

# Testing the Effect of Psychological Ownership and Organisational Justice on Employees' Readiness to Change: Empirical Evidence from Indian IT Industry

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Jnaneswar K.<sup>1</sup>  and Gayathri Rajendrababu<sup>2</sup>

## Abstract

To survive in a volatile and uncertain business environment, organisations need to adjust, evolve and progress. The ability to quickly adapt to change gives a competitive advantage to the organisation. Therefore organisations should understand and improve various factors which predict employee readiness to change. The primary objective of this study was to assess the impact of organisational justice and psychological ownership on employee readiness to change in the Indian IT industry. A cross-sectional research design was adopted for the study, and the respondents include 211 full-time employees from different organisations in the Indian IT industry. Findings revealed that both organisational justice and psychological ownership has a positive relationship with employee readiness to change. The results of multiple linear regression also established that organisational justice and psychological ownership jointly predict employee readiness to change. The present study, grounded on the psychological theory of social exchange and social exchange theories, enriches the existing literature about employee readiness to change and offers important implications for practitioners.

## Keywords

Psychological ownership, organisational justice, employee readiness to change, organisational performance

<sup>1</sup> CET School of Management, College of Engineering, Trivandrum, India

<sup>2</sup> Technology Risk Analyst, Ernst and Young, India

## Corresponding Author:

Jnaneswar K., CET School of Management, College of Engineering, Trivandrum, Kerala 695016, India.  
E-mail: jnaneswar@gmail.com



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## **Introduction**

Change is inevitable in every aspect of our life, as it is a constant in the business environment, and it happens all the time. Especially in today's world, where companies are trying to achieve total quality, change is an unavoidable measure. Economies fluctuate daily, frequently causing firms to adapt and alter their course of operation. In the present scenario, with the novel Coronavirus pandemic, businesses in various sectors have been severely affected, and even though new measures have been adopted to make a comeback, companies have had to adopt various new policies and changes to stay on top of their game (Ramasu et al., 2021). All employees must be committed to the changes they face in their job and organisation to ensure that they can function effectively under the changed circumstances. Organisations must learn to adapt to change to survive in the competitive and volatile market. It allows them to improve and avoids stagnation. Change brings along with it various risks and complications which could give undesirable outcomes (Ozkalay & Karaca, 2021). Therefore companies should make change management a vital part of their decision-making process.

It is in human nature to always oppose changes as they pose an uncertain future, which may or may not have complications in it. When a company adopts measures to bring about change, the employees might sometimes be affected, and this brings about a negative attitude towards change in people. This is the major reason why change management projects adopted by certain companies have failed over the years (Amarantou et al., 2018; Tuncer, 2013). Scholars paid lot of attention to different processes and strategies pertinent to organisational change, but even today, the major success factor of organisational change is employees' attitudes and beliefs. For Change management to be successful, employees should have a positive attitude and have a readiness to change to achieve the organisational goals. According to Weiner (2009), readiness to change is a pivotal factor affecting the execution of any organisational change program. It is influenced by employees' assumptions, beliefs, potential, and their self-efficacy. Organisations must be prepared to minimise the resistance that might occur by understanding how and why employees might be against the change (Johansson & Heide, 2008).

Psychological ownership is an important construct that influences employees' attitude towards change, and organisations are showing an increased interest in it. For instance, organisations like Infosys have started programs that promote ownership feelings in their employees, as they have realised that positive psychological ownership increases employee productivity (Olckers & Booyesen, 2021). Psychological ownership arises out of the employees' feeling of ownership towards the work and the firm. It encourages employees to cultivate an emotional bond with the organisation, and employees perceive a need to protect the organisation as if it is their own. Previous studies established the impact of psychological ownership on organisational citizenship behaviour, job satisfaction, knowledge sharing and organisational commitment (Avey et al., 2009; Hameed et al., 2019; Van Dyne & Pierce, 2004; Wang et al., 2019).

Extant literature reports few studies highlighting the impact of psychological ownership on employees' readiness to change. For instance, Dirks et al. (1996) explained the explanatory power of psychological ownership on the employees' attitude to change. The psychological theory of organisational change explains the relationship between the two variables. Elstak et al. (2015) also argued about the positive association between these variables. Even though literature established the relationship between psychological ownership and readiness to change, much of this research was in the western context. Thus, there is a dearth of research linking these variables in the eastern context, especially in India. Additionally, researchers also observed inconsistency in the relationship between these variables.

For instance, Baer and Brown (2012) found that psychological ownership inversely affects attitude towards change in their study. Thus to address these research gaps, this study aims to investigate psychological ownership's impact on readiness to change in the Indian context.

The belief and attitudes of the employees are pertinent to the successful implementation of various change initiatives by the organisation (Weber & Weber, 2001). Among these, organisational justice occupies a pivotal position and it creates advantages for both employees and organisations (AlMazrouei & Zacca, 2021). Organisational justice was first studied by Greenberg (1987), and considers it from an employees' perspective and looks into the firm's strategies and decisions, and how this affects their attitude towards work. It is also closely related to the concept of fairness at work, which relates to small and large decisions taken by employers, and how employees perceive them as fair or unfair and the amount of their involvement in these actions (Wang et al., 2010). These affect the employees' behaviour and attitude towards the firm, and when actions are considered to be unfair, it often leads to conflicts between the employee and management (Jehanzeb & Mohanty, 2020). Prior studies indicated a positive association between employees' perception of justice and their attitude towards change (Armenakis & Harris, 2009; Herold et al., 2007). But there are only limited studies relating to the relationship between these variables in the Indian context.

Even though organisational justice, psychological ownership, and employees' readiness to change are popular concepts in the present volatile and ambiguous business situation, a critical examination of the literature reveals that the relationship between these variables was not adequately explored. Thus the present study attempts to address this research gap in the literature by examining the influence of psychological ownership and organisational justice on employees' readiness to change.

The present study offers significant contributions, which are as follows: First, by investigating the impact of organisational justice and psychological ownership on employees' readiness to change, our knowledge about the antecedents of readiness to change is enriched. The social exchange theory and psychological theory of organisational change was integrated to extend the extant literature. Second, through the present study, the research gap in the empirical studies about the influence of organisational justice and psychological ownership on readiness to change in the Indian context is bridged. This research work offers evidence of the direct relationship between organisational justice and psychological ownership on readiness to change in the Indian IT industry. Third, the readiness to change

literature is enriched by explicating its predictors, which would benefit practitioners when they deal with the problem of resistance to change by the employees in their organisations.

## **Literature Review and Hypothesis Development**

### *Theoretical Background*

The present study, which examines the impact of organisational justice and psychological ownership on readiness to change is based on the Social exchange theory propounded by Blau (1964). According to this theory, the reciprocal exchange between the employees and the organisation creates a relationship between them. If an organisation ensures justice to its employees, employees feel obliged to reciprocate, and thus they engage in readiness to change behaviour. Here, reciprocity plays a significant role in how employees act and behave in an organisational context. The social exchange hypothesis, which explains how social relationships are reciprocal, better explains why workers are open to change due to the positive perception of organisational justice. Employees' willingness to change is encouraged by their positive perceptions of the organisation's fairness.

### *Psychological Ownership*

Pierce et al. (2003) defined psychological ownership as 'a state in which an individual feels as though a target of ownership or a piece of that target is theirs'. It gives a sense of possessing something without any legal or formal ownership (Mayhew et al., 2007).

The concept of mental possession describes a situation in which individuals experience the ownership of an item, such as an organisation or job. The crux of psychological ownership is possession, and this differentiates psychological ownership from other concepts which explain the individual-organisation relationship (Gardner et al., 2021). Psychological ownership manifests when one's belongings seem like extensions of the self (Belk, 1988; Dittmar, 1992), and a sense of responsibility for what is mine develops. When employees perceive psychological ownership, they will have feelings of responsibility and are motivated to improve the target of the ownership (Cocieru et al., 2019).

### *Organisational Justice*

Organisational justice refers to the organisation's equitable treatment of its personnel (Nazir et al., 2019). It deals with all issues of workplace conduct, from treatment by bosses to salary, admittance to training, and sex equity. It is initially derived from equity theory, which recommends that people make decisions on fairness depending on the total they give (input) contrasted with the sum of what they get back (yield). Guaranteeing organisational justice should be a matter of priority for firms as it can decrease the frequency of workplace issues, disappearance, separation and counterproductive workplace practices and inculcate positive

credits like trust and communication. Distributive justice, interactional justice, and procedural justice are the three crucial aspects of organisational justice (Yean & Yu sof, 2016). Distributive justice indicates fairness in the allocation of rewards like pay and promotion. It explains fairness in rewards with the amount of effort expended (Buluc, 2015). Interactional justice denotes the fairness in the interactions between employees and their superiors and indicates how decently superiors treat them. Procedural justice includes the following elements: voice (all relevant parties had a chance to be heard), impartiality, accuracy (decisions are based solely on information and data available), consistency, and neutrality (no special status to anyone) (Nagin & Telep, 2020).

### *Readiness to Change*

Bouckennooghe et al. (2009) conceptualised readiness to change as a multifaceted phenomenon that includes emotional, intentional and cognitive dimensions. Assumptions and thoughts people hold about change indicate the cognitive dimension of change readiness. It details how individuals feel about change. Employees' intentional preparedness for change indicates if they are willing to invest their time and effort in the change process. Finally, the emotional dimension is the affective reaction towards the change process. Readiness to change is a pivotal attitude determining the success and failure of change interventions (Zayim & Kondakci, 2015). This is influenced by various factors such as context, content, process, and individual involved in the change. According to prior studies, the success of organisational transformation depends on workers' support of change initiatives (Roemer et al., 2021). People respond differently towards change, some supporting and some opposing. Elliot and Harackiewicz (1996) described the difference between a person's readiness to change and their reluctance to change in their study. They suggested that readiness to change shall be viewed as a mental attitude of the individual when he experiences the change process, which results in compliance with the new change effort. Contrarily, resistance to change is the behaviour that prevents or delays change attempts, which may result in a stalemate in the company.

### *Relationship Between Psychological Ownership and Employee Readiness to Change*

Recently, studies have proposed that employees feel more obligated to support the operation and development of the business when they view and act as owners of it. Employees are less inclined to leave their jobs and have a more open mind to change when they feel more devoted to the company (Pierce et al., 2003). The pertinent theory which underpins the relationship between these two variables is the psychological theory of organisational change. In this theory, Dirks et al. (1996) contend that psychological ownership sheds light on the motivations and circumstances surrounding people's support for and opposition to change. They hypothesised that psychological ownership results in either positive or negative

attitudes toward change depending on the nature of change involved. When a change is self-initiated, evolutionary, and cumulative, people are more inclined to support it because they feel ownership over it. Employees will, however, fight against change if it is revolutionary, forced, or subtractive. According to the psychological theory of organisational change, a person's tendency to support or oppose change depends on his need for self-enhancement, self-continuity and self-efficacy. Elstak et al. (2015) and Pierce et al. (2003) also found evidence for the association between psychological ownership and employees' attitudes about change. Based on these theoretical arguments, we propose the following hypothesis:

**$H_1$ :** There is a positive relationship between psychological ownership and employees' readiness to change.

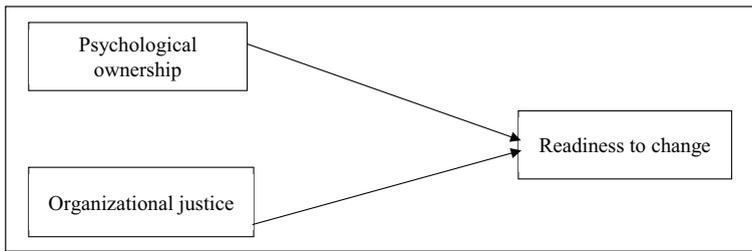
### ***Relationship Between Organisational Justice and Employee Readiness to Change***

Early research indicates that organisational justice significantly impacts an employee's cognitive, and behavioural reactions toward the organisation (Cohen-Charash & Spector, 2001). Organisational justice and workers' openness to change are related, according to the social exchange theory (Blau, 1964). Organisational justice and workers' openness to change are related, according to the social exchange theory (Blau, 1964). This theory holds that when a business treats its employees fairly, it imposes a duty on its workers to do the same. Thus employees exhibit positive attitudes in the organisation. Few empirical studies reported a positive association between organisational justice and readiness to change. Shah (2011) found that organisational justice functions as a source of employee positive behaviours in the changing conditions in his research among the staff of large public sector companies in a developing nation. Previous research has shown that fair management practices boost employee loyalty and the effectiveness of organisational transformation initiatives. Organisational justice and workers' attitudes towards change were found to be positively correlated by Lee et al. (2017), with the former encouraging employees to adjust to the external forces of change. On the basis of the above discussion, it is hypothesised as follows:

**$H_2$ :** There is a positive relationship between organisational justice and employees' readiness to change.

### ***Impact of Psychological Ownership and Organisational Justice on Employee Readiness to Change***

A key element of a successful organisational transformation is employee readiness to change, which is a cognitive state is made up of beliefs, attitudes, and intentions toward a change attempt. It is challenging for the company to get everyone on board with organisational reform. Though prior research has established the relationship



**Figure 1.** Theoretical Model.

between psychological ownership and employee readiness to change and organisational justice and employee readiness to change, no study has investigated the combined impact of these variables on employee readiness to change. We contend that both the social exchange theory and the psychological theory of organisational change may be used to account for this combined impact. The psychological theory of organisational change states that an individual's inclination towards the change initiative is dependent on psychological ownership. Social exchange theory highlights the obligation on the part of employees to reciprocate for the fairness provided by the managers in the organisation. By integrating these two theories, the present study aims to examine if psychological ownership and organisational justice may both predict employee readiness to change. It is hence hypothesised that:

**H<sub>3</sub>:** Psychological ownership and organisational justice jointly predict employees' readiness to change.

Figure 1 shows the theoretical model used in the study.

## Methodology

### Sample and Procedure

From different Indian IT companies, 211 full-time employees were chosen as the study's sample.

The sample was chosen using the purposive sampling method. Sample include 108 male and 103 female employees. 74.4 % of the respondents are married and remaining 25.6 % are unmarried, 74.9 % of respondents are graduates and 25.1 % are post graduates. 83.9% of the sample have non-management roles, while 16.1% hold managerial ones.

Among the sample, 83.9% are non-managerial employees and remaining 16.1 % are in the managerial positions. The respondents' average age is 28 and their average years of experience is 4.71.

### Measures

Present study was conducted by administering three structured questionnaires.

**Psychological ownership:** The three elements of psychological ownership—affection, connectedness, and obligation—were examined using a 12-item scale created by Shukla and Singh (2015). Examples of the scale's items include: 'I am passionate about working in my organisation', 'I consider problems at workplace as my own'.

**Organisational justice:** Using measures created by Price and Mueller (1986) and Niehoff and Moorman (1993), the explanatory variable organisational justice was examined. Distributive justice was measured using a six-item scale developed by Price and Mueller in 1986. The fifteen-item Niehoff and Moorman (1993) scale was used to evaluate procedural and interactional justice. Examples of the scale's items include: 'I have been fairly rewarded for the amount of effort you put forth', 'My supervisor showed concern for my rights as an employee'.

**Readiness to change:** This variable was measured by distributing the 'Attitude Toward Change Survey' questionnaire created by Dunham et al. (1989).

This self-administered survey which consists of 18 items is very popular in assessing a person's attitude to change. There are three subscales: behavioural tendency, cognitive reaction and affective reaction in this scale. Examples of the scale's items include: 'I look forward to change at work', 'Change usually benefits the organisation'.

The scales of 1 (strongly agree) and 7 served as their anchors (strongly agree).

### *Instrument Reliability*

In order to determine the reliability of the three surveys, Cronbach's alpha value was determined.

The three instruments' Cronbach's alpha values were determined to be more than 0.7. (PO: 0.796; OJ:0.892; RC: 0.873). In this way, the instrument's dependability was proven.

## **Results**

Results of descriptive statistics and correlation between the variables are shown in Table 1.

Table 1 revealed a significant correlation between psychological ownership and readiness to change (0.411) at 0.01 level, thus H1 was fully supported. Analysis also showed that there exists a significant positive relationship between organisational justice and readiness to change (0.635) at 0.01 level. Thus H2 is fully supported.

Confirmatory factor analysis was used to demonstrate the convergent and discriminant validities. Tables 2 and 3 include the specifics.

Factor loadings of the items were  $>0.50$  except for some items, which were deleted. For instance item number 7, 11 and 12 under psychological ownership, item number 1, 17 and 18 under organisational justice and item number 3, 4, 7 and 18 under readiness to change were deleted as factor loadings were  $<0.05$ . The average variance extracted established convergent validity. The AVE values of the constructs ranged from 0.501 to 0.618 (Psychological ownership = 0.543, Organisational justice = 0.618, Readiness to change = 0.501). The composite

reliability values of the constructs ranged from 0.760 to 0.889 (Psychological ownership = 0.760, Organisational justice = 0.889, Readiness to change = 0.889). Table 2 revealed that for all constructs, the CR and AVE were above the cut off value of 0.7 and 0.5 as suggested by Hair (2010).

The approach developed by Fornell and Larcker (1981) was used to determine the constructs' discriminant validity. Table 3 presents the findings.

The findings showed that the correlation values across the rows or columns are less than the square root of AVE. The constructs' discriminant validity is established as a result.

The findings of the evaluation of the hypothesised model's model fit are shown in Table 4.

Results revealed that goodness of fit index (GFI) = 0.889, comparative fit index (CFI) = 0.941,  $\chi^2/df = 1.670$ , Tucket-Lewis index (TLI) = 0.926, root mean square

**Table 1.** Mean and Correlation of Variables.

	Mean	SD	(1)	(2)	(3)
(1) Psychological ownership	5.58	0.63	1		
(2) Organisational justice	5.54	0.69	.401*	1	
(3) Readiness to change	5.51	0.70	.411*	.635*	1

**Note:** SD: Standard deviation; \*p<.01.

**Table 2.** Factor Loadings, CR and AVE.

Variables	Factor Loadings	CR	AVE
PO10	0.519		
PO9	0.503		
PO8	0.560		
PO6	0.596		
PO5	0.541	0.760	0.543
PO4	0.581		
PO3	0.634		
PO2	0.570		
PO1	0.568		
OJ2	0.514		
OJ3	0.511		
OJ4	0.598		
OJ5	0.565		
OJ6	0.551		
OJ7	0.646		
OJ8	0.662		
OJ9	0.683	0.889	0.618
OJ10	0.735		
OJ11	0.627		
OJ12	0.518		
OJ13	0.503		
OJ14	0.501		
OJ15	0.531		
OJ16	0.543		

(Table 2 continued)

(Table 2 continued)

Variables	Factor Loadings	CR	AVE
RC17	0.565		
RC16	0.58		
RC15	0.646		
RC14	0.611		
RC13	0.530		
RC12	0.587		
RC11	0.595		
RC10	0.547	0.889	0.501
RC9	0.623		
RC8	0.703		
RC6	0.649		
RC5	0.679		
RC2	0.600		
RC1	0.550		

**Notes:** PO: Psychological ownership; OJ: Organisational justice; RC: Readiness to change; AVE: Average variance extracted; CR: Composite reliability.

**Table 3.** Discriminant Validity.

	(1)	(2)	(3)
(1) Readiness to change	0.633		
(2) Psychological ownership	0.251	0.666	
(3) Organisational justice	0.409	0.255	0.786

**Table 4.** Fit Indices.

Fit Index	Model Values	Value Recommended	References
$\chi^2/df$	1.670	<3	Hooper et al. (2008)
GFI	0.889	>0.80	Hair (2010)
TLI	0.926	>0.90	Byrne (2016)
CFI	0.941	>0.90	Byrne (2016)
RMSEA	0.056	<0.07	Hair (2010)

error of approximation (RMSEA) = 0.056. These fit indices suggests a good model fit as recommended by Byrne (2016); Hair (2010) and Hooper et al. (2008).

### *Impact of Psychological Ownership and Organisational Justice on Readiness to Change*

To evaluate the effects of psychological ownership and organisational justice on change readiness, multiple linear regression was used. It was determined through preliminary investigations that the assumptions of normality, linearity, and multicollinearity had not been violated.

**Table 5.** Multiple Regression: PO, OJ and Readiness to Change.

Model	Unstand-	Standard	Standardised	t-value	Sig	R <sup>2</sup> value	F value	Df
	ardised		Coefficients					
	B	Error	Beta					
Constant	1.214	0.372		3.268	0.001	0.432	79.114	2
Psychological ownership	0.208	0.064	0.187	3.278	0.001			
Organisational justice	0.565	0.058	0.560	9.809	0.000			

**Note:** Dependent variable: Readiness to change.

A significant regression equation with an R<sup>2</sup> of.432 was found (F (2,208) = 79.114, p0.001).

That is 43.2 % of readiness to change can be predicted by psychological ownership and organisational justice. Organisational justice ( $\beta = 0.560$ , sig 0.05) and psychological ownership ( $\beta = 0.187$ , sig 0.05) were shown to be statistically significant in predicting change readiness.

The results are presented in Table 5.

Moreover, as a result of regression analysis, it is possible to predict the readiness to change by the equation as follows:

Readiness to change = 1.214 + 0.565 (organisational justice) + 0.208 (psychological ownership)

Thus for each one unit increase of organisational justice, readiness to change increases by 0.565 and for each one unit increase of psychological ownership, readiness to change increases by 0.208. Thus H3 is fully supported.

## Discussion

Examining the effects of psychological ownership and organisational justice on employees' readiness to change in the Indian setting was the main goal of the current study. The current study revealed empirical support for the impact of psychological ownership and organisational justice on employees' readiness to change using the social exchange theory and psychological theory of organisational change. Additionally, a direct link between psychological ownership and employees' readiness to change was observed in the current study. The results of this study are consistent with those conducted by Elstak et al. (2015), Dirks et al. (1996) and Pierce et al. (2003).

Since the study was done in the Indian environment, which is culturally distinct from the western context, the results of the current study enable generalisation. Thus, the call of scholars to replicate studies in a different context for better generalisation is addressed through the present study. Moreover, the ambivalence in the relationship between psychological ownership and employees' readiness to change is also addressed through the present study. The two factors' positive link suggests that if employees feel they have psychological ownership, they will be

more open to organisational change. The predictive power of organisational justice on employee readiness to change was also established through the present study. This result corroborates with previous research conducted by Lee et al. (2017) and Shah (2011). The degree of fairness in the organisation influence employees' attitudes and behaviours. If an employee perceive fair and impartial treatment from the organisation, they will be motivated to exhibit readiness to change behaviour.

This study is the first empirical examination of organisational fairness and psychological ownership as indicators of employees' readiness to change in the Indian context. The current study clarified how psychological ownership and organisational fairness influence workers' readiness to change. Only few studies explored the inter relationship between organisational justice, psychological ownership and readiness to change. Drawing from social exchange theory and psychological theory of organisational change, we empirically established the relationship between the variables and addressed the research gap. The present study makes valuable contributions to the literature on psychological ownership, organisational justice and readiness to change. Through the empirical evidence about the positive relationship between the variables, our study enriches the literature by establishing psychological ownership and organisational justice as antecedents of readiness to change.

## **Managerial Implications**

The results of the present research offer valuable managerial implications. The study established psychological ownership and organisational justice as predictors of employee readiness to change. Managers at all levels must ensure fairness in the organisation through developing and implementing progressive HR practices. There should be fairness and equality in the distribution of rewards, the procedure for finalising the reward, and the interpersonal treatment of employees. Fairness can encourage employees to become more receptive to change in the organisation. Progressive HR practices also bolster employees' sense of ownership. Generating a 'mine' feeling among the employees impact the employees' positive attitude towards change, and make the change initiative a successful one. Through empowerment and participation, employees' psychological ownership strengthens. Managers must understand that change is inevitable in the present environment, and the capability to quickly adapt to a turbulent business environment determines the competitive advantage of an organisation.

## **Limitations and Future Research Directions**

The study has some limitations, which future researchers should overcome. The first is concerning the purposive sampling technique adopted for the present study, which limits the generalisability of the findings. Second is the cross-sectional design of the study. Future research shall be conducted by adopting a longitudinal design, with a larger sample selected using probability sampling methods. Future researchers shall examine mediators like organisational culture, work engagement

and organisational commitment in the relationship between organisational justice and employee readiness to change. There is also scope for performing mediation using these variables in the relationship between psychological ownership and employee readiness to change.

## Conclusion

With globalisation and the growing workforce, making the right strategic decisions would mean adopting new and improved techniques. An organisation has to adopt necessary changes to combat hyper-competition in the business environment. In such a situation where we cannot avoid change, it is better to understand every aspect of the change and adapt it. It is vital to undertake a thorough analysis of every factor that affects change. Factors such as psychological ownership and organisational justice are pertinent topics in the field of human resource management. Though there has been some academic research conducted to understand these concepts in the past, enough research was not conducted to understand their effects on employee readiness to change in an organisation. Using social exchange theory and psychological theory of organisational change, this study concludes that both psychological ownership and organisational justice jointly predict employee readiness to change. The present research is one of the primary attempts to test the combined effect of psychological ownership and organisational justice on employee readiness to change in the Indian context. Our study enriches the existing literature by showing empirical evidence to the relationship between the variables and highlights the importance of promoting both psychological ownership and organisational justice, for bolstering employee readiness to change in the organisation.

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## ORCID iD

Jnaneswar K.  <https://orcid.org/0000-0002-5501-4480>

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