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Evil Tidings: Are Reorganizations more Successful if Employees are Informed Early?

Rafael Wittek · Fernando N. Morales · Peter Mühlau

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Abstract Organizations represent deliberately designed social contexts that are characterized by multi-level hierarchies. Interests and opportunity structures at each level usually do not overlap. We suggest that one of the reasons why intentional change efforts often fail to reach their objectives is because they are likely to trigger *competing* social mechanisms at different levels of the hierarchy. In order to illustrate this argument, we analyze the consequences of timely communication of planned organizational changes on perceived success of reorganizations. Two competing mechanisms are derived and tested with data from a telephone survey (carried out in 2003), among a sample of $n=412$ Dutch business organizations that performed a reorganization. The *commitment perspective* predicts that early announcement of reorganization plans to middle management increases the likelihood of reorganization success, since it increases commitment and empowers middle management. The *influence mechanism* predicts that early information of non-managerial employees decreases the likelihood of reorganization success, because it enables employees to use the information to their own advantage, anticipate on the strategies of management, and organize opposition against the plans. We found that timely communication with middle management indeed increases chances for success, whereas timely communication

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with employees correlates with reorganization failure. However, not communicating with employees has an even stronger negative effect on reorganization success. No evidence could be found for our argument that the severity of the reorganization's expected negative effects on the workforce moderates both mechanisms.

Keywords Communication · Commitment · Influence · Reorganization · Social mechanism · Single respondent organizational survey

Schlechte Nachrichten: Sind Reorganisationen erfolgreicher, wenn die Angestellten rechtzeitig informiert werden?

Zusammenfassung Organisationen sind absichtlich erzeugte soziale Kontexte mit mehreren hierarchischen Ebenen. Die Interessen und Gelegenheitsstrukturen jeder Ebene überschneiden sich meist nicht. Wir schlagen vor, dass einer der Gründe, warum absichtliche Anstrengungen sozialen Wandels häufig ihre Ziele nicht erreichen, darin zu sehen ist, dass sie in Wettbewerb stehende soziale Mechanismen auf unterschiedlichen Ebenen der Hierarchie hervorrufen. Um dieses Argument darzustellen, werden die Folgen einer rechtzeitigen Mitteilung eines geplanten Wandels der Organisation auf den wahrgenommenen Erfolg der Reorganisation untersucht. Zwei konkurrierende Mechanismen werden spezifiziert und mit Daten eines telefonischen Survey aus dem Jahr 2003 bei einer Stichprobe von $n=412$ niederländischen Geschäftsunternehmen untersucht, die eine Reorganisation vorgenommen haben. Der Commitment-Perspektive zufolge würde eine frühe Ankündigung der Reorganisation an das mittlere Management den Erfolg der Reorganisation erhöhen, weil es die Zustimmung erhöht und dem mittleren Management Mitwirkung erlaubt. Dem Einflussmechanismus zufolge würde eine frühe Information von Angestellten, die nicht auf der Managementebene beschäftigt sind, die Wahrscheinlichkeit einer erfolgreichen Reorganisation senken, weil es den Angestellten gestattet, die Information zu ihrem eigenen Vorteil zu verwenden, Strategien des Managements zu antizipieren und so einen Widerstand gegen die Pläne zu organisieren. Unsere Befunde zeigen, dass eine rechtzeitige Kommunikation mit dem mittleren Management in der Tat die Erfolgchancen erhöht, hingegen eine rechtzeitige Kommunikation mit den Angestellten mit einem Misserfolg der Reorganisation verbunden ist. Allerdings, wenn man die Angestellten gar nicht informiert, so hat dies noch einen stärkeren negativen Effekt auf den Erfolg der Reorganisation. Schließlich fanden wir, dass die Stärke der negativen Effekte der Maßnahmen keinen Einfluss auf beide o. g. Mechanismen hat.

Schlüsselwörter Kommunikation · Verpflichtung · Einfluss · Reorganisation · Soziale Mechanismen · Organisationsstudie

1 Introduction

Formal organizations are particularly well suited for the study of social context and social mechanisms, because they have a *built-in macro-micro-macro structure*. For

example, at the (macro) company level, human resource management policies are implemented with the intention to influence the (micro) motives and behaviors of individual organizational members in such a way that they contribute to the realization of some desired (macro) collective outcomes (e.g. productivity, profit).

But there are at least two characteristics through which organizations differ from other social contexts. First, since most organizations have some form of hierarchy, they define *multi-layered social contexts* in which the macro and the micro level are formally linked through chains of authority relations (e.g. employees of a department reporting to a department head, who in turn reports to top management). Second, those at the top of the hierarchy usually have the rights and the decision-making powers to deliberately change the organizational context. Such *planned top-down organizational interventions* at the macro level are supposed to trigger social mechanisms that in the end produce some desired macro level results.

Hence, many organizations represent deliberately designed social contexts that are characterized by multi-level hierarchies in which interests and opportunity structures at each level usually do not overlap. We suggest that one of the reasons why intentional change efforts, or 'reorganizations' for short, often fail to reach their objectives (IBM 2008; Kotter 2007) is because they are likely to trigger *competing* social mechanisms at different levels of the hierarchy.

In order to illustrate this argument, this article will elaborate and empirically test hypotheses on the consequences of the timing of information disclosure for the perceived success or failure of the change effort in a sample of Dutch business firms. In what follows, we first elaborate on the two competing mechanisms and develop hypotheses. Section three presents the research design, data, and results. Section four concludes.

2 Theoretical background

Among the many decisions that management has to take once it seriously considers to carry out a reorganization, is at which stage to inform employees and middle management. Should the plans to embark on change be communicated before major decisions and preparations have been taken, or after goals and plans have been determined and just shortly before the reorganization starts?

Though intra-organizational communication occupies a prominent position on the general agenda of both organization scholars (e.g. Eisenberg and Goodall 2004; Kreps 1990; Taylor 1993) and practitioners of organizational change (e.g. Harkness 2000; Kitchen and Daly 2002; Klein 1996; Quirke 1995), studies explicitly addressing the link between organizational change and the timing of messages are surprisingly scarce. Evidence for the importance of timing of announcements as a crucial determinant of the success of planned change comes from two case studies (Goodman and Truss 2004) and a formal model (Almeida Costa et al. 2003). Based on intra-organizational survey data in a public and a private U.S. company, Goodman and Truss (2004, p. 223) report that in both organizations, more than 70% of the employees complain that they had been informed after rather than before the implementation of the changes (Goodman and Truss 2004, p. 223). Almeida Costa et al.'s (2003) mathematical model explores the interrelationship between formal and

informal network structure on the one hand, and the timing of information and attitude change on the other hand. Among other findings their study shows that socially isolated leaders with attitudes different from other members have a higher chance of changing other employees' attitudes in favor of a planned change if the information is first spread to the next lower level of the formal structure and only later to the rest of the organization.

While both studies underscore the important role of timing of information, they also show that theoretical foundations and empirical evidence on the effects of information timing on reorganization remain inconclusive. When deciding about the timing and openness of communicating anticipated changes to employees and middle management, top management has to consider a trade-off (Schweiger and Denisi 1991). In the case of early information, it increases the opportunity for participation and influence through middle management and employees. This can enhance commitment, and avoid the development of rumors. However, early announcement also creates the opportunity for influence attempts directed at the change of the goals of the reorganization into a direction not desired by top management (Eisenberg and Witten 1987). In case of late announcement, the opportunities for employees and middle management to participate during the goal formulation phase is reduced. This increases top management's grip on setting the agenda, the goals, and the desired road map for the implementation of the reorganization plans. However, it might also cause disappointment and de-motivation of employees and middle managers.

We suggest that depending on the level in the organizational hierarchy, early announcement triggers two competing mechanisms, with opposite effects on the success of a change effort. We refer to them as the commitment and the influence mechanism, respectively: whereas early disclosure is likely to enhance cooperation of middle management and therefore increase the likelihood of the change effort to be successful, it will decrease cooperation of lower level employees and therefore decrease the chances for the reorganization to be successful. Our theoretical argument is guided by a social rationality framework (Lindenberg 2001), according to which the degree to which individuals effectively pursue selfish vs. prosocial motives depends on the social context in which they take their decisions. Unlike canonical rational choice models which assume full rationality, selfishness and a preference for improving ones material condition as the default of human decision making, social rationality reasoning incorporates bounded rationality, social motives and non-material symbolic exchanges as they are prominent elements of the commitment mechanism.

2.1 Hierarchical Levels: Middle managers vs. non-managerial employees

Many studies have pointed to the crucial role of middle managers, in particular during periods of planned organizational change (Huy 2002; Rouleau 2005; Sharma and Good 2013). Middle manager support is fundamental for reorganizations to succeed. Maintaining a positive social environment, handling exceptions, and solving unexpected problems were found to be among the main expectations related to the middle manager role (Delmestri and Walgenbach 2005). The "buffer" function of middle management has been repeatedly demonstrated and analyzed: mediating between the

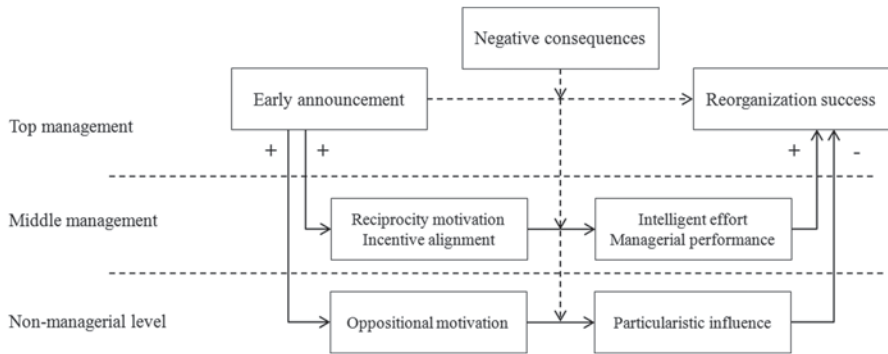


Fig. 1 Competing social mechanism explanations of the effect of early announcement on reorganization success

requirements defined by top managers and the claims of non-managerial employees is one of the key tasks defining the role of a middle manager. Also the successful implementation of new projects, including organizational change trajectories, often is part of middle managers’ job description and performance evaluation. As a result, middle managers’ career prospects are likely to improve to the degree that they demonstrate to be proactive change agents. Consequently, receiving timely information about top management’s strategic intentions is likely to increase their commitment to organizational strategy because it increases their level of control and ability to implement the change (Barton and Ambrosini 2013, p. 278).

Middle management therefore will likely evaluate information on the change initiative from the angle of how to use it in decision-making about implementing the change. Formally, non-managerial employees have far less decision-making autonomy. For them, change related information will be evaluated in terms of the potential effects of the change on their own position and outcomes. We propose that this structural difference between the two levels in the organizational hierarchy triggers two opposite effects of timely information on reorganization success (see Fig. 1).

2.2 Mechanism I: Early announcement and commitment of middle management

Since the human relation movement, many practitioners and organization scholars favor the view that open communication and early involvement of the workforce during corporate restructuring are beneficial, not only for labor relations and organizational climate (Eby and Buch 1998), but also for organizational performance and the successful implementation of changes. “Effective change communication campaigns tend to reveal rather than conceal, reduce uncertainty through collective planning, and proactively establish and maintain trust.” (DiFonzo and Bordia 1998). An open communication structure is seen as a major requirement for eliciting commitment (Pheng and May 1997, p. 162). If employees cannot acquire relevant information about the change initiative through official communication channels, uncertainty and mistrust will be likely (Tebbutt and Marchington 1997). Consequently, it is important to communicate, even if it is bad news. Continuous open communication before, during, and after reorganization increases the likelihood of success, because transpar-

ency enhances commitment and thus facilitates implementation (Goodman and Truss 2004; Klein 1996).

A number of studies found supporting evidence for a positive effect of (early) employee involvement and open communication on commitment to the organization and change (Fedor et al. 2006; Martin et al. 1995; Morgan and Zeffane 2003). An open communication climate, transparency of change processes, and employee involvement reflected in receiving timely, informative, and useful information about organizational change all were found to have positive effects on change related outcomes like employee commitment to the organization and commitment to change itself (Allen and Brady 1997; Giangreco and Peccei 2005; Guzley 1992; Schweiger and Denisi 1991; Wanberg and Banas 2000), identification with organization after change (Bartels et al. 2006; Chreim 2002), acceptance of the change (Kavanagh and Ashkanasy 2006), reduction of change related uncertainty (Kramer et al. 2004; Bordia et al. 2004), decreased resistance to change (Miller et al. 1994), and perceptions of procedural justice of change related layoffs (Gopinath and Becker 2000).

All these studies show that (timely) information and active involvement are likely to increase the commitment of the workforce (but see Barton and Ambrosini (2013), who could not corroborate the hypothesized effect in a stratified random sample of middle managers from 701 'high-tech' organizations in the UK). By communicating openly about its goals, top management signals its concern for the employees and the potentially negative effects that the change might have on them. Employees are given the opportunity to contribute ideas, and to actively influence the change initiative. This active involvement also facilitates the flow of information from lower to higher levels in the hierarchy, allowing change agents to calibrate interventions and thereby reduce transaction costs during implementation. The key assumption is that openness, transparency and involvement will trigger cooperative reactions of employees, which in turn will contribute to improving the implementation of the change initiative (Lines 2004; Morgan and Zeffane 2003).

An implicit assumption in most previous research is that this commitment effect holds across all levels of the organization. Based on the level assumption outlined in the previous section, we argue that the commitment effect holds for middle-management, but not for non-managerial employees, because early announcement differentially affects the preferences and constraints of both groups. Hence, the reasoning of the commitment perspective can be summarized by the following hypothesis:

H1: The earlier top management announces a reorganization to middle management, the more likely reorganization will be successful.

Organizational changes differ in terms of the severity of their consequences for the workforce. Whereas some changes may involve only slight adjustments in procedures and routines, others may consist of major restructurings, including massive layoffs. Such high impact change trajectories pose a major challenge for the involved change agents, since they are likely to trigger strong resistance and labor conflict. The earlier middle management is informed about change initiatives with such severe consequences, the better it can prepare itself, anticipate on potential negative reac-

tions, and craft appropriate implementation and containment strategies. Hence, we expect the following interaction effect:

H2: The effect of early information of middle management on the success of reorganizations will be stronger positive for reorganizations with negative consequences for employees, than for reorganizations with no negative consequences.

Exhibit 1 summarizes the different steps underlying the commitment mechanism.

Exhibit 1: Stepwise explication of the commitment mechanism for middle management

1. Situational Mechanism (Macro-> Micro):
 - a. Early announcement affects middle managers' opportunity structures by providing them with an information advantage, which allows them to anticipate on the change and its consequences, and improves their chances to take measures that lead to successful implementation.
 - b. Early announcement affects middle managers' preferences in two ways. First, top management signals trust in middle managers, thereby triggering reciprocity motivations ("gift exchange mechanism"). Second, since middle managers are important change agents, the design and successful implementation of organizational change policies is usually part of their performance evaluation and therefore also affects their career prospects. As a result, early announcement will also provide an extra performance incentive for middle managers ("incentive alignment mechanism").
2. Action Generating Mechanism (Micro-> Micro): Information advantage, increased reciprocity motivation and performance incentives as they follow from early information will increase change related intelligent effort and performance of middle managers.
3. Transformation Mechanism (Micro-> Macro): The higher the number of middle managers whose change related efforts and performance increases, the higher the likelihood that the reorganization is successful.

2.3 Mechanism 2: Early announcement and influence attempts of non-managerial employees

The arguments of the commitment perspective have been challenged by scholars who emphasize that the costs of influencing and lobbying will rise to the degree that employees are informed about change. According to such an influence or Machiavellian perspective, the commitment view ignores the strategic nature of communication (Eisenberg and Witten 1987) and information asymmetries (Milgrom and Roberts 1988).

Influence perspectives predict that employees will likely use the information to their own advantage (Milgrom and Roberts 1988; Shaefer 1998). As a result,

early announcement and information procurement may result in resistance, coalition forming, lobbying, and costly influence attempts (Matějka and De Waegenere 2005). For example, Oreg (2006, p. 92), in a study of a merger of the two core units within an organization in the defense industry, reports a positive correlation between the amount of information and behavioral and cognitive resistance to change.

We suggest that the influence mechanism is more likely to become salient among non-managerial employees than among those with managerial responsibilities. The main reason is that non-managerial employees are usually not the purveyors of change, i.e. change agents with formal responsibility for implementation and success of the change, but targets who have to adjust to the change efforts (Bowen 2008). Unlike middle management, their career prospects and performance evaluations usually are not tied to their role in the design and implementation of reorganizations. Like middle management, being informed early allows them to anticipate on the impact of the reorganization on their own position, but unlike middle management, they do have far less incentives to use this information for the benefit of the reorganization. Joining forces with other employees will likely increase the chances to successfully influence change agents or to organize collective resistance. Being informed early extends the period through which effective counter-coalitions can be built, which in turn increases the chances of successful opposition or influence attempts.

In sum, the influence perspective predicts a negative effect of early announcement on reorganization success:

H3: The earlier top management announces a reorganization to non-managerial employees, the less successful the reorganization will be.

Influence and agency perspectives conceive employees as self-interested individuals, who try to minimize negative outcomes and improve their well-being. Organizational changes, which seriously threaten an employee's position or resource base, will therefore be taken much more seriously than changes, which do not have a direct impact on an employee's payoffs. Researchers have pointed to the strong motivating power of loss as a trigger for collective action in general (Van Assen 1998) and resistance to change in organizations (Gray 2002) in particular. It follows that the negative effects of early announcements on reorganization success will be much stronger in situations, in which the negative consequences for individual employees are severe, than in situations in which the consequences are less pronounced:

H4: The effect of early information of non-managerial employees on the success of reorganizations will be stronger negative for reorganizations with negative consequences for employees, than for reorganizations with no negative consequences for employees.

Exhibit 2 summarizes the different steps underlying the influence mechanism.

Exhibit 2: Stepwise explication of the influence mechanism for non-managerial employees

1. Situational Mechanism (Macro-> Micro):
 - a. Early announcement affects employees' opportunity structures by providing them with an information advantage, which extends the time available to build coalitions and influence change agents.
 - b. Early announcement affects employees' preferences in that it provides an incentive to improve their power position vis-à-vis management by forming oppositional coalitions. This incentive will increase the higher the potentially negative effects of the reorganization on the employees.
2. Action Generating Mechanism (Micro-> Micro): Information advantage and incentives to form oppositional coalitions will increase employees' efforts to influence change agents, and to exert pressure to adjust reorganization plans and objectives to their own advantage.
3. Transformation Mechanism (Micro-> Macro): The higher the number of employees who engage in particularistic influence attempts, the lower the likelihood that the reorganization is successful.

3 Research design and data

A strict empirical test of the two competing mechanisms would require a larger sample of organizations, for each of which one would collect information on a sizeable number of respondents at the level of (1) top-management (e.g. on the decision when and to whom to disclose reorganization plans, and on the outcome of the reorganization), (2) middle management (e.g. on performance evaluation, career prospects, commitment to change, perceived consequences of reorganizations etc.), and (3) non-managerial employees (e.g. on influence attempts, resistance to change, perceived consequences of change). Like most organizational research, also the present study faces the severe limitations with regard to the availability of high quality large scale in-depth organizational survey data (Liebig 2009). Though the recent attempts to create repositories of organizational datasets, and to develop more rigorous methodological standards with regard to research design and data quality are likely to improve the situation in the long run (Edler et al. 2012), encompassing multi-level organizational datasets of sufficient size, scope, and depth to subject our competing social mechanism explanations to a rigorous empirical test to date are non-existent.

For the present study, we used a Single Response Organizational Survey (SROS) design for our data collection. Though this design does not allow testing the causal chains of the two mechanisms, it nevertheless allows testing the macro (organization) level relationship between timing of information success and reorganization success. Data on reorganizations were collected by a telephone survey of key informants of establishments of private companies in the Netherlands. The target sample was randomly selected from a stratified sample of privately-owned establishments with 10

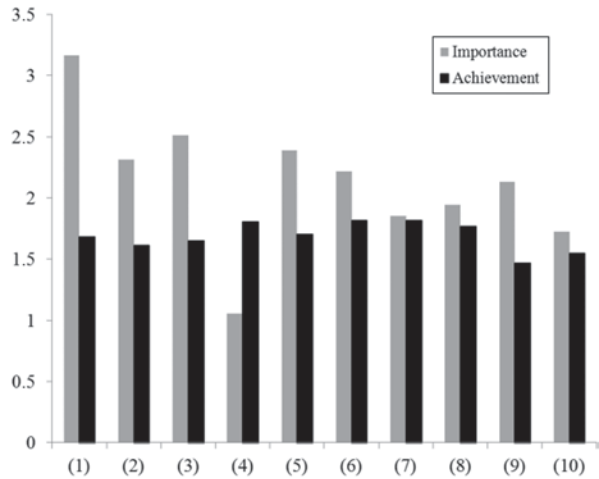
or more employees from the Chamber of Commerce central register. Registration is largely mandatory in the Netherlands, the few exceptions being irrelevant for this research (e.g., vendors). All industries with the exception of agricultural, health and education were involved. Only establishments that were created before 2000 and still existed in 2003 were sampled. These were first contacted by telephone in order to ask whether they would cooperate with the study, and if so, to identify the key informant who would be best informed about issues of organizational change and authorized to reveal this information. In more than 80% of cases, this key informant was the highest executive officer of the establishment or the owner/manager. The remaining respondents were senior managers of departments which were particularly involved in issues of organizational change. An introductory letter was sent to informants and an appointment for a telephone interview arranged. 32.1% of the contacted establishments cooperated in this research, resulting in 1131 telephone interviews on organizational processes and structures, including questions on ongoing or recently completed internal reorganization. No structural differences were observed between establishments that took part in our study and those that refused or declined to do so. The average length of interviews with 412 companies that experienced reorganization was 37 min. Our study is restricted to this subsample.

3.1 Measurements

Reorganization success was assessed with two questions. First, we asked informants “To what extent were the following goals important for the reorganization?” We offered ten goals: increase of efficiency, improvement of product or service quality, reduction of personnel costs, compliance to governmental regulations and product standards, improved internal communication, improved distribution of responsibilities, higher transparency, better controllability of the organization, change of corporate culture, and improvement of information management. Informants rated each one on a 5-point scale ranging from (0) not important at all to (4) extremely important. Second, we asked: “Judging the current situation, to what extent has each of the goals of the reorganization been achieved?” Response was coded in a 5-point scale ranging from (0) not achieved at all to (4) much better than expected. Figure 2 shows the distribution of (mean) achievement and (mean) importance per goal domain for the whole sample. The variable *reorganization success* represents the average of achievement across the 10 goal domains weighted by each goal’s importance.

Early vs. late announcements. The timing of information was measured with the following two questions: “When did your top management inform middle management about the interventions that will follow from the reorganization?”, and “When did your top management inform employees about the interventions that will follow from the reorganization?” Response categories were (1) [Middle management/employees] were informed before decisions about the reorganization were made; (2) they were informed after plans of the reorganization were defined; (3) just when the reorganization started; and (4) they were not informed at all. Two main dummy variables were created based on these two questions: *early information employees* was coded (1) if employees were informed before reorganization plans were defined, (0) otherwise. Similarly, *early information managers* was coded (1) if middle man-

Fig. 2 Reorganization success (per domain). Mean values per domain: (1) Efficiency, (2) Product or service quality, (3) Personnel costs, (4) Regulation and product standards, (5) Communication, (6) Responsibility, (7) Transparency, (8) Controllability, (9) Corporate culture, (10) Information



agement was informed in advance, or else (0). Further, given our interest in behavior triggered by information about change, we added a dummy for *employees not informed* [(1) if employees were not informed about the reorganization, (0) otherwise] to directly account for the effect of (early) information vis-à-vis no information among non-managerial employees. A similar treatment for the case of middle managers was not possible because the category “not informed at all” for this group did not occur in our sample.

Consequences of reorganization were elicited with the following question: “What are the most important consequences of the reorganization for employees? Response covered 11 dimensions (e.g. layoffs, reallocation of personnel to different functions, discretion over pace of work¹). We used this set to generate the variable *negative consequences* indicating that the reorganization had no negative consequences for employees (0) or that at one or more of the following conditions held (1): layoffs, reallocations, lower skills required, increase in work pace, decrease in discretion, intensification of control, increase of work pressure, decrease in autonomy, and deterioration of career prospects. To test the moderation effects, two interaction variables were constructed by multiplying the negative consequences with, respectively, early information of middle management and early information of employees.

Controls. We included several control variables. *Size* of the organization was assessed with the question “How many individuals were on your payroll at the end of the year 2002?” We computed the natural logarithm of this value. *Employee council* indicates whether the organization has institutionalized employee representation or labor union (0 = no; 1 = yes). To account for the quality of labor relations in the organization, we measured *vertical conflict* based on whether or not there were problems with regard to conflicts between management and workers (3 = severe problems, 1 =

¹ The full list of consequences comprised the following items dimensions: (1) layoffs, (2) reallocation of personnel to different functions, (3) retraining, (4) changes to required skills and competences, (5) changes to task allocation, (6) discretion over work pace, (7) discretion over how to carry out work, (8) control over employees, (9) work pressure, (10) responsibilities, (11) changes to career prospects.

few/no problems). *Involvement culture* represents the extent of employees' participation in the organization's decision making processes, measured as the logarithm of a 0:100 score meaning 0 = no involvement whatsoever and 100 = thorough involvement. Finally, *share of affected employees* measures to the proportion of employees who directly experienced the consequences of change. Table 1 summarizes descriptive statistics for all measurements used in the analysis.

4 Evidence

Multivariate linear regression analysis was applied to analyze the effect of the timing of announcements on perceived reorganization success. The results are summarized in Table 2. We computed three different models. In all three models, organizational size, the existence of a union, vertical conflict, and the degree of employee involvement were incorporated as baseline controls. In the first model, we only included the 3 variables related to the announcement of change: whether or not workers were informed, early information of workers, and early information of middle management. In the second model, we added 2 characteristics of the reorganization (share of affected employees and negative consequences for employees). In the third model, we added interaction effects between information timing and negative consequences of the reorganization.

Model 1 shows a significant negative effect of not informing employees about the reorganization, as well as a negative effect of giving early information to employees. There is also a positive effect of early information of middle management on reorganization success. Model 2—which accounts for two characteristics of the reorganization—shows that the effects of information timing remain significant and in the same direction. It also shows a positive and significant effect of the share of employees affected by reorganization—i.e. comprehensive reorganizations tend to be more successful also, given the conditions specified by model 2—. Finally, in model 3, the interaction effects between negative consequences and timing of announcement are not significant, and their inclusion into model 3 does not affect the main effects observed in the previous two models. None of the main effects of the control variables is significant in models 1, 2 and 3.

The findings support both the commitment and the influence perspective, differing for employees and middle managers in the predicted direction. First, as predicted, the effect of informing middle management early as compared to late information (i.e. information after reorganization plans were defined/just when the reorganization started) is significant and positive. This implies that timely communication to middle management *increases* reorganization success, supporting the commitment argument (*H1*). This result is independent of the potential negative consequences of change, since the hypothesized interaction effect is not significant, thereby disconfirming *H2*.

Second, informing workers early *decreases* the chances for reorganization success in comparison to late announcement. This finding is in line with the influence reasoning (*H3*). However, there is a negative effect of not sharing information with employees on reorganization success. This effect is stronger than the effect of early announcement, suggesting that not informing the workforce about change intentions

Table 1 Descriptive statistics

	<i>N</i>	Min : Max	<i>M</i>	<i>SD</i>	Correlations									
					10	9	8	7	6	5	4	3	2	
1. Reorganization success	412	0 : 11.20	2.91	2.29	-0.04	-0.02	-0.02	0.00	0.01	0.11	0.07	0.01	0.01	-0.13
2. Employees not informed	401	0 : 1	0.04	-	-0.05	0.00	-0.14	-0.04	-0.05	-0.09	-0.09	-0.14	-0.14	-
3. Early information employees	401	0 : 1	0.28	-	0.08	0.00	0.04	0.03	-0.06	0.06	0.60	0.06	0.60	-
4. Early information managers	390	0 : 1	0.52	-	0.03	-0.01	0.07	0.07	-0.08	-0.00	-0.08	-0.08	-0.00	-
5. Share affected employees	410	0 : 4.61	3.51	1.20	0.04	0.03	0.09	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01	-
6. Negative consequences	383	0 : 1	0.41	-	-0.02	0.09	0.05	0.03	0.03	0.03	0.03	0.03	0.03	-
7. Size	411	0 : 11.16	4.71	1.45	0.03	0.00	0.47	0.00	0.00	0.00	0.00	0.00	0.00	-
8. Employee council	412	0 : 1	0.60	-	0.16	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-
9. Vertical conflict	410	1 : 3	1.54	0.70	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-
10. Involvement culture	410	0 : 4.62	3.97	1.13	-	-	-	-	-	-	-	-	-	-

Highlighted correlations are significant $p < 0.05$

Table 2 Multivariate regression: effect of information timing on reorganization success

	Model 1		Model 2		Model 3	
	Estimate	S.E.	Estimate	S.E.	Estimate	S.E.
<i>Information</i>						
Employees not informed	-1.79**	0.57	-1.59**	0.59	-1.61**	0.60
Early information employees	-0.70*	0.32	-0.75*	0.33	-0.85*	0.43
Early information managers	0.84**	0.29	0.90**	0.30	0.99*	0.40
<i>Reorganization</i>						
Share affected employees			0.27**	0.10	0.27**	0.10
Negative consequences			-0.03	0.24	-0.01	0.35
<i>Consequences * Information</i>						
Negative * Early info employees					0.23	0.69
Negative * Early info managers					-0.22	0.62
<i>Controls</i>						
Size	-0.01	0.09	-0.00	0.10	-0.00	0.10
Employee council	-0.29	0.28	-0.40	0.29	-0.40	0.30
Vertical conflict	-0.15	0.16	-0.18	0.17	-0.18	0.17
Involvement culture	-0.08	0.10	-0.08	0.11	-0.08	0.11
R ²	0.05		0.07		0.07	
N (listwise valid)	384		356		356	

** $p < 0.01$; * $p < 0.05$

in an early stage is far more detrimental than informing them. The effect of the interaction effect between negative consequences and early announcement to employees is positive (as predicted by *H4*) but not statistically significant, disconfirming *H4*.

In sum, our results corroborate the two hypothesized main effects, whereas no evidence could be found for the hypothesized moderating impact of the severity of the change.

5 Discussion and conclusion

This study explored the consequences of timely announcements of planned organizational change on the perceived success of changes. We explored two competing mechanisms explaining the impact of early information on reorganization success. According to the commitment mechanism, early information both empowers middle-management and increases its commitment to the change agenda, thereby contributing to a more successful change trajectory. According to the influence mechanism, early information provides strategic information that non-managerial employees will exploit to their own advantage, and will result in setbacks for the reorganization. We further argued that these effects could be moderated by the degree to which the reorganization has negative consequences for the workforce. In our empirical study, we found support for both mechanisms at the (macro) organizational level: timely communication with employees decreases the chances for successful change independently of the consequences of the change. In addition, lack of communication correlates with an even stronger negative effect on perceived success. Timely com-

munication with middle management increases chances for success independently of the consequences of the change.

The findings on early information of middle management are in line with the commitment perspective, and confirm the pivotal role of this organizational segment for the functioning of organizations in general, and the planning and implementation of organizational changes in particular (Giangreco and Peccei 2005). A more complex picture emerges for communication with employees. The significant negative effect of early disclosure on perceived success of reorganizations suggests that early announcements of reorganization plans triggers politicking and strategic behavior in which the information is exploited to the detriment of the goals as they are defined by the dominant coalition. However, as the significant negative effect of not providing information at all shows, withholding information on change from employees can trigger negative consequences as well. Whereas early announcement may give employees a strategic advantage that is likely to be used against top management goals, not providing information can have an even worse effect in that lack of information might trigger stronger defection against change. There is a dilemma for top managers: revealing information too early may be a bad idea, but not disclosing information may be an even worse one. Perhaps the solution to this conundrum relates not only to the timing of the announcement but also to the quality and quantity of information, which may tame the negative influence of early information. Future research can benefit from addressing these subtle nuances in the decision of when, to whom and how to announce efforts of change.

Before concluding, it is appropriate to mention potential methodological limitations of our study. Single-response organizational surveys (SROS) like the one employed in this study are often criticized for relying fully on a single informant. Here, we address two of the more serious problems of SROS, and how we dealt with them: *insufficient knowledge* of the informant and increased risk of *common method bias*. The limitations of the expertise and detailed knowledge of key informants is an intensely discussed issue in strategic human resource research (see Gerhart et al. 2000a, b; Huselid and Becker 2000; Wright et al. 2001). In strategic human resource research, the bulk of the organizations surveyed are large corporations with multiple divisions and locations, which increases the problem of *insufficient knowledge* of informants. Earlier research concluded that the knowledge problem can be decreased if informants report on their establishments, and if establishments are small. In our study, the units of analysis are establishments with a very moderate median size. The single-informant problem of *insufficient knowledge* therefore appears to be not too severe.

The most likely reasons for a potential *common method bias* (see Podsakoff et al. 2003) are cognitive processes that result in overly coherent perceptions of the aspects of the reorganization episode ('consistency effect'), or the wish of the respondent to evoke a favorable impression of management's capability (a form of 'social desirability'). To evaluate the potential validity threat that may arise from common method variance, we applied Harman's single factor test on the set of indicators used in the analysis (cf. Podsakoff et al. 2003). We found that neither single factor solution nor a 'general' factor accounting for the lion's share of covariance emerges from our data. Principal component analysis on our variables yield 6 significant factors

accounting for 62.4% of observed variance; loading all variables into a single factor only accounts for only 16.9% of variance. Therefore, we ruled out common method variance in our data.

Our findings contribute to extant research in two ways. First, our study illustrates the power of combining a multi-level approach with social mechanism reasoning when analyzing organizational processes. The same intervention may trigger completely different mechanisms at different levels of the organization. Our findings demonstrate the need to distinguish between middle management and employees as two different targets of top-down communication strategies. To our knowledge, our study is the first one disentangling the consequences of timely informing these 2 groups of organizational actors. Whereas not informing employees at all or giving away information to employees too early may fire back against reorganization efforts in our data, timely information of middle-management can contribute to the success of the change project.

Second, while confirming earlier claims concerning the necessity to incorporate the timing of announcements into models of organizational change (Almeida Costa et al. 2003; Goodman and Truss 2004), our study refines previous research, which mostly emphasized the positive effects of timely and open communication. By disentangling commitment and influence mechanisms, the findings remind us of the strategic nature that the disclosure of information and the timing of announcements has in principal-agent relations.

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