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The Influence of Transparent Internal Communication on Employees' Adaptation to Firm Changes in the Context of the Covid-19 Pandemic



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ABSTRACT: This study investigates the impact levels of transparent internal communication on employees' adaptation to firm changes in the context of the covid-19 pandemic. This study uses data of employees of enterprises in Hanoi City, Vietnam during 2021-2022. The data used for analysis and regression consists of 618 observations. We use Cronbach's Alpha, EFA and regression model to learn the effect of different variables on employee uncertainty about organizational change. The results show that (i) transparent internal communication has a negative effect on the control coping strategy of employees; (ii) transparent internal communication has a negative effect on the escape strategy of employees; (iii) transparent internal communication has a negative effect on the employee uncertainty about organizational change; (iv) control coping strategy has a negative effect on employee uncertainty about organizational change; and (v) Escape Strategy has a positive effect on employee uncertainty about organizational change. Based on the findings, recommendations are given for improving the enterprises maintain a good quality of relationship with their employees.

KEYWORDS: transparent internal communication, firm changes, employees' adaptation, Covid-19 pandemic, business administration

JEL codes: M31, M10, M20

1. INTRODUCTION

Transparent internal communication is a concept derived from organizational transparency that refers to "the communication by an organization to provide all positive and negative legal information that may be relevant to employees in an accurate, timely, balanced and unambiguous manner, for the purpose of enhancing employee reasoning, and holding organizations accountable for actions, their policies and practices" (Men, 2014).

Many studies have shown that transparent internal communication helps employees understand and deal effectively with negative corporate events such as unplanned changes caused by a crisis. In the public relations literature, transparent internal communication practices were found to be related to employees' trust in the company, employee engagement, positive communication behavior of employees in crisis situations and the internal reputation of the enterprise (Kim, 2018).

To adapt to the changes of the business environment, today's enterprises always have to proactively change. However, there are more and more unusual changes in the business environment, the Covid-19 pandemic is a typical example, which made it impossible for any enterprises to predict changes in the environment, not to mention a preparation for change to adapt. At the heart of the organizational change process is internal communication, the change must be communicated to each employee in the organization because they implement the change. Therefore, research on the influence of transparent internal communication on employee adaptation will be the focus of research on change management in organizations.

To successfully implement changes and minimize the negative consequences of such changes, it is important to deeply understand employees' attitudes and behaviors towards changes (Shin et al., 2012). Organizational change, especially unplanned change, can cause problems and lead to questions and uncertainty for employees, which can affect their relationship with the enterprise and the business results. Transparent internal communication has been proven by many empirical studies around the world to play a great role in helping enterprises change successfully.

From the above reasons, the study the influence of transparent internal communication on employees' adaptation to firm changes in the context of the covid-19 pandemic is theoretically and practically necessary.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

2.1. Transparent internal communication and employee adaptation in the process of organizational change

Transparent internal communication that provides responsible, honest, and important information regarding organizational change can be seen as an important workplace coping resource. Previous studies have identified providing information as an important precondition for the use of effective coping efforts such as control coping (Callan & Dickson, 1993). The availability of information and communication during organizational change, equips employees with better resources and support (Callan & Dickson, 1993). Therefore, they try to be more active and analytical in dealing with changes. On the other hand, a lack of information can signal a shortage of resources and cause individuals to perceive uncertainty and uncontrollability about a stressful situation. As a result, they will perform escape measures instead of control ones. These studies mainly focus on the role of communication availability rather than quality of communication in shaping the adoption of coping strategies by employees while facing organizational change. However, this study expects that high-quality information and a shared sense of control created through transparent communication can help employees feel more prepared and able to proactively deal with changes.

Therefore, we propose the following hypotheses to examine employees' preferred coping strategies in response to organizational change:

H1a. Transparent internal communication during organizational change negatively affects the adoption of the control strategy by employees

H1b. Transparent internal communication during organizational change positively affects the application of the escape strategy by employees

2.2. Employee adaptation (control coping strategies and escape strategies) and employee uncertainty about organizational change

Organizational change regulates the way work is done in the organization and leads to employees fearing whether they will be able to cope with such changes. Uncertainty management theory helps us to explain that information and solutions provided through coping can be another means of managing uncertainty (Thau et al., 2009). Most research on organizational change has demonstrated that employees who proactively deal with change are more likely to be equipped to understand the rationale behind the changes and contribute to the changing process (Cunningham, 2006). While control-oriented coping does not protect employees from encountering stressors during organizational change, such a coping approach provides employees with resources to reassert their sense of control in the face of stressors (Robinson & Griffiths, 2005). In contrast, escape coping has been considered as an inadequate approach. Such a strategy can hinder individuals from investing in problem solving, leading to adverse work-related outcomes, such as emotional burnout and job dissatisfaction. Previous research in psychology has shown that escape coping may provide temporary relief from stressful situations but not the complete resolution of the problem (Bigatti et al., 2012). Therefore, control coping is often associated with positive employee outcomes, while escape coping seems to be associated with negative job outcomes (Srivastava & Tang, 2015). We, therefore, expect that an organization's control response to change can be effective in managing change-related uncertainty, conversely, escaping such change may not be effective.

Therefore, two hypotheses have been proposed:

H2a. Adoption of a control coping strategy has a negative effect on employee uncertainty about organizational change.

H2b. Adoption of an escape strategy has a positive effect on employee uncertainty about organizational change.

2.3. Transparent internal communication and employee uncertainty about organizational change

Uncertainty, which refers to "an individual's inability to predict something accurately", is a common condition in the process of organizational change (Bordia et al., 2004). In the face of organizational change, employees may experience uncertainty about the reason for the change, its implementation, and the potential outcomes for the organization and the employees themselves (Bordia et al., 2004). Such perceived uncertainty can create stress and as a result negatively affect employees' attitudes, perceptions and behaviors towards the organization. Therefore, employees' understanding and attitude towards such change plays an important role in the process of organizational change (Choi, 2011), because it can directly form employees' perception of uncertainty and indirectly affect their organizational performance, which in turn can determine the success or failure of such changes.

Uncertainty management theory provides possible insights into the best techniques for managing uncertainty during organizational change (Herzig & Jimmieson, 2006). This perspective emphasizes the importance of communication in managing uncertainty, seeing communication as a means to motivate individuals to manage feelings of ambiguity and insecurity.

An understanding of change can help reduce confusion and suspicion about changes, while the uncertainty of

circumstances can increase uncertainty about such changes (Rafferty & Griffin, 2006). As a result, scholars argue that information and communication regulations related to change can alleviate the difficulties and uncertainties associated with change (Allen et al., 2007; Bordia et al., 2004). Effective transparent communication distributes pertinent information about the process and impacts of organizational change, allowing employees to participate in decision making during the change process, and thereby increasing their knowledge of events and reducing both uncertainty and doubt for organizations.

Therefore, the following hypothesis has been proposed:

H3. Transparent internal communication during organizational change negatively affects employees' uncertainty about organizational change.

3. CONTEXTUAL BACKGROUND

The COVID-19 pandemic has severely affected the business and production of many enterprises in almost every field, which consequently limits enterprises' customer reach, disrupts supply chains, causes revenues to decrease greatly, and workers are made unemployed, etc. These consequences are most notable in several industries such as textile, transportation, construction, retail, tourism, etc.

The COVID-19 pandemic undermines the production and consumption of products by affecting the trading of materials, labor, technologies, customer services, capital flows, etc.

Adapting to this environment is the only resolution for enterprises to survive the pandemic. In every crisis lie opportunities, especially for small & medium enterprises and start-ups which pay a great deal of attention to training employees, and adopting technology solutions to realize their business ideas during this period, which could untie the supply chain, and highlight the intrinsic potential and advantages, and stimulate consumption. According to statistics, in recent years, many enterprises have been implementing digitalization, which has sprouted initial success in innovating production and business; thus, they make great strides to affirm their brand image, connect and sign large contracts with their partners from within, and outside the country, and make a greater part of the supply chain.

To cope with the COVID-19 pandemic, for small & medium enterprises, leaders need to prove their qualities to assure their employees. Moreover, enterprises need to emphasize 3 major issues including suitable staff, distinctive strategy, and appropriate governance to deal with crisis as it happens. To adapt to the current circumstances, many enterprises, especially S&B enterprises, have been innovating constantly by switching from traditional platforms to e-commerce, expanding their online platforms by guaranteeing stable prices, and fast delivery. Many enterprises also improve their services of processing orders via telephone. Customers can choose from the menu, get in contact via calls, or send images via channels such as Zalo, Facebook, text messages, etc. and the order will be delivered to the phone number on the order slip.

To adapt to the current trend and demand consumer trends and demands, enterprises should not hesitate to adopt goods and services that society needs, which would allow the enterprise to maintain its activities and create jobs for workers. It is safe to say that in the near future, to overcome the current circumstances, many enterprises will need to innovate their productions and businesses and accelerate digitalization so that opportunities in the market could be realized, and they could recover, sustain and develop.

4. METHODOLOGY

4.1. Research sample

The research sample includes employees of enterprises in Hanoi City, Vietnam.

Research sample: The official quantitative research sample collection includes 618 employees working at enterprises in Hanoi city.

Qualitative research was conducted through in-depth interviews with experienced subjects on the research topic (10 employees working at enterprises in Hanoi and 05 lecturers majoring in business administration at 2 universities). The interview results help the authors to adjust the model, scale, and make discoveries, which also allows the authors to make modifications to the questionnaire before starting the qualitative research and testing the model.

The qualitative research was conducted on 618 employees through survey, which is an appropriate sample size as according to Hair et al. (2014), the sample size should be 5 - 10 times greater than the number of observed variables. The number of observed variables in this study is 26, so the sample size should be at least 130 if the sample size is 5 times as much, and 260 if the sample size is 10 times as much as the number of observed variables. Collected data is then used to evaluate the scale, analyze factors, test the model, and research hypotheses with the help of SPSS23 and AMOS24.

4.2. Research model

On the basis of the research model by Jo-Yun Li et al. (2021) - a typical study on the role of transparent internal communication in organizational change management, especially in case of unexpected change (such as the Covid-19 pandemic context) and the results of a review of research on internal communications.

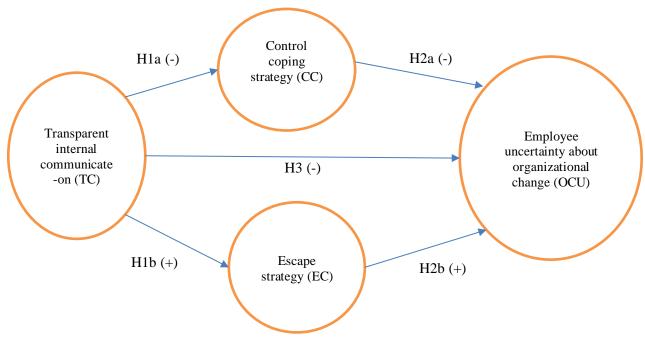


Figure 1. Research model

5. RESULTS

5.1. Cronbach's Alpha

By using scale analysis, it can eliminate inconsonant variables and reduce errors in the research model. Therefore, only variables which have total correlation coefficients (Corrected Item – Total Correlation) greater than 0.3 and Cronbach's Alpha coefficients equal or greater than 0.6 are accepted (Hoang & Nguyen, 2008, Hair et al., 2010). By analyzing Cronbach's Alpha analysis of determinants have an influence on the customer attitude in online shopping in Hanoi (3 determinants with 9 observed variables), the result is presented in Table 2. The result shows that, all Cronbach's Alpha coefficients of population are above 0.6; all Corrected Item – Total Correlation of observed variables are above 0.3. Thus, all variables of research model are suitable for next analyses (Hair et al., 2010).

Table 1: Results of analysis of Determinants Confidence of Scales in the Model

Code	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted			
Transpa	Transparent internal communication (TC): 0.949				
TC1	.790	.944			
TC2	.735	.945			
TC3	.731	.945			
TC4	.696	.946			
TC5	.729	.945			
TC6	.728	.945			
TC7	.747	.945			
TC8	.700	.946			
TC9	.732	.945			
TC10	.725	.946			
TC11	.722	.946			

TC12	.740	.945				
TC13	.761	.945				
TC14	.746	.945				
Control	Control coping strategy (CC): 0.865					
CC1	CC1 .677 .839					
CC2	.601	.857				
CC3	.713	.830				
CC4	.755	.819				
CC5	.685	.837				
Escape	Escape strategy (EC): 0.853					
EC1	EC1 .690 .825					
EC2	.721	.796				
EC3	.761	.757				
Employee uncertainty about organizational change (OCU): 0.841						
OCU1	.699	.789				
OCU2	.716	.783				
OCU3	.722	.778				
OCU4	.580	.846				

5.2. Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) was conducted through Component Analysis and Varimax.

The results of factor analysis in Table 2 shows that 0.5 < KMO = 0.945 < 1. Bartlett's testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hair et al., 2010).

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure	.945	
Bartlett's Test of Sphericity	Approx. Chi-Square	9,642.123
	Df	325
	Sig.	.000

5.3. Testing the reliability, discriminant validity and convergent validity of the scales by CFA

Prior to testing the reliability, discriminant validity and convergent validity of the scales by Confirmatory Factor Analysis, the author examine the model fit indicator. The result is shown in the following table (see table 3).

Table 3: The test of appropriate of the model

Description	Value	
Chi-square	679.329	
Df	293	
Chi-square/df	2.319	
CFI	0.954	
GFI	0.924	
TLI	0.949	
RMSEA	0.046	

The results of the model fit test showed that the important values were all achieved. To be specific, according to Hair et al. (2014), the Chi-square/df index must be less than 3, while in the case of this study, the index is 2.319. CFL, GFL, and TLI indexes

are all greater than 0.9, which are 0.954; 0.924, and 0.949 respectively. RMSEA index is 0.046 which is less than 0.05. In conclusion, indexes of the model fit test are appropriate, and the next phases could be conducted.

In the next phase, the author conducted the test of reliability, discriminant value, and convergence of the scales. The results show that most of the normalized regression weight values are greater than 0.7; only 4 observed variables TC4, TC8, CC2, and OCU4 have values less than 0.7 but still greater than 0.5. According to Hair et al. (2014), it is best if these values are more than 0.7, but more than 0.5 is acceptable. CR indexes are more than 0.7 (see table 4). AVE indexes are more than 0.5; each MSV index is less than its corresponding AVE and the Square Root of AVE indexes are greater than Inter-Construct Correlation indexes (see table 4) Therefore, it can be concluded that the scales's reliability, discriminant validity and convergent validity are acceptable (Hair et al., 2014) and fit for examining hypotheses.

Table 4: The test of reliability, discriminant value, and convergence

	CR	AVE	MSV	MaxR(H)	тс	сс	оси	EC
тс	0.940	0.527	0.073	0.941	0.726			
СС	0.854	0.542	0.023	0.866	0.130**	0.736		
ocu	0.847	0.584	0.028	0.865	0.146**	0.013	0.764	
EC	0.867	0.686	0.073	0.878	0.271***	0.151**	0.166***	0.828

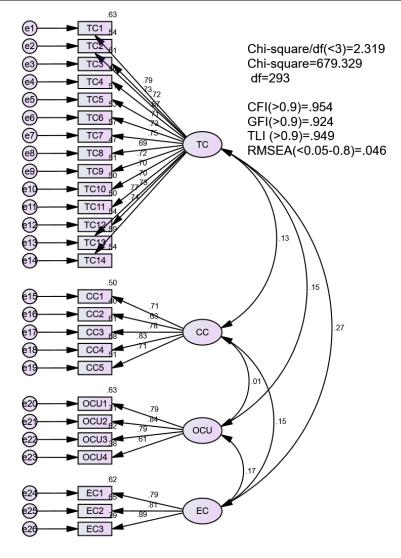


Figure 2. CFA

Examining Model Fit indexes

Prior to examining research hypotheses, the author examined Model Fit indexes. The result is shown in table 6 According to Hair et al. (2014), certain important indexes must be reported and these indexes often provide adequate information to evaluate models, including Chi-saqure (χ^2), degree of freedom (df), CFI or TLI, and RMSEA (Hair et al., 2014). Also, according to Hair et al. (2014), Chi-square and degree of freedom indexes are both evaluated in the Chi-square/df index; it is generally recommended that this index should be less than 3, and in the case that the sample size is greater than 200, it is recommended that this index should be less than 5. CFL, GFL, and TLI should be no less than 0.9. RMSESA is recommended to be less than 0.5; however, if this index is greater than 0.5 but still less than 0.8, it is still acceptable. (Hair et al., 2014).

Table 6: Examining Model Fit indexes

Description	Value
Chi-square	766.474
Df	366
Chi-square/df	2.094
CFI	0.963
GFI	0.922
TLI	0.959
RMSEA	0.042

After comparing the conditions suggested by Hair et al. (2014) with the table above, the model is proved to be fit.

Model and hypothesis testing results

The model testing result is shown in the following table (see table 7):

Table 7: Test results show the factors

			Estimated coefficient	t-value	р
EC	<	TC	-0.536	-11.771	***
CC	<	TC	0.522	11.408	***
ocu	<	EC	0.2	3.646	***
OCU	<	CC	-0.112	-2.113	0.035
OCU	<	TC	-0.129	-2.165	0.03
OCU	<	Gioi	0.031	0.762	0.446
OCU	<	Tuoi	0.268	2.373	0.018
OCU	<	Hoc_van	-0.301	-2.666	0.008

Hypothesis test results show that the factor "Transparent internal communication" has a negative effect on the "control coping strategy" of employees, to be specific: γ EC<-TC = -0.536, t-value = -11.771. This means that when the "Transparent internal communication" factor increases by one unit, the factor "Control Coping Strategy" will decrease by 0.536 unit. Moreover, the R² of the factor "control coping strategy" is 0.287, which means that the factor "Transparent internal communication" alone explains up to 28.7% of the change in the factor "control coping strategy". Therefore, the H1a hypothesis is accepted.

Next, Hypothesis test results show that the factor "Transparent internal communication" has a positive effect on the "Escape strategy" of employees, to be specific: $\gamma_{CCc-TC} = 0.522$, t-value = 11.408 This means that when the "Transparent internal communication" factor increases by one unit, the factor "Escape Strategy" will increase by 0.522 unit. Moreover, the R² of the factor "Escape Strategy" is 0.273, which means that the factor "Transparent internal communication" alone explains up to 27.3% of the change in the factor "Escape Strategy" Therefore, the H1b hypothesis is accepted.

We conducted testing on hypotheses with the dependent variable: "employee uncertainty about organizational change". Hypothesis test results show that the factor "Transparent internal communication" has a negative effect on the "employee uncertainty about organizational change" of employees, to be specific: $\gamma_{OCU<-TC} = -0.129$, t-value = -2.165. This means that when the "Transparent internal communication" factor increases by one unit, the factor "employee uncertainty about organizational change" will decrease by 0.129 unit. Next, "Control Coping Strategy" also has a negative effect on "employee

uncertainty about organizational change". To be specific $\gamma_{\text{OCUk-CC}} = -0.112$, t-value = -2.113. This means that when the "Control Coping Strategy" factor increases by one unit, the factor "employee uncertainty about organizational change" will decrease by 0.112 unit. Next, "Escape Strategy" also has a positive effect on "employee uncertainty about organizational change". To be specific $\gamma_{\text{OCUk-EC}} = 0.200$, t-value = 3.646. This means that when the "Escape Strategy" factor increases by one unit, the factor "employee uncertainty about organizational change" will increase by 0.200 unit. All three hypotheses H3, H2a, and H2b are accepted Hair et al. (2014).

Impact of control variable, the test results show that Gender does not affect "employee uncertainty about organizational change" ($\gamma_{OCU<-Gioi}=0.031$, t-value = 0.762); Age and Academic qualification have impacts on "employee uncertainty about organizational change". To elaborate, Age has positive impact on the dependent variable ($\gamma_{OCU<-Tuoi}=0.268$, t-value = 2.373) and Academic qualification has a negative impact on the dependent variable ($\gamma_{OCU<-Hoc_van}=-0.301$, t-value = -2.666)

The factors in the model and the control variables explain 13.5% of the change in the dependent variable "employee uncertainty about organizational change" ($R^2 = 0.135$) Hair et al. (2014).

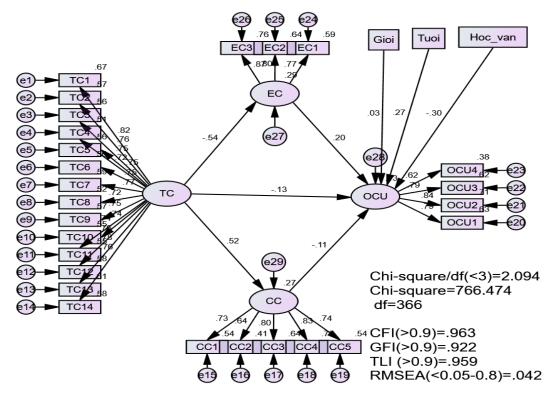


Figure 3. Structural Equation Model

6. DISCUSSION AND IMPLICATIONS

The result of this research is consistent with previous research, which highlights the important role of communication in predicting employees' reaction towards changes that occurs in organizations; discoveries point out that transparent communication procedures encourage management countermeasure and reduces uncertainty. Especially during the time of a global pandemic which is characterized by great uncertainty, daily communication can be a helpful means to provide employees with the necessary tools to manage relevant changes. Therefore, enterprises should pay attention to internal communication, and follow transparent communication principles as suggested by public relations studies. To be specific, enterprises should provide information honestly, responsibly, and significantly about changes and encourage employees to participate in the decision-making process or procedure changes. These communication efforts can allow employees to cope with changes, and lower their uncertainty about these changes.

Enterprises should organize educational activities to educate employees about their management countermeasures. Transparent communication of changes in the organization provides employees with necessary information on future business activities, policies, and procedures that are relevant to the changes. Our discovery shows that such communication can encourage employees to apply both escape and control coping strategies. Because escape coping would increase the sense of uncertainty among employees, it is important to encourage employees to proactively apply control coping in other words,

transparent internal communication about changes and training in control coping are equally significant. These communication efforts can help employees to find vital resources to effectively cope with changes in the enterprise and manage uncertainty. These uncertainties could help enterprises maintain a good quality of relationship with their employees in case of spontaneous and considerable changes.

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