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Impact of Innovation and Change Management on Employees' Performance

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1 Introduction

1.1 Background of the Study

One of the most challenging aspects of leadership is to understand how to lead and manage organisational dynamics and innovation inside an organisation. Thus, recognising the need for this change and innovation is essential. Since the turn of the century and after technological innovations and huge economic and political changes, the need for assessing

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employee performance has become necessary. Recently, many theorists have argued that "change and innovation are dramatically increasing in firms and mostly all firms face many types of innovation and change during their lifecycle" (Burnes 2011, p. 24).

Innovation and change management are considered core concepts in strategic management and leadership management. Technological innovation and continuous change in the organisational environment are important factors determining organisational effectiveness. Innovation is crucial for organisational success, as is coping with organisational changes (Christensen and Laegreid 2010).

Organisational change and innovation aims to help employees and understand their concerns about current changes and new techniques for innovation. The change and innovation literature has always been related to the huge impact these factors have on different organisational aspects. Studies are very limited when it comes to the impact of change and innovation management on employee performance. This chapter aims to redress this (Campbell 2001).

1.2 Aims and Hypothesis

Innovation and change, if well applied, are a determinant for success for organisations and represent factors that can greatly affect organisational performance. Nowadays, organisational change and innovation management are essential in a rapidly changing economic world, imposing dramatic change and fast-paced innovation. All these factors affect organisations in different ways.

The main research problem for this chapter is to study the relation between change and innovation management in organisations and their impact on employee performance. Thus, the main problem of this research chapter can be summed up in the following research question:

RQ – Does change and innovation management impact employee performance?

Managing change as well as applying innovation in a structural way in an organisation is crucial for its success. The main objectives of this chapter are:

RO1 – To measure the influence of change and innovation managerial strategies on employee performance.
RO2 – To identify the nature of the relation between change and innovation management and employee performance.

The research hypotheses to be studied in this chapter are:

H1: Communication of upcoming change influences employee performance.
H2: Satisfaction with change influences employee performance.
H3: Employee perception of change influences employee performance.
H4: Employee perception of innovation influences employee performance.

The hypotheses are designed to investigate the influence of change and innovation management on employee performance. These hypotheses, if correct, would prove that both variables affect employee performance.

2 Literature Review

2.1 Phenomenon of Change

A company's welfare is largely based on four vital factors: quality, act of its teaching, administration and industry division. Research has revealed that the majority of companies function to protect themselves against uncertainty. Therefore, most companies, whether public or personal, show no need to aim at change for the sake of change (Amit and Schomaker 2010).

In contrast, many researchers have seen that nationwide or international community divisions are ineffectual and unproductive. To alter this unconstructive evaluation, organisations must improve their performance by preserving a concrete base of values, appropriate strategies, work cultures and ethics in order to be successful. Both employers and employees have to adapt their view of change (Goodman and Truss

2011). In consequence, organisations are likely to outperform their competitors if they consider efficiency and effectiveness and embrace change. A study on public and private institutions showed that public division organisations can function and perform better than non-public ones as they are essentially familiar with terms of quality (Freeman 2013).

2.2 Definition of Organisational Change

Sorensen (2014), believes it is challenging to define "change" accurately without submitting to the general notion of change, which is "a new state of things, diverse from the old state of things". Organisational change is not easy. As its name suggests, "organisational change" refers to changes happening in organisational behaviour. However, this alone does not help us understand the concept; it does not mention the types of change involved.

Second-degree change, characterised by radical and definitive change, is another essential factor, one which consists of determining the appearance of change. Adding to the previous ideas, we can easily identify organisational change as innovation. Innovation may refer to a technology, product or practice used by an organisation for the first time. It does not matter if this was previously used by other corporations or not (Lewin 2004).

2.3 Change and its Effects

The interdependence between the substance and the course of change might have a harmful effect if the results are unsuitable for the situation. Walker (2014) defined the criteria for success in accordance with goals, deadline and budget. He later stated that inappropriately defined goals and budget would lead to problems, even if the organisation attained its initial goals. That is, the implementation of change alone will not enhance an organisation's performance (Walker 2014).

To validate this study, Kotter (2006) set out eight errors that lead to disadvantages in change supervision: providing too much satisfaction in the organisation; an inability to generate apparent and influential strategies; a limited vision in conditions of potential preparation; a shortness of communication in the organisation; a failure to handle issues straight away; attention to long-term growth at the expense of short-term benefits; and the belief that change has been accomplished before this is in fact the case.

2.4 Types of Change

As organisational change encompasses many aspects, two main dimensions help express change better (Korn 2011): defining intentional change; and comparing radical change to gradual and tectonic changes. Intentional change can be affected by an occurrences exterior to the organisation. Organisations can relay that change to external main proceedings as part of changes originated as responses to an event or a sequence of events (reactive changes). As the name indicates, changes based on predictable events are known as anticipatory changes. The best known way to categorise organisational change depends on how essential a change appears (Christensen and Laegreid 2010).

Every researcher has his or her own method of grasping the chief dissimilarity between kinds of change. Many authors make a distinction between radical change and gradual change; they consider the former a type of development. Other researchers suggest a third type of change—tectonic change—because they believe the initial two types of change, the radical and the gradual, cannot mesh with a genuine framework of change (Reger and Welsh 2004). Reger and Welsh (2004) simplified tectonic change by reference to a distinction between the existing organisations and ideal organizations. This type of change shows the need for change with a lower level of stress. The practical classification, as seen from a managerial perspective, connects to the level of change and the degree to which the organisation is affected by it (Bresciani et al. 2013). For example, a low-level change is based on the reorganisation of job structures while a change at the level of the whole organisation affects all processes in operation (Aosa 1992).

2.5 The Process of Change

The most familiar and realistic categorisation of organisational change is based on two different types: planned change, and random or emerging change. While planned change is formal and obligatory, random change is informal and has its origins outside the organisation (Bain 2010).

Planned change originates from within an organisation and appears to be a response to needs in the environment. It is characterised as a practical change which individuals in the organisation implement by anticipating environmental change or by following their own original ideas. The fundamental element of this type of change derives from "planning"—it involves planning the change. According to Mintzberg (1996), part of the procedure for the implementation occurs after the strategy has been established. From his outlook and point of view, planned change must first be formulated in organised practices of well-led events and monitored by regular observation. As a result, the state which an organisation must reach and the means by which it will do this are declared openly (Mintzberg 1990).

The opposite type of change—emerging or random change—is not widely used. This change occurs from the constant actions of the organisation's associates, as they regularly deal with conflicts and opportunities (Baraboux 2011). As explained above, this change has its origins outside the organisation; the leaders produce the vision of change and the employees implement this vision gradually. This implementation will start from the lower level, leading to foremost organisational change (Bain 2010).

To date, there has been no research that clearly states or proves the superiority of either type. As shown, planned change is at the foundation of the main theory of organisational change; it highlights the significance of calculating and planning the course of change until it is accomplished.

2.6 Theories of Organisational Change

Managers have introduced different reasons varying from a reaction to inner or environmental pressure, leading to tactical changes, in order to enlarge the association. Such reasons, along with most organisational

changes, are planned, intentional changes. They develop in a short period because they take place at an organisation level, unlike those taking place at a macro level. The operator of change is another dimension that can be easily identified. In the case of organisational change, the following theories of organizational change have a primary function that can help us identify another significant difference. For instance, by measuring a set of reasons specific to the system, both previous to and following the change, we will be able to measure the effects of a change. This variation represents the effect of the intervention. As for the system, its very core principles are based on estimating the difference between two different phases at different moments (Bain 2010).

There are two ways of classifying organisational change. The first refers to the description of the process which analyses the change instead of providing standard ways for applying it. The second refers to providing a clarification for the methods of implementing a planned change. Leavitt (1972) provided one of the most well-known analytic models of the two presented in each approach. He considered that organisations are multivariate systems with at least four vital variables: objective, formation, players and technology. Below are the main theories relating to change management:

Leavitt's Diamond According to Leavitt, "structure" means the structure of influence, accountability, statement and work associations. These variables are symbolised in various ways. For example, players are represented by the workers of the organisation and technology—the totality of instruments and techniques—is a way to achieve goals. Goals are considered the raison d'être, the basis for the existence and functioning of an organisation. Based on these variables, we now have the ground for change represented by four essential kinds. There is a strong relationship between these variables, showing the level of interdependence between them; if one is modified, the others would also be altered (Leavitt 1965).

Lewin's Theory on Change In Lewin's view, the process of change involves three stages (Lewin 2004). The first is *Unfreezing*: this can be applied as a prologue in the system of information to demonstrate the occurrence of a discrepancy between the authentic behaviour and the

preferred behaviour of recruits in order to diminish the forces that preserve the system's behaviour. The second stage is *Change proper*: this step consists of developing new values, attitudes and behaviours across the organisational structures and procedures in order to adjust the organisation's behaviour, achieving an additional level of preparation. The third and final stage is *Refreezing*: in order to strengthen the recently introduced fundamentals, research tends to rely on this step to smooth the new phase of the organisation via organisational culture, standards, guidelines and structures. The three stages of the change process that Lewin (2014) recommended focus on introducing an organisational change rather than developing an organisational change.

Edgar Schein Enhancement of Lewin's Model The current model, just like the previous one, aims at formulating methods of interference based on examining change theoretically. For this reason, Edgar Schein (2014) enhanced Lewin's model by attaching consistent psychological mechanisms to every stage. The lack of confirmation in Stage 1 produces uneasiness, generating a need for change in that person based on blame and concern. Nevertheless, to "attain" a new behaviour, an individual must not feel uncomfortable leaving his/her old behaviour because this will lead to failure (Schein 2014; Singh 2014). Stage 2 involves change through a procedure of cognitive restoration by acquiring information and confirmation for change to appear positive and pleasing. Moreover, by becoming conscious of the expenses and risks of his/her old state, the subject will experience this proof with an inspiring quality attained by his/her recognition of other people that have gone through a similar process. The stage of refreezing consists of finding out whether, through testing, the new state is apt or not for this individual and for his/her social framework. Therefore, having a core aim in acquiring a new behaviour outline in that person's system of principles and manners is not the only characteristic of this procedure.

Watson and Westley's Seven-Stage Model The preliminary three-stage model suggested by Lewin's model was then improved to a seven-stage

model (Bruke 2012), taking account of the occurrence of and increasing the need for change. This stage corresponds to the unfreezing stage in Lewin's model. The first step begins by setting up a background of relations connected to change. In this phase, the relation between the client-system and a proxy of change from outside the organisation is established. The second aims to improve the examination of the client-system. The third step inspects the additional goals and objectives, setting out the objectives and purposes for the action plan. The fourth step rotates objectives into real determinations to change. The fifth simplifies the change. This segment resembles the period of refreezing in Lewin's model. The final stage determines a final connection, closing the client professional relationship. As may be observed, this points to a model that illustrates the structure of organizational dynamics and consultancy activity.

In any OD interference, we must take into consideration the fact that the outer agent or advisor might be overwhelmed with difficulties and has not yet learned to solve these matters. Therefore, another concept of organisational change has been developed. Bruke's (2012) initial argument is the modification between evolutionary concept and revolutionary speculation. The former considers directorial change as a slow procedure involving slight alterations of the system, which are then enlarged over time by environmental forces. There is slight interference by management. As for revolutionary change, it might place the organisation under many burdens due to the rapidity of the change. Leaders take a dynamic part in the process because they are highly noteworthy and possibly hasty; therefore, amplified stress is placed on expectation, participation and creativity (Bruke 2012).

2.7 Innovation Management

Since creativity, innovativeness and innovation are all connected ideas that are often used interchangeably, we do not have a commonly acknowledged description of innovation. According to Schumpeter (1984), scientific problems prompt new ideas, which then nourish the search for further innovation. In his view, innovation is the introduction of a new

invention, procedure, technique or structure. Increasing numbers of researchers and academics have fixated on factors of individual innovation because creativity is seen as a valuable means to improve creative or innovative behaviour that involves constructing obligatory jobs and processing responsibilities in a unique way in order to understand what drives employees to be creative (Schumpeter 1984).

Based on Bond and Flaxman's (2006) studies, to assist employees' learning and innovation skills, surveys have suggested that learning strategies in the organisation promote new ideas. This theory was supported by Holman et al. (2012), who demonstrated that the factor of work based on learning strategies reinforces the relationship between job characteristics and innovation. According to Fernandez and Moldogaziev (2013), numerous aspects such as the nature of individual innovations empower practices so as to produce innovative applications such as authority, assets, data and recompense (Flaxman 2006; Christensen and Laegreid 2010; Holman et al. 2012; Christofi et al. 2015).

In Estonian enterprises, studies proved that leadership factors such as devotion, affect and specialised admiration are essential to forecasting an innovative environment. On the other hand, other studies proposed by Cingöz, A. and Akdoğan (2013) showed that anticipated results and expected performance improvements are directly associated with innovative behaviour. In order to support the creative performance of individuals, we must rely on two major aspects: climate and leadership (Cingoz and Akdogan 2010). Furthermore, the climate for innovation symbolises the desires of the employees, which include the proper organisation, an effective working atmosphere, organisational communication and pattern communication. Executives can express their deliberations by discussing constructive results and celebrate small wins. Instead of dwelling on employees' mistakes, managers must tell stories of achievement, motivate employees and point out their strengths and weaknesses in order to improve their skills (Gibbert 2010; Awitta 2014). Other studies have suggested that, through the mediating factor of fundamental motivation at the individual level, ethical and moral leadership is a forecaster of individual innovation. Previous studies have proposed that showing the impact of the working climate on the inno-

vation strategy remains restricted and incomplete. Additionally, the climate for innovation is also an outstanding aspect for academics and research establishments. The increasingly divergent role among work and family demands practised by most functioning individuals in workplaces had led to the increased regularity of stress and burnout. Moreover, role stress consists of role vagueness and role conflict. Inter-role conflict has two significant types. Work–family conflict refers to the concept of work demands interfering with family life, while family–work conflict refers to the notion that involvement in the family obstructs the development of the work of the organisation (Awitta 2014).

According to Awitta's (2014) research, inter-role conflict connects with the three dimensions of burnout: elevated exhaustion, increased depersonalisation with others, and a lowered feeling of achievement. This statement was based on the U-shaped affiliation between pressure and innovative presentation. Another research focused on the notion that the innovative performance of employees is affected by the aspects of role stress, mediated with the low apparent support for innovation. Furthermore, the study examined the role of conflict as an intermediary in the leader–association exchange and the stress relationship. While work role flexibility increases the work satisfaction, work–family and family–work conflicts decrease it (Lewin and Patterson 2012).

3 Methodology

3.1 Research Philosophy and Approach

Logical problem solving uses two different types of reasoning: inductive and deductive. Using the inductive technique, a researcher observes a certain phenomenon, transforms it into a certain pattern, and tests the hypotheses to come up with a theory. As for the deductive reasoning technique, it works from "top to bottom". First, a researcher comes up with a theory of a certain topic, then narrows it down to more specific "hypotheses" to be tested later on. Therefore, the hypothesis should be tested with a confirmatory data technique. The theoretical approach of

this chapter is a "deductive" one. It starts with a theory on the impact of challenge and innovation management on employee performance. Then a hypothesis on this topic is formed, data is collected and analysed, the research hypothesis is tested and the outcome is observed. It is important to mention that a case study is used to conduct the research over a sample of candidates.

Data collection method is an important part of scientific research. Two main methods, qualitative and quantitative, are used (solely or together) in order to conduct research and obtain the necessary information. This is in addition to a research philosophy being adopted throughout the research process.

The qualitative data technique is used to measure information that cannot be measured by numbers. It uses in-depth interviews, observations, focus groups and other methods to study a certain situation. Data collected through qualitative methods is mainly analysed through human interpretations.

In this chapter, a quantitative data collection approach will be used; numerical data is collected in order to generate accurate information representing the studied hypotheses. Such an approach is important for the collection of fundamental statistical data, helping in undertaking an objective analysis of collected data with a broader survey of participants, as well as generating accurate findings and results.

3.2 Research Design and Tools

Based on the methodological choice of this chapter, questionnaires are distributed to a specific sample of respondents, mainly employees working at organisations facing continuous change. Why use questionnaires? Mostly because of their time and cost efficiency for the researcher, in addition to the fact that many studies agreed on the increased honesty of responses collected using questionnaires.

As a sample size, this study collects data from approximately 100 employees working in the health sector. The sampling technique is a "random sampling technique", where all population members are given equal

selection. This sample presents a good reflection of the desired population in northern Lebanon.

The sampling technique is convenient as it:

- ensures an equal chance of representation among all members of the selected population;
- helps in giving a good representation of the population;
- is time efficient;
- is easy to carry out sample comparison to probability sampling.

The questionnaire is divided into four main parts. The first part is designated for demographic variables: age, gender, financial status and marital status. The second part covers different variables analysed through SPSS, using the Chi-square test. The variables are selected according to the literature review and the designed research model. The main set of variables is divided into: satisfaction with change; change communication; perception of change; and perception of innovation.

The questionnaire is scaled using the "Likert scale" method using a five-point measurement scale where all employees can express their opinion subjectively. The Likert scale coding is as follows: "1" = Highly Disagree; "2" = Disagree; "3" = Neutral; "4" = Agree; and "5" = Highly Disagree.

The validity of the data provided in this chapter is guaranteed by making sure that all of the main variables in the topic are covered. To ensure the reliability and validity of the study, the questionnaire is designed in a way that all ethical norms are taken into consideration. An ethical questionnaire guarantees that all collected data is valid and reliable, avoiding any kind of bias. Here, all questions are investigated without any influence on the respondents' choices. They are directly related to the topic, ensuring face validity. As for content validity, this is ensured when all behaviours presented by the theoretical concept are sampled and tested.

A pilot testing is conducted in order to establish the subjectivity of the respondents, the clarity and ease of the questions given, the need to include more elements in certain areas and variables, as well as determining the workability of the proposed data analysis method. A pilot testing

is to be conducted over 10% of the total population (n = 10) outside the targeted population in order to assess the reliability and validity of the study.

4 Data Analysis

4.1 Chi-square and Pearson R Correlation

Table 7.1 demonstrates a relationship between employee change management satisfaction and employee performance (Chi-square = 70.492; $p = 0.000 < 0.05$). The satisfaction with change is a contributing factor in employee performance. The higher the satisfaction with change management undertaken by the organisation, the higher the employee performance. The Pearson correlation indicates the strength of correlation between two variables. Table 7.1 indicates that a strong significant correlation ($P = 0.000$; Pearson correlation = 0.771) exists between employee performance and satisfaction with change management undertaken by the organisation. This means that satisfaction with change strongly affects employee satisfaction.

Table 7.2 shows a relation between the communication of change and employee performance (Chi-square = 81.987; $p = 0.000$). The communication of change is a contributing factor in employee performance. The higher the change communicated, the higher the employee performance.

Table 7.1 Chi-square and Pearson R of satisfaction with change management

	Value	df	Asymp. sig. (2-sided)
Pearson Chi-square	70.492	4	0.000
Likelihood ratio	83.392	4	0.000
Linear-by-linear association	58.808	1	0.000
N of valid cases	100		

	Value	Asymp. std. error	Approx. T
Pearson's R	0.771	0.046	11.975
Spearman correlation	0.752	0.042	11.302
N of valid cases	100		

Table 7.2 indicates that a strong significant correlation (p = 0.000; Correlation = 0.828) exists between the communication of change and employee performance. This means that change communication strongly affects employee performance.

Table 7.3 reveals an association between the perception of innovation and employee performance (Chi-square = 69.291; p = 0.000 < 0.05). Employee perception of innovation is a contributing factor in employee performance. The higher the employee perception of innovation, the higher the employee performance. Table 7.3 indicates that a strong significant correlation (p = 0.000; Correlation = 0.778) exists between the perception of innovation and employee performance. This implies that how an employee perceives innovation management in his/her firm strongly affects his/her performance.

Table 7.2 Chi-square test and Pearson R correlation for change communication with employee

	Value	df	Asymp. sig. (2-sided)
Pearson Chi-square	81.987	4	0.000
Likelihood ratio	90.028	4	0.000
Linear-by-linear association	67.854	1	0.000
N of valid cases	100		

	Value	Asymp. std. error	Approx. T
Pearson's R	0.828	0.049	14.612
Spearman correlation	0.781	0.046	12.369
N of valid cases	100		

Table 7.3 Chi-square test and Pearson R correlation for perception of innovation

	Value	df	Asymp. sig. (2-sided)
Pearson Chi-square	69.291	4	0.000
Likelihood ratio	74.369	4	0.000
Linear-by-linear association	59.951	1	0.000
N of valid cases	100		

	Value	Asymp. std. error	Approx. T
Pearson's R	0.778	0.053	12.266
Spearman correlation	0.727	0.048	10.467
N of valid cases	100		

5 Discussion and Conclusions

The authors conducted a quantitative study of 100 employees working in health organisations where innovation and change management is taken into consideration. The targeted employees were asked questions to evaluate the impact of innovation and change management on their performance. Using Chi-square test and Pearson R's correlation, the research hypothesis and objectives were tested.

The first tested element of the research model was "communication of upcoming changes" and its impact on employee performance. This was hypothesised as "H1: Communication of upcoming change influences employee performance". All of the tested statements classified under "change communication with employees" in relation to employee performance turned out to be significant according to Chi-square test, thus H1 is accepted (sig = 0.000). Furthermore, to indicate the relation between the communication of upcoming change and employee performance, the Pearson R correlation test was undertaken for all of the statements emphasised in the section of the questionnaire, showing a strong positive and significant relationship between the tested variables. Therefore, change communication is crucial for employee performance.

The second tested element of the research model was "satisfaction with changes" and its impact on employee performance. This was hypothesised as "H2: Satisfaction with change influences employee performance". All of the tested statements classified under "satisfaction with change" in relation to employee performance were found to be significant (sig = 0.000) according to the Chi-square test, and thus H2 is accepted. Furthermore, to indicate the relation between the satisfaction with change and employee performance, a Pearson R correlation test was undertaken for all of the statements emphasised in the section of the questionnaire, showing a strong positive and significant relationship between the tested variables. Therefore, employee satisfaction with change has a high impact on employees' performance.

The third tested element of the research model was "employee perception of innovation" and its impact on employee performance. This was hypothesised as "H3: Employee perception of innovation influences employee performance". All of the tested statements classified under "employee perception of innovation" in relation to employee performance

turned out to be significant (sig = 0.000) according to the Chi-square test, and thus H3 is accepted. Furthermore, to indicate the relation between employee perception of change and employee performance, a Pearson R correlation test was undertaken for all of the statements emphasised in the section of the questionnaire, showing a strong positive and significant relationship between the tested variables. Therefore, employee perception of innovation has a high impact on employee performance.

Furthermore, we can conclude that to improve employee performance in the event of change, it is highly recommended for the managerial level of the organisation to effectively communicate change with employees, give them a clear view of this change and prepare them for it through good training. As for innovation, it is highly recommended for employers to respect innovative talents and encourage them, as they impact performance.

The main limitations of this study were: first, the limitation of studied sample to employees working in the health sector; second, the limited access to employees working in the health sector; and third, the difficulties in collecting questionnaires due to the limitations imposed by the Lebanese health sector (mainly related to the rules and regulations of information communication in this type of sectors).

For future research, the authors recommend enlarging the studied population in order to reach at least 200 respondents. Future researchers should not limit themselves to one sector only. They should expand the geographic location of the study. It is highly recommended for future researchers to study the diamond of change theory, which encompasses three stages: freezing, unfreezing and refreezing.

6 Implications for Theory and Practice

According to the outcome of this chapter, the authors can address the following recommendations for organisations in order to improve employee performance in the event of change and innovation management:

- Employees should be well satisfied with change, and thus the organisations must ensure that:
  - employees must understand the upcoming changes well;

  - employees must feel comfortable with changes, enabled through the effective assistance of the management;
  - organisational systems must be compatible with the changes undertaken.

- Organisations must communicate any change they want to impose by adopting the following steps:
  - effectively communicate change with employees;
  - have employees participate in the implementation stage;
  - provide employees with necessary information related to the upcoming changes;
  - provide employees with proper training for any expected change.

- To improve employees' performance using innovation management, organisations must ensure that:
  - employee innovation is well appreciated and encouraged;
  - an innovation strategy linked to the core values of the company is in place;
  - Internal policies and rules encourage innovative participation.

As for the theoretical practice, this project has opened a new window in the literature of innovation and change management, discussing the importance of adopting innovative ideas in a dynamic workplace. Furthermore, the study valued the importance of the communication of upcoming change and its positive influence on employee performance. Another factor that is valued and can help researchers expand their ideas is the positive influence of satisfaction with a dynamic environment in a firm: adopting innovative approaches by managers and letting employees expand their innovative thinking positively influence employee performance.

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