Employee dissatisfaction with organizational change: An Empirical study of a technology services company

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Employee satisfaction is one of the key factors that influences an organization's performance and is thus critical to the organization’s success. In this paper, we report on an empirical study of employee dissatisfaction with organizational change, which resulted in huge staff turnover and hostility towards management. We examine in-depth how and why such a high level of dissatisfaction, which was well beyond management expectations, developed. First, we explore the organizational context and systematically extract the constructs that lead to employee dissatisfaction. Then, we integrate the constructs into a model to explain the dissatisfaction and resistance to organizational change. In this model, “benefits,” “workload,” and “promotion” lead directly to employee dissatisfaction, while “age” and “expertise” function as moderating constructs. Our study contributes to the literature by using qualitative research methods to explore employee dissatisfaction with organizational change. Top managers are best served by learning more about employee dissatisfaction, and making transitions during organizational change smoother and more effective.

Key words: Employee dissatisfaction, organizational change.

INTRODUCTION

Employee satisfaction is a crucial issue in business organizations (Atkins, Marshall et al., 1996; Podsakoff, MacKenzie et al., 1996; Koys 2001; Matzler and Renzl, 2007). The level of employee satisfaction can have a strong impact on clients' opinions and the reputation of a company. Thus, researchers and practitioners are keen to learn how to improve employee satisfaction and how to handle employee dissatisfaction with organizational change (Abbott, 2003; Davies, Chun et al., 2004). From a management perspective, improving employee satisfaction could reduce staff turnover, enhance performance, and ultimately help the organization gain and maintain a competitive advantage. Many studies have investigated different aspects of employee satisfaction, such as its impact on job performance, and how satisfaction relates to factors like working environment and job stability (Herzberg, 1986; Matzler et al., 2004). Few studies have used qualitative research to examine employee dissatisfaction that arises because of organizational change. The fundamental causes of employee dissatisfaction need to be studied in depth in order to help managers make decisions to improve overall worker satisfaction.

The inevitability of organizational change in the highly competitive modern business world is having an increasing impact on employees, and dramatic changes can lead to strong resistance among an organization's employees (Tsoukas and Chia, 2002). Against this background, we study the case of a technology services company in Taiwan, in which organizational change resulted in strong resistance and employee dissatisfaction. We use qualitative techniques to examine and determine how and why employee dissatisfaction occurred within our case study. From this research we establish a model for understanding and analyzing the factors that lead to dissatisfaction. The results of this study provide managerial implications that could help senior managers make better decisions when introducing organizational change.
Employee satisfaction and organizational change

Employee satisfaction is an important issue for organizations because it has a positive influence on employee performance (Herzberg, Mausner et al., 1993). Positive work outcomes usually result from a high level of job satisfaction among employees (Babin James and Barry 1996; Baard, Deci et al., 2004). Higher employee satisfaction also correlates with lower unintentional staff turnover (Igbaria, Greenhaus et al., 1991; Hallowell, Schlesinger et al., 1996; Richer, Blanchard et al., 2006), as well as higher customer satisfaction levels, because customer outcomes are affected by employees who provide services (Heskett, Sasser et al., 2002; Yee, Yeung et al., 2008; Chi and Gursoy, 2009). Therefore, it is rare for organizations to satisfy customers without the support of satisfied employees in running company operations (Hallowell, Schlesinger et al., 1996).

Several studies argue that improving employee satisfaction requires combining employee opportunities for personal growth and development with a variety of other important factors, such as company policy, welfare, working environment, and employees' sense of security. Additionally, other studies point to the value of increasing employee autonomy and accountability (Herzberg, Mausner et al., 1993; McLean, Smits et al. 1996; Van Scotter 2000; McColl-Kennedy and Anderson 2005).

Organizational change is the process by which individuals adapt to environmental change. It may include the acceptance of new techniques, new management (Jensen 1983; Bovey and Hede 2001), or changes in the organization's strategy or policy (Burke and Litwin 2008). Since organizational change leads to the redistribution of benefits and the adjustment of relationships between different positions (Crosby 1996), employee resistance can be expected. Furthermore, Crosby (1996) argued that “many policy reform failures can nonetheless be attributed to the lack of careful consideration of how the policy reform implementation effort is or should be organized.” In other words, senior managers must consider how to introduce organizational reforms (Emery and Trist 2008). They need to understand how employee dissatisfaction can arise as a result of changes to organizational policy or working processes (Nemanich and Keller 2007).

METHODOLOGY

Case study: A technology services company in Taiwan

Our case company, which we call Company M, is the Taiwanese branch of a Japanese-based international technology company that provides automated operations machines, on-going services, and consulting services. Based on their “customer-first” attitude, Company M provides reputational services and thus service engineers are the main bridges between the company and its clients. Figure 1 illustrates the original process that engineers used to serve clients. Each engineer was responsible for servicing specific clients located in a particular district. In most cases, the clients had dealt with the same engineer for several years. In the original process, the engineers’ working scopes were diversified. They fulfilled various functions for their customers, including providing services, maintaining equipment, promoting sales, and even signing sales contracts. The clients were used to and comfortable with being serviced by the same engineer. Consequently, engineers and clients developed close relationships. However, in July 2008, Company M revised the engineers’ work process, as shown in Figure 2. Under the new process, when a client requests service, the company assigns two engineers to look after the client. Each engineer is assigned a single, specific task. Moreover, the service areas and clients are assigned randomly. The organizational changes were introduced after the head office in Japan appointed a new CEO from Hong Kong to oversee the Taiwan branch. Rooted in a different culture and ideas, he attempted to manage the company by restructuring the working processes to match his old Hong Kong branch. These changes involved the introduction of new policies and dramatically re-organizing the service engineers’ work process. Many senior managers were also replaced by personnel from the Hong Kong operation. The new management team’s objective was to improve productivity and the company’s performance by reforming work processes in order to gain a competitive advantage in the marketplace. However, the organizational changes generated an enormous amount of employee dissatisfaction and resistance, which led to high staff turnover during the transition phase. Many skilled and experienced engineers, and even senior managers, quit their jobs. An air of hostility toward the policy changes and even the new management permeated the Taiwan branch. Specifically, half of the company’s engineers quit their jobs within a year after the changes were introduced. In the following section we examine why the organizational changes did not go according to plan, and why they generated so much employee dissatisfaction.

In this study, we employ qualitative research methods. Qualitative research focuses on context analysis, explores the deeply-rooted causes of phenomena, and highlights the explanations of what happened. Researchers who use qualitative methods always attempt to uncover the clues hidden within an organization’s context from observed targets or participants; therefore, the task of qualitative research is to make invisible things visible (Clandinin and Connelly 2006; Myers and Newman 2007). “People” are the core of qualitative research and the scope of qualitative research methods includes beliefs, motivations and experiences, as well as interactions between people, organizations, or institutions (Gibson and Martin 2003). Therefore, describing and explaining the complex social phenomena that occur in an environment are the key objectives of qualitative research (Pope and Mays 1995).

Our research method is based on the steps suggested by Eisenhardt (1989). To determine the root causes of employee dissatisfaction and hostility toward management, we use qualitative research techniques, including interviews and in-depth on-site observations. Moreover, to develop a detailed understanding of the organizational context and extend the scope of our research, the interviewees included lower level employees as well as senior managers. We interviewed current employees and people who had quit their jobs due to dissatisfaction. In the following sub-sections, we describe in-depth interviews with five employees whose perspectives were generally representative of all employee views toward the organizational changes. The group of interviewees comprised three senior managers (Johannson, Lewis, and Frank) and two engineers (Mars and Stanley). Frank and Stanley quit their jobs in 2009 due to dissatisfaction with the organizational changes.

Johannson, the former general manager

Johannson has worked for Company M for ten years. A highly skilled engineer with twenty-four years experience in the industry, Johannson was the general manager of the Taiwan branch before
the new CEO was assigned by the head office in Japan. He opposed the changes to the engineer’s operating process, and shared his opinions with the new CEO on several occasions. Because the CEO was new, Johansson argued that the original service process should not be changed. He thought the new CEO should consider the cultural differences between Taiwan and other countries. Clients in Taiwan value the so-called “human touch” as an essential element of service. They felt much more comfortable working with the same engineer because he was familiar with their machines and conditions. Johansson also informed the new CEO about the increasing number of complaints about the new service process from clients.

Unfortunately, Johansson was not supported by the CEO and, as a result, he was demoted from general manager of the Taiwan branch to manager of the dealership department. Moreover, his salary was substantially reduced. In spite of his demotion, Johansson continues to work for Company M. He explained his viewpoint as follows:

“I’ll wait and see the effect of this new process. I believe it will be changed in the foreseeable future. The CEO is assigned every four years. When the CEO’s current term expires, Head Office will re-evaluate the situation and we will definitely have a new leader to turn it all around.”

Despite his misgivings, Johansson still works hard while observing the development of the new process and policies. He expects that the working process will be changed after the assignment of a new CEO for the branch.

**Lewis, the branch manager**

Lewis is the branch manager, and he has worked at Company M for 27 years. He thinks the company is still in the painful adjustment stage, but he believes that these changes were necessary for the company to keep up with current trends. After the original working process changed, the new managers concentrated on electronic data, and their management style was very different from that of the previous team. He mentioned that the company did allow a period of time for employees to adapt to the new processes and policy. However, he also observed that the new management team has many years of experience in implementing these new work processes in other countries, and in one sense the results are successful.

“….No matter who will be in that position (in charge) in the future, new processes have been adopted in our company. Our new boss has a deadline to implement the new processes so that they are the same as those running abroad….. Our enterprise’s culture will become the same as that of branches in other countries.”

With regard to employees’ complaints, Lewis said most of the
engineers were complaining about the extra hours, the lack of incentives (such as an increase in benefits), and the need to learn new skills. For example, he explained that the company stipulates that engineers must now adopt new techniques, such as using computers to maintain machines. When a new rule is introduced, engineers have to spend time learning new systems, and this is what resulted in employee resistance. From the employees’ perspective, learning about computers or studying English are extra pressures for them, so some of them chose to quit their jobs instead of adapting to the new requirements. In the current situation, Lewis views the process changes as necessary, and the company will recruit new employees anyway.

He added that, in the past, the engineers’ area-based work patterns were too diversified; for example, they received and delivered products, maintained machines, signed contracts, and promoted sales to clients. The advantage of the original policy was that the engineers could concentrate on a specific area, and they developed good interpersonal relationships with their clients. The downside was that most of the engineers focused on promoting sales in order to get more rewards. Under the new process, each engineer’s work is specialized, so he is now responsible for specific tasks.

However, Lewis pointed out that managers are now asked to set a time interval, called the machine maintenance cycle, between the two services of the clients’ equipment. If clients call for service frequently, it means that the engineers are not doing their jobs properly; as a result, penalty payments will be deducted from their salaries. In other words, the previous reward system has been replaced by a punishment system. Engineers are obviously dissatisfied with decreased salary under the new policy. However, Lewis notes that managers like him are affected more than the engineers, as his benefits have also been reduced. His attitude toward the organizational changes is that he must try to adjust himself mentality and focus on his work. He believes that it is just part of the adjustment process, and once the painful stage has passed, the work environment will be harmonious once again.

Frank, a former assistant manager

Frank was an assistant manager who had worked at the company for seventeen years. He resigned in November 2009 and was soon recruited by a competing company. Frank struggled for nine months with his decision to leave. During that period he hoped the new CEO would improve the situation, but he eventually quit his job in disappointment. He explained his feelings as follows:

“They view us as workers, but in Taiwan we think we’re businessmen. The fundamental business model is completely different.”

Frank felt that the new leader completely misunderstood the Taiwan branch’s business culture. Engineers maintained good relationships with clients under the original process. They could sign contracts, receive and deliver products, and promote the sale of products to clients, while managers could set an appropriate reward policy to encourage the engineers. The rationale behind the original process was that engineers helped the company increase profits. The new process turned the engineers into mere mechanics who fixed equipment. Once the engineers’ work was simplified, the new CEO asserted that they should not be paid as much as before, and the reward policy was effectively cancelled. Since the employees viewed the reward as an important part of their remuneration, they felt they were being exploited.

“.....Our original work was distributed to other departments. If they met difficulties, we had to help solve them. We had this kind of feeling that if we do a good job, the merit belonged to others; the new process offers us no reward, only punishment. It is not fair.”

Frank decided to leave of the company because of the reduced benefits and the increased workload. Frank also mentioned feedback from clients. They had never expressed dissatisfaction to him or the engineers before. However, now loyal clients started voicing complaints. Because of their long and fruitful history together, the clients hoped that the company would respond to their complaints and try to improve the situation. Managers asked the engineers to communicate with the clients about their complaints, but the engineers felt placed within an awkward situation. Consequently, engineers responded in an indolent fashion, further dissatisfying clients, who finally ended their relationship with the company. The engineers’ avoidance of the situation was due to their fear of being blamed by the managers for poor communication with clients. However, the new CEO felt that clients had the freedom to end their partnership if they wished to do so.

Frank expressed his comments of the new policy as follows:

“Under the tenure system, our new manager will be evaluated after four years. If he does well, then he could stay; otherwise, he will leave our branch. Perhaps he will also leave if he does well because he may be promoted. If he doesn’t do well, he may be laid-off. No matter whether he leaves or stays, he will be fully rewarded. It makes no difference to him.” But it makes a difference to us! It is also the reason I quit my job.”

According to Frank, his dissatisfaction accumulated gradually until it reached a breaking point. He viewed the new process as irrational and impractical, and was unable to adapt.

Mars, engineer

Mars is an engineer who worked at Company M for three years. Initially, he was one of the engineers assigned to specific tasks because of clients’ requirements. Although Mars is still employed by Company M, he is now a resident engineer with another corporation that cooperates with Company M.

“I preferred the original working process because the management didn’t exert pressure on us. We had a goal and we knew how to arrange our work. After the process changed, the company regarded some clients as minor and abandoned them, and only focused on major clients. We have to service these major clients accordingly and our workload is definitely increasing.”

The engineers’ working hours were changed to the “responsibility system” after the organizational changes. Even their time off was sometimes reduced because they had to work, and they were not paid overtime pay. In the past, they paid overtime with no upper limit, so they had more incentives to work extra hours. Furthermore under the new process, their monthly salaries were fixed. The engineers thought they were not paid enough based on their workloads, and that the pay level was insufficient for their usual standards of living.

“We explained our dissatisfaction with the working conditions to the Director of Engineering, but our complaints were never passed to the CEO. Our management only reports good things.”

When the engineers first complained, the director advised them to think carefully about their career plans. After subsequent complaints, the director encouraged them to look for other companies
Stanley, a former engineer

Stanley was an engineer at Company M until July, 2009. Because he had been a classmate of Mars at senior high school, Mars introduced him to the company in 2007. He spent half a year considering whether to quit his job because it would be difficult to find a new one. After leaving the company, Stanley went to Canada for a long vacation and came back to Taiwan at the end of December, 2009. Stanley stated how he thought about the problems under the new working process:

"The driving distance to the new assigned sites is much further than before." I spent probably ten minutes at clients' sites. Clients request service for maybe just trivial problems: perhaps it is just a paper jam, caused by a client improperly inserting paper stock. Many issues are very simple to fix, it may only take a few minutes to provide service onsite, but it takes one hour to get there."

Spending so much time and effort on driving made Stanley tired. He was responsible for several areas, and sometimes the distance between areas was substantial. Before their work process was changed, engineers felt that working hard was worthwhile because of the reward policy: the more they worked, the more they would earn. Now, they only get a regular salary every month, so they have no incentive to work harder. Without the reward system, they believe they are being exploited. Furthermore, clients are not happy with the new service process. They want to see the same engineer each time because it engenders a sense of trust.

Stanley quit the job because of the increased workload and reduced benefits. Apart from their regular duties, engineers are now expected to do trivial tasks. Often, the tasks must be completed outside of working hours, but there is no overtime pay. Although Stanley had complained to the management about such things several times, nothing changed. The senior managers just told them to accept their new circumstances. When Stanley submitted his resignation, the manager accepted it immediately and did not try to persuade him to stay.

DISCUSSION

Our objective is to explore the impact of organizational change on employee satisfaction levels. Table 1 summarizes the comments and observations of the interviewees, as well as the differences between the original process and the new one from the perspective of the employees and the clients. Under the original service process, engineers looked after specific clients, and they arranged their own schedules to minimize the amount of time spent traveling between clients. From the clients' perspective, the original process is efficient. In addition, engineers could spend more time onsite, and clients felt that the quality of the work was better. Since clients were used to being served by the same engineer, their relationships were based on trust. Furthermore, engineers would get a bonus if they performed well, so they had an incentive to work hard.

The engineers' job functions became more specialized under the new work process. Each engineer was assigned a specific task, for example, replacing consumables. Under the new process, one engineer is responsible for all clients, so that each client must wait in a queue for the appropriate specialist. This implies that the relationship between engineers and clients has shifted to a task-oriented one. Clients must wait longer than before, and engineers spend less time onsite. Predictably, clients reacted negatively to what they considered a deterioration of service.

Model of factors that cause employee dissatisfaction

From our study of Company M, we extract possible constructs that cause employee dissatisfaction, and incorporate them into a model. As shown in Figure 3, we find the following 3 factors are the main causes of employee dissatisfaction:
Factors that cause employee dissatisfaction. We also include two other observed constructs, age and expertise, which have a moderate effect on the level of employee dissatisfaction with organizational change.

In the proposed model, attachment demonstrates how employees stay with Company M despite their dissatisfaction. It comprises two sub-factors, age and expertise, which influence an employee’s willingness to adjust (strengthen or weaken) their dissatisfaction with organizational change. Attachment becomes stronger with age, while a high level of expertise weakens an employee’s attachment to the company. Age and expertise also have an impact on the three factors that cause dissatisfaction. For example, despite the dissatisfaction caused by reduced benefits, increased workloads, and the lack of promotion opportunities, dissatisfaction still weakens with age. In contrast, if employees view their expertise as high, their dissatisfaction intensifies.

Benefits for employees in Company M include salary and rewards, such as overtime payments. The salary of each interviewee was affected by the organizational changes. Employees expressed their concern about their salaries and their dissatisfaction with the cancellation of the original reward policy. The increased workload also caused dissatisfaction. Frank, Mars and Stanley, who are responsible for running the service process for clients, complained about this aspect the most. Four out of the five interviewees felt strongly that the increased workload made them feel dissatisfied. However, Mars was happier and more relaxed after being appointed as a resident engineer in another corporation that cooperated with Company M. The impact of the workload on him is negative, so he is happy to stay at Company M. Promotion is the third concern of employees. Recall that Lin was demoted from general manager, so his prospects for future promotion are slim. Mars and Stanley also consider that they will have no opportunity to get higher-level jobs, so they do not expect to have strong future career development at Company M.

Although the employees have a lot of complaints and they are clearly dissatisfied, their decisions about quitting are influenced by an important external factor, i.e., age. We focus on two types of employee dissatisfaction, intense and non-intense, and we discuss those who quit their jobs due to intense dissatisfaction, i.e., Frank and Stanley. For Frank, benefits and workload were the two main causes of dissatisfaction, while expertise also played a role in the way he felt. According to other employees, Frank was very experienced in maintaining machines, but his attachment to the company decreased because of his dissatisfaction. As he was under forty years old, he decided to leave Company M. The second interviewee with an intense attitude is Stanley, who worked as an engineer at Company M for two years. All three major factors plus the external factor of age influenced Stanley’s decision to leave the company. As mentioned earlier, the higher an employee’s age, the stronger his attachment to the company. Stanley’s attachment to the company was not strong because he is still young, and he could find development opportunities in other companies.

On the other hand, “age” is considered another key factor that lowers dissatisfaction. Under the organizational change, Lewis’s benefits were reduced, but he compromised. Our model assumes that he is not planning to retire in the near future because he is in his fifties. However, it would not be easy to find a new job in his situation, so Lewis might tolerate the reduced benefits. In other words, his attachment to Company M is significant.
and “age” plays a role in decreasing his dissatisfaction. Most employees are displeased with the current conditions at Company M. Some are influenced by age while others are influenced by expertise when they make a decision to change jobs. Lin was a top level manager and there is little chance for him to expect a higher position. Therefore, he stays despite his dissatisfaction.

CONCLUSIONS AND IMPLICATIONS

This study employs qualitative methods to investigate employee dissatisfaction with organizational change. New managers from another overseas branch tried to reform the company’s operations, but they encountered resistance from the employees. First, the new CEO and other managers from the overseas branch ignored the different contexts that resulted from cultural differences, and the new working process was imposed on the employees in a mechanical way. The original service process mode in Taiwan was area-based; that is, each engineer was responsible for servicing clients in one specific area. Both employees and clients were used to this operational mode. After the organizational changes, managers transformed the service process into a mechanical one; engineers were asked to focus on efficiency rather than effectiveness. Once engineers’ work was simplified, managers contended that employees should cope with lower pay. Their decision to cancel the reward system directly challenged the regular employees. From the employees’ viewpoint, it’s difficult to accept a punishment-oriented system in replace of a rewards system.

The reasons for reform may be sound, but managers should consider the affect on staff morale. They should communicate fully while making reforms and change the original policies gradually, instead of making employees accept them at gunpoint. Managers also need to consider the three major causes of employee dissatisfaction identified in this paper. In addition, increased employee dissatisfaction could cause the staff’s work performance to deteriorate, which would damage the company’s reputation. Finally, subjecting to the tenure system for CEO, it makes no difference to top management but only makes differences to employees in Company M.

Our study contributes to the existing literature in two key ways. First, we explore the relationship between organizational change and employee dissatisfaction, analyze the context and then extract the constructs rooted in this organizational context. We also propose a model that helps explain this phenomenon, a rare step among qualitative studies. Second, the research method used to investigate the case company contributes to the study of organizational change. Examples of studies on organizational change and employee dissatisfaction that use a qualitative methodology are sparse, and this paper helps fill an important gap. For practitioners, our findings emphasize the need to pay attention to employees’ feelings in order to ensure the smooth introduction of organizational changes, since employee satisfaction is critical to organizational success. In addition, enhancing employee satisfaction reduces staff turn-over and reduces the cost of training new employees. For the company, employee satisfaction plays a critical role in ensuring client satisfaction and the enterprise's reputation. By uncovering the causes of employee dissatisfaction, this research provides implications for organizations to recognize the importance of employee satisfaction.

Inevitably, our study has some limitations. First, because of limited resources, only one company was studied, therefore the results may not be generalized. Second, the proposed model needs further validation before it can be applied to other organizations. It is our hope that this study helps lay the groundwork for future research in this area, and that this research will validate the usefulness of our model within different industries, thus increasing the explanatory power and generalizability of our findings.

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