RESEARCH ARTICLE

Are Emotionally Stable Employees more Ready to Change? The Moderating Role of Emotional Stability on the Effect of Organizational Culture Types on Individual Readiness for Change

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Organizational culture is suggested as a significant predictor of individual readiness for change (IRFC). However, few studies examining the effect of organizational culture types on individual readiness for change showed inconsistent results. This study aims to fill the gap, specifically by testing the moderating effect of emotional stability on the effect of perceived organizational culture types (clan and adhocracy) on individual readiness for change. We obtained 264 responses from employees who worked at the SM Company, one of the companies in Indonesia that performed a change in the company. Results of moderated regression analysis on the collected data indicate support for all of our hypotheses. Emotional stability was found to positively moderates the effect of the perceived clan and adhocracy culture on IRFC. The positive effect of perceived clan and adhocracy culture on the IRFC is stronger when the individuals have a higher emotional stability level.

Keywords: organizational culture types, individual readiness for change, emotional stability.

JEL Classifications: M12, M14

The current intensively changing environment demands companies to adapt to change (Madsen et al., 2005; Rafferty et al., 2013; Wanberg & Banas, 2000). However, it was found that more than 50% of the changes initiated by the company failed to achieve the expected results (Marks, 2006). One construct considered as the most significant factor determining organizational change implementation is individual readiness for change (IRFC; Armenakis et al., 1993; Clegg & Walsh, 2004; Jones et al., 2005; Weeks et al., 1995).

Given its essential role as the determinant factor of organizational change implementation, scholars have been attempted to identify the antecedents of IRFC. Over several antecedents, organizational culture is considered an essential factor in determining IRFC (Armenakis et al., 1993; Choi & Ruona, 2011; Hanpachern et al., 1998; Weiner, 2009). Literature in change management, such as Cummings and Worley (2009) and Anderson and Anderson (2010), states that organizational culture is a crucial predictor of the success of the organizational change. Interestingly, although the literature has acknowledged its significant role in determining IRFC, empirical evidence on the relationship between organizational culture and IRFC has remained limited (Haffar et al., 2014; Jones et al., 2005). Only a few studies could be an exception (see: Bollar, 1996; Haffar et al., 2014; Jones et al., 2005; McNabb & Sepic, 2009), which attempted to examine the effect of organizational culture types on readiness for change. However, only two studies (Haffar et al., 2014; Jones et al., 2005) incorporated the same instruments and unfortunately revealed contradictory results.

Jones et al. (2005) found that clan is the only culture type that is positively correlated with readiness for change, whereas the other three types of culture (adhocracy, market, and hierarchy) have a negative correlation and are not significant to readiness for change. Nevertheless, Haffar et al. (2014) found that clan and adhocracy are positively correlated with IRFC. The regression testing in their study also confirmed the positive effects of clan and adhocracy culture on IRFC. In addition, the market and hierarchy culture were negatively correlated with IRFC, but the significant effect for the market and hierarchy culture was absent in regression analysis.

Haffar et al.'s (2014) and Jones et al.'s (2005) studies suggested inconsistent findings regarding the effect of clan and adhocracy culture on IRFC. Clan culture was found to positively affect IRFC in both studies, but adhocracy culture was only found to positively affect IRFC in Haffar et al.'s (2014) study. Meanwhile, the effect of market and hierarchy cultures on both studies was found to have a negative effect on both studies. Therefore, this paper aims to uncover the inconclusive findings regarding the effect of clan and adhocracy culture on IRFC. We attempt to shed light on the mechanism under what condition the clan and adhocracy culture determine IRFC.

Previous studies have attempted applying several ground theories to explain the potential mechanism in promoting IRFC, such as equity theory (Shah, 2011), "broaden-and-build" theory (Kirrane et al., 2017), technology acceptance model, and theory of planned behavior (Kwahk & Lee, 2008). However, we predict that conservation of resource theory may become a more accurate lens to understand the contingency factor determining how clan and adhocracy culture shape IRFC.

The main idea of conservation of resource theory suggests that individuals strive to maintain, protect, and build resources in dealing with specific situations. They experience stress if they feel they do not have, lose, or lack preparation for building these resources (Hobfoll, 1989). Particularly, this study proposes emotional stability as moderating variable on the effect of the perceived clan and adhocracy culture on IRFC. We predict that emotionally stable individuals will preserve, prepare, and develop resources to anticipate stressful circumstances like organizational change. In an organization with a clan and adhocracy cultures that provide sufficient support for employees to deal with organizational change, the resources developed by the emotionally stable individuals may improve their ability and psychological state to deal with change and build resources for another change (Shin et al., 2012). Thus, we argue that individuals with emotional stability may become more ready for a change.

Given that individual readiness for change as the outcome of this study is measured in an individual level of analysis, the organizational culture types are also measured in an individual level of analysis. This method follows Kwantes and Boglarsky's (2007) argument that organizational culture analysis must be in line with the outcome level to be examined. Therefore, the clan and adhocracy cultures are measured using employee perception of their organization's culture types.

Literature Review and Hypotheses Development

Organizational Culture Assessment Instrument (OCAI) and Individual Level Analysis of Organizational Culture

Schein (2004) suggested that three layers shape organizational culture—underlying assumption, value, and artifact—in which value is commonly viewed as the representation of organizational culture (Howard, 2008). Consequently, many scholars have been focusing more on the value dimension as the measurement for organizational culture. Although scholars have proposed various measures for organizational culture, the most widely used and valid is the organizational culture assessment instrument (OCAI; Haffar et al., 2014; Kwan & Walker, 2007; Howard, 2008).

Based on the competing values framework (CVF; Quinn & Rohrbaugh, 1981, 1983), the OCAI divides organizational culture types according to two axes, which illustrate the value orientations an organization adopted. The horizontal axis shows whether the organization focuses on internal or external, while the vertical axis reflects the extent to which an organization emphasizes control or flexibility.

The organizational culture classification based on both axes introduces four types of organizational culture: clan, adhocracy, hierarchy, and market. Each type of organizational culture's characteristics is classified based on six dimensions to reflect each culture's values and underlying assumptions and show how the organization operates (Cameron & Quinn, 2011). These six dimensions are dominant characteristics, organizational leadership, employee management, organizational adhesives, strategic emphasis, and success criteria.

The level of analysis is also crucial in the study of organizational culture because errors in measuring it can lead to ambiguous results. In this study, organizational culture is measured at an individual level, which followed Kwantes and Boglarsky (2007), who argued that the organizational culture level of analysis must be in line with the outcome level to be examined. Based on that statement, since the level of analysis of output in this study – individual readiness for change- is measured at the individual level, we believe that using the individual level of analysis is the most appropriate procedure in measuring organizational culture. This equivalent level of analysis between the antecedent and the outcome may also hinder the conclusion from bias.

Conservation of Resource Theory and Emotional Stability

The central notion of conservation of resource theory suggests that individuals will strive to maintain, protect, and build resources in dealing with specific situations. Individuals will experience stress if they feel they do not have, lose, or lack preparation in building these resources (Hobfoll, 1989). Resources are personal characteristics, conditions, or energy that are valuable to the individual because they can maintain the resources considered valuable to the individual (Hobfoll, 2001).

According to Shin et al. (2012), the conservation of resource theory developed by Hobfoll explained two crucial roles of resources when coping with stressful situations such as organizational change. First, resources can improve an individual's ability to deal with stressful situations. Resources can increase physical and mental energy, which are essential in mobilizing positive behavior and minimizing unfavorable psychological conditions in facing stressful situations. Second, resources can also be utilized in a more proactive form. Individuals with abundant resources will invest the resources they have in a series of activities to minimize future loss of resources, repair lost resources in the past, and build resources for the future. Therefore, individuals with abundant resources will be less vulnerable to losing resources than individuals with limited resources and building resources for the future.

This study predicts that individuals with high emotional stability can develop resources when facing stressful situations, particularly organizational change. According to Judge and Bono (2001), individuals with high emotional stability have high self-esteem, feel safe, protected, and are certainly able to control emotions. Conversely, according to Costa and McCrae (1992), individuals with low emotional stability quickly feel anxious and tend to feel depressed even though not in situations that harm them. In a similar situation, individuals with low emotional stability will feel higher stress than individuals with high emotional stability.

Individual Readiness for Change (IRFC)

IRFC has been acknowledged as an essential determinant factor for the implementation success

of organizational change (Armenakis et al., 1993). Todnem By (2007) validated the idea by revealing the significant relationship between the level of IRFC and the success of change management. As a result, change management practitioners emphasize the importance of IRFC to improve the chances of successful change implementation (Armenakis et al., 1993; Jones et al., 2005; Weiner, 2009).

According to Choi (2011), academicians have sought to define IRFC and most of these definitions refer to Armenakis et al.(1993), who suggested that IRFC is the set of beliefs, attitudes, and intentions of individuals regarding the magnitude and degree to which an organization requires change and the extent to which it is capable of successfully undergoing that change. Holt et al. (2007) argued that four dimensions form IRFC: accuracy, management support, change efficacy, and personal rewards. The accuracy dimension measures how well individuals believe that changes will benefit the organization and how desirable changes are to the organization. Management support dimension measures whether organizational members feel that senior leaders are supportive of changes. In addition, the dimensions of change efficacy assess the degree of confidence that organizational members have in their ability to do a good job. A fourth dimension is personal rewards, which indicates whether a change will benefit the individual.

The Moderating Role of Emotional Stability on the Effect of Perceived Clan Culture on IRFC

According to Cameron and Quinn (2011), an organization with clan type emphasizes human resource development's long-term interests, such as training. Organizations with this type have effectiveness criteria emphasized in groups' cohesiveness, and the leaders are facilitators. Also, the developed management guidelines stemmed from the idea that employee participation is crucial for the organization. Employee engagement may also be shaped by supportive leadership (Ghadi, 2017) as another criterion of clan culture. Through the emphasis on employee participation, employees in an organization with an adhocracy culture may have a high degree of openness to change (Wanberg & Banas, 2000). With this attitude, employee readiness for change increases. A study conducted by Gist et al. (1989) also confirmed that with the training conducted by the clan company, individuals would have a high level of self-efficacy, so they are more ready to deal with change. In addition, facilitative leadership style as another characteristic of clan culture was also found to increase an employee's belief that initiated change will succeed (Bommer et al., 2005). Therefore, as Haffar et al. (2014) confirmed, we predict that perceived clan culture may positively affect IRFC.

Based on conservation of resource theory, we argue that employees with higher emotional stability may utilize the clan organization's support to build their resources in dealing with change (Hobfoll, 1989). Those resources are essential for improving their ability and psychological state to cope with stressful situations caused by a change (Shin et al., 2012). Those employees may also invest those resources to minimize future loss of resources, repair lost resources in the past, and build resources for future change (Shin et al., 2012).

Consistent with our logic, empirical studies found that for individuals with high emotional stability, the positive effect of perceived clan culture on IRFC is more substantial because individuals with high emotional stability get better training outcomes (Barrick & Mount, 1991; Studer-Luethi et al., 2012). With maximum results from the training, individuals with high emotional stability have higher self-efficacy (Tannenbaum et al., 1991), which facilitates individuals in coping with stressful situations (Schaubroeck & Merritt, 1997) such as organizational change (Rafferty & Griffin, 2006). In addition to that, individuals with high emotional stability tend to have a high social interaction quality (Lopes et al., 2004). The quality of social interaction will lead individuals with high emotional stability to easily get social support from their working environment as a form of social exchange. With social support, the IRFC can be formed (Cunningham et al., 2002). In an organization with a clan culture that provides sufficient support to manage change, such as sufficient training, employee participation, and facilitating leadership, the characteristics of emotionally stable employees, as mentioned earlier, may produce a higher IRFC.

> *Hypothesis1*: Emotional stability positively moderates the effect of perceived clan culture on IRFC. The positive effect of perceived clan culture on IRFC increases when moderated by emotional stability.

The Moderating Role of Emotional Stability on the Effect of Perceived Adhocracy Culture on IRFC

Organizations with adhocracy culture values emphasize dynamism and creativity. Individuals in this type of organization are not restricted by structure. The flexible structure allows them to explore and canalize their innovative ideas and take risks. Edralin et al. (2019) also found that creativity significantly predicts innovation. Furthermore, leadership styles in adhocracy culture are innovators, visionaries, and risk-takers (Cameron & Quinn, 2011).

By innovating, individuals in organizations with adhocracy culture values get used to change (Damanpour, 1991). According to Cassidy and Eachus (2002), habits and experiences of dealing with changes are essential to improving self-efficacy and increasing IRFC (Holt et al., 2007). Therefore, as Haffar et al. (2014) suggested, we predict that perceived adhocracy culture positively affects IRFC.

Similar to our argument in the previous hypothesis, based on conservation of resource theory, we argue that employee with higher emotional stability may build their resource in dealing with change by employing the reinforcements provided in the adhocracy organization (Hobfoll, 1989). Utilizing those resources, individuals with high emotional stability may improve their ability and psychological state to deal with organizational change (Shin et al., 2012). Employees with high emotional stability may also invest those resources to minimize future loss of resources, repair lost resources in the past, and build resources for the following change (Shin et al., 2012).

In line with our theoretical logic, empirical studies found that individuals with high emotional stability tend to have higher motivation in learning new things (Major et al., 2006). The process of learning new things will gain experiences and habits. An increased experience and habit will increase self-efficacy (Cassidy & Eachus, 2002), increasing IRFC (Holt et al., 2007). In an organization with an adhocracy culture that provides sufficient support to manage change, such as flexible structure and innovative leadership, the characteristics of emotionally stable employees, as mentioned previously, may produce a higher IRFC.

> *Hypothesis 2*: Emotional stability moderates the effect of perceived adhocracy culture on IRFC. The positive effect of perceived adhocracy

culture on IRFC increases when moderated by emotional stability.

Methods

Context, Procedure, and Sample

We chose to study organizational changes at the SM Company, one of Indonesia's largest family firms. The SM Company decided to conduct an IPO on the Indonesia Stock Exchange (IDX) at the end of 2013. This requires them to make changes, particularly to improve good corporate governance quality (GCG).

A number of changes have been made to improve the quality of GCG, including the establishment of audit committees, internal audit departments, and corporate secretaries. SM Company has also undertaken several initiatives to strengthen its structure and compile and refine GCG guidelines and derivative rules. Among the GCG structures formulated are guidelines and codes of conduct, guidelines, and code of ethics for the board of commissioners and directors (manual board). The company also revised and refined the standard operating procedure (SOP) for each business process and developed a whistleblowing system.

We distributed questionnaires to 320 employees in 21 departments in 2016 to receive a range of responses from each culture type. A total of 291 questionnaires were returned (response rate 91%). However, only 264 were available for analysis. Female respondents constituted the majority (72%). Age-wise, 28% of the respondents were in the below 26 age group, whereas 23.1% were in the 26–30 age group. The majority of respondents (87.1%) were staff members. Additionally, 45% of respondents had worked for three to seven years.

Measurement

Perceived Clan Culture and Perceived Adhocracy Culture

Each variable was measured using six items from the OCAI developed by Cameron and Quinn (2011). Each item represents one cultural dimension and was scored using a Likert scale from 1 (strongly disagree) to 5 (strongly agree), following the procedure by Haffar et al. (2014) and Vijayakumar and Padma (2014). Statement example used to measure perceived clan culture was "The organization is a very personal place. It is like an extended family. People seem to

share a lot of themselves" (dominant characteristic dimension). Meanwhile, the item example used to measure perceived adhocracy culture was "The organization is a dynamic and entrepreneurial place. People are willing to stick their necks out and take risks" (dominant characteristic dimension).

Emotional Stability

Ten items of statements with a Likert scale from 1 (strongly disagree) to 5 (strongly agree) developed by Goldberg (1999) were employed to measure emotional stability. Statement example used to measure the construct was "I am not easily frustrated." Reliability testing suggests that the scale is reliable, with Cronbach's alpha value is 0.834.

IRFC

Twenty-five items of statements with a Likert scale from 1 (strongly disagree) to 5 (strongly agree) developed by Holt et al. (2007) was used to measure this construct. As an example, one of the items was "I have the skills that are needed to make this change work." Reliability testing suggests that the scale is reliable, with Cronbach's alpha value is 0.880.

Results and Discussion

We conducted the validity testing only for the IRFC and emotional stability scale. We decided not to examine the validity for the perceived clan and adhocracy culture scale because we believe that removing one of the indicators may change the construct meaning (Cameron & Quinn, 2011). According to Jarvis et al. (2003), if deleting one indicator of a construct changes its meaning, it is considered a formative construct. According to Hair et al. (2010) and Roldán et al.(2012), the formative construct does not require validity testing.

We employed discriminant and convergent validity tests for IRFC and emotional stability instruments using confirmatory factor analysis (CFA) with varimax rotation. The results of the convergent validity indicate that all items are grouped into two factors. The discriminant validity results show no cross-loading, but four items in the IRFC have less than 0.4 loading factors. Thus, these items are deleted, and the remaining are 21 items. On the other hand, all emotional stability items are higher than 0.4, and there is no cross-loading, so the item remains 10. The results of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy show a value of 0.839. Simultaneously, Bartlett's test of sphericity is significant at the level of 0,000, so it fulfills the minimum requirement referring to Hair et al. (2010).

Table 1 represents the average, standard deviation, and correlation between variables. On average, respondents reported a quite high response for all variables. Respectively, the mean value of IRFC is 3.674, emotional stability is 3.440, perceived adhocracy culture is 3.604, and perceived clan culture is 3.678. Table 1 also shows that IRFC is positively and significantly correlated with perceived clan culture, perceived adhocracy culture, and emotional stability. Emotional stability also positively correlates with perceived culture but does not significantly correlate with perceived adhocracy culture.

Because the correlation between perceived adhocracy and clan cultures is more than 0.7, it has potential multicollinearity. Therefore, we measured the variance inflation factor (VIF) to identify whether multicollinearity exists in our independent and moderating variables. The results of collinearity diagnostics showed that the VIF values of perceived adhocracy culture, perceived clan culture, and emotional stability are below 0.3. Thus, it implies that our independent and moderating variables have no multicollinearity problems (Hair et al., 2010).

**Table 1.** *Means, Standard Deviation, and Correlation Among Variables*

Variable	Means	Standard deviation	1	2	3
Perceived clan culture	3,678	0,487			
Perceived adhocracy cukture	3,604	0,458	0,759**		
Emotional stability	3,440	0,496	0,203**	0,093	
IRFC	3,674	0,356	0,437**	0,456**	0,335**

*Note: n=264; **<0,01, *<0,05, +<0,1*

Table 2. *The Effect of Perceived Clan Culture on IRFC with Emotional Stability as Moderating Variable*

Variable	Model 1	Model 2	Model 3
Perceived clan culture	0.437**	0,385**	-0,470
Emotional stability		0.256**	-0,678
Perceived clan culture* Emotional stability			1.394*
R²	0,191	0,254	0,268
F	61,757**	44,393**	31,783**

*Note: n=264; values present arestandardized coefficients; **p<0,01, *p<0,05, ⁺p<0,1*
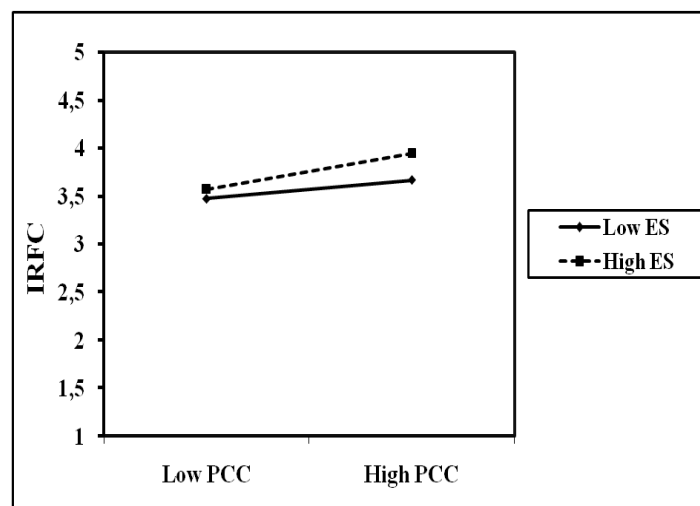
Note: IRFC= individual readiness for change; PCC= perceived clan culture; ES=emotional stability

Figure 1. The Relationship Between Perceived Clan Culture and IRFC at High and Low Emotional Stability

Table 2 and Table 3 show the result of hypothesis testing using moderated regression analysis (MRA). As shown in Table 2 (model 1), perceived clan culture has a positive effect on IRFC (β=0.437; p<0.01). It confirms Haffar et al.'s (2014) findings that clan culture had a positive effect on IRFC. These results also confirm that clan culture characteristics such as intensive training (Gist et al., 1989), facilitative leaders (Bommer et al., 2005), and organizational openness to employee participation (Wanberg & Banas, 2000) positively affect IRFC.

Furthermore, as represented in Table 2 (model 3), emotional stability positively moderates the effect of perceived clan culture on IRFC (β=1.394; p<0.01). The coefficient of determination in model 3 (R^2= 0.268) is also greater than in model 1 (R^2= 0.191), indicating that the variance explained by model 3 is greater than that of model 1. Thus, hypothesis 1 is supported. Adopting

conservation of resource theory (Hobfoll, 2001) as a theoretical base supports our prediction that individuals with higher emotional stability could preserve and develop a resource to cope with change and increase the positive effect of perceived clan culture on IRFC. The finding also supports our prediction that individuals with higher emotional stability exhibit higher level of training outcomes (Barrick & Mount, 1991; Studer-Luethi et al., 2012) and better social interaction (Lopes et al., 2004), and in turn, higher IRFC (Cunningham et al., 2002; Tannenbaum et al., 1991). Figure 1 shows evidence about the moderating role of emotional stability on the effect of perceived clan culture on IRFC. The figure shows that in individuals with high emotional stability, the influence of perceived clan culture on IRFC is stronger than in individuals with low emotional stability.

Table 3. *The Effect of Perceived Adhocracy Culture on IRFC with Emotional Stability as Moderating Variable*

Variable	Model 1	Model 2	Model 3
Perceived adhocracy culture	0.456**	0,429**	-0,220
Emotional stability		0.295**	-0,447*
Perceived adhocracy culture * Emotional stability			1.035[+]
R^2	0,208	0,295	0,304
F	68,939**	54,475**	37,816**

*Note: n=264; values present are standardized coefficients; **p<0,01, *p<0,05, [+]p<0,1*
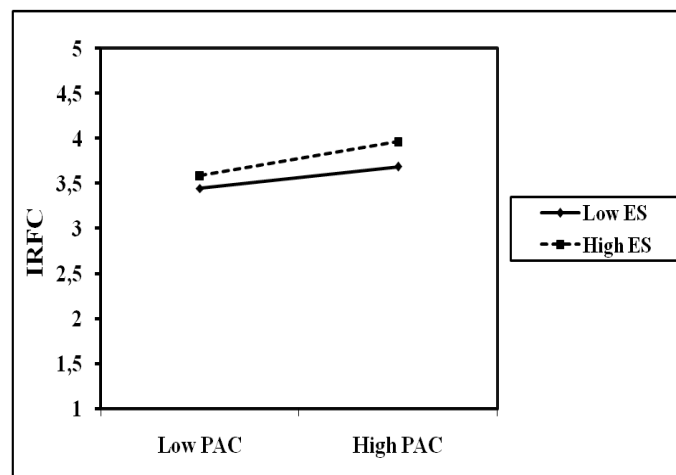
Note: IRFC= individual readiness for change; PAC= perceived adhocracy culture; ES=emotional stability

Figure 2.   The Relationship Between Perceived Adhocracy Culture and IRFC
at High and Low Emotional Stability

Table 3 (model 1) shows that perceived adhocracy culture positively affects IRFC (β=0.456; p<0.01). It indicates empirical support for the findings of Haffar et al. (2014), who also found that the adhocracy culture had a positive effect on IRFC. Cassidy and Eachus (2002) found that the drive to innovate continuously makes individuals accustomed to change, helping them more ready to deal with change.

Meanwhile, Table 3 (model 3) indicates that emotional stability positively moderates the effect of perceived adhocracy culture on IRFC (β= 1.035; p<0.1). The coefficient of determination in model 3 (R^2 = 0.304) is also higher than in model 1 (R^2 = 0.208), showing that the variance explained by model 3 is higher than that of model 1. Thus, hypothesis 2 is supported. Again, it supports our prediction that individuals with higher emotional stability, referring to the conservation of resource theory (Hobfoll, 2001), could preserve and develop a resource to face change

and increase the positive effect of perceived adhocracy culture on IRFC. According to our predictions, these results also show that high emotional stability individuals are more motivated to learn new things (Major et al., 2006), so they are more accustomed to change and better prepared to face change (Cassidy & Eachus, 2002; Holt et al., 2007). The interaction slope in Figure 2 shows clearly that in individuals with higher emotional stability, the effect of perceived adhocracy culture on IRFC is stronger than in individuals with low emotional stability.

Conclusion

Our main objective is to examine the role of emotional stability as a moderator in the effect of the perceived clan and adhocracy culture on IRFC. The results show that emotional stability positively moderated the effect of perceived clan culture on

IRFC and the effect of perceived adhocracy culture on IRFC. The positive effect of perceived clan culture on IRFC and the positive effect of perceived adhocracy culture on IRFC is stronger in individuals with higher emotional stability. According to the conservation of resource theory, these results show that individuals with high emotional stability can actively develop additional resources in coping with change.

These results provide practical implications for managers. Based on this research, decision-makers in companies can develop clan and adhocracy culture to support the successful implementation of change, especially in improving IRFC. Several aspects of clan culture that may determine IRFC are providing sufficient training to manage organizational change, increasing the group's cohesiveness, developing facilitative and supportive leaders, and increasing employee participation in initiating and managing company change. Meanwhile, several characteristics of adhocracy culture that are essential to promote IRFC are providing a dynamic structure that allows employees to explore their creativity and innovation. Furthermore, managers should also develop a leadership style that is more innovative, visionary, and risk-taking.

However, in developing clan and adhocracy cultures, the company must also consider the individual differences in their employee, particularly related to emotional stability. This recommendation is based on our findings which suggest that the effectivity of clan and adhocracy cultures in determining IRFC is related to the degree of employee's emotional stability. The more the individuals have emotional stability, the higher the positive effect of the clan and adhocracy cultures on IRFC. Therefore, we recommend that the managers recruit employees with high emotional stability. Managers may also provide a training and development program for their employees to build their emotional stability to help companies prepare and implement organizational changes.

Although our study provides several contributions, this study has some limitations that need further addressing in future research. First, the sample in this study is only employees working for one company, so the variation in perceived organizational culture responses is limited. In addressing this limitation, future research can expand the scope of the research sample. Second, this study's data was collected using a cross-sectional survey, so it only received a response

when the research was conducted. Data collection using the longitudinal method in subsequent research can provide more comprehensive information about individual responses in the face of change, starting from the unfreezing, change, and refreezing phases.

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