

CHANGE MANAGEMENT INITIATIVES AND CHANGE SUCCESS IN
DIRECT SELLING INDUSTRY: THE MODERATING EFFECT OF
ATTITUDE TOWARDS CHANGE

By

FILZAH MD ISA

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DEDICATION

This thesis is dedicated with full affection to my beloved husband, Abdul Razak bin Walad; to my loving and supportive parents and also to my brothers and sisters who have formed one important part of my life. They are truthfully a blessing from the Supreme Creator to add vibrant colors and excitement to my lonely journey to success.

Apart from that, this thesis is also purportedly dedicated to my future personal achievements and to the overall academic growth and development of any interested individuals who may consider this piece of academic writing as worthy of review, especially those from Universiti Utara Malaysia and Universiti Sains Malaysia, the two prominent institutions that contribute the most to my career expansion.

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ABSTRAK

Disebabkan oleh kepentingan perubahan dalam organisasi perniagaan jualan langsung di Malaysia pada hari ini, maka kajian ini dilaksanakan untuk mencapai dua objektif penting: (1) menyiasat hubungan antara inisiatif pengurusan perubahan dan kejayaan perubahan dalam industri jualan langsung, dan (2) memeriksa kesan moderasi sikap terhadap perubahan ke atas hubungan antara kesemua inisiatif pengurusan perubahan dan kejayaan perubahan. Tujuh pembolehubah tidak bersandar telah digunakan untuk mewakili inisiatif pengurusan perubahan: sistem imbuhan, maklumbalas, visi perkongsian perubahan, penglibatan, latihan, sokongan penaja, dan komunikasi. Dua pembolehubah bersandar iaitu prestasi jualan dan kepuasan kerja telah dijadikan proksi kepada kejayaan perubahan, manakala sikap terhadap perubahan pula dianggap sebagai penyederhana tunggal bagi kesemua hubungan yang dikaji. Unit analisis kajian ini ialah pengedar jualan langsung. Dari 690 soal selidik yang diedar, 244 daripadanya telah dikembalikan tetapi hanya 238 sahaja yang berguna mewakili kadar respon sebanyak 34.5 peratus. Selepas beberapa siri analisis faktor dijalankan, pembolehubah penglibatan terpaksa disingkir dari senarai pembolehubah bebas kerana masalah 'tidak sekelompok' dan nilai alpha kebolehppercayaan yang rendah. Dari dua belas hipotesis 1 (H.1) hanya lima yang disokong. Secara khususnya, sistem imbuhan dan maklumbalas didapati berhubungan secara positif dengan prestasi jualan, manakala, visi perkongsian perubahan, latihan, dan sokongan penaja pula didapati berhubungan secara positif dengan kepuasan kerja. Apa yang jelas, pembolehubah komunikasi tidak memperbaiki kedua-dua proksi kejayaan perubahan. Berkaitan dengan objektif yang kedua, hasil kajian memberi petunjuk bahawa tiada satu pun hubungan di antara inisiatif pengurusan perubahan dan prestasi jualan yang menjadi lebih kukuh apabila sikap terhadap perubahan di kalangan pengedar jualan langsung adalah tinggi. Sebaliknya, hubungan antara sistem imbuhan dan latihan dengan kepuasan kerja didapati menjadi lebih kukuh apabila sikap terhadap perubahan di kalangan pengedar jualan langsung adalah tinggi, manakala yang selebihnya didapati tiada perubahan. Oleh itu, hanya dua daripada hipotesis 2 (H.2) yang disokong.

ABSTRACT

Due to the importance of change in today's direct selling business organizations in Malaysia, this study is conducted to accomplish two main objectives: (1) to investigate the relationship between change management initiatives and the success of change in direct selling industry in Malaysia, and (2) to examine the moderating effect of attitude towards change on the relationship between change management initiatives and the success of change. Seven independent variables were used to represent change management initiatives: *compensation systems*, *feedback*, *shared change vision*, *participation*, *training*, *upline support* and *communication*. Two dependent variables namely sales performance and job satisfaction were used as proxies of change success, and attitude towards change was regarded as the sole moderator for the relationships. The unit of analysis is individual salesperson. From 690 questionnaires, 244 were returned but only 238 were usable yielding a response rate of 34.5 percent. After running a series of factor analyses, participation had to be dropped from the independent variables list due to non-clustering problem and low reliability alpha value. Out of twelve hypotheses 1 (H.1) only five are supported. Specifically, compensation systems and feedback were positively related to sales performance, whilst on the other hand, shared change vision, training and upline support were positively related to job satisfaction. Apparently, communication does not improve both change success proxies. In relation to the second objective, the findings indicated that none of the relationship between change management initiatives and sales performance was stronger when attitude towards change among salespersons was high. On the contrary, the relationships between compensation systems and training with job satisfaction were discovered to get stronger when attitude towards change among salespersons was high, while the rest were not. Hence, only two hypotheses 2 (H.2) are supported.

Chapter 1

INTRODUCTION

1.1 Introduction

Today's world is a change world. We have seen many significant changes taking place. Business in particular experienced momentous 'environmental forces of change' over the last 40 years. Globalization has evidently forced organizations to implement various changes in order to compete, survive and sustain one's business. In today's turbulent business environment, change has become synonymous with standard business practices for any organization. Hence, to remain competitive and profitable in the market place, business organizations are compelled to comply with multi-forces of change such as competition, consumer demand, technological advancement, economic development, political pressure, social trend, and workforce diversity. Each of these environmental forces represents different levels of challenge to an organization. Organizations thereby, need to change in order to face the challenges successfully.

Organizations that undertake any change movement need to focus on how to increase employees' job satisfaction and performance while planning for change initiatives. However, the success of change strongly depends on the acceptance of change by employees which normally reflects the attitudes of the employees toward the change process. Therefore, to ensure the success of a change implementation, both organizational (i.e. strategy) and human aspects (i.e. management and employee) need to be strategically complemented because these two aspects appear to be very critical to the

successful change management initiatives. More importantly, any change initiatives must be properly aligned with the overall objectives of the organization.

One of the industries that are concurrently experiencing high growth and high employee turnover rate is direct selling (World Federation of Direct Selling Association (WFDSA), 2005). The industry is also continuously challenged with the demand for change that has been caused by globalization, particularly technology advancement and change of consumer needs and wants. Hence, to remain competitive, most direct selling companies today have adopted the use of technology in their daily operations. It is due to such adaptation that, their working climate i.e. culture and structure, need to be re-examined to cater for the change requirements in the market force.

In line with the introduction of this research, this chapter presents an overview of the study which include the discussion on the industry; the problem statement; objectives of the study; research questions; definition of key terms, and discussion on the significance of study. This chapter ends with an organization of the remaining chapters.

1.2 Background of the Study

Direct selling has been labeled as a unique entrepreneurial activity and the industry continuously show significant growth throughout the world. Direct selling activity normally involves personal selling strategies. Specifically, direct selling can be defined as “the marketing of goods and services directly to consumer in a person to person manner, generally approached at their homes, at their workplace and other places away from permanent retail location” (Kennedy, 1999; Kennedy & Mavondo, 2003). It typically takes place through explanation or demonstration by salespersons normally

referred to as direct sellers (Federation of European Direct Selling Association (FEDSA), 2001). Personal selling on the other hand is defined as “direct communication between paid representatives and prospects that lead to purchase orders, customer satisfaction, and post-sale service” (Dalrymple & Cron, 1998), and is also treated as a process of developing relationships, discovering needs, matching the appropriate products with those needs, and communicating benefits through informing, reminding or persuading activities (Manning & Reece, 2004). Hence, based on the close resemblance of definitions, both personal selling and direct selling terms are sometimes used interchangeably or synonymously in several different contexts.

However, in Malaysia, the term “direct selling” is used widely by direct selling practitioners which is registered with the Ministry of Domestic Trade and Consumer Affairs, whereas, personal selling is normally applied in other selling contexts that might have similar concept as direct selling i.e. insurance industry, retailing and trading. According to the Ministry, there are four different types of direct selling companies in Malaysia namely, multi-level marketing (MLM), single-level marketing (SLM), money order (MO) and combination of single-level marketing and money order (SLM/MO) companies (Ministry of Domestic Trade and Consumer Affairs, 2004; 2006)

Historically, direct selling in Malaysia first started in 1970s with the involvement of American and Taiwanese companies. Among the pioneers in local direct selling industry were Electrolux, Encyclopedia World Books, Tupperware and Avon Cosmetics. With the advancement and the internationalization of direct selling companies such as Amway, DXN, CNI, Elken, Sharkley and Cosway, direct selling becomes popular among Malaysians and foreigners especially in the sales of products such as cosmetics, crockery, home appliances, and health/nutritional products. The lucrative compensation

and reward systems that are being offered by direct selling companies have attracted many full and part time salespersons to join as members. Women, particularly housewives, seem to influx into the industry since the last decades for many different reasons such as attractive rewards, compatibility with the nature of products offered, positive self-esteem, good communication skills, free time and the possibility of, meeting people.

Today, direct selling industry has become one of the major contributors to the world's economic growth. As reported in 2003-2004's Worldwide Direct Sales Data, direct selling activity had generated a total retail sales of almost \$USD 97.5 billion and provided employment opportunity to almost 55 million people worldwide. Out of this figure, Malaysia's direct selling industry had contributed about \$USD 1.26 billion (equivalent to almost RM4.8 billion) with 4 million salespersons which represented an increased of 1 million salespersons from the previous year. And with that, Malaysia was ranked at number 13 of the top direct selling producing countries in the world. Apparently, The United States is still the most active direct selling producer in the world with \$USD 295 billion retail sales and 13,300,000 salespersons (WFDSA, 2005).

From *Table 1.1*, we can observe that the performance of direct selling industry in Malaysia has shown some remarkable increment before the 1997's Asian economic disaster. The sales revenue from 1993 to 1999 had increased from RM1.6 billion to RM4.2 billion. Whereas, the average percentage of sales to Gross Domestic Product (GDP) during those years increased from 1.2 percent in 1993 to 2.2 percent in 1999 (Ministry of Domestic Trade and Consumer Affairs, 2004). Based on the given information it was revealed that the number of direct selling companies in Malaysia

fluctuated inconsistently from 700 to 712 between year 1993 and 2000, then reduced drastically to 385 in 2001, and subsequently rose up again to 618 in 2006.

Table 1.1

Numbers of Direct Selling Companies and Salespersons in Malaysia

Year	Companies	Salespersons (million)	Total Sales (Billion RM)
1993	700	NA	1.6
1994	706	NA	2.2
1995	741	NA	2.9
1996	772	NA	3.1
1997	750	NA	3.2
1998	665	2.3	3.8
1999	765	2.0	4.2
2000	712	NA	4.5
2001	385	NA	3.0
2002	413	3.0	3.9
2003	454	4.0	4.8
2004	521	NA	5.3
2005	565	6.0	5.8
2006	618	7.0	6.0

Sources: (1) Ministry of Domestic Trade and Consumer Affairs (2004; 2006)

(2) http://www.sectrep_directselling_malaysia_vog_061106_pdf.

(3) WFDSA (2005)

Hence, by looking at the remarkable reduction of direct selling companies from 700 in year 1993 to 618 in year 2006, one might wonder whether unsuccessful change management has got something to do with the dwindling number of survival rate among direct selling companies in Malaysia, which apparently depends so much on the performance of their salespersons. However, regardless of the deteriorating number of companies, the number of salespersons and the total sales revenue seem to subsequently

increase impressively every year. These figures reflect the attractiveness of the industry and its ability to generate good incomes to both salespersons and business practitioners.

Again, according to Domestic Trade and Consumer Affairs deputy minister, Datuk S. Veerasingam, direct selling industry was expected to grow at least 3.5% to above RM6 billion in 2006 from an estimated RM5.8 billion in 2005 (www.theedgedaily.com). However, due to high number of MLM companies active in the business market, more than half of the country's sales revenues are solely contributed by the MLM practitioners (Berita Harian, 5 December 2004). In addition to this, because of the active recruitment and servicing practices in MLM, it has greater potential in human resource training and development than any other types of direct selling activities. Interestingly, the Ministry of Human Resource of Malaysia is incorporating it as one of its vocational training scheme for unemployed graduates to gain knowledge and experience in entrepreneurship (Utusan Malaysia, 4 June 2005).

Like any other organizations, the overall performance of direct selling companies is also affected by many environmental forces which have forced them to change their sales strategies and structure (Cravens, 1995). Studies reveal that in order to be successful in change efforts, sales organizations must radically redesign their organizational structure, culture, incentives and information technology, and these factors appear to be very critical to today's direct selling companies' success (Jones, Roberts, & Chonko, 2000). Among the examples of changes that have been embraced by these companies are customer relationship management (CRM), multi-functional teams, new organizational structure, better reward and compensation systems, Internet and e-commerce, etc. These changes though, have demanded for more attitudinal changes among salespersons.

Pertaining to change, we may notice that not all changes are accepted or adapted easily by salespersons. In many instances, change can bring about certain levels of resistance among salespersons. Apparently, when resistance to change occurs, their performance may also deteriorate which subsequently affect the overall change success of direct selling company. Among the consequences of failure of change effort are higher turnover rates among salespersons, lower efficiency or performance, restriction of output, lower job satisfaction and decreased organizational commitment (Eby, Adam, Russell, & Gaby, 2000; Goldstein, 1989; Kotter & Schlessinger, 1979; Osterman, 2000).

The success of change implementation in direct selling organization does not always come easy without any impediment. In many cases, salespersons who are readily comfortable with the existing system may resist change if they are uncertain with what the change might bring to them i.e. make their tasks more challenging or reduce their rewards. Their attitudes toward change (either positive or negative) can normally be influenced by many uncertainties surrounding them and also by the person who introduced them into the business or the person, responsible for their current success in sales career. In direct selling context, this particular person is known as the “upline” (the person who recruit a member, a new salesperson or a “downline” into a direct selling company). Therefore, to increase the chances of change success in direct selling industry, the upline is usually anticipated to be able to increase his or her downlines’ performance (Sparks & Schenk, 2006; Wotruba & Rochford, 1995), due to their closeness and high interaction throughout their sales career in the industry.

Apart from resistance to change, the nonexistence of exit and entry barriers into direct selling industry also create another challenge to direct selling companies because without these barriers, salespersons can join more than one company at any time and

quit or stop of being active in any company as they wish and the management has no control over their actions. Furthermore, there is no legitimate employment contract provided for salespersons except a standardized membership form that they need to sign upon joining a company as a member. In doing so, they are normally charged for a very minimal membership fee which normally ranges between RM10.00 to RM50.00. In most cases, this fee is for a lifetime membership. And to a certain extent, there are some direct selling companies that offer a free lifetime membership to attract more new members to join without hassle. Implicitly, the nonexistence of entry and exit barriers has contributed to the flexibility of the business practices which leads to other related problems in direct selling activities i.e. lack of commitment, loyalty, discipline and involvement, which subsequently impede the success of a company.

Nonetheless, the overall performance of direct selling industry seems to be very much dependent on the success of its business in sales which can be directly influenced by salespersons' job satisfaction and productivity performance. Thus, when salespersons do well, the organization is likely to do well, and consequently they could represent the most visible signs of corporate success (Rich, Bommer, MacKenzie, Podsakoff, & Johnson, 1999). Therefore, the existing phenomena that take place in the local direct selling industry have triggered an in-depth study on the determinants of change success of the companies.

1.3 Problem Statement

Managing change in sales organization is by far more complex and challenging than any other organizations due to several unique characteristics of sales task such as high interaction with customers and involvement of large number of salespersons (Dubinsky, Ingram, & Bellenger, 1986; Dalrymple, Cron, & DeCarlo, 2001; Hurley,

1998; Spiro, Stanton, & Rich, 2003). Despite potential growth, direct selling industry continuously encounters many challenges both from the external and internal organizations which have forced them to continuously change in order to be competitive.

The impact of globalization for example, has forced many of these companies to adopt a certain type of change such as Internet (i.e. e-commerce marketing) or any latest manufacturing technology, which may disrupt their existing working climate particularly the business culture and organizational structure. By employing these changes, the biggest challenge then for the management is to simultaneously manage both change and employees successfully. One of the negative outcomes of unsuccessful change management is high turnover among salespersons which can be contributed by job dissatisfaction (Futrell & Parasuraman, 1984 Johnston, Futrell, Parasuraman, & Sager, 1986; Tett & Meyer, 1993), and this subsequently impacts the overall performance of sales organization (Churchill, Ford, & Walker, 1997). Nevertheless, though managing change seems to be imperative to the success of sales organizations, there is however little empirical research have been done into the effect of organizational change on salespersons' behavior (Schalk, Campbell, & Freese, 1998). To be more specific despite the uniqueness and complexity of sales organization and diverse challenges that have been faced by salespersons, there has been inadequate research in managing change in sales organization for both sales managers and salespersons to refer to, and in conjunction to this, sales managers have simply been entrusted to make their own assumption out of those generic change management literature (Hurley, 1998).

Literature review has revealed that there is a high failure rate of about 70 per cent of all change programs initiated ((Balogun & Hope Hailey, 2004; Higgs & Rowland, 2000), whilst only 10 percent of the programs were found to be successful (Siegal et al., 1996). This alarming figure may imply the lack of valid framework for implementing and managing organizational change successfully. The existing theories and approaches seem to be inconclusive and more importantly many of the change processes have been subjected to fundamental flaw. Therefore, there is a need for a new and pragmatic framework for change management and methods for measuring the success of organizational change for future references (Todnem, 2005).

Additionally, most literature on change initiatives are conceptual in nature and this imposes a great challenge for those who embark for empirical study (e.g. Hurley, 1998; Jones et al., 2000). To further aggravate the existing circumstances, there is no empirical study on the effect of attitude towards change on the success of change, which can be observed concurrently from the salesperson's job satisfaction and performance outcomes particularly in the area of personal selling. Apart from this, most studies on managing change that are conducted in Malaysia do not focus on direct selling industry setting, but on employees in manufacturing companies (Ahmed, Zbib, & Ramayah, 2006; Ramayah & Sawaridass, 2004; Ramayah, Jantan, & Hassan, 2002; Ramayah, Jantan, Harun, & Raja, 2003).

Based on the importance of the effectiveness of managing change on the success of change, the current study intends to investigate this issue in the Malaysian context of direct selling industry. More importantly, studies also revealed that change initiatives in sales context are normally carried out based on trial and error basis and no best method that fits all have yet been determined (Hurley, 1998).

1.4 Research Objectives

The general objective of this study is to investigate the relationship between change management initiatives (i.e. shared change vision, communication, upline support, compensation systems, participation, training and feedback) and the success of change (i.e. sales performance and job satisfaction), and simultaneously examining the moderating effects of attitude towards change on the relationship. Hence, the specific objectives are given as follows:

1. To investigate the relationship between change management initiatives and the success of change in direct selling industry of Malaysia.
2. To examine the moderating effects of attitude towards change on the relationship between change management initiatives and the success of change.

1.5 Research Questions

Based on the research background and the research objectives, this study intends to address the following research questions:

1. What is the relationship between change management initiatives and the success of change in the Malaysia's direct selling industry?
2. To what extent attitude towards change moderates the relationship between change management initiatives and the success of change?

1.6 Definition of Key Terms

1. *Personal selling* - Defined as “direct communication between paid representatives and prospects that lead to purchase orders, customer satisfaction, and post-sale service” (Dalrymple & Cron, 1998).
2. *Direct selling* – A distribution method that involves face-to-face selling away from a fixed retail location (Peterson & Wotruba, 1996). It is a form of non-store retailing that occurs outside of a traditional retail establishment. Direct selling organization can possess a multilevel, network or hierarchical structure, or can be relatively flat. The two most popular known types of direct selling are single level marketing (SLM) and multi level marketing (MLM).
 - a. *Single level marketing (SLM)* - It is referred to as one intermediary between producer and customers (Bagozzi, Rosa, Celly, & Coronel, 1998) which normally comprises of one level of salespersons (or direct sellers) between the company and customers. Practically, salesperson (direct seller) purchases a product at a wholesale price and then sells it to a customer at a retail price.
 - b. *Multi level marketing (MLM)* – A method of selling whereby customers have the option of becoming product distributors who in turns develop downlines (level of distributors beneath them), with all levels sharing in the profits of the level (s) below them (Kishel & Kishel, 1999). MLM is also known as network marketing. In this marketing activity, a salesperson (direct seller) not only involves in selling products but also in recruiting new members or “downlines” beneath him or her. Hence, he or she will then be known as “upline”.

3. *Organizational development (OD)* - “An effort (1) planned, (2) organization’s total system, (3) managed from the top, to (4) increase organization effectiveness and health through (5) planned interventions in the organization’s processes, using behavioral-science knowledge” (Beckhard 1969, 9)
4. *Organizational change* - An empirical observation of difference in form, quality, or state over time in an organizational entity (Van de Ven & Poole, 1995, 512). Organizational change is able to show an organization’s diversity in its environment, alteration of the technical and human activities that have interrelated dimensions in the organization (Cao, Clarke, & Lehaney, 2000).
5. *Resistance to change* - An adherence to any attitudes or behaviors that thwart organizational change goals. Resistance may be viewed from two different angles, as attitudinal and behavioral responses to change (Chawla & Kelloway, 2004). Resistance is usually treated as a phenomenon which can deter the overall change process, either by delaying or slowing down its beginning, obstructing or hindering its implementation, and increase its costs (Ansoff & McDonnel, 1990).
6. *Change management initiative* – The process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers (Moran & Brightman, 2001, 111). Change management initiatives vary from one organization to another. Conceptually, there are eleven change management initiatives that have been discussed in the study: shared change vision, leadership, organizational structure, organizational culture, communication, upline support, compensation systems, participation, training, performance appraisal and feedback:

- a) *Organizational structure* – The division of tasks for efficiency and clarity of purpose, and coordination between the interdependent parts of the organization to ensure organizational effectiveness (Pearce & Robinson, 1988).
- b) *Organizational culture* – It is defined as “the set of important assumptions that members of an organization share in common” (Pearce & Robinson, 1988). It is also considered as an integrated pattern of an employee’s (specifically a salesperson’s) values and beliefs acquired as a member of an organization (Jackson & Tax, 1995).
- c) *Shared change vision* – A statement that communicates where an organization believes it will be within a stated time period (www.cobleskill.edu/StrategicPlan/02.html), and it normally includes a mental image or picture, a future orientation, and aspects of direction or goal that provides guidance to an organization by articulating what it wishes to attain (Nanus, 1992).
- b) *Leadership* – A process through which a person tries to get others in the organization to do what he or she wants (Vecchio & Appelbaum, 1995).
- e) *Communication* – The process of establishing a commonness or oneness of thought between a sender and a receiver (Shimp, 1993).
- f) *Upline support* – The degree to which salespersons perceive that their uplines (sponsor) offer support, encouragement and concern onto them (Burke, Borucki & Hurley, 1992).

- g) *Compensation systems* – A framework of rewarding employees for their participation and productivity which resulted in the successful performance of the organization, and the rewards includes base pay, commissions, bonuses and other incentives (Darlington, 2005).
 - h) *Participation* – The degree to which employees believe they can make decisions about how they should conduct a job (White & Ruh, 1973).
 - i) *Training* – Activities or deliverables designed to provide learners with the knowledge and skills needed for their present jobs (Mondy & Noe, 2005).
 - j) *Performance appraisal* – A human resource technique and formal system of review and evaluation of individual or team task performance which is done periodically for the purpose of initiating plans for development, goals and objectives (Mondy & Noe, 2005).
 - k) *Feedback* - A subset of the available information in the work environment that indicates how well an individual is meeting his or her goals. It can be considered as a special type of communication that emphasizes follow-up or evaluating the effectiveness of employee's behavior or action (Weber & Weber, 2001).
- 7. *Attitude towards change* - A person's cognitions about change, affective reactions to change, and behavioral tendency toward change (Elizur & Guttman, 1976).
 - 8. *Success of change* – Favorable outcomes of a change initiative program in an organization. In this study, change success is divided into two different perspectives: sales person's performance and job satisfaction.

- a. *Sales performance* - The salesperson's perception of quantity of sales achieved, the quality of customer relations they maintain, and the knowledge they possess about their companies' products, competition, and customer needs. It can be measured using sales volume, dollar sales, managerial evaluations, or self-report measures of sales effectiveness (Krishnan, Netemeyer, & Boles, 2002).
- b. *Job satisfaction* - The extent to which an employee feels positively or negatively toward his or her job (Odom, Boxx, & Dunn, 1990).

All definitions however have been adopted from previous studies and found to be relevant to the current research's objectives.

1.7 Significance of Study

This study is expected to contribute to the theoretical, methodological and practical sides of the selling behavior in the direct selling industry. From the theoretical perspective, evidently, empirical studies on the organizational change and resistance to change among salespersons are very limited and those who were involved in selling activities have limited study references as their future guidance. Furthermore, with the increasing business competition, changing consumer demands and advancement of technology used in direct selling industry, the issues of change management and the success of change may reveal certain findings that will enrich the existing limited understanding on sales management area.

The findings may enable researchers i.e. scholars and sales experts, to understand how the prominent model of Margulies and Raia's (1978) "the organization as an open sociotechnical system" can be applied as the basis for theoretical framework of this

study. Instead of using the model to explain the process of change, the theoretical framework is developed to further scrutinize the after effect of change process on salespersons, particularly in direct selling industry setting. To complement the Margulies and Raia's (1978) model, two other different models namely Fishbein and Ajzen's (1975) "a model of attitude" and Siegal et al.'s (1996) "the managing of change", are also found to be beneficial in providing more insights on the overall understanding of this study. Consequently, this study may contribute to the body of literature by extending the needs for more empirical sales researches in the future.

In addition to the aforementioned relationship, this study is believed to be able to further enhances the knowledge of individuals who are involved in direct selling activity on the effect of attitude towards change on the relationship between change management initiatives and change success, particularly in terms of sales performance and job satisfaction. Thus, by doing so, a more comprehensive understanding on the "change management-change success" relationship will be obtained and added up to the existing findings of change management practice in sales organization context (Hurley, 1998; Schalk et al., 1998).

Based on our understanding, there is limited study that has simultaneously investigated the impact of change management initiatives on sales success from the perspective of both sales performance and job satisfaction, while at the same time consider the moderating effects of attitude towards change on the relationship. Thus, it is believed that the inclusion of a moderating factor may further enhance our knowledge on the change management initiatives - change success relationship, and subsequently could trigger more related and unrelated studies in the future.

Apart from that, it seems that most studies on personal selling have been conducted in the Western countries particularly in the United States and Europe, thus, the current study attempts to contribute to an expanding stream by adding Malaysia into the list of references. It is important to extend the scope of sales research outside the Western countries so that a serious gap in the literature can be attended to substantially. More importantly, empirical findings developed with data from those countries may not be valid in other countries, and further research could demonstrate their applicability (Ling & Meng, 1990; Mohd Noor, 2005).

In addition to improve our understanding on the theoretical and methodological perspectives, we may also attain a better view on the practical side of the personal selling activity particularly in direct selling industry, which will continuously be one of the most challenging industries that is susceptible to many influential factors surrounding it, either locally or internationally. Practically, demographic changes, economic conditions, technology growth, law and regulations, workforce diversity, cultural diversification and infra-structural system tend to play significant roles in molding the business strategy of most direct selling organizations, which endlessly compete among one another to recruit more new active salespersons (or members) in order to attain better productivity performance.

This study may be able to provide some proper guidance for direct selling practitioners in strategizing their sales management practices and also in searching for the best means or initiatives to boost favorable attitudes among salespersons toward any changes that have been carried out. More importantly, the findings of this study are also believed to be useful for the development and betterment of the industry as a whole, whereby, any direct selling practitioners could utilize them in formulating a more

effective organizational change and sales management initiatives that may improve their change success.

Finally, as an essential contributor to our country's economy, direct selling industry should be one of the major focus of upcoming sales researches, particularly in areas that relate to "change management" which seems to be one of the unavoidable subject matters that capture the interest of local practitioners who need to prepare themselves for the impact of globalization which can deter their overall performance and effectiveness. Therefore, the undertaking study could provide a proper impetus as well as serving as an important source of reference for practitioners and also for more intellectual discussions in seminars, conferences or forums. Nonetheless, this study can become a starting point for more future in-depth change management researches in direct selling context.

1.8 Organization of the Remaining Chapters

This thesis comprises of five chapters all together. The first chapter provides the background of the study, problem statement, objectives of the study, research objectives and questions, and the potential contributions of the study. The second chapter focuses on a review of the existing literature related to the variables considered in the current study including the change management initiatives, attitude towards change and the change success factors. Based on the literature reviewed, a theoretical framework is developed and hypotheses are subsequently produced. The third chapter explains research methodology which includes research design, variable measurements, population and sample, data collection procedure, questionnaire design, and statistical techniques used in this study. The fourth chapter is dedicated to explain the data analysis and findings of this study. The profiles of respondents, goodness of measures,

descriptive analyses and the result of hypotheses testing are presented. A summary of the results is presented at the end of this chapter. The final chapter recapitulates the findings followed by discussions. Implications and limitations of study are explained as well. This chapter ends with recommendation for future research and the conclusion of this study.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

Change has become the driving force for perpetual future success and growth of most organizations in the world, and change success is now being treated as a major agenda by most of them. Like any other organizations, sales organizations are sometimes forced to adopt new changes that are deemed necessary to increase their sustainability and competitiveness in the marketplace. Globalization in particular has become the major reason for these organizations to employ a certain type of change like ad hoc or emergent that is able to drive them to achieve their organizational goals such as higher growth rate, market share and profitability.

To ensure the success of change, management has to find the best way to manage change by first critically evaluate the importance of change to the organization (or management) and the employees well being. Apparently, the impact of change on these two different groups is varied and both the management and employees are continuously searching for ways that can maximize their own personal goals and comforts. In doing so, they may encounter some misunderstanding, conflict or dissatisfaction that may impede the success of change.

Hence, in achieving the success of organizational change, management has to keep on searching for the best change initiatives that can improve their organizations' performance and effectiveness. However, it is revealed that change success may differ according to differential types of attitude towards change manifested by the employees.

Employees may illustrate some degrees of acceptance or resistance depending on their attitudinal preferences toward the proposed change, and their attitude towards change may subsequently influence the success of change.

Suggestively, the success of change can also be analyzed from two different humanistic perspectives; managerial and employee perspectives. Regardless of which perspective is being used, both are deemed beneficial to the organization's overall success. For the purpose of understanding the determinant factors of change success among employees, the current study focuses on change success from the employee's view on change initiatives implemented by the company's management. Evidently, change success can reflect the employee's acceptance of change and it is frequently manifested in their level of satisfaction towards the job and the productivity performance that comes after the implementation of change (Margulies & Raia, 1978).

To gain a better understanding of all variables involved in this study, this chapter discusses relevant literature pertaining to change success, change management and organizational development, change management initiatives, change success and attitude towards change that are beneficial for the future success of direct selling organizations in Malaysia. In doing so, different disciplines of study will be integrated to enhance our knowledge on the probing issue and these are (1) social and psychological behavior; (2) organizational behavior, organizational change and development; (3) change management and human resource management, and (4) marketing and sales management. The combination of different field studies will assist us to better understand the current research problems that are being investigated.

2.2 Organizational Development (OD)

In most instances, when change management is being discussed, one might relate it to the concept of organizational development (OD). According to Beckhard (1969, 9) organizational development (OD) is “an effort (1) planned, (2) organization’s total system, (3) managed from the top, to (4) increase organization effectiveness and health through (5) planned interventions in the organization’s processes, using behavioral-science knowledge”. Hence, it can be concluded that from the managerial perspective, the success of change is very much related to the effectiveness of an organizational change and development (OCD) process which involves the ‘systematic diagnosis of the organization, the development of a strategic plan for improvement, and the mobilization of resource to carry out the effort’. Practically, top-down approach is used to achieve the targeted result.

As defined by Beckhard (1969), organizational development (OD) focuses on planned change to derive change success process. This type of change has previously captured the interest of researchers and has been discussed enormously since 1940s. The concept of planned change was started and dominated by Kurt Lewin, a theorist, researcher and practitioner of social psychology of organization who introduced the 3-Steps model of planned approach to change: *unfreezing, moving and refreezing*, into the change management field. Subsequently, Lewin’s work has been treated as the prime contributor to events leading up to the emergent of organization development (OD) which has originated around 1957 as an attempt to upgrade laboratory training to total organizations (French, 1969). Other earliest important names in OD’s history are Robert Tannenbaum, Chris Argyris, Douglas McGregor, Herbert Shepard, Robert Blake, Jane Mouton, Warren Bennis and Eva Schindler-Rainman.

Historically, OD has been treated as highly normative in nature which suggests how organizations should be designed and managed in order to be effective. Starting from the 1980s, OD has grown due to various environmental factors such as competitive pressure, technological rapid advancement, and globalization of the world economy. The concept and techniques from strategic management, human resource management, corporate culture, and organization theory gradually become more and more relevant to OD. Subsequently to that, the OD field started to embrace a contingency perspective which is based enormously on empirical research and proposed that positive effects of organizational design and processes are contingent to certain contextual factors like environment, technology and people (Glassman & Cummings, 1991). Therefore, to maximize the achievement of success, organization needs to tailor OD interventions such as job enrichment, team building and total quality management (TQM) and others, to fit its overall change implementation process.

These interventions however have created a different context of organizational change and change management which subsequently lead to the evolvement of the second-generation OD that focuses on the organizational transformation or also called the second order change (Porrás & Silvers, 1991). In earlier study, Levy and Merry (1986, in French et al., 2005) has referred the second order change as “a multi-dimensional, multi-level, qualitative, discontinuous, radical organizational change involving paradigmatic change”. Evidently, organizational transformation seems to require more leadership role, visionary, culture, experimentation, time, learning organization, teamwork, and planned interventions to ensure any organizational change success.