

Managing Employee Readiness for Change: A Case Study of Reward System Changing Program From Chinese State-owned Enterprise

Hua L. Zhang,^a Kai W. Cheng^{b*}

Labor And Human Resource School of Renmin University, Beijing, China

^a lihuaz@ruc.edu.cn, ^b cwkcwkcwk0@sina.com

Abstract

Organization change is the process whereby organization improves its effectiveness through transferring its existing state to an anticipated future state. The literature on organization change tends to overlook how to resolve employee readiness challenges associated with the management of change programs. Through the detailed description of the change process, this paper analyzes a case of a reward system program in one Chinese state-owned enterprise to establish insight in this regard. The result of this case study indicates that the resistance will come from the different group out of expectation of change agent during the change process. The identification of real resistance source and strategic flexibility needed by the organization are key factors to implement the change successfully. Observation and conclusion are offered in the end.

Introduction and review

Organization change is the process whereby organization improves its effectiveness through transferring its existing state to an anticipated future state. It is expected to increasing performance of the organization (Goodman & Rousseau, 2004). For these organizations existing in changing environments, organizational change is an unavoidable challenge and critical issue for them. However, the result is, estimated by some scholars, as much as 50% of all change efforts fail (Quinn, 2004). These failures are commonly related to human issues, not technical issues (Kotter & Cohen, 2002). In many organizations, employees view change with cynicism (Reichers, Wanous & Austin, 1997). They do not believe that such changes are likely to have positive implications for themselves and the wider organization, in another word, they are not ready for the change yet (Armenakis, Harris, & Mossholder, 1993). Any change, no matter how obviously beneficial to the organization, will be met with and often be blocked by these kind of resistance (Spiker & Lesser, 1995). It is major reason that change does not succeed or get implemented (Mabin, Forgeson & Green, 2001).

Classical models proposed some strategies and recommendations for managing resistance to change (Greenberg & Baron, 2007; Kotter, 1996; Weick & Sutcliffe, 2003), but resistance is often

only a small part of the model and without substantially description of the resistance management. The past predominant perspective on resistance are 'change agent-centric' view, they just told one side of the story, Majority of the change management literature perceived that resistance to change is from the perspectives of those seeking to bring about change, change recipients was thought throw unreasonable barriers to preventing this change. The result is somehow the source of real resistance are not full notified(Ford,Amelio, 2008). In relation to resistance toward organizational change initiatives, Piderit (2000) recommended that future research would benefit from assessing readiness for change. Whereas, the literature on organization change tends to overlook how to assess and resolve employee readiness challenges associated with the management of change programs. For these reasons, this paper presents a case study of a change program process of a reward system in a big Chinese state-owned enterprise to establish insight in this regard. Through the detailed description of the change process, the purpose of case study is to shows that the resistance will come from the different group out of expectation of change agent during the change process. The identification of real resistance source and strategic flexibility needed by the organization are key factors to implement the change successfully.

Research methodology

A single case study was conducted in this paper. The specific focus of the paper are on the management of resistance in an organizational reward change program. In the implementation of this change program, the author was an outside counselor. The research methodology applied is based on action research (Greenwood & Levin, 2007). The actual management of resistance within the change program was based on experiences of the author and the data collected during the counseling process. Methods applied included literature review, documentation analysis, workshops, and questionnaire.

Case study: Reward system changing program

Background

The forthcoming discussion relates to the changing experiences of a Chinese state-owned enterprise (hereafter called the 'Company') during its first year of corporation reorganization. Briefly, the background is described below. The company is leading thermoelectric company in a coastal city of China. In 2000, 5 thermoelectric companies in the city reorganized its business into this group corporation. As a result, three sets of wage reward standards and different appraisal systems were to run simultaneously within the new group. The change of reward systems became an important issue faced by the leaders of the company. Just like other good Chinese state-owned companies, the company's average pay is far higher than the level of the local market more than doubled, however, the employees still quite unsatisfied on reward issues. In original reward system, wage distribution is in favor of 'hard, dirty, tired' and other front-line positions. The general position reward is far higher than the average local industry levels while at the same time, the key positions of high-quality level staff salaries are not so satisfactory, even

lower than the market level. In order to enhance the company's core competitiveness, the company must significantly improve the salaries of key technology and management positions to attract and keep the talent. In considering the labor costs and affordability, after getting the consent of government, the company began wage reform with premise that total wage number remains unchanged.

Unfortunately, A number of change options have been rejected by the employee congress and thus could not be implemented. The ideas of better motivation were expected to be embodied in these new reform options which will widen income gap, and the wage income are inclined to focus on key staff. However, all of the employees think they should be the one to improve the wages. As a consequence, it is impossible that the employee congress will agree to pass a reform program that everyone thinks is an 'unfair' one. If the program takes care of fairness and neglect the gap, top management team, middle-level cadres and technical staff will be unsatisfied about it. If everyone is to increase wages, it will break the total wages, and the government will not approve. Why the employee can not accept the change? The problem, has been plagued corporate decision-makers. What shall they do?

Solutions

How to jump out of the difficult trap? For the organization and leaders, the first thing is to clearly understand the situation. Outside consultants, the researchers, were invited to solve the problem together.

The first task for the consultants was to collect data and find out the truth. Data were collected from following sources: (1) Interviews with company management team, middle-level cadres and employees, (2) 2700 questionnaires were randomly distributed to employees. The contents of questionnaire focused on comprehensive survey about reward system,(3) Collection of the company's relevant profiles. Its wage structure, composition and other internal background information were analyzed.

Reformation of Chinese state-owned enterprises have lasted for more than 20 years, why employees can not accept the concept of market economy? The result of data analysis gives unexpected answer and tells the truth. Resistance to the new reward system program is not from the workers, but managers. The ordinary workers are 'seeming resistance'. While the management personnel are sometimes more conservative than their employees. They are the 'actual resistance'.

The result of employee's satisfaction survey

In order to understand their organizational climate and staff morale, the researchers investigated workers satisfaction on 8 Management situational factors and compared with average scores of enterprises in the city and the national corporate average level.

Table 1: worker satisfaction on management

	Job motivation	Wage	Welfare	Mental health services	team spirit	Meeting efficiency	informative communication	performance norms
national corporate average level	18.07	12.02	14.02	16.54	18.74	13.61	14.41	19.25
City enterprises average scores	17.61	11.81	13.87	15.09	18.42	15.03	16.62	13.31
Company's scores	21.15	10.07	17.86	14.15	21.62	16.52	16.08	21.08

It can be seen from table 1 that employee's work motivation is strong. They have higher wages than average level, but with low satisfaction level. Their performance norms and team spirit satisfaction level are higher than average. It can be inferred that if the introduction of the change management system can not be approved by staff, collective resistance will emerge.

The result of employee's perception survey about reward system

The researchers also investigated the different groups of staff, including middle –level cadres, general management staff and workers, attitudes about company's reward system. Table 2 and Table 3 are the percentage of their choice.

Table 2 Percentage of management staff opinions in each survey content

Survey content	Sample	Strongly agree (Per)	Agree (Per)	Generally agreed (Per)	Disagree (Per)	Strongly disagree(Per)
Management by objectives and performance appraisal	Middle-level cadres	45.3%	30.2%	18.9%	5.7%	0
	general management staff	29.2%	40.8%	10.4%	14.6%	5%
Differences in income	Middle-level cadres	66.0%	24.5%	7.5%	1.9%	0
	general management staff	25.8%	21.7%	13.3%	22.5%	16.7%
Distribution according to work	Middle-level cadres	49.1%	20.8%	17.0%	9.4%	3.8%
	general management staff	26.7%	35.4%	19.6%	11.3%	7.1%
Reward motivational system	Middle-level cadres	67.9%	15.1%	17.0%	0	0
	general management staff	3.8%	8.8%	9.6%	35.8%	42.1%

It can be seen from Table 2: Most of management staff agrees to appraisal the performance by objective and willing to set the objectives to subordinate. In the issue of differences in income,

middle-level cadres and the general manager staff's attitude are in great differences. About 90% of middle-level cadres agree that the differences in the income allocation will bring their enthusiasm and motivation, and general management staff who hold this attitude of the proportion is only about 47%, more than half agree that not only differences, but fairness and equality should take into account in the distribution.

Attitudes towards distribution according to work: 70% of the middle-level cadres and 50% of the general management staff agree that pay should be determined by the quality and quantity finished.80% of middle-level cadres agree positive incentive effect of reward Motivational system, and the general management staff who hold this attitude is only about 12% ,most do not agree with it.

Table 3 Percentage of workers opinions in each survey content

Survey content	Strongly agree (Per)	Agree (Per)	Generally agreed (Per)	Disagree (Per)	Strongly disagree(Per)
Distribution according to work	2.2%	4.5%	40.2%	19.2%	33.9%
Differences in income	1.8%	8.9%	34.4%	27.2%	27.7%
Selection mechanism	4.9%	9.8%	40.2%	20.1%	25.0%

It can be seen from Table 3:More than 90% of workers believe that we must distribute according to work quantity and quality.50% -60% of the workers hold a positive attitude to the competition, agreeing that the survival of the fittest is normal, 30% of the workers found to be acceptable with the pressure of the psychological preparation; only 10% -15% of workers think that we should reduce the pressure of competition and narrow the differences in the distribution. For the selection mechanism 84% of workers believe that such a phase-out mechanism is necessary.

Incomes and job rank correlation: 66% of employees believe that job level in the current reward system plays a key position; only 19% of the staff do not have this feeling and agree payment of salaries has also taken into account other factors.

Incomes and corporate economic benefit correlation: employees perceive little difference in this issue, indicating there is no close relationship between corporate economic benefit and their personal income.

Incomes and team performance of the correlation: 64% of the employees think that their income and level of team job performance are closely related while at the same time, the opposite view of the people accounted for 37%.This paradox is also a perfect reflection that some group's income are not related with group, as a result, they are less concerned about the effectiveness of collective work.

Incomes and individual performance correlation: there are different views on this issue which reflect some existing problems. The workers of functional departments think that their incomes and performance is not strong correlation while the workers in operations department hold the opposite view.

The result of employee's conception of fairness survey

Income and allocation issue is not just a management problem, but also a social ethical and cultural value judgments. Sense of fairness also depends on the personality, needs, motivations, values, and other personal factors. These state-owned enterprises in a considerable degree of monopoly position. it is difficult for employees be on the free flow in labor market since the technical and professional constraints caused by industry-specific problem. Enterprise production and equipment maintenance operation has a strong dependence on skilled workers. Therefore the workforce is relative keep long-term stability. The reform of enterprises has to consider the acceptance and support of workers. What the conception of fairness hold by staff become a focus of research. The following are the employee's ranking for the importance of different factors in the allocation of rewards (From 1 to 10 are most important to least important.1 is the most important, 10 is the least important).

Table 4 Staff views on the issue of the allocation

	Working time	age	Education level	Rank	Qualifications	Recent performance	Consistent performance	Special contributions	Special conditions
Wage increase	3	9	5	2	7	4	1	6	10
Bonus	7	9	6	4	8	1	3	2	10
Accommodation	1	4	5	2	7	8	6	3	10
Job promotion	8	9	2	6	5	4	1	3	10
Honor award	8	9	7	5	6	3	2	1	10
Training	9	8	2	5	7	3	1	4	10
General Rewards	7	9	6	5	8	2	1	3	10
All	7	9	4	6	8	2	1	3	10

In general,, the Consistent performance are considered of the most important factor influencing wages increase, followed by rank, working time, recent performance, education level and so on. In addition to wage increase, the consistent performance also ranked as the most important in job promotion, training, general rewards.

Different levels of staff's views on wage increase

Categories of persons are divided into middle-level cadres, the general cadre, on-site

management personnel, workers. The importance of different factors in the wage growth was sorted by them.

Table 5 Different levels of staff's views on importance of different factors in wage increase

	Categories of persons				
	middle-level cadres	the general cadre	on-site management personnel	workers	all
Consistent performance	2	4	1	1	1
rank	1	1	2	3	2
Working time	4	3	4	2	3
Education level	6	2	6	5	4
Recent performance	5	6	3	6	5
Special contributions	3	5	5	4	6
Qualifications	7	7	7	7	7
age	9	9	9	9	9
Special conditions	10	10	10	10	10

It can be seen from the table 5, in this survey, different categories of person exist significant difference view about the importance of wage increase. On-site management and workers agree that consistent performance is the most important condition to raise the wages. While the middle-level cadres and the general managers believe that the rank is the most important ones.

Communication and participation

In the beginning of the reform, the reward system reform commission was set up to collect suggestions and complaints from staff at all levels. Human Resources department dialogue with the workers in the enterprise Intranet site. The reform process was very transparent. Employees have some strong feelings both from the sense of fairness about the change of process and sense of crisis and urgency to improve self. At the same time a company-wide 'modern enterprise human resource management' training system was launched to different level staff. 'Enterprise Strategy and Human Resource Management' seminar was held for top management leaders. "Performance appraisal and compensation system" Training class were held for middle level cadres. "Modern enterprise incentive system and labor market-oriented" training class were held for other staff. Meanwhile, the training program and communication seminar were held specifically for the general management staff.

The new reward system

In the last, the company adapts Pay-point-system (Wage = salary points * point value), salary points is based on positions, duties, work time, education level, performance and other contributing factors. Point value depends on the economic efficiency of enterprises and the local

consumer price index and market level changes.

The basic structure of the salary are as follows: The total number of salary point= basic point + position point + rank point + capability point + performance point

Among these: Basic point: This part of wage was given to the employees for basic living allowance, Everyone share same amount.

Capability point=working time point +education level time point + qualification point

Position point and rank point were decided by importance and responsibility of the position.

Performance point was decided according to the company's economic efficiency and job performance.

The new reform program was passed by employee congress and implemented at last.

Summary and conclusion

Summary

The following summary observations are drawn from the case.

Observation 1

The foundation to implement the change successfully is to clarify where the real resistance from. In this case, The ordinary employees are 'seeming resistance' while the general management staff are 'actual resistance'. The real resistance comes from the general management staff instead of ordinary employees. During the change process, analysis the resistance source are as equal important as resistance content.

Observation 2

Change process is a continuous process of guidance, one of the key issues which influence the change is whether the staff is ready to accept the change or not. Take the reward system reform as example, In many cases employees are not simply unsatisfied about the absolute amount of wages, but rather have views on the distribution ways. Whether the structure of wages is fair is a focus of their concern. Companies have to manage their readiness, with the premise is to take effective way of knowing what real situation is and to adopt appropriate measures to resolve problem.

Observation 3

To sum up, there are three major problems in the management of Chinese state-owned enterprises reward system: the distribution system itself, the conception and ideas on the issues, wage structure and management problems. Comparing with various forms of ownership enterprise, a considerable number of state-owned enterprises is lower output efficiency with high labor costs. It is inevitable choice for them to reduce staff and improve efficiency. Originally ideas 'fairness is the most important and taking into account the efficiency' has been turned into the concept of 'giving priority to efficiency while giving consideration to fairness'. Reward system must be redesigned to meet the internal needs of the sustainable development of enterprises and industry competition.

Conclusion

This case analysis has highlighted the reward system change process of a Chinese state-owned company. The summary observations that resulted from the case are presented in general form to stimulate further reflection as they might apply to other change program in various organizational contexts. This is just a simple case study. Their present validity, of course, extends only to our interpretation of this initial experience of this case.

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