why it is happening and how it will impact them. This means that an effective leader of change should make the reasons for change known, in a language that is accessible to all involved. Once the employees understand the reason for change, they need to understand what the change will look like in operational and how the change might impact on their jobs. This communication needs must be ongoing throughout the process and should not be a "one-off" at the launch of the change initiative. A commitment to the change and consistency messages about the change will reinforce the change behaviors and prevent the organizational changes.
- ii. Provide training to support the change

Very often, when change is occurring, employees fear that they will not be able to "keep up". Many simply feared that they wouldn't be able to use the new technology and would lose their jobs. Training on the new equipment would go a long way towards alleviating those fears. Soft skills training may also be necessary. For example, may organizations moved to team based structures. This means an entirely a new way of doing things for lots of employees. Instead of working rather independently, employees had to work with others in interdependent relationships much of the time. This requires a whole new set of skills such as interpersonal skills, teamwork skills and group decision making skills.

We strongly feel that the theoretical model, the instrument, and the methodology used in this study are valid and reliable means to measure employee response and acceptance toward

“acceptable” threshold of 0.7 in social science research situations.

From the results and findings of this study, it is evident that with a Chronbach's Alpha coefficient of 0.889, suggesting that the items have relatively high internal consistency and the reliability of the instrument is significant and good as the alpha coefficient is above the

Implications of the Study

Employees are skeptical to change; they feel that somehow they must be being asked to do more with less. A commitment or organizational resources does two things. First it demonstrates the organizations commitments to the change and second it helps to alleviate fears that employees are being asked that employee are being asked to do more with less. Very often, organizations facing major change simply do not have additional resources to commit to the change.

iv. Commit organizational resources to change

easier for them.

When employees are not held as accountable, the change seems to be forgotten by their higher ups and employees slip back into their old routines which is simply It is important to set manageable goals and to reward the employees. It establishes accountability and creates a positive energy around the changes implemented.

iii. Reward changes in the right direction

change initiatives. Further application of the proposed model, instrument, and methodology are necessary to continue the discussion surrounding this complex issue.

As of this writing, a few quantifiable and applicable tools (instruments) are available to assist management when initiating and managing a change effort in the Pharmaniaga Manufacturing Berhad organization. The presented instrument has been tested for reliability and has proven to be highly reliable. Further study would be required to test the validity and correlate the demographic variables with the outcome of change initiatives can be done.

This study shows that change usually involves the emotions of employees. Since employees are different, their perceptions and reasons for resisting are also different. Therefore, it is crucial for the organization to understand the factors influencing employee response towards change management. By anticipating these influencing factors, the organization, especially the top management will be able to handle such resistance during the crucial change within their organization even though the pressure is intense on any organization connected with the healthcare-related world to focus time and attention on understanding the forces driving the changing environment and develop strategies needed to support the altered environment for a better change management and overcoming the resistance to change in their organizations.

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Section B

Please answer (in the box []) by selecting a scale of '1' to '5' based on the following:
Silalahi jawapan (dalam kotak []) dengan memilih skala '1' hingga '5' berdasarkan berikut:

- [1] = Strongly disagree / Sangat tidak bersetuju
- [2] = Disagree / Tidak bersetuju
- [3] = Neutral / Neutral
- [4] = Agree / Bersetuju
- [5] = Strongly agree / Sangat bersetuju

1. The goals of the organization are clear to you. *Tujuan organisasi adalah jelas bagi anda.* []
2. The management treats you with respect. *Pihak pengurusan melayan anda dengan hormat.* []
3. You and other employees in your organization trust the management. *Anda dan pekerja lain dalam organisasi anda mempercayai pihak pengurusan.* []
4. There are good levels of support from the management to its employees in your organization. *Sokongan daripada pihak pengurusan kepada pekerja dalam organisasi anda adalah pada tahap yang baik.* []
5. You have good working relationship with the management in your organization. *Anda mempunyai hubungan kerja yang baik dengan pihak pengurusan dalam organisasi anda.* []
6. The management encourages ideas and suggestions from employees to improve the work. *Pihak pengurusan menggalakkan idea dan pendapat daripada pekerja untuk mempertingkatkan kerja.* []
7. You receive timely information and feedback on your job performance from the management. *Anda menerima maklumat pada waktu yang tepat dan maklum balas terhadap prestasi kerja anda daripada pihak pengurusan.* []
8. The feedback from employees is well received in decision making of the management. []

Maklum balas daripada pekerja diterima dengan baik dalam membuat keputusan oleh pihak pengurusan.

[]

9. You have the opportunity for flexibility in your job.
Anda mempunyai peluang untuk fleksibiliti dalam pekerjaan anda.

[]

10. You have the control over the pace of your job.
Anda mempunyai kawalan terhadap kepantasan kerja anda.

[]

11. The motivation level at your workplace is high and positive.
Tahap motivasi di tempat kerja anda adalah tinggi dan positif.

[]

12. You are appreciated by the management for your good work performance.
Anda dihargai oleh pihak pengurusan untuk prestasi kerja yang baik anda.

[]

13. You have high job satisfaction in your job.
Anda mempunyai kepuasan kerja yang tinggi dalam pekerjaan anda.

[]

14. You are happy and enjoy the working environment at your workplace.
Anda berasa gembira dan menikmati suasana kerja di tempat kerja anda.

[]

15. You are satisfied with the overall top management of your organization.
Anda berpuas hati dengan pihak pengurusan tinggi organisasi anda secara keseluruhan.

[]

16. You are satisfied with the benefits and remuneration offered by your organization to you in accordance with your work.
Anda berpuas hati dengan manfaat dan gaji yang ditawarkan oleh organisasi anda selaras dengan pekerjaan anda.

[]

17. The stress related to your job is unmanageable.
Stres yang berkaitan dengan pekerjaan anda adalah tidak terurus.

[]

18. The changes at your workplace do benefit the organization and its employees.
Perubahan-perubahan di tempat kerja anda adalah bermanfaat untuk organisasi dan pekerja-pekerjanya.

[]


APPROVAL PAGE

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THE FACTORS INFLUENCING EMPLOYEES' RESPONSE TOWARDS CHANGE
MANAGEMENT IN THE PHARMACEUTICAL MANUFACTURING INDUSTRY IN
MALAYSIA: A CASE STUDY OF PHARMANIAGA MANUFACTURING BERHAD

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prepared in partial fulfillment for the degree of Master of Business Administration

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