

## The Role Of Material And Non-Material Rewards In Reducing Barriers To Change Acceptance

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**Abstract**-As change is becoming norm in organizational life, leaders have come to realize that effective change management is an absolute imperative in delivering the value to various stakeholders. While some change initiatives reported success in achieving expected results, a great many conducted to date have failed to meet previously agreed expectations. In order to plan and implement organizational change as effectively and efficiently as possible, managers must be aware of the fact that change initiatives are in most cases accompanied with resistance. Since organizational changes are usually introduced as an alteration of structure, technology and culture, the fear of unknown is somewhat inevitable, and basically immanent to all or at least to majority of people in the organization. However, obstacles can be avoided through careful planning, specifically in the sense of different strategies of motivating employees to accept the change. The overall results of change programs can in larger part depend on the strategy of motivation chosen to facilitate the change process. For that reason, in this paper we conducted a research via questionnaires in order to investigate different material and non-material rewards that young highly-educated Croatian employees perceive as more or less important in accepting the change initiatives, that is, in managing change processes in their firms. Moreover, it has been examined how often firms in Croatia are conducting various types of organizational changes and whether employees have a say in the organizational changes undertaken. Results have shown that, as an element of the work place material rewards are very important to employees, but when change takes place most of them are more motivated by non-material rewards. We found as well that most of the employees consider that they are not involved enough in the change implementation process and would like to be more involved and more often acknowledged by their superiors.

*Keywords*-change management; resistance to change; material and non-material rewards

### I. INTRODUCTION

During the last decades, the number of significant changes in organizations has grown rapidly as a result of the influence of many factors from internal and external

environment [10] [6]. Since then, the change frequency has only intensified and became more important for companies and managers [26] [24]. So, change is now a core management issue and if organizations want to progress or even survive, they will not have much choice than change continuously. Achieving organizational change that produces results is a challenge. A variety of research suggests that, while some organizational change initiatives have produced desired process or outcome results, many conducted to date have failed to meet expectations [3]. For example, of 166 U.S. and European companies that are introducing changes, only about one-third reported success in most types of changes. For instance, 32 percent have been successful in changing vision, values and culture; 27 percent have succeeded in changing business systems and processes; and only 20 percent have successfully change information technology [3]. According to Beer and Nohria [23] between 50 and 70 percent of strategic change efforts fail to meet their objectives. Since all organizations seek to implement changes, ones that will do it successfully, will have the possibility of subsistence, unlike the others, which will then often perish.

According to Certo [4], changes in organization can be numerous and varied, but all of them are distributed around three main groups of factors: people, structure and technology. Changes in human factor include changing the position of people in the organization, their hierarchical rank, abilities, leadership skills and communication, and other characteristics of people in the organization; changing structural factor include organizational control, as well as policies and procedures and change of technological factor include all types of equipment and processes that help members of the organization in performing tasks. It is difficult to strictly differentiate each of these types because they are mutually intertwined. However, they can be conditionally differentiated from the standpoint what is primary for beginning of the change process, i.e. this classification of changes shows where is the source of change, and this may be new structure, technology or people [6].

Organizational changes have positive and negative aspects because they imply experiment and creation of something new, as well as discontinuity and destruction of familiar [1]. It is important to recognize that organizational change not only involves revising strategies, structures, or technology; it often requires changes at a more personal level. The main problems arising during their implementation, no matter how necessary they were, are the consequences for employees in the organization. Therefore, employee resistance appears in active or passive form as a constant during change implementations [19] [18]. Active resistance includes being critical, finding fault, ridiculing, fear, and using facts selectively, blaming or accusing and sabotaging, while passive includes agreeing verbally but not following through, failing to implement change, procrastinating support, standing by and allowing change to fail [14].

To some degree, the disadvantages of the changes are inevitable because whenever human communities are forced to adapt to changing conditions, stress is always present, but in too many situations are attempts to improve disappointing, and sacrifice big, with a ruined resources and exhausted, scared or frustrated employees [16] [2] [18]. Clearly, change is mandate and part of organizational life that will affect all aspects of a manager's responsibility. Since changes will rarely be carried out without any consequences for employees, an appropriate way in which change is carried out not only ensures its implementation, but also a success on the long run, while inadequate, inappropriate way to carry out organizational changes, pre-condemned changes to failure, and thus jeopardize the position of the organization. Resistance to change must be prevailed because it is the only way for successful implementation of change, and that is solely tied to individual components, i.e., for each person affected by them, attracting people to change is the most important task of management in the overall business of managing organizational change [13]. Managing employee resistance is a major challenge for the initiators of change, and according to O'Connor [25] outweighs other aspect of change process. For change to be successful, soft human issues need to be integrated with hard organizational structures and systems, because even the best determination and definition of what has to be changed will bring nothing, if the members of organizations do not support the change [20] [8] [5] [17].

## II. MANAGING PEOPLE IN OVERCOMING RESISTANCE TO CHANGE

Efficient planning of the whole change process is extremely important factor of change success. For that purpose, it is useful to apply strategies of reducing the resistance to change, which is inherent to change process, but can endanger it substantially if not managed correctly [22]. Most researchers and practitioners agree that a sustainable and productive change in organization is hard to carry through. However, they do not agree about the reason why is that so, and especially about the most efficient approaches to analyzing and solving organizational problems. In the heart of disagreement there are differences about the factors that motivate individuals to change their behavior [21]. Strategies

that are usually applied in order to decrease resistance to change are [11] [21] [22] [18] [15]:

- compensation
- communication
- participation
- training and education
- support and building the trust
- manipulation and cooptation
- explicit and implicit force

Alternatively, although resistance to change is deeply embedded concept in the field of change, attention to this phenomenon should be placed in the context of recognition that employees do not always resist change. Instead, they will often embrace change and work enthusiastically in support to it. There are many reasons why people are likely to be supportive of change [14]. According to Kirkpatrick [9], people are likely to react positively toward change because of few possible outcomes such as (a) security (change may increase demand for an individual's skills and/or may put the organization on a more secure footing with subsequent impact on employment prospects), (b) money (change may involve financial compensation increases), (c) authority (promotions and extended decision-making discretion), (d) status/prestige (changes in titles, work assignments, office location), (e) responsibility (scope changes), (f) better working conditions (physical environment changes, new equipment), (g) self-satisfaction (greater sense of achievement and challenge), (h) better personal contacts (enhanced contact with influential people) and (i) less time and effort (improved operational efficiencies). Considering this, we came to conclusion that different material and non-material rewards and benefits that employees expect at the end of change process may reduce barriers in change acceptance.

Compensation systems are designed in order to motivate and retain individuals in the organization [7], and in the situation of conducting change, it can be an instrument for modeling desired behavior i.e. behavior that supports accepting change [21]. Material compensation and incentives are directed toward securing and improving financial status of employees and financial compensation for work. Given the degree of directness of material or financial benefits and total compensation for employees in an organization, there are two basic types of financial compensation: (a) direct material gains which employees receive as money through wages, such as the salary system and other material incentives (salary, bonuses and incentives, fees for innovation and improvement, rewards for spreading the knowledge and flexibility) and (b) indirect material gains which contribute to individual material standard although employee does not receive them directly in the form of wages and money, and are not distributed according to the criteria of working life and success, but are acquired by employment in a particular organization (scholarships, tuition fees, study tours, trainings, paid absence and free days, official car and managerial benefits) [17].

However, according to same authors [17], most human needs are of non-material nature. This means that

organizations with material rewards and the satisfaction of material needs and aspirations, needs to satisfy other needs and aspirations of people. Many non-material motivating strategies can be grouped into a broad framework of the employee empowerment, which is becoming a strong trend, the dominant concerns of contemporary managers aimed at increasing organizational flexibility and efficiency. Its purpose is to increase quality and speed of decision making and responding to consumer demands and opportunities in the environment, but also the general interest and motivation of employees for solving problems and progress. Most common non-material rewards are work design, different management styles, employee participation, management by objectives, flexible working hours, acknowledgement and giving feedback, organizational culture and continuous training as well as development opportunities and career development.

### III. RESEARCH METHODOLOGY AND DATA COLLECTION

Literature clearly states that resistance to change is very important part of the change process which has to be dealt with for change to be successful. The way to do it is to approach employees the right way. The study that serves as the basis for this paper was conducted in July of 2010. The questionnaires were distributed via e-mail among Croatian graduate students employed in Croatian private and public sector. We received 60 questionnaires that were filled in correctly. Apart from 6 basic questions regarding information about the independent characteristics of the sampled students the study questionnaire consisted of 7 questions attempted to cover the area of material and non-material strategies for overcoming barriers to change acceptance, as well as questions regarding other indicators of change management in their companies. Majority of those questions were closed-ended, with opportunity to choose from one or more predetermined answers, while several questions formulated as opened-ended, allowing respondents to answer in their own words.

The research is based on an application of three statistical methods: determination of the frequencies and percentiles as well as Chi square test.

Our empirical research started with testing of developed hypotheses:

**H1: Non-material elements of the working place are more important to highly-educated employees than material.**

**H2: Most of the employees perceive that they are not enough involved in the change implementation process, and would like to be more involved.**

**H3: Highly-educated employees will more likely accept change if they expect non-material reward.**

**H4: Non-material rewards are chosen over material no matter of the employee's gender.**

The processing of answers from the participants tested the hypotheses. The participant's answers represent a base for analyzing whether non-material rewards are more important to highly-educated employees than material regardless the gender of the participant, as well whether this employees consider they are enough involved in change process or would they like to participate more.

### IV. RESULTS

To test the first hypothesis, we did mean rank of the working place elements. As it can be seen in Table 1, the most important element of the work place is wage which is material element, but the other two material elements are at the end of the scale. However, mean rank does not confirm first hypothesis, and therefore first hypothesis which states that non-material elements of the working place are more important to highly-educated employees than material cannot be accepted.

TABLE I. MATERIAL AND NON-MATERIAL ELEMENTS OF THE WORKPLACE

		<i>Mean rank</i>	<i>From</i>	<i>To</i>
Wages	M	3,50	1	7
Good working conditions	non-M	3,63	1	9
Challenging/interesting job	non-M	3,93	1	9
Good boss	non-M	4,07	1	10
Promotion opportunity	non-M	4,63	1	9
Stability and security	non-M	6,00	1	10
Flexible working hours	non-M	6,43	1	10
Acknowledgments for good performed job	non-M	6,93	2	10
Benefits and bonuses	M	7,23	2	10
Status symbols (company car, cell phone, better office, parking space...)	M	9,03	5	10

The reason for the above-mentioned finding could be explained by increasing role that compensation systems have in accepting organizational change reported by different researchers [27] [21]. This opens the place for the compensation system to serve as a leading instrument in overcoming resistance to change [12].

Furthermore, we analyzed do employees think are they involved enough in change implementation process or not, and would they want to be more involved.

In Table 2 it is shown that 56,7% (next to margin  $\pm 17,89\%$  – from 38,81% to 74,59%) of the employees consider that they are enough involved and equal with their superior during the change process, while 43,3% (from 25,41% to 61,19%) of them don't think they are involved enough.

TABLE II. INVOLVEMENT INTO CHANGE IMPLEMENTATION PROCESS AND EQUALITY WITH SUPERIOR

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	1 Yes	34	56,7	56,7	56,7
	2 No	26	43,3	43,3	100,0
	Total	60	100,0	100,0	

In Table 3 it is visible that 23,3% of the employees would not want to be involved into change process at all, while 76,7% would, and hence, second part of the hypothesis can be accepted.

TABLE III. ASPIRATION TO BE MORE INVOLVED IN CHANGE IMPLEMENTATION PROCESS

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	1 Yes	46	76,7	76,7	76,7
	2 No	14	23,3	23,3	100,0
	Total	60	100,0	100,0	

According to the results of Chi-square test, the difference is not statistically relevant and even though results show that those who are more involved in the change process want to be involved even more (13) than those who are not involved in the change process (10) and that more of those who are not involved (4) want to be involved than those who are not (3), there is no statistically relevant relation between current involvement in change implementation process and aspiration for involvement in change implementation process ( $\chi^2=0,001$ ;  $p=0,997$ ).

To test hypotheses H3 and H4 which state that highly-educated employees will more likely accept change if they expect non-material reward and that non-material rewards are chosen over material no matter of the employees gender, we compared all of the their responses in favor of material and non-material rewards and related them to gender.

Table 4 shows participant structure according to gender. In research participated 26 (43,3%) male and 34 (56,7%) female highly-educated employees.

TABLE IV. PARTICIPANT STRUCTURE ACCORDING TO GENDER

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	1 Male	26	43,3	43,3	43,3
	2 Female	34	56,7	56,7	100,0
	Total	60	100,0	100,0	

In the first case, 26,67% of the participants chose material reward, while 73,33% chose non-material, in the second case, 6,67% of the participants chose material reward and 93,33% chose non-material and in the last case 13,33% of the participants chose material reward and 86,67% chose non-material. The obtained results in all of the cases show that choice between material and non-material rewards is not connected with gender (measures of correlation based on Chi-Square are not statistically significant on risk level of

5% and Chi-Square is very small). Finally, hypotheses H3 and H4 are proven to be right and are therefore accepted.

## V. CONCLUSION

In order to keep up with the competition and survive on the market that has never been as demanding and fast changing as today, it is necessary to implement changes at the right time and the right way. Therefore the change process has become one of the most important issues in every organization. The most important element of every organization is its people but it is also the least predictive and persevere one. As resistance to change is very common throughout change process, change initiators and agents are faced with a challenge how to prevail barriers to change acceptance. In this paper, we are exploring whether there is a connection between different strategies of rewarding and motivating employees and change acceptance. We also explored if material rewards like wage, bonuses, financial incentives, success fees for innovation and improvement are more important to change process then non-material rewards like participation, flexible working hours, acknowledgement, giving feedback, continuous training. In that sense four hypotheses are tested, and we came to the conclusion that wages are very important to employees as element of the work place, but when change takes place most of them are more motivated by non-material rewards. We found as well that most of the employees consider that they are not involved enough in the change implementation process and would like to be more involved and more often acknowledged by their superiors. Moreover, the research shown that employees want their effort to be recognized, and to be more supported by their superiors during the change process, as well as gain new knowledge and skills and get some kind of certificate which will have value for them after the process is over. For Croatian managers who play a role in change processes in their companies, this could serve as a good basis for developing strategies for overcoming barriers to change acceptance.

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