



## DOES SOCIAL INFORMATION MATTER? THE MODERATING EFFECT ON PORT REFORM TRUST

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### Recommended Citation

Yang, Cheng-Hsing; Chiu, Rong-Her; Ye, Kung-Don; and Chou, Heng-Chih (2015) "DOES SOCIAL INFORMATION MATTER? THE MODERATING EFFECT ON PORT REFORM TRUST," *Journal of Marine Science and Technology*. Vol. 23: Iss. 1, Article 5.

DOI: 10.6119/JMST-013-1231-1

Available at: <https://jmstt.ntou.edu.tw/journal/vol23/iss1/5>

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# DOES SOCIAL INFORMATION MATTER? THE MODERATING EFFECT ON PORT REFORM TRUST

Cheng-Hsing Yang, Rong-Her Chiu, Kung-Don Ye, and Heng-Chih Chou

Key words: trust, organizational change, social information credibility, social information sources, port corporatization.

## ABSTRACT

Trust is important for assuring the success of organizational change. This paper investigates the influence of social information sources and communication on trust in organizational change, and also tests the moderating effect of the credibility of social information. Taking port reform as an example, this research discovers the following results: (1) communication is significantly related to employee's trust in organizational change; (2) social information from supervisors is positively associated with employee trust in organizational change; but information from unions does not exert a significant influence; and (3) social information credibility from supervisors and unions partially moderates the relationship between social information sources and employee's trust in organizational change. Finally, the results are briefly discussed.

## I. INTRODUCTION

To remain viable in an environment characterized by change and uncertainty, organizations must remain adaptable (Edmondson and Moingeon, 1999). Since the 1980s, many port authorities have launched organizational reform to improve their operational performance and enhance their competitiveness (Brooks and Cullinane, 2007). According to Nyhan (2000), a factor of proven importance in accepting organizational change is the level of organizational and managerial trust. Numerous studies have examined trust, and some studies have focused on trust formation (Mayer et al., 1995; Doney et al., 1997). Luhmann (1979) classified trust into personal trust and system trust (i.e., impersonal trust). Zucker (1986) noted that the mechanisms of trust can be divided into process trust, characteristic trust, and institutional trust. Based on an

analysis of 171 papers published over 48 years, McEvily and Tortoriello (2011) revealed that even state-of-the-art methods of trust measurement were rudimentary and fragmented, which led to the use of numerous measures to operationalize trust. In a recent study, Bachmann (2011) also argued that the dominant stream of literature focuses excessively on the micro level of trust building, and hence promotes a reductionist understanding of the phenomenon. Bachmann (2011) suggested that future trust research should emphasize the constitutive embeddedness of the behavior of actors in the institutional environment.

Organizational change unavoidably faces resistance. Taking port reform in Taiwan as an example, it has undergone extended communication with employees. Because the attitudes of workers to organizational change can differ with the processes of reform, it is important to understand the reasons for the changes in their attitudes, since this can help resolve problems of resistance. Few studies have investigated worker attitudes or behaviors in relation to port reform. Lai et al. (2014) explored employee's attitudes to organizational change for port authorities, and discovered that the important influences on employee's attitude include the social information available to workers, and how they interpret that information. According to social information theory, not only will the content of social information influence attitude, but so too will its characteristics, including its sources and quality (Vardaman et al., 2012). The social information model has been widely applied to topics related to organizational change. Port reform is also a suitable example for exploring such issues as whether social information sources and quality affect worker's attitude to change or employee's trust in change.

This study explores the moderating effect of social information credibility on the relationship between information sources and trust in organizational change. The hypotheses are tested using an empirical example involving a recently reorganized port institution. The remainder of this paper is organized as follows. Section 2 briefly reviews the related studies on trust and organizational change; additionally, the research framework and hypotheses are proposed. Section 3 then conducts an empirical case study to test the study hypotheses. Subsequently, Section 4 discusses the results and

presents their implications. Finally, Section 5 concludes this paper with some possible future research directions.

## II. LITERATURE REVIEW

### 1. Trust in Organizational Change

According to Burke (2002), organizations change all the time because of many reasons including workplace demographics, technology, globalization, changes in the market conditions, growth, and poor performance. However, people often resist organizational change due to disrupted habits, personality, feelings of uncertainty, fear of failure, personal impact of change, prevalence of change, and perceived loss of power, etc. (Carpenter et al., 2010) Among these reasons, uncertainty of change has been cited as one of the most important reasons why people resist organizational change (Huang and Huang, 2009). The study of resistance to change frequently concentrates on employees' cognition or response when organizations implement change (Piderit, 2000). Dent and Goldberg (1999) discovered that mental models are widely accepted to drive organizational behavior, and resistance to change from employees at all levels could interfere with a successful change implementation. Although contracts and control systems are designed to reduce the risk of self-serving behavior that harms the organization, many researchers commented on the limits and inefficiency of such practices (Donaldson and Davis, 1991; Sitkin and Roth, 1993); that challenge suggests that trust does and will continue to play a critical role in the management of organizations (Edmondson and Moingeon, 1999). Thus, almost everything is easier to achieve when trust exists in an organization or in a relationship.

Most trust theorists agree that trust is fundamentally a psychological state, which could be defined as "a person's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interests" (Robinson, 1996; Kramer, 1999). Hosmer (1995) defined trust as "a willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the party"; this model suggests that individuals in a setting will each make trust decisions regarding specific individuals and events and some support for this contention has been found by Butler and Cantrell (1984).

The decision to trust an individual party is the cumulative result of past experiences with that party (Thompson et al., 2000). Edmondson and Moingeon (1999) pointed out that direct orders were inadequate for ensuring new behaviors; for real change to be implemented the degree of perceived uncertainty must be offset by an increase in trust. Indeed, trust creates a strong foundation in all relationships whether business or personal in nature; then, what factors are responsible for shaping trust? Sixteen factors were used by Edelman Trust Barometer and "communicates frequently and honestly" was

ranked the 8<sup>th</sup> important element in 2012 for building the trust of business organization (Edelman Trust Barometer, 2012). The other frequently mentioned attributes for building trust are reliability, honesty, integrity, and competence, etc.

### 2. Organizational Communication

Organizational communication is the consideration, analysis, and criticism of the role of communication in organizational contexts. Organizations must have effective internal and external communication to succeed, and internal operations depend on the day-to-day exchange of information among employees about performance objectives, job instructions, financial data, customer orders, inventory data, production problems and solutions, employee production reports, and organizational changes, among others (Krizan et al., 2005). Elements of effective communication, employee's attitude and perception of manager's actions, and a harmonious working environment play significant role in achieving better organizational performance (Chew et al., 2006). Myers and Myers (1982) pointed out that organizational communication was the central binding force that permits coordination among people and thus allows for organized behavior. Neher (1997) identified the primary functions of organizational communication, including (1) gaining compliance, (2) leading, motivating, and influencing, (3) sense making, (4) problem solving and decision making, and (5) managing conflict, negotiating, and bargaining. As a consequence, organizational communication will play a significant role for delivering the correct message and help improve organizational performance.

### 3. Social Information Sources and Credibility

Employees can receive information from various sources; however, the most likely sources of social information are employees who regularly come into contact with coworkers, supervisors, friends, family members, and customers or clients (O'Reilly, 1977; Thomas and Griffin, 1989; Rice and Aydin, 1991; Brown and Quarter, 1994). Employees frequently change their perception of a situation to match their perception of information sources. The reviews of both Mayer et al. (1995) and Hosmer (1995) also suggest that an individual can have differing levels of trust in the different parties in an organization, such as coworkers, supervisors, and the various levels of management (Thompson et al., 2000).

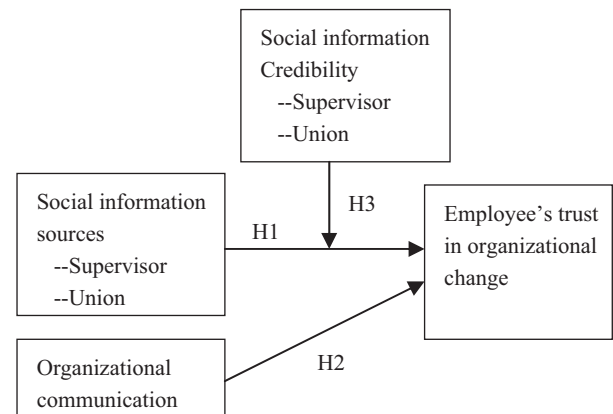
In studying social influence and perceived organizational support, Zagenczyk et al. (2010) suggested that employee's perceptions of organizational support do not result solely from independent evaluations of treatment provided by the organization, but are also shaped by the social context; namely, coworkers both directly (through inquiry via cohesive ties based on friendship and the sharing of advice) and indirectly (through monitoring of employees structurally equivalent in advice and friendship networks) influence employee's perceptions of organizational support. When exploring the social referents that group members turn to for judgments regarding knowledge importance, Wong (2008) discovered that group members are

more likely to have shared judgments with their cohesive and structurally equivalent referents within their advice network, and the strength of the social influence from their cohesive and structurally equivalent referents is likely to depend on the density of the advice network at the group-level; this study thus suggests that while social influence occurs between pairs of individuals, the influence of a social referent depends on how social cues are distributed within the group's network structure. All previous studies note that individual employees are influenced by the people they frequently contact regarding how to handle job tasks and perceived changes in their working organization.

Source and credibility are important characteristics of social information. Umphress et al. (2003) pointed out the quality of the social information people transmit increases with their interpersonal similarity; namely, expressive ties were associated with greater similarity in the perceptions of coworkers than were instrumental ties in the most affect-inducing justice perceptions, namely perceptions of interactional justice. Vardaman et al. (2012) proposed the concept of social network, and considered individual position in the social network to affect the employee's attitude to organizational change, namely controllability of organizational change. By gaining network centrality and the accompanying access to information and social support, individuals can control coworker's attitudes to organizational change. From a social information perspective, Lee and Kim (2011) attempted to study the influence of social networks on affective commitment. Lee and Kim (2011) concluded that employee network centrality exhibits an inverted U-shaped relationship with affective commitment, and that structural holes display a U-shaped association with affective commitment, when controlling for certain organizational rewards and individual attributes; however, the relationship between tie strength and affective commitment is not statistically significant. According to Ellis (1992), social information quality does not directly influence the causal relationship between social information and attitude to organizational change; but social information most strongly affects employee's attitudes in situations involving high source credibility and high uncertainty.

### III. RESEARCH DEVELOPMENT AND HYPOTHESES

The research framework used in this study, which is based on those used in previous studies on trust in organizational change and social information sources, is shown in Fig. 1. The network of relationships among the model variables, as well as the rationale for the proposed linkages, are elaborated below. As discussed previously, the most likely sources of social information are the people employees most frequently reached, such as colleagues, supervisors, friends, family members and customers or clients (Thomas and Griffin, 1989). This study explores the possible influence of social information sources on trust in organizational change. Considering



Source: Compiled for this research.

Fig. 1. Research framework.

the various social information sources in the workplace, this study divides the various sources of social information in the workplace into two categories. First is information that comes from the supervisor, which is the proxy of positive social information. Second is negative information from unions. Unions comprise employees and so unions rely on colleagues for social information.

#### 1. Influence of Social Information Sources

Previous studies have pointed out that job incumbents consider external and internal information sources important, and external sources of information decrease in importance as individuals gain work experience (Thomas, 1986). According to Thomas and Griffin (1989), a supervisor represents higher levels of management, and thus can present the organization's view of the job; therefore, employees seeking rapid upward mobility may accept the organization's view of the workplace as presented by the supervisor. Recent research also reveals that change-related self-efficacy fully mediates relationships between centrality within instrumental and expressive organizational social networks and individual interpretations of change controllability (Vardaman et al., 2012). Generally, a supervisor will be in line with organization's stance to support organizational change, and will help influence employees to conform to the decision of an entity. Meanwhile, labor unions usually will not agree with organizational reform owing to uncertainty regarding the changes.

Labor unions are organizations of workers who have coordinated to achieve common goals, such as protecting the integrity of their trade, achieving higher pay, increasing the number of employees an employer hires, and improving working conditions; through its leadership, labor unions bargain with employers on behalf of union members and negotiate labor contracts them. The main purpose of these unions is to maintain or improve workers' employment conditions (Webb and Webb, 1920). Although the power of labor unions continues to decline and confronts varied problems (Turner, 1991; Murillo, 2001), such unions continue to work hard to

protect employees' benefits. We therefore hypothesize that:

H1: Social information sources are significantly related to employee's trust in organizational change.

Corollary: H11: Social information from supervisor is positively associated with employee's trust in organizational change.

H12: Social information from labor union is negatively associated with employee's trust in organizational change.

## 2. Influence of Organizational Communication

Communication is important in organizational change, and is considered essential in the successful implementation of organizational change programs, because it is used to announce or explain changes, to prepare people for change, and to prepare people for the positive and negative effects of impending changes (Spike and Lesser, 1995; Kitchen and Daly, 2002). Internal communication can also increase understanding of commitment to change, and can reduce confusion and resistance (Lipitt, 1997). Lewis (2011) also noted that organizational change is essentially a social and communication process. Additionally, negotiation of stakes and sense making through interaction among stakeholders explain most outcomes of change. Considering the strong influence of communication on organizational change, this study proposes that:

H2: Communication is significantly related to employee's trust in organizational change.

## 3. Moderating Effect of Social Information Credibility

Social information credibility definitely influences employee's trust in organizational change; additionally, source and receiver characteristics affect the influence of social information on task perceptions. Empirical studies show that task partition strongly affects task perception; additionally, source credibility and locus of control enhance subject resistance to social cues that affect task perceptions under certain conditions (Blau, 1982). During organizational change efforts, management typically explains the proposed changes to employees and provides assurances regarding their possible negative consequences. Such actions are taken to help ensure employee's support for changes, or to prevent resistance to change (Armenakis et al., 1993). If explanations and promises made by management are found to be untrue, some employees may become cynical about the organization, the leaders of change, and the organizational change effort (Thompson et al., 2000). Information from unions will also cause similar effects. Therefore, we hypothesize:

H3: Social information credibility moderates the relationship between social information sources and employee's trust in organizational change.

Corollary: H31: Credibility of social information from supervisors increases the positive relationship

between social information from supervisors and employee trust in organizational change.

H32: Credibility of social information from supervisors decreases the negative relationship between social information from labor unions and employee's trust in organizational change.

H33: Credibility of social information from labor unions increases the negative relationship between social information from labor unions and employee's trust in organizational change.

H34: Credibility of social information from labor unions decreases the positive relationship between social information from labor unions and employee's trust in organizational change.

## IV. RESEARCH METHODOLOGY

### 1. Sample Design

A survey was conducted to test the proposed conceptual model and the questionnaire was developed through an extensive literature review. The survey was pre-tested with ten expert professionals—two from academia and eight from the port industry. They reviewed the questionnaire for readability and content validity (Churchill and Iacobucci, 2002), and their feedback was used to modify the questionnaire before mailing. Considering this research is focusing on exploring the influence of social information on employee's trust in organizational change, a random list of 400 employees who work in ports of Keelung, Taichung, Kaohsiung, Hualien, Taipei, and Suao in Taiwan were selected to answer the questionnaire because those port authorities had gone through organizational change over past years. A total of 141 useable responses were obtained, representing an effective response rate of 35%. Some points are noteworthy. First, over 63% of the respondents have been working in their organization for more than 20 years. This result conforms to the employees' seniority structure in Taiwan port agencies due to the civil servant's recruitment policy and relatively higher job security system. Second, corresponding to workers' seniority, nearly 60% of the respondents are over 50 years old. Third, over 65.5% of the returned questionnaires were collected from the three big ports (Keelung, Taichung, and Kaohsiung). Consequently, the distribution of respondents is considered to be an appropriate representative of port employees, and their opinions could help reveal some important information about trust in organizational change.

### 2. Measurement Model Test

All variables of interest were estimated through the respondents' perceptual evaluation on a five-point Likert-type scale anchored by 1 (Strongly disagree) and 5 (Strongly agree). The Cronbach alpha values of each dimension were well

**Table 1. Correlations among the study variables.**

	1	2	3	4	5	6
1. Organizational communication	--					
2. Social information sources (supervisor)	0.467***	--				
3. Social information sources (union)	0.279**	0.409***	--			
4. Social information credibility (supervisor)	0.488***	0.490***	0.262**	--		
5. Social information credibility (union)	0.421***	0.271**	0.581***	0.553***	--	
6. Trust in organizational change	0.703***	0.366***	0.303***	0.326***	0.260**	--

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

\*\*\* Correlation is significant at the 0.001 level (2-tailed).

Source: Analysis for this research.

**Table 2. Influence of social information sources and organizational communication on trust in organizational change.**

Independent variables↓	Model 1	Model 2	Model 3
Controlled variables	Constant <sup>1</sup>	Constant <sup>1</sup>	Constant <sup>1</sup>
Social information from supervisor	--	0.316**	0.033
Social information from union	--	0.085	0.037
Organizational communication	--	--	0.631***
R <sup>2</sup>	0.136	0.259	0.552
ΔR <sup>2</sup>	--	0.123	0.293
F	2.820**	4.780***	15.048***
ΔF	--	10.191***	79.870***

Note: 1. Constant controlled variables are: Gender, Age, Working experience in port agency, Job position, Work location, Education, and Marital status.

2. Level of significance: \*\*  $p < .01$ , \*\*\*  $p < .001$ .

3. ΔR<sup>2</sup>: Increment of R<sup>2</sup> compared to Model 1.

Source: Analysis for this research.

above the suggested threshold of 0.75, considered adequate for confirming a satisfactory level of reliability in research (Nunnally, 1978; Churchill and Iacobucci, 2002).

As shown in Table 1, there is a significant positive correlation among the study variables, especially for two items: trust in organizational change and organizational communication. Their resulting correlation is ( $r = .703, p < .001$ ). It means that good communication within an organization is closely related to employee's trust in organizational change. The results in Table 1 also indicate that all constructs of the conceptual model are statistically correlated.

### 3. Hypotheses Testing

Multiple regression analysis was performed to test the hypothesized inter-relationship between the dependent variable (trust in organizational change) and the independent variables that relate to the factors of organizational change information employees receive. All variables metrically satisfied the conditions for multiple regression analysis. The stepwise method was used: *t*-tests were conducted on each independent variable, and *F*-tests were conducted for the overall regression. The examination did not reveal any pattern of increasing or decreasing residuals, thus confirming the assumption of homoscedasticity. The plots also indicated linearity (Tabachnick

and Fidell, 2007; Hair et al., 2009).

To test the influence of social information (from supervisors and labor unions) and organizational communication on employee's trust in organizational change (Fig. 1), Regression Model 1 was first established using basic employee information (including gender, age, working experience in port agency, job position, work location, education, and marital status) as controlled independent variables. Two more independent variables (social information from supervisor and union) were added to Regression Model 2 to predict their possible influence on the dependent variable (trust in organizational change). Organizational communication was also added to Regression Model 3 to examine its influence. Table 2 lists the results. The coefficient of low positive affectivity was statistically significant ( $\beta = .316, p < .01$ ) for social information from supervisors, thus supporting H11. Furthermore, the test for social information from unions was not statistically significant, meaning H12 was not supported. This investigation thus concludes that hypothesis H1 is only partially supported. Additionally, the coefficient of high positive affectivity was statistically significant ( $\beta = .631, p < .001$ ) for organizational communication, thus supporting H2.

Hierarchical regression analysis was performed to investigate the moderating effect of social information sources from

**Table 3. Moderating effects of social information (from supervisor and union) and social information credibility (from supervisor and union) on trust in organizational change.**

Independent variables↓	Model 1	Model 2	Model 3	Model 4	Model 5
Controlled variables	Constant <sup>1</sup>	Constant <sup>1</sup>	Constant <sup>1</sup>	Constant <sup>1</sup>	Constant <sup>1</sup>
A. Social information sources from supervisor	--	0.320***	--	0.321***	--
B. Social information sources from union	--	--	0.188*	--	0.168
C. Social information credibility from supervisor	--	0.077	0.167	--	--
D. Social information credibility from union	--	--	--	0.100	0.114
A*C	--	-0.113	--	--	--
B*C	--	--	-0.273**	--	--
A*D	--	--	--	-0.166*	--
B*D	--	--	--	--	-0.136
R <sup>2</sup>	0.136	0.267	0.264	0.280	0.201
ΔR <sup>2</sup>	--	0.131	0.128	0.144	0.065
F	2.820**	4.445***	0.403***	0.407***	3.071**

Note: 1. Constant controlled variables are: Gender, Age, Working experience in port agency, Job position, Work location, Education, and Marital status.

2. Level of significance: \* $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

3. ΔR<sup>2</sup>: Increment of R<sup>2</sup> compared to Model 1.

Source: Analysis for this research.

supervisors and unions, and credibility of social information from supervisor and union on employee's trust in organizational change. Table 3 lists the results. The addition of credibility of social information from supervisors to regression models 2 and 3 shows no significant interactive effect for social information sources from supervisors, but a significant interactive effect does exist for social information from unions on credibility of social information from supervisors ( $\beta = -.273$ ,  $p < .01$ ). These results indicate that H32 is supported while H31 is not.

Using the same processes, but with the addition of credibility of social information from unions to regression models 4 and 5, the results reveal no significant interactive effect for the credibility and sources of the social information of the union, but such an effect does exist for social information from unions and supervisors ( $\beta = -.166$ ,  $p < .05$ ). Consequently, we conclude that H33 is supported while H34 is not.

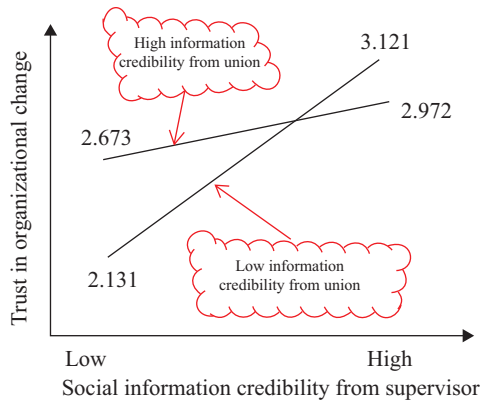
In Tables 2 and 3, part of the regression coefficient of social information (sources or credibility) has not reached statistical significance. The reasons for this may relate to the varied influence of information on different stages of organizational change. For this case, the port reform has reached the mature stage, thus reducing the impact of social information (especially from the union).

To further examine how social information credibility from supervisors influences the relationship between social information from the union and employee's trust in organizational change, the response data ( $N = 141$ ) were classified into four groups. Using the median as the cut-off point, the four groups were formed by respondents who have higher social information credibility from supervisor and union, higher social information credibility from supervisor and lower social

information credibility from union, lower social information credibility from supervisor and higher social information credibility from union, and lower social information credibility from supervisor and union, respectively. The average mean values of respondent's perception of trust in organizational change for these four groups were then calculated. Fig. 2 shows the results, and illustrates that port employees decreased their trust in organizational change when information from unions had high credibility and that from supervisors had low credibility, and vice versa. The same method applies in checking the effect of credibility of social information from unions on the relationship between social information from supervisors and unions and the trust of employees in organizational change. Fig. 3 shows the results, and demonstrates that port employees are slightly influenced by credible social information provided by unions. Based on the above analysis, this study concludes that H3 is only partially supported.

## V. DISCUSSION AND CONCLUSION

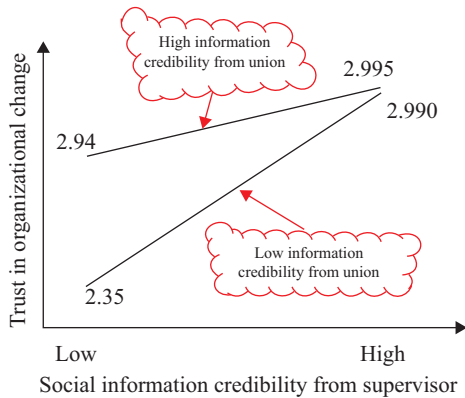
Trust is important for launching organizational change. Employees receive social information from surrounding parties, such as supervisors, labor unions and coworkers, etc. Since few studies have directly discussed the influence of social information sources and credibility on employee's trust in organizational change, this study proposed a framework to test the relationship of those elements. The empirical evidence derives from the recent port reform case in Taiwan, which indicates that communication positively influences employee's trust in organizational change, similar to the results of previous researches (Lipitt, 1997; Kitchen and Daly, 2002; Lewis, 2011).



Union info.		Trust in organizational change
High supervisor social info.	High credibility	2.972
	Low credibility	3.121
Low supervisor social info.	High credibility	2.673
	Low credibility	2.131

Source: Analysis for this research.

Fig. 2. Impact of social information credibility from supervisor and union on the trust in organizational change.



Supervisor info.		Trust in organizational change
High union social info.	High credibility	2.995
	Low credibility	2.990
Low union social info.	High credibility	2.940
	Low credibility	2.350

Source: Analysis for this research.

Fig. 3. Impact of social information credibility from union and supervisor on the trust in organizational change.

Additionally, social information from supervisors is positively associated with employee’s trust in organizational change; furthermore, information credibility from supervisors decreases the negative relationship between social information from union and employee’s trust in organizational change. This result conforms to established rules; namely supervisors (or managerial staff) generally support organizational change and must help persuade their subordinates to patronize or-

ganizational policies. Generally, if information from unions has high credibility, supervisor information does not easily affect employee’s opinions; however, if unions have low information credibility, supervisors will have more power to defend the negative effects of labor unions on employee’s trust in organizational change. The valuable information obtained from empirical analysis can provide a useful reference to port managerial staff in their decision making. This study notes that communication is essential for increasing employee’s trust when an organization decides to change. Additionally, supervisors are well positioned to influence the trust of their subordinates in organizational change. The other important factor is that supervisors should provide their subordinates with trustworthy information.

Although the Taiwan International Port Corporation (TIPC) has transformed from the Port Authority system to a newly established state-run company, it still needs to continue promoting commercial port service schemes. Based on the above research results, the managerial staff of TIPC should improve the formal communication mechanism of their company to further earn employee’s trust in organizational change. Besides establishing a formal communication system, social information from supervisors significantly increases employee’s confidence in the new port corporation. High level managerial staff should fully communicate with different levels of supervisors, and should further forge a consensus regarding the positive effects of the port reform. This can increase worker’s trust in the positive results of the port organizational change and decrease employee’s anxiety regarding the uncertainty of port transformation.

Despite its potentially significant contributions to the extant social information processing literature, as well as its important implications for managerial practice, this study has several limitations that must be highlighted to ensure the findings are appropriately interpreted, and that future research opportunities can be identified. First, the study data came exclusively from employees of port authorities in Taiwan. Given the unique characteristics of oriental culture and port operation, care thus is needed in the generalization of these results to other contexts. Second, further empirical validation is needed to check whether the proposed and tested linkages can be applied to other cases. Finally, this study finds out the influence of labor union is weak, but this may not always be true for the other case.

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