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The impact of employee participation on job satisfaction during change process

Abstract

Estonian companies have been in a continuing change process during past decades. Estonia has succeeded in replacing a planned economy with a free market economy. Still, a lot has to be done to achieve a quality level comparable with developed countries in the European Union. The main problem is: how to change Estonian business organizations even faster than organizations change in developed countries. To meet this challenge, we must rely on both the theories and the experiences of developed countries. A questionnaire was devised to measure connections between employee willingness to participate in the organizational change process and employee job satisfaction. Research conducted in Estonian companies shows that satisfaction and participation are positively correlated, and employees with higher job satisfaction are more willing to participate in the organizational change process than are employees with a lower job satisfaction level. On the basis of this research, a model that connects job satisfaction and employee participation was developed.

Keywords: employee participation, job satisfaction, Estonia.

JEL Classification: M.

Introduction

For fifty years, Estonia was a part of the Union of Soviet Socialist Republics. In the Soviet Union, a centrally-planned system determined most activities within business organizations, starting from the founding of the enterprise and continuing through to the implementation of its reward systems. Estonian companies have made transformational changes in order to replace a planned economy with a free market economy. Companies have been in a continuing change process for the past decades (Alas, Vadi 2006). But, to achieve a quality level comparable with developed countries in the European Union, still much more has to be done. The main problem is: how to change Estonian business organizations even faster than organizations change in developed countries.

To implement transformational change is not an easy task. Kotter (1998) has watched more than 100 companies trying to make fundamental changes in order to help in coping with a new environment. A few of these efforts have been very successful. Porras and Robertson (1983) performed meta-analyses of change studies and discovered that fewer than 40% of the change efforts produced positive results. The study of strategic business units in 93 medium- and large-sized firms showed seven implication problems that occurred in at least 60% of the responding businesses. Two among these were concerned with employees: capabilities of employees were not sufficient, and training and instruction given to lower-level employees were not adequate (Alexander, 1985). Pasmore and Fagans (1992) traced many fail-

ures or disappointments in organizational change efforts to ineffective employee participation.

To discover how to make the implementation of change more effective in Estonian companies, author started to research the relationship between employee participation in change and job satisfaction. To get a better understanding, article starts with brief theoretical overview about organizational change, human needs, and research about job satisfaction. This is followed with description of empirical study in Estonian organizations. Finally the model is created about connections between job satisfaction and employee participation.

1. Organizational change and human needs

Organizations are much more than the means of providing goods and services. By creating the settings in which most of us spend our lives, the organizations where we work have profound influences on our behavior (Gibson, Ivancevich, Donnelly, 1988). Nadler and Tushman (1989) view the organization as a complex system that produces outputs in the context of the environment, an available set of resources, and a history. From time to time, organizations need to modify themselves. This change may involve one or more elements of the organisational system. Organizational change whether planned or unplanned responds to pressures and forces both inside an organization and from the external environment (Jick, 1993).

According to the participative theorists, the overall objective of any organization is to achieve a satisfactory integration between the needs and desires of its stakeholders – the members of the organization and of all persons functionally related to it (Lorsch, Trooboff, 1989). The success of organizational change and development efforts is positively corre-

lated with the extent to which these efforts activate an individual's internal resources (Jawahar, Stone, Cooper, 1992). People have more skills and abilities than organizations are using. If organizations want more from their people, they have to give more of what it is that employees value. A study of opinions among employees working in healthy organizations found that, overwhelmingly, people wanted (1) a sense of belonging, and (2) acknowledgement from managers to make them feel respected and valued. Trust is the key to gaining people's willingness to give. The company has to provide fairness (Jaffe, Scott, Tobe, 1994). By showing trust in and respect for all employees, managers can empower people to do their jobs to the very best of their ability (Augustine, 1998).

Human behavior is directed towards the satisfaction of needs (McGregor, 1959). It is important to find out which needs drive employees in the organizational change process, and which needs motivate them to take change into account and internalise the need for change. The organization must provide significant opportunities for the satisfaction of its employees' social and egoistic needs by giving them some voice in all decisions that affect them. Employees' creative energies must be directed towards and focused upon organisational goals (McGregor, 1960).

According to Argyris (1964) the integration of both individual and organizational needs is crucial to the achievement of this objective. This helps individuals to become more independent, more active, and more equal. Participation encourages the development of human needs centered on autonomy and the control of one's own actions (Argyris, 1957). Sashkin and Burke (1987) found that participation provides the satisfaction of the need for achievement and closure, as well as for work-relevant interpersonal contacts. Effective participation helps individuals to write life stories worth living, and helps societies to fulfil the dreams of these citizens (Pasmore, Fagans, 1992).

2. Job satisfaction

Job satisfaction is an attitudinal variable that can be a diagnostic indicator for the degree to which people like their job (Spector, 1997). The Hawthorne Studies of the late twenties and early thirties at Western Electric raised management's awareness of the impact of the human element on organizational performance (Margulies, Raia, 1989). Faculty members of Harvard University first showed that productivity might increase simply because workers were singled-out for special treatment (Mayo, 1970). Neuman (1989) found that employees develop and perform better if managers control and motivate their

employees with participative forms of rewards. Most scales of job satisfaction (Hackman, Oldham, 1975; Herzberg, 1987; Smith, Kendall, Hulin, 1969; Spector, 1997) include such facets as the nature of work, promotion opportunities, and social relations.

In the 1991 survey of American workers that investigated 16 aspects of work, respondents reported more satisfaction with such facets as being able to work independently, having interesting work, and enjoying an opportunity to learn new skills (Spector, 1997). Research done by Purser and Pasmore (1992) indicated that the opportunity to work on challenging problems was ranked as the number one source of job satisfaction by research and development (R&D) professionals. Instead of financial rewards, they value the freedom to make their own decisions.

Morse and Reimer presented evidence that the individual satisfaction of members increased significantly in the autonomous group and decreased significantly in the hierarchically controlled group. During the 18 month period of that experiment, more employees quit from the hierarchically controlled groups than from the autonomous groups because of lack of satisfaction (Argyris, 1957). Research done in New Brunswick indicated that teachers with more positive perceptions of their relationship with their school administration reported higher satisfaction with their professional roles (Xin Ma, MacMillan, 1999).

Research conducted by O'Connor, Peters, Rudolf, and Pooyan (1982) showed that subordinates see supervisors as the biggest source of constraints, followed next by the work itself. The correlation was not as high for pay, promotion, and co-worker variables. Miller and Monge (1986) conducted meta-analyses of 47 studies and found a consistently positive correlation between satisfaction and participation.

A literature review leads to the following hypothesis: In a rapidly-changing work environment, job satisfaction and willingness to participate in the process of organizational change are positively correlated. The author supposes that in companies operating in an environment of rapid change, the employees have many opportunities to experience the benefits of participation. One objective of the present study was to test this hypothesis within an environment of rapid organizational change.

3. Methodology

A questionnaire was designed on the basis of different theories. The companies represented are from different industries and numerous locations all over Estonia. The only pre-condition was that the organization was to be, or to recently have been, imple-

menting organizational changes. It was not difficult to find such companies. As was mentioned at the beginning, most Estonian organizations including businesses are in a perpetual state of flux and have to implement different changes in order to survive in competition.

The research was done in 41 companies with 1398 respondents. Using SPSS, an Explorative Component Analysis was done and two indices were received: employee **satisfaction** and employee **participation**. Both scales consist of nine questions and describe together 43,64% of the internal consistency. Cronbach's *Alpha* coefficients is .8256 for the satisfaction subscale and .8374 for the participation subscale. The ANOVA test was used to find statistically significant differences.

4. Results

4.1. Factors influencing satisfaction. According to this research, employee satisfaction is strongly correlated to leadership. The following questions were most important for employees: 1) How actively does your management solve company problems? 2) How satisfied are you with the top managers of your company? 3) Do you trust the management and think that its decisions are the best for the organization? 4) Does your superior manage to organize the work of her/his subordinates well? 5) Does the company management value your professional achievements in a fair way?

The next important block of questions connect job satisfaction to an employee's present work and present position within the organization. People perform tasks they like more enthusiastically than other tasks. Workers do not try to find the easiest jobs, necessarily, but a job has to be interesting. Employees who are satisfied with their present positions and current jobs within an organization are more likely to participate in the organizational change process. At the same time, workers who are dissatisfied with their present positions and current jobs are more likely to resist the process of organizational change, although there has to be some general dissatisfaction with the current situation in a company in order for its employees to perceive the need for change in the first place.

Our final block consists of questions about the willingness of employees to connect their future plans with those of their company, and about their feelings at their workplace.

4.2. Factors influencing participation. To make decisions about their participation in the process of organizational change, employees first need to answer the following questions: What will happen to

me after this changes? What will change in my particular work? Are these changes useful to me? Should I support these changes? Are these changes really necessary? To answer these questions, employees need information. They need candid and detailed information about the reasons for change, and information about the objectives and content of the change the company is planning.

Naturally, employees want this information before the changes are initiated, rather than after the fact. To decide about their future in their particular company, employees are interested in its general strategy and in its strategic objectives. They prefer to be included during the process of strategy formulation, well in advance of when the changes are to be implemented. Only in this way employees can form their personal opinions of how necessary each change really is for their company.

4.3. Connections between participation and satisfaction. First, respondents were divided into two groups according to their evaluations of their own participation (self-evaluations): higher participators and lower participators. The results in Table 1 show that job satisfaction is significantly higher in groups with higher employee self-evaluations ($F(0.883) = 0.022, p = 0$).

Table 1. Comparison of higher participators and lower participators

Scale	Own evaluation on participation	Mean	Std. deviation
Satisfaction	Low	3,29	0,6
	High	3,63	0,59

Notes: Secondly, respondents were divided into five groups according to their ranking on the satisfaction scale. Table 2 shows that employee rankings on the participation scale are significantly higher in groups showing higher rankings on satisfaction ($p = 0$).

Table 2. Comparison of groups with different satisfaction by participation

Satisfaction	N	Participation	Std. deviation
< 2,51	104	2,2415	,5598
2,51-3,13	342	2,6328	,5759
3,13-3,75	496	2,9365	,5581
3,75-4,37	374	3,2898	,5763
> 4,37	84	3,6673	,7278
Total	1400	2,9489	,6766

Notes: Statistically significant differences were found between all groups: the group with the lowest satisfaction is also the group with the lowest participation, and the group with the highest satisfaction also shows the lowest participation. This means that job satisfaction and participation are positively correlated under conditions of economic transition, and employ-

ees with a higher job satisfaction are more willing to participate in an organizational change process than those with a lower job satisfaction level.

Discussion and concluding notes

Change does not occur unless the individual is motivated and ready to change. This means that motivation is the key success factor (“KSF”) in the organizational change process. For people, the driving force is the composite of human needs. Unsatisfied needs could motivate people to learn new skills and change their behaviors. Many theorists support the hierarchy of needs approach. Maslow (1954) argues that people are motivated to satisfy five need levels. As long as lower level needs remain unsatisfied, the individual is motivated only to fulfil those needs, and higher level needs are not important to her or him.

Maslow’s hierarchy of needs can be connected to factors influencing the organizational change process in a way shown in Table 3. To satisfy their physiological needs, employees need adequate wages. During times of rapid and deep organizational change, people need information about how these changes will affect them personally, such as how the change may affect their salaries. Information continues to be important also on the next need level. To feel more secure, a worker's relationship with her/his superiors becomes important. Employees can concentrate more on their work and on company objectives if they trust company management and the decisions their management makes. According to Edmondson and Moingeon (1999) trust is needed in periods of change, because announcement of significant change creates uncertainty that often leads people to reject or block the change through resistance. To get change implemented, the degree of perceived uncertainty must be offset by an increase in trust.

The need for belongingness is better satisfied in a company with a strong organizational culture, where people accept and support each other and form teams to work harmoniously. Esteem needs are connected with a positive self-image and with self-respect. In a general sense, recognition by others is enough to satisfy this need. But in a continuous change process, only the employee's participation in organizational decision-making can help to maintain this positive self-image, allowing the employee to feel a sense of accomplishment.

Self-actualization involves realizing one’s potential for continued growth. Learning new skills and behaviors is actual on this level. According to Maslow, lower-level needs must be satisfied before the self-actualization need can start to be fulfilled for any individual. This means that to motivate employees

to learn something new, all of the following factors that affect the satisfaction of lower level needs are very important: informing employees about planned change, the quality of leadership, a strong organisational culture, and participative management.

Results of the current survey can also be connected to Herzberg's two-factor theory. Herzberg (1987) studied job attitudes and suggested that the factors involved in producing job satisfaction (motivation factors) are separate and distinct from the factors that lead to job dissatisfaction (hygiene factors). Hygiene factors are related to the satisfaction scale in the current survey. To compare Maslow and Herzberg, hierarchy, the satisfaction of belongingness, security, and physiological needs are similar to hygiene factors and are connected to satisfaction through their being forms of stability.

Table 3. Maslow’s hierarchy of needs connected to factors influencing organisational change process

Needs	Information	Leadership	Organizational culture	Participation in decision-making	Learning
Self-actualization	*	*	*	*	*
Esteem	*	*	*	*	
Belongingness	*	*	*		
Security	*	*			
Physiology	*				

Motivation factors are related to the participation scale in the current survey. To compare these with Maslow's hierarchy, the needs for self-actualization and esteem are similar to motivation factors and are connected to the satisfaction that comes from development.

This type of change within Estonian companies calls for a paradigm shift and for a higher level of learning. The need for self-actualization should be recognized for people involved in these changes. To compare Maslow and Herzberg to the research conducted by the author, the satisfaction scale in the current research primarily is on Maslow's three lower levels, while the participation scale in the current research is on Maslow's two higher levels.

As satisfaction and participation were measured after the processes of organizational change, it is difficult to say what is the cause and what is the effect. Does satisfaction cause participation, or does participation cause satisfaction? Which is the independent variable? For example, Sashkin (1984) argued that participative management has positive

effects on satisfaction because it fulfils the three basic human work needs: increased autonomy, increased meaningfulness, and decreased isolation.

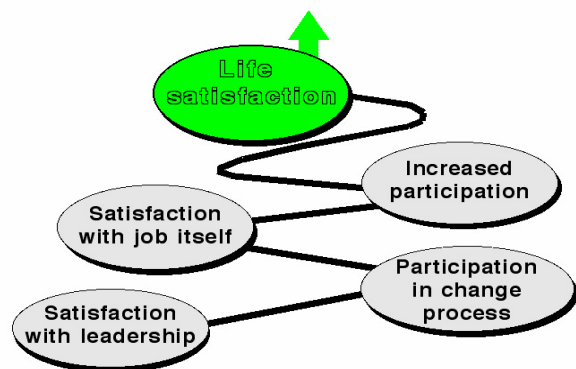


Fig. 1. Model about connections between job satisfaction and employee participation

The author of the present study developed a model about connections between satisfaction and participation (Figure 1). Satisfaction with leadership fosters

participation in the organizational change process, which then causes higher satisfaction with the job itself. Higher job satisfaction leads in turn to increased participation, and that increases life satisfaction.

To summarize, the research conducted within Estonian companies shows that in our transition economy job satisfaction correlates positively with employee participation, and employee satisfaction with company management correlates even more positively. This study supports the results obtained in countries with a more stable economical environment: employees develop and perform better if managers control and motivate their employees by allowing and encouraging their workforce to participate in the formulation of decisions that will involve organizational change, and by allowing and encouraging them to do so before these changes are implemented.

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