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Social Exchange at Work: Impact on Employees’ Affective and Job-Related Outcomes under Continuous Change

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ABSTRACT

Over the last decade, the pace and extent of organizational change has increased dramatically. Under such conditions of continuous change, organizations find themselves struggling with issues such as employee stress, turnover, and low productivity. Social exchange, such as leader-member exchange and team member exchange, may play a critical role in employee outcomes during continuous change. In this paper, I propose a mediated model of employee outcomes under continuous change. Highlighting the role of leader-member exchange and team member exchange in employee performance and turnover intentions, I propose that this relationship will be partially mediated by employees’ affective reactions to change.

KEYWORDS: Social issues, Group dynamics, Employee work outcomes, Organizational change

INTRODUCTION

The idea of transformation has always been fundamental to human life. In context of business organizations, both classical as well as modern schools of organizational analysis endorse the idea that organizations are capable of change and that change can be beneficial (Delacroix & Swaminathan, 1991). However, over the last few decades, the pace of organizational change has increased substantially owing to a number of factors such as consumer demand, globalization, cost pressures, and technological advancements (Huy, 2002; Longenecker, Neubert, & Fink, 2007). “Businesses are confronting continuous and unparalleled changes” (Madsen, Miller, & John, 2005: 213).

This phenomenon of continuous change has been explained with the help of the continuous transformation model that has emerged during the last decade (Brown & Eisenhardt, 1997; Burnes, 2005; Greenwald, 1996). According to this model, an organization is considered analogous to a complex system in nature that needs to undergo continuous transformations to survive (Brown & Eisenhardt, 1997; Stacey, 2003). Moreover, an organization’s ability to change continuously and fundamentally is considered critical to its survival, especially in highly dynamic sectors such as information technology (IT) and retail (Brown & Eisenhardt, 1997; Greenwald, 1996).

Thus, change is no longer viewed as a sporadic activity, but as an essential, ongoing work place phenomenon that can seriously impact individual as well as organizational outcomes (Price, 2006; Vakola, Tsaousis, & Nikolaou, 2004). Therefore, it has become imperative for organizations to embrace continuous change in order to be successful (Madsen et al., 2005). Moreover, a firm’s ability to adapt to and implement continuous change is fast emerging as a unique competitive advantage in today’s dynamic business environment (Eisenhardt, 1989;
Lines, 2005; Price, 2006; Todnem, 2005). Consequently, organizations are constantly under pressure to find ways to manage change effectively (Kanter, 1989; Probst & Raisch, 2005).

Organizational ecologists, however, have opined that all changes involve some destruction due to “structural inertia” resulting from internal and external constraints, structural transformation, and/or personnel replacement (Boeker, 1989; Hannan & Freeman, 1977; Nelson & Winter, 1982). Thus, despite the consensus that the ability of organizations to manage change is critical to business survival (Carnall, 2003; Cummings & Worley, 2001; Kanter, Kao, & Wierseman, 1997) and that managing change must be a core competence (Brown & Eisenhardt, 1997; Dawson, 2003; Dunphy, Griffiths, & Benn, 2003), a majority of firms fail to develop this competency (Brodbeck, 2002; Burns, 2005; Harung, Heaton, & Alexander, 1999). This is evident from the fact that about 70% of change efforts result in failures (Beer & Nohria, 2000), and very few change projects achieve the desired objectives (Burke, 2002; Clarke, 1999; Porras & Robertson, 1992; Probst & Raisch, 2005; Styhre, 2002). Moreover, change has often been associated with maladaptive work patterns and negative outcomes (Bovey & Hede, 2001; Probst, 2003). Thus, it is generally accepted that organizational change is difficult and firms experience strong inertial forces (Haveman, 1992).

The knowledge that change can be difficult and disruptive has compelled researchers to not only examine the negative outcomes of change, but also the antecedents associated with these outcomes. Such an investigation might improve our understanding of change and change-related behaviors. Employees exhibit various types of negative outcomes during change such as cognitive, affective, and behavioral (Armenakis & Bedeian, 1999; Bernerth, Armenakis, Felld, & Walker, 2007; Fedor, Caldwell, & Herold, 2006; Lines, 2005; Oreg, 2006; Stanley, Meyer, & Topolnytsky, 2005), which might be influenced by several macro- and micro-level antecedents (Judge, Thoresen, Pucik, & Welbourne, 1999; Oreg, 2006; Probst, 2003). While some of these antecedents and outcomes have often been researched, others have remained neglected. For example, limited research exists on role of social exchange variables such as leader-member exchange (LMX) and team-member exchange (TMX) in employee outcomes under continuous change. Similarly, research focusing on affective outcomes such as affective commitment during change and change-specific cynicism (Armenakis & Bedeian, 1999) is minimal at best.

It may also be worth noting that previous change-related studies have generally been conducted within the context of specific change interventions such as restructuring (Probst, 2003; Rousseau & Tijoriwala, 1999), downsizing (Gowan, Riordan, & Gatewood, 1999), and mergers and acquisitions (Fugate, Kinicki, & Scheck, 2002; Scheck & Kenicki, 2000). While these studies have strengthened change-related theories and have laid the foundation for further empirical inquiry, an examination of these variables under continuous change conditions seems necessary considering the perpetual nature of change in organizations today.

Such an investigation would be important in two ways. Firstly, a majority of firms today face far more complex change situations compared to those experienced in the past. Under these conditions, characterized by continuous and rapid change, traditional ways of managing change might not work (Higgs & Rowland, 2005). Secondly, same factors might exhibit different patterns of relationships under constant change compared to a specific change intervention. However, continuous change has rarely been the context of such investigations.

**Purpose of Present Research**

The purpose of this research is twofold. The first goal of this study is to propose an integrated model of employee outcomes under continuous change. “Employees today are facing greater
changes, at a more rapid pace, than ever before” (Wanberg & Banas, 2000:132). This often has serious implications for employee outcomes and, in turn, organizational outcomes. The psychological unpredictability associated with change, augmented by deficient change management efforts, has been known to induce several types of negative reactions among employees that may be broadly categorized as cognitive, affective, intentional, and behavioral (cf. Lines, 2005; Piderit, 2000; Smollan, 2006). Drawing from existing literature, in this study I propose two levels of change outcomes. Affective reactions to change, i.e., stress, change-specific cynicism, and affective commitment, constitute the first-level outcomes, and job-related outcomes, i.e., turnover intentions and performance, comprise the second-level outcomes.

A second objective of this paper is to propose social exchange variables as important antecedents of employee outcomes during constant change. Previous studies have linked social antecedents such as LMX and TMX to various employee outcomes (cf. Harris, Kacmar, & Witt, 2005; Liden, Wayne, & Sparrowe, 2000; Sherony & Green, 2002; Varma, Srinivas, & Stroh, 2005). These social variables might also influence employee outcomes during continuous change, since past studies have linked social support (Porras & Robertson, 1992; Tierney, 1999) and social environment (Brown & Quarter, 1994) to employees’ change behavior. However, the role of LMX and TMX in employee outcomes under change has not been studied earlier.

Thus, it is posited that social exchanges at work (LMX and TMX) will impact employee turnover intentions and performance, and that employees’ affective reactions to change (stress, change-specific cynicism, and affective commitment) will partially mediate this relationship. Figure 1 represents the relationships among social exchange variables and outcome variables being proposed in this study.

Figure 1: Conceptual Model of Employee Outcomes Under Continuous Change

![Conceptual Model of Employee Outcomes Under Continuous Change](image)

**Straight arrows represent relationships between predictor and criterion variables; dotted arrows represent possible correlation.**
THEORETICAL BACKGROUND PROPOSITIONS

Organizational Change

Early Change Approaches

Given the importance of organizational change, a number of approaches to organizational change have emerged over the years. Traditionally change has been portrayed as a discrete event comprising a sequence of unfreezing, moving, and freezing (Lewin, 1951). This “planned approach” to change, characterized by being group-based, consensual, and slow, was criticized as being inflexible and inappropriate for situations requiring rapid change (Burnes, 2005; Peters & Waterman, 1982). In the 1970s, the “incremental approach” viewed change as a process where different parts of the organization changed incrementally and separately, one at a time, such that the organization would be transformed over time (Hedberg, Nystrom, & Starbuck, 1976; Quinn, 1982). In the 1980s, this approach gave way to the “punctuated equilibrium model” of organizational change which states that organizations evolve through relatively long periods of stability punctuated with short bursts of fundamental change (Romanelli & Tushman, 1994).

Continuous Transformation Approach to Change

Another perspective that emerged in the 1980s was the “continuous transformation model” that rejected the earlier change approaches (Burnes, 2005). This model draws from complexity theories (cf. Manson, 2001; Resher, 1996; Stacey, 2003), which have been increasingly used by researchers to understand and promote organizational change (Black, 2000; Boje, 2000; Stacey, Griffin, & Shaw, 2002; Tetenbaum, 1998). The proponents of this model believe in the evolutionary nature of change and view an organization’s ability to change continuously and fundamentally as critical to its success, especially in fast-moving sectors such as retail and IT (Brown & Eisenhardt, 1997; Burnes, 2005; Stacey, 2003). Supporting the continuous transformation model (e.g., Brown & Eisenhardt, 1997; Higgs & Rowland, 2005), past researchers have argued that an evolutionary and complexity-theory based approach to change might bring greater insights (Sammut-Bonnici & Wensley, 2002).

Advocates of the complexity approach to change have used the approach to explain high failure rates of change initiatives. According to them, organizations are dynamic, complex, non-linear systems with a set of simple order-generating rules (MacIntosh & MacLean, 1999; Stacey, 2003). Most change efforts, however, involve a linear, top-down, transformational change approach instead of the self-organizing approach required for a complex system, resulting in failures (Higgs & Rowland, 2005; Styhre, 2002). Thus, change initiatives should be built around the principles of self-organizing to be successful which assumes a critical role of individual-level human activities in outcomes (Kiel, 1994). In this study, organizational change is viewed as a complex, continuous phenomenon and organizations as complex, nonlinear entities.

Employee Outcomes Under Continuous Change

Two levels of outcomes including affective, intentional, and behavioral responses are included in this study. Stress, change-specific cynicism, and affective commitment are the first-level (affective) outcomes, whereas turnover intentions and performance constitute the second-level (intentional and behavioral) outcomes. Understanding and managing these employee outcomes may be critical to an organization’s long term success. In the following section I explain these two levels of employee outcomes and rationalize their inclusion in the present study.
Affective Outcomes

An inevitable aspect of change is affective or emotional responses (Basch & Fisher, 2000; Piderit, 2000). Affective Events theory explains affective experiences at work as arising from work events, rather than job characteristics (Weiss & Cropanzano, 1996). Organizational changes could be such events that evoke emotional responses in employees. Researchers have advocated examining affective reactions during change since these can undermine the success of change initiatives (cf. Armenakis & Bedeian, 1999; Gilmore, Shea, & Useem, 1997). For example, McHugh (1997) reported many employees experiencing disaffection under constant change conditions. However, the affective domain has generally been neglected in change research in favor of cognitive and behavioral aspects (Moss holder et al., 2000). Given their critical role in organizational change and employee turnover (Armenakis & Bedeian, 1999, Bernerth et al., 2007; Oreg, 2006; Stanley et al., 2005), stress, change-related cynicism, and affective commitment were included as the primary outcomes in this study.

Stress is defined as a coping mechanism adopted by the individual to meet the excessive psychological or physical demands (Gregory & Griffin, 2000). In this study, stress is defined as an unpleasant emotional and physiological state induced by negative work experiences, lack of perceived control, and uncertainty (Hart & Cooper, 2001). Stress is a major concern to managers as well as researchers since employees are experiencing increasing levels of stress due to changing work demands, job uncertainty, and work overload (Jex, 1998) resulting in problems such as reduced productivity and high turnover (e.g., Netemeyer, Burton, & Johnston, 1995).

Organizational change induces stress when an individual lacks adequate resources to cope with new work requirements (Lazarus, 1993). Schabracq and Cooper (1998) noted that individuals experience stress during change as their *situated skills*, i.e., skills acquired as a result of developing general automatic responses to repetitive work requirements, become invalid. During change, individuals have to acquire new skills as well as cope with uncertainty, which generally leads to stress.

*Affective commitment* refers to an employee’s positive emotional attachment to the organization (Allen & Meyer, 1996). It has also been defined as the “emotional bond of employees to their organizations” (Rhoades, Eisenberger, & Armeli, 2001). Affective commitment is one of the strongest predictors of organizational outcomes (Wasti, 2003). It has also been associated with organizational change (Gilmore et al., 1997; Schweiger & DeNisi, 1991). As a result, researchers have suggested that commitment should be one of the criterion variables in change-related studies (Armenakis & Bedeian, 1999; Becker, Billings, Eveleth, & Gilbert, 1996). For example, Armenakis et al. (1999) included commitment as an important factor in their process model of change. It was also a key variable in Klien and Sorra’s (1996) model of innovation implementation at work. However, in spite of its importance, affective commitment has seldom been examined in context of change (cf. Herscovitch & Meyer, 2002).

*Change-related cynicism* is an employee’s “disbelief of management’s stated or implied motives for (a specific) organizational change” (Stanley et al., 2005: 436). Previous research has affirmed that change might lead to employee cynicism (cf. Armenakis & Bedeian, 1999) and that change efforts would most likely fail if employees do not trust management’s change motives (Reichers, Wanous, & Austin, 1997). Thus, change-specific cynicism appears to be an important variable to be examined in context of continuous change (Stanley et al., 2005). Previous research has rarely examined this construct in the context of change.
Job-Related Outcomes

A review of existing literature reveals that employee turnover intentions are often the outcomes of organizational change (Oreg, 2006; Rafferty & Griffin, 2006; Stensaker, Meyer, Falkenberg, & Haueng, 2002). Turnover intention refers to an individual's desire to leave an organization. Past studies have often linked turnover intentions to actual turnover (e.g., Hom, Caranikas-Walker, Prussia, & Griffeth, 1992; Mobley, 1977) implying that employees might cope with change by harboring intentions to leave and by subsequently exiting the organization. These research findings are corroborated by the high employee turnover rates prevalent in a majority of organizations operating under a dynamic business environment (Peterson, 2006; Townsend, 2006). For example, in 2005 the overall attrition rate in Asia increased to 16% from 14% the previous year (Hewitt, 2006). The turnover rate was highest for the professional, supervisor, and/or technical level at 39%. Such voluntary turnover costs U.S. organizations billions of dollars annually (Rosch, 2001) along with the loss of valued knowledge resources (Holtom, Mitchell, Lee, & Inderrieden, 2005; Steel, Griffeth, & Hom, 2002). Given the criticality of employee retention to organizational functioning (Allen, Weeks, & Moffitt, 2005; Griffeth & Hom, 2001; Holtom et al., 2005; Steel et al., 2002), turnover intention, as a proxy for turnover (cf. Chiu & Francesco, 2003; Rafferty & Griffin, 2006), was chosen as a second-level outcome.

Another change outcome critical to organizational effectiveness is an employee's (or team's) performance on such measures as product or service quality, time taken to finish the task, etc. Although a few previous studies have shown change to have a negative impact on employee performance (Oreg, Leder, & Castro, 2006), models of responses to change having performance as an outcome variable are almost non-existent. Considering that performance is a key criterion of employee and team effectiveness, performance (both individual and team) was also another secondary outcome variable in this study.

Social Exchange and Employee Outcomes during Continuous Change

A number of theoretical explanations have been forwarded in the organizational change literature to emphasize the role of social exchange variables in work outcomes. For example, according to the social information-processing perspective, in the absence of a single interpretation of change events due to the inherent complexity and ambiguity (Isabella, 1990) employees' change perceptions are likely to be influenced by their peers, subordinates, and superiors (cf. Lines, 2005; Rice & Aydin, 1991; Salancik & Pfeffer, 1978). Similarly, conservation of resources (COR) theory (Hobfoll & Freedy, 1993) emphasizes the role of peer and supervisor support as valued social resources in stress, turnover intentions, and low commitment (Burke & Richardson, 1993; Halbesleben, 2006; Kahill, 1988). The COR theory posits that negative behavioral and attitudinal outcomes occur when there is an actual or perceived loss of valued resources, the resources are insufficient to meet work demands, or the returns are less than expected on an investment of resources (Hobfoll, 1988; Lee & Ashforth, 1996). The key resources include social support, autonomy, job enhancement opportunities, and so on, which are put under strain by work pressures, unpredictability, and stressful events such as organizational change (cf. Lee & Ashforth, 1996; Wright & Cropanzano, 1998).

Empirical research also attests to the importance of social factors in change outcomes. For example, in a study examining causes and consequences of managerial failure in rapidly changing organizations, Longenecker et al. (2007) identified “poor work relationships” with a superior and colleagues as the second most important reason for failure. Other studies have also confirmed the role of supervisor and colleagues in change-related outcomes (e.g., Lines, 2005; Neves, 2009).
In this study, two social exchange variables - LMX and TMX were included. Support for LMX and TMX as important factors in change outcomes can be drawn from the relational perspective forwarded by Moss holder, Settoon, and Henagan (2005). Building upon the concepts of social capital (actual or potential resources available to individuals through relationships), social exchange, and relational systems (Blau, 1964; Kahn, 1998; Leana & Van Buren, 1999), the authors identified relational reciprocity, mutual obligation, and connectedness as important factors in turnover and other withdrawal behaviors. These factors are characteristics of high-quality exchanges between leader and members and among team members, i.e., LMX and TMX (e.g., Sherony & Green, 2002).

Leader-Member Exchange (LMX)

Drawn mainly from the concepts of role making (Graen, 1976) social exchange, reciprocity, and equity (Blau, 1964; Deluga, 1994), LMX theory posits that leaders develop differential relationships with their subordinates through reciprocal exchanges involving role expectations, rewards, and resources over time, resulting in dyadic relationships of varying quality (Graen & Uhl-Bien, 1995). For example, a high quality LMX may emerge characterized by high interaction, interpersonal support, and trust. On the contrary, a low LMX would involve a formal association, less interaction, and low levels of trust.

The quality of LMX has been linked to a number of organizational outcomes including performance, commitment, satisfaction, stress, and higher turnover intentions (e.g., Gerstner & Day, 1997; Griffith & Hom, 2001; Wang, Law, Hackett, Wang, & Chen, 2005). Harris, Kacmar, and Witt (2005) had suggested that low LMX would increase turnover intentions due to its negative impact on employees’ feelings and cognitions. High LMX has also been associated with job-related risk-taking, non-routine behaviors, greater job autonomy, flexibility, and decision-making authority (Graen & Cashman, 1975), which might be critical to employee outcomes especially during change. Additionally, in high LMX situations, employees would be more informed and aware of organizational events such as change (Graen, 1989) and will perceive the climate as change-conducive (Kozlowski & Doherty, 1989), which might reduce employee cynicism and intentions to quit during change. Given these associations, and the fact that high LMX is characterized by mutual trust and support, it is likely that LMX would positively influence employees’ ability to handle change as well as change-related outcomes.

**Proposition 1:** LMX has a negative relationship with stress and change-specific cynicism, and positive relationship with affective commitment under continuous change conditions.

**Proposition 2:** LMX has a negative relationship with turnover intentions and a positive relationship with performance under continuous change conditions.

Team-Member Exchange (TMX)

TMX is similar to LMX in that it is also based on the notions of exchange, reciprocity, and each party’s contribution in terms of resources (Seers, 1989). However, TMX is not dyadic but rests on the premise that individuals aggregate their role-specific reciprocal exchanges across members of the group, reinforcing their own role identities as well as the group’s identity as a team in the process (cf. Jacobs, 1970; Seers, 1989). A high quality TMX is characterized by mutual cooperation, collaboration, and higher social rewards, whereas a low quality TMX is signified by less effort, cooperation, and rewards.
Previous studies have linked TMX to several work outcomes including job satisfaction, performance (Seers, 1989), work attitudes, efficiency (Dunegan, Tierney, & Duchon, 1992; Seers, Petty, & Cashman, 1995), and organizational commitment (Liden et al., 2000). TMX might play an analogous, important role in change-related outcomes as well. Support from peers, which is integral to high quality TMX, has been identified as an important resource under COR theory to deal with stress and negative emotions triggered by change. Jones and George (1998) indicated that individuals who enjoy high quality relationships with their team members exhibit more involvement, risk-taking, and extra-role behaviors at work. Members of such teams also engage in open communication, free information exchange and feedback, and reciprocal helping behaviors (Jones & George, 1998; Seers, 1989). These behaviors might significantly influence outcomes such as commitment, cynicism, and turnover intentions in a change context.

Moreover, high levels of mutual trust and support enjoyed by the team members in a high TMX situation, and positive perceptions of change climate might help them cope with change (Tierney, 1999) and weaken their intentions to leave the organization. This situation, described as *embedding*, protects individuals against shocks (e.g., change) that result in turnover decisions (Mitchell & Lee, 2001) and low affective commitment (Burt, 2001). Thus, I propose:

*Proposition 3*: TMX has a negative relationship with stress and change-specific cynicism, and a positive relationship with affective commitment under continuous change conditions.

*Proposition 4*: TMX has a negative relationship with turnover intentions and a positive relationship with performance under continuous change conditions.

**Relationship between Affective and Job-Related Outcomes**

Individual reactions to change involve four basic human processes, namely, perception, cognition, affect, and action (Ellis & Harper, 1975; Schlesinger, 1982). These processes do not occur in isolation but are interrelated in that the final “behavior” is often a result of “affect” triggered by “perceptions” and “cognitions” of the activating event. Confirming this notion, Bovey and Hede (2001) found that individuals’ intentions to resist change were influenced by their emotions that, in turn, were influenced by their perceptions and cognitions about a change. Thus, it can be argued that affective outcomes being examined in this study would be related to the final outcomes, i.e., turnover intentions and performance.

**Relationships of Stress with Turnover Intentions and Performance**

Parker and DeCotiis (1983) conceptualized job stress as a first level outcome that might cause second-level outcomes such as avoidance behavior, low productivity, and dissatisfaction if it persists over a long time. Selye (1976) viewed stress as additive, also consistent with the idea that stress would lead to second-level outcomes if it becomes intense or if it continues over a prolonged period.

Supporting the notion of stress as an antecedent to other negative outcomes, Schaubroeck and Ganster (1993) noted that chronic stress could diminish an individual’s ability to adapt to challenging situations and to perform on challenging tasks, thereby reducing productivity. In another study, Cohen (1980) indicated that under prolonged stress individuals are forced to pay special attention resulting in information overload, which creates cognitive fatigue and energy drain affecting task performance negatively.
Several other studies have also confirmed that job stress could lead to a number of lasting deviations at work. For example, stress is related to low productivity, absenteeism, and turnover (Beehr & Newman, 1978; Schuler, 1980). Work-related stress has also been linked to burnout, which impacts turnover intentions, turnover (e.g., Chermiss, 1992; Lee & Ashforth, 1996), and job performance (Halbesleben & Buckley, 2004; Maslach, 1982).

**Proposition 5:** Stress has a positive relationship with turnover intentions and a negative relationship with performance.

**Relationships of Affective Commitment with Turnover Intentions and Performance**

A key organizational change variable, affective commitment (Bernerth et al., 2007) is an antecedent to several individual and organizational outcomes including turnover and performance (Allen & Meyer, 1996; Griffeth, Hom, & Gaertner, 2000; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). It has been a strong, consistent predictor of employee turnover intentions and turnover and is included in most turnover model (Bentein, Vandenberg, Vandenberghe, & Stinghamber, 2005; Griffeth et al., 2000; Neves, 2009). These findings have been confirmed by a recent meta-analysis conducted by Meyer et al. (2002) involving three commitment dimensions. The authors reported a high negative correlation between affective commitment and withdrawal intentions and added that the effects on withdrawal intentions were consistently strongest for affective commitment across studies. Affective commitment was also linked positively to job performance and organizational citizenship behaviors. Wasti (2003) found affective commitment to be an important predictor of turnover intentions irrespective of employees’ cultural values.

**Proposition 6:** Affective commitment has a negative relationship with turnover intentions and a positive relationship with performance.

**Relationships of Change-Specific Cynicism with Turnover Intentions and Performance**

Employee cynicism refers to a negative attitude toward the organization accompanied by negative emotions, mistrust, and deviant behavior (Dean, Brandes, & Dharwadkar, 1998). Thus, high levels of employee cynicism might lead to negative affective and behavioral responses. Cynicism is an important variable in organizational change research (Bernerth et al., 2007; Armenakis & Bedeian, 1999) that has been proposed as an important antecedent to employees’ resistance to change (e.g., Abraham, 2000; Wanous, Reichers, & Austin, 2000). Recently, Stanley, Meyer, and Topolnytsky (2005) differentiated between general and change-specific cynicism and emphasized the importance of latter in employees’ resistance to change. The authors showed that change-specific cynicism correlated more strongly with intentions to resist change than general cynicism.

Thus, given the importance of individual reactions to organizational change (e.g., Judge et al., 1999; Wanberg & Banas, 2000) and the demonstrated role of change-specific cynicism in intentions to resist change (Stanley et al., 2005), it might be argued that change-specific cynicism is significant in change-related outcomes. Employees with high change-specific cynicism would likely harbor negative attitudes toward management, expend energies in resisting change, and experience negative emotions, thereby decreasing productivity and increasing intentions to leave.

**Proposition 7:** Change-specific cynicism has a positive relationship with turnover intentions and a negative relationship with performance.
Mediated Model of Change-Related Outcomes

Previous researchers have espoused and found support for the notion that human processes occur in a rational-emotive-behavior sequence (e.g., Bovey & Hede, 2001; Ellis & Harper, 1975; Schlesinger, 1982). In his conceptual work on cognitive, affective, and behavioral responses to change, Smollan (2006) proposed similarly that organizational change would initially lead to cognitive responses, which, in turn, would trigger affective responses. The affective responses, along with the evaluation of potential behavioral responses, would result in the final behavioral outcomes. Thus, individual perceptions about change, organizational fit, and social exchanges would elicit affective reactions that, in turn, would influence turnover intentions and performance.

Support for the mediating role of affect in change outcomes can also be found in the literature related to stress and affective commitment. Stress has often been viewed as a first-level affective outcome that mediates the relationship between several antecedents and behavioral consequences (Janis & Leventhal, 1968; Motowildo, Packard, & Manning, 1986; Parker & DeCotiis, 1983). However, a partial mediation is proposed since the social exchange variables will likely have significant direct affects also on job-related outcomes.

*Proposition 8: Affective outcomes (stress, affective commitment, change-specific cynicism) partially mediate the relationship between social exchange (LMX and TMX) and job-related outcomes (turnover intentions and performance).*

SCOPE AND BOUNDARY CONDITIONS

This study is one of the initial attempts toward proposing employee outcomes under continuous change conditions. Assuming that most organizations operating in highly dynamic industries such as retail, IT (Brown & Eisenhardt, 1997), and outsourcing undergo continuous change to survive, research based on this model need to be conducted within highly dynamic industries as the retail and outsourcing. Such industries are characterized by the use of advanced communication technology, global operations, continuous changes in the external environment and the internal environment, high growth rates, and open market conditions. Organizations operating in such industries have to adapt continuously to changing demands of the market. This qualifies them as an appropriate population for an examination involving continuous change.

One such industry can be the outsourcing industry. A vast majority of U.S. firms either already outsource or plan to outsource in the near future to offshore locations such as India and China. A recent study indicates that IT-outsourcing by U.S. firms will continue to grow in the coming years (Fish & Seydel, 2006). Additionally, a large number of U.S. firms have established their own captive centers in abroad that also face change-related challenges. Therefore, an empirical study is such as setting would be especially relevant for U.S.-based firms and their offshore counterparts.

One major boundary condition of this study pertains to the type of industry and organizations from which the sample may be drawn. Since the participating firms should belong to a particular type of industry, i.e., highly dynamic industry witnessing continuous changes, it would likely limit the generalizability of results. Moreover, many of these organizations might be team-based, which needs to be considered when implementing the study and making any inferences. The model may not be appropriate for stable organizations.
IMPLICATIONS FOR RESEARCH AND PRACTICE

Research Implications

This study provides impetus for future research in the area of continuous change and social exchanges. The proposed mediation model can be tested empirically to understand the role of social exchanges, emotions, and intentions in employee behavior under change conditions. Testing the model can also explain the relationships among primary and secondary outcome variables. The model can be refined further to include team-related outcomes and other antecedents too. Additionally, in investigating the micro-level factors determining change outcomes in organizations, this study highlights not only the social-psychological underpinnings of change outcomes, but also the role of emotions. Thus, as one of the initial attempts to posit a conceptual framework for employee outcomes under conditions of continuous change, this study hopes to attract the attention of researchers to the phenomenon of continuous change.

Practical Implications

From a practitioner’s perspective, this study is important since employee turnover is a major problem that typically results organizations large personnel costs (Barrick & Zimmerman, 2005). Moreover, apart from the obvious economic consequences, high turnover might upset the social-psychological equilibrium of the firm, resulting in intangible costs in terms of impaired relationships and increased stress and instability (Allen et al., 2005). These types of consequences might be especially important in team-based organizations where employees work in close proximity with each other. Current study might help managers understand the relational and emotional dynamics of employees’ intentions and behavior and enable them to design interventions for more effective change management.
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