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## **Organizational Characteristics and Employee Overall Satisfaction: A Comparison of State-Owned and Non State-Owned Enterprises in Vietnam**

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*Differences in employee overall job satisfaction between public and private sector organizations have long been a topic of organizational academic debate. This study looks at the differences and the relationships between organizational characteristics and employee overall satisfaction between the State-Owned Enterprises (SOEs) and the Non-State-Owned Enterprises (Non-SOEs) in Vietnam. The purpose of this study is threefold: 1) to examine the differences in organizational characteristics in 7 components including purposes, structure, leadership, relationships, rewards, helpful mechanisms, and attitude toward change; 2) to examine the differences in employee overall satisfaction; and 3) to explore the relationship between organizational characteristics and employee overall satisfaction between the two sectors. The sample includes 20 SOEs and 20 Non-SOEs with a total of 860 employees. The findings empirically reinforce existing organization behavior literature: employee satisfaction is to some extent shaped by the settings of their organizations. Limitations and future research opportunities are also identified.*

**Keywords:** *Organizational characteristics, employee satisfaction, state-owned enterprises, Vietnam*

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### **Introduction**

The year 1986 is recognized as one of the most memorable and historical turning points in Vietnam's economy. This was the year the Vietnamese government committed to an extraordinary change: reforming the State-Owned Enterprise (SOEs) sector. The SOEs sector is a key element in the

economic program called *Doi Moi*, or renovation, under which its economic mechanism would shift to a market economy from a centrally planned one (Nguyen, 2003; Painter, 2003). During this *Doi Moi* process, the Vietnamese government had created several economic policy goals including shifting to the market economy with a socialist orientation, creating and develop-

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ing a multi-sector economy, and integrating Vietnam into international and global economy.

There are two main reasons, both subjective and objective, for SOE reform. The first reason is the internal weaknesses of SOEs. Irrational structure, failure to focus on key areas of the economy, backward technology, and weak management capacity with low levels of autonomy and accountability in business and production, are a few weaknesses that have rendered SOEs unproductive for decades. Another issue is the continuous challenges which are a result of requirements put forth by international agreements and agencies such as the Asian Free Trade Area (AFTA), the Asia-Pacific Economic Cooperation (APEC), and the WTO (Tran, 2001).

Despite the gradual shift in reform from 1986, SOEs in Vietnam still remain inefficient and ineffective (Seiler, et al., 2005). However, they continue to play a leading role in the economy, dominating important industries such as steel, chemicals, petroleum, and electrical goods. Managerial discretion is low, leaving business goals and criteria to be set by bureaucratic and political forces (e.g., Seiler et al., 2005; Kamoche, 2001). Wages paid by SOEs are based on the standard tables rather than on performance or outcome results. Government officials or local authorities often intervene in major business decisions such as investment, personnel, and strategy.

As a result of the unproductivity of SOEs, there are some unique challenges that may not exist in the Western contexts that SOEs in Vietnam may have to face (Nguyen, 2003). They face a certain dilemma: converting themselves into a more market oriented, innovative and entrepreneurial mechanism while being heavily influenced by the socialist ideology (Nguyen, 2003). This dilemma makes it difficult for them to change their traditional organization structure.

## Literature Review

### State-Owned Enterprises (SOEs)

According to the State-Owned Enterprise Law, SOEs in Vietnam include SOEs of 100% state capital and SOEs in which the state holds controlling stake. SOEs in Vietnam are governmental organizations aiming at both political and developmental goals (Hickson and McMillan, 1981). Under the centrally planned economic system, SOEs were considered the only legitimate economic form. This planned system did not take into account the environmental uncertainties, thus hindering the organizations' ability to cope with these uncertainties. Seniority and loyalty were highly regarded and usually used as the standard for reward, in place of value creation capability. The performance-based reward was bureaucratically applied when it was time to report activities to the supervisors. These reports usually did not represent the actual performance, and in addition, most SOEs used the standard wage tables rather than the performance-based tables. Government officials regularly intervened in the investment and personnel decisions of SOEs (Painter, 2003).

The dominant values in most SOEs are those associated with bureaucracy, as Kamoche (2001) described as the "traditional administrative [attitudes]." This means employees obey bureaucratic rules and procedures and have not been able to change their working practices to meet the current demands for efficiency. In accordance with traditional Vietnamese culture and society that represent strong collectivism and high power distance, employees in SOEs were totally dependent on their companies and their supervisors (Scott, Bishop and Chen, 2003).

Generally, SOEs are described as having a culture that is bureaucratic, highly instrumental, strong top-down hierarchical

control, stagnant, strongly government protected, and internally focused culture (Hickson and McMillan, 1981; Ngo et al., 2006; Nguyen, 2003; Painter, 2003; Seiler et al., 2005; Scott et al., 2003; Tran, 2001; Vu, 2002). Ngo et al. (2006) stated that SOEs were typically large organizations, concentrated in major industries, such as banking, petroleum, and agriculture. They have been strongly influenced by government policies from top management down to the operational workers. SOEs were overstaffed with tight administrative control, and had institutional constraints. Egalitarianism was the norm with little difference in pay among employees, and compensation was determined by a prescribed reward system rather than by individual performance.

Vu (2002) acknowledged the majority of SOEs are inefficient and uncompetitive, despite the undeniable successes of some good SOEs. Especially after the Asian financial crisis in 1997, SOEs have faced more competition from private and foreign invested firms in the domestic market. According to Seiler et al. (2005), there is significant evidence shown by recent studies that SOEs were operated unproductively, and heavily controlled by government. Weak management and employees, loose monitoring, softer budget constraints, work force redundancy, and limited organizational flexibility are among the problems. Under the strong protection of government, SOEs became monopolistic. They were not self-sufficient or self-responsive. Their weaknesses in the management system have fostered the bureaucracy and corruption (Kamoche, 2001).

### ***Non-SOEs***

On the other hand, Non-SOEs are defined as firms that are not explicitly classified as SOEs. Non-SOEs include non-state businesses (cooperative, private, company limited, joint-venture), and foreign invested

companies (Seiler et al., 2005).

The initiation of the renovation process *Doi Moi* in 1986 has opened a new legal basis for some forms of business, which never existed before, to be established in the economy. From the late 1980s to the early 1990s, the Vietnamese government has enacted various laws under which new types of enterprises have been established, such as limited companies, private companies, and joint-venture companies. These government policies include Foreign Investment Law (1989), Private Enterprise Law (1990), and Company Law (1990),

As its mission has changed to a market economy with socialist orientation, Vietnam has amended its Constitution to clarify it in law. First, the amendments to the Constitution in 1992 states the country will build a multi-sector market economy, in which the state and collective sectors will be the foundations. The private sector is granted freedom to operate in accordance with the law. Later, in the amendments to the Constitution in 2001, it is stated that all sectors, including the private and foreign-invested sectors, are important parts of the country economy. All sectors are allowed to do business within the law. As a result, the private sector, including both local and foreign-invested companies, is now authorized to compete in almost all fields.

As the result of the restructuring process of the Vietnamese economy, the number of SOEs has decreased and the number of Non-SOEs has increased considerably, both in the number of enterprises and in their ratio to the total industrial production (Kamoche, 2001; Tran, 2001). As of 1990, Vietnam still had 14,000 SOEs dominating the market, and only 100 private sector firms. A decade later, the conditions contrasts sharply with only 3,000 remaining SOEs, outnumbered by 200,000 private sector companies. The number of SOEs is expected to decrease even further to about 1,500 enterprises (Kamoche, 2001).

## Differences between SOEs and Non-SOEs

Differences in job satisfaction and motivation between employees and organizations of the public and private sectors have long been a topic of organizational academic debate (Hooijberg *and* Choi, 2001; Lyons et al., 2006). There has been empirical research on the differences between these two sectors in a variety of subjects such as job satisfaction, efficiency, and reward systems (Porter and Mitchell, 1967; Rainey, 1979; Rhinehart et al., 1969; Solomon, 1986). However, identifying criteria that clearly distinguish differences between public and private enterprises still remains a challenge for researchers in the field (Rainey, 1991).

According to Baldwin (1987), public and private sector organizations are different in three main categories: goals, leadership, and job security. He stated that in the private sector, goals are less ambiguous than those in the public sector. The private sector also has less leadership turnover than the public sector does. Finally, employees in the private sector have smaller job security than those in the public sector do.

In their study on Chinese workers in joint ventures and SOEs, Ngo et al. (2006) found a lower level of future orientation of the employees of SOEs in China, compared to their counterparts in joint ventures. Workers in SOEs were less intrinsically motivated. SOEs in China were inflexible in organization and management, compared to joint ventures. Based on these significant differences, they predicted that organizational characteristics would have different impacts on organizational effectiveness. In their surveys on privatization, Megginson and Netter (2001) and Djankov and Murrell (2002) concluded that private firms performed better than SOEs primarily in East European transition economies.

Sjöholm (2006) found differences in the efficiency of state-owned and private owner-

ship. He discovered that SOEs are typically plagued because of their unclearly defined objectives and the large number of owners of SOEs. The profits and efficiency of SOEs are considered less important, compared to enterprises with capitalist systems. According to Kokko and Sjöholm (1997), private firms which operate in a market economy are less problematic in creating appropriate incentives for efficiency than SOEs are.

Other studies found differences in various aspects of these two sectors. Solomon (1986) found that seniority is more likely the focus point of the reward systems in public organizations than in its private counterparts. He found that public organizations have less flexibility in their reward systems, more specialized and invariant job design, and stricter reporting relationships than private organizations do.

Although many studies have been conducted, most of these studies have focused mainly on the employees' attitudes, normative systems, and level of involvement in organizational activities, rather than on the characteristics of the organizations (Hickson and McMillan, 1981).

## *Hypotheses*

### *Purposes*

According to Meyer and Gordon (1982), the purpose which public and private sectors serve is one of the crucial differences between the two sectors. The public sector's organizational objective is sometimes referred to as maximizing social welfare, which is difficult to define and measure. Meanwhile, the private sector's organizational objective is usually set for maximizing shareholders' profitability, which can be monitored and measured more easily (Boycko et al., 1996; Self, 1977; Sjöholm, 2006). Similar to its objective, the goals of the public sector are more ambiguous than those of the private sector. Public organiza-

tions have also greater conflicting goals, goal specificity and procedural constraints (Baldwin, 1987; Wright, 2001). A study conducted by Rainey et al. (1976) suggests goals between the public and private sectors are different. Based on this literature, this study developed the following hypothesis:

H1a: There is a significant difference in purposes between SOEs and Non-SOEs in Vietnam.

### *Structure*

Lyons, Duxbury, and Higgins (2006) stated that most of the debate surrounding organizational structure literature has focused on structural differences between public and private organizations, and further recognized that the bureaucratic-non-bureaucratic dichotomy is the main discussion. In a 1995 study, Rainey and his colleagues concluded that public organizations have higher levels of formalization in the functions of personnel and procurement than those of private ones. Ngo et al. (2006) found the structures of SOEs to be inflexible and maladaptive compared to joint ventures in China. Dimarco and Norton (1974) divided the organizational structure into three categories: Bureaucratic, collaborative, and coordinative. They concluded that a low bureaucratic environment would be an ideal place to increase employee job satisfaction. The dysfunctions of the bureaucratic structure have also been found in Bennis (1969), Lichtman and Hunt (1971), and Pugh (1966). As most public sector organizations are associated with bureaucracy, and most private sector organizations are associated with nonbureaucracy, this study developed the following hypothesis:

H1b: There is a significant difference in structure between SOEs and Non-SOEs in Vietnam.

### *Leaderships*

Leadership styles and behaviors vary depending on the type of organization (Stogdill, 1974), the level of organizational hierarchy (Katz and Kahn, 1978; Sinha, 1995), and the work culture (Khuntia and Suar, 2004). In their study on the public and private managers' perceptions of red tape, Rainey et al. (1995) found higher levels of formalization in the functions of personnel and procurement in public organizations. According to their study, this resulted from a business environment that was heavily influenced by external factors such as laws, rules, and oversight activities that the government imposed on the public sector to maintain their control power. In addition, Hickson et al. (1986) stated that there were signs of uneven and political decision-making in public organizations. Leaders in the public sector organizations as well as their counterparts in the private sector organizations may adopt different behaviors as they each have different amounts of discretions to give to their leaders. In India, the public sector organizations follow a high relationship and low-task leadership. However, the private and multi-national companies adopt a high-task, high-relationship and participative leadership (Khuntia and Suar, 2004). Public sector organizations also have more leadership turnover than private sector organizations (Baldwin, 1987). Hooijberg and Choi (2001) suggested leadership behaviors were different between the two sectors. With that in mind, the study developed the following hypothesis:

H1c: There is a significant difference in leadership between SOEs and Non-SOEs in Vietnam.

### *Relationships*

In his study in 1982, Boyatzis reported that public sector managers showed more

concern for close relationship than private sector managers. He also found that managers in the private sector showed higher levels of competencies in various aspects including conceptualization, oral presentation, efficiency orientation, concern for impact, proactivity, and diagnostic use of concepts. Public sector organizations were associated with additional dysfunctions of bureaucratic structure which were not shown in private sector organizations. Impersonality of interpersonal relations (Hall, 1963), reliance upon depersonalized relations, strict enforcement of rules, reliance upon impersonal rules, a monocratic thinking style of supervision, and insecurity reinforcement in subordinates (Litchman and Hunt, 1971; Pugh, 1966) are some of the dysfunctions. Public organizations have more strict reporting relationships, more rules and regulations, and more constraints than private organizations (Robertson and Seneviratne, 1995; Rainey et al., 1995). Scott et al. (2003) found that employees in public organizations have a higher level of dependency on their organizations than those in the private sector. With that in mind, the researcher developed the following hypothesis:

H1d: There is a significant difference in relationships between SOEs and Non-SOEs in Vietnam.

### *Rewards*

There have been noticeable concerns regarding the similarities and differences in reward preferences between public and private sector organizations in developing countries (Snyder et al., 1996). According to Ngo et al. (2006), different rewards are based on work cultures and the public organizations have a compensation structure that is largely determined by a prescribed reward system rather than by individual performance. The public sector is also con-

sidered less flexible in their reward systems than the private sector (Baldwin, 1987). In addition, public organizations tend to focus more on seniority in their reward systems than private organizations do (Nguyen, 2003; Solomon, 1986). Bordia and Blau (1998) saw significantly more satisfaction in employees of the private sector with their pay than that of the public sector. A meta-analysis of pay satisfaction-organizational commitment relationship found a significantly stronger relationship within the private sector, as compared to the public sector (Cohen and Gattiker, 1994). Private sector employees are found to have more satisfaction with compensation policies, such as performance based rewards, than those of the public sector (Rainey, 1979; Solomon, 1986). As Hundley (1991) found, there was a wage differentiation between employees of the public and private sectors. With that in mind, this study developed the following hypothesis:

H1e: There is a significant difference in rewards between SOEs and Non-SOEs in Vietnam.

### *Helpful Mechanisms*

As Hall (1963) pointed out, the public sector organizations, due to their bureaucratic structures, used a system of procedures for dealing with work situations, and a system of rules covering rights and duties. This caused them to operate ineffectively, inefficiently, and to be heavily controlled by the government (Seiler et al., 2005). With too much focus on the formal system caused them to disregard the informal organization. There was a lack of adequate means for resolving organizational conflict in public organizations. They also failed to easily assimilate new technology and personnel, and to allow for the growth and development of mature personalities (Bennis, 1969). In public organizations, increasing

departmentalization as well as differences in goals and interests led to departmental conflict (Lichtman and Hunt, 1971; Pugh, 1966). Public sector organizations are unable to change working practices to fulfill the current demand for efficiency because of weaker management, looser monitoring, softer budget constraints and limited organizational flexibility (Kamoche, 2001; Seiler et al., 2005). Public organizations have more control mechanisms rather than helpful mechanisms inside and outside their structure (Hickson and McMillan, 1981). This made them less self-sufficient and self-responsive. Galbraith (1982) suggested organizations be innovative in creating a mechanism that combines organizational structure, rewards, processes, and people in a special way to create an innovative organization. With that in mind, the researcher developed the following hypothesis:

H1f: There is a significant difference in helpful mechanisms between SOEs and Non-SOEs in Vietnam.

#### *Attitude towards Change*

As organizations try to remain competitive, they are constantly seeking changes such as restructuring, downsizing and implementing new technology. Both organizations and their employees need to take initiatives for these ongoing efforts (Vakola et al., 2004). Successful efforts have been widely related to the capability of the organizational members and their positive attitudes towards change (Lines, 2005; Vakola et al., 2004). A positive attitude toward change shows people within the organization are willing to try something new, whereas a negative attitude corresponds with a feeling of paralysis (Gebert et al., 1999). Schweiger and DeNisi (1991) found that uncertainty attached to changes at both organizational and individual levels resulted in negative attitudes towards change.

This, in turn, resulted in negative outcomes such as more stress, low satisfaction and commitment, and low trust in the organization. Haarenstam et al. (2004) found that employees in public organizations displayed more negative consequences from organizational changes than employees in the private sector organizations. As organizational change might include change in all aspects of the organizations, this study developed the following hypothesis:

H1g: There is a significant difference in attitude toward change between SOEs and Non-SOEs in Vietnam.

#### *Organizational Characteristics*

According to Campbell (1976), there are three general classes: economic and technical, social, and organizational characteristics. Organizational characteristics create an organizational environment consisting of those relevant physical and social factors within the boundaries of the organization and of the interpersonal relations of members and their interactions with each other. In this study, organizational characteristics are defined as the total combination of the seven organizational components which include purposes, structure, leadership, relationships, rewards, helpful mechanisms, and attitude towards change. The study developed the following hypothesis:

H1h: There is a significant difference in organizational characteristics between SOEs and Non-SOEs in Vietnam.

#### *Organizational Effectiveness-Overall Job Satisfaction*

According to Handa and Adas (1996), "Effective organization is one that satisfies the demand of those constituencies in its environment from whom it requires support for its continued existence." Effectiveness



has been often used as the primary outcome measurement (Burke and Litwin, 1992). In order to be able to assess the improvement process of any organization, organizational effectiveness needs to be measured properly and accurately. There are two criteria of organizational effectiveness: productivity and job satisfaction (Meltzer and Salter, 1962). Employee job satisfaction is an important outcome of organizational activity and is among the measures of attitude and motivation which are related to organizational study (James and Jones, 1976; Meadow, 1980).

There has been research on employee job satisfaction in relation to organizational goals and structures, leadership style, reward systems, and attitude towards change, to name a few. For example, employment in bureaucratic organizations will lower employee job satisfaction (Blum et al., 1995). The relationship between managerial need satisfaction and organizational success depends on the tall or flat structural shape of the organizations (Ghiselli and Johnson, 1970). Decentralized organizations with loose chains of command, autonomous employees, and informal communication patterns might benefit in both employee satisfaction and organizational performance (Blum et al., 1995).

The differences in employee satisfaction between the public sector and the private sector have been one of the key research topics in organizational study. Solomon (1986) found that private sector employees are more satisfied with various facets of their job, such as reward orientation, task autonomy and significance, task clarity, participation and openness, and task variety and development. Rainey (1979) stated that employees in the private sector are more satisfied with compensation policies such as performance based rewards, compared to employees in the public sector. With that in mind, the researcher developed the following hypothesis:

H2: There is a significant difference in employee job overall satisfaction between SOEs and Non-SOEs in Vietnam.

### *Relationship between Organizational Characteristics and Overall Job Satisfaction*

Studies of organizational complexity have been conducted in various fashions with different populations, designs, methods of analysis, and variables measurement. Despite which fashion it follows, the organizational complexity affects its members' attitudes and behaviors.

According to Ostroff and Schmitt (1993), effective organizations are influenced by a variety of factors, from the work culture to every single organizational component. This study predicted that there is a significant relationship between the organizational characteristics and the overall job satisfaction under this hypothesis:

H3: There is a relationship between organizational characteristics and employee overall job satisfaction in Vietnam.

### **Research Model**

This study used Preziosi's (1980) Organizational Diagnosis Model (ODM), an extension of Weisbord's (1976) Six-Box Organizational Model. It used the same items appearing in the Weisbord model, together with five more items to measure an additional factor, *attitude towards change*. Preziosi argues that in attempting any planned change effort in an organization, it is necessary to know how changeable an organization is (Lok and Crawford, 2000).

## **Research Method**

### **Research Setting and Subjects**

The study was carried out in Vietnam, an excellent research site for such a study,

as the country is liberalizing its economy. Subjects were employees working in two categorized economic sectors: SOEs and Non-SOEs. The research model is shown in Figure 1 and operationalized into empirical testing plan for the actual study in Figure 2.

**Variables**

This study used the seven components of organizational characteristics, including purposes, structure, relationships, leadership, rewards, helpful mechanisms, and attitude toward change as independent

variables. These variables were measured by the 7-point Likert-type scale Preziosi's (1980) Organizational Diagnosis Questionnaire (ODQ). The dependent variable in this study was the employee's

overall job satisfaction, which was measured by the 5-point Likert-type scale Taylor and Bowers' (1974) Overall Job Satisfaction Questionnaire.

**Sampling and Data Collection**

The total sample included twenty SOEs and twenty Non-SOEs in Vietnam, which

Figure 1. Research Model: Adapted from Weisbord's (1976) and Preziosi's (1980) Organizational Diagnosis Model

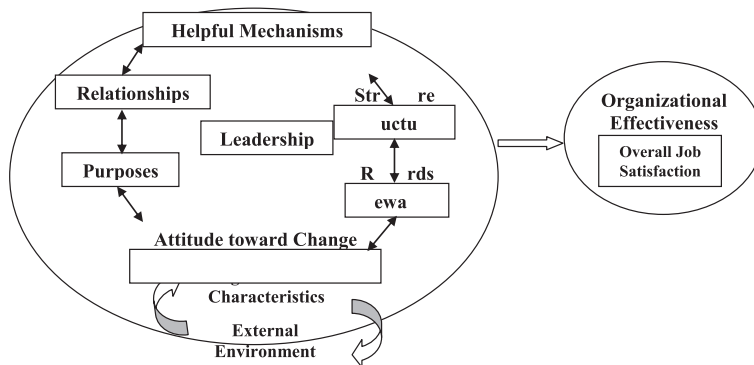
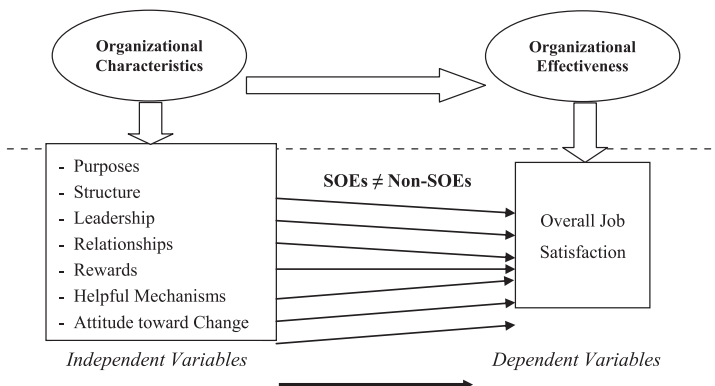


Figure 2. Theoretical Propositions and Operationalization



were randomly selected. The individual participants in this study consisted of Vietnamese nationals who have been working full-time at these companies for at least one year prior to the date of participation. This sample was restricted to knowledgeable workers in order to control the side effects of work type of the participants. Knowledge workers are classified as managerial, professional, technical, administrative staff, and others that are knowledgeable related. Each of the selected companies, as well as its employees, were handed a cover letter and well informed about the purpose of the study and the confidentiality of the questionnaire survey. The sample was informed that this survey was anonymously conducted. Confidentiality of data obtained was assured at all times.

To ensure the equivalence of the measures in both the Vietnamese and English languages, the questionnaires were translated from English into Vietnamese by a native Vietnamese translator. They were then independently translated back into English, as a check, by a second native Vietnamese who was unfamiliar with the original English language version. Finally, the back-translated versions were checked by three American business professors to insure there were not any substantial differences in the meaning of the items between the original and the translated versions. There was no necessary change made to the back-translated versions.

### ***Measures and Instruments***

The Organizational Diagnosis Questionnaire (ODQ) contained 35 questions, five in each of the seven variables. Among the 35 questions, one was inversely scored as it was a negative statement (Question #14).

Organizational characteristics were considered to be the total of these seven components.

$$\text{Organizational Characteristics (OC)} = \sum_{n=1}^{35} Q_n(1)$$

The reliability has been confirmed in the study of Lok et al. (1999), as both Cronbach alpha values and Cronbach alpha estimates for the factor based scales were slightly higher than the original sub-scales (Legino, 2006).

Employee Overall Satisfaction questionnaire contained seven questions which represent the seven aspects of satisfaction. The employee's overall job satisfaction was calculated as the total of these seven aspects.

$$\text{Employee Overall Job Satisfaction} = \sum_{n=1}^7 Q_n \quad (2)$$

Coefficient alpha values ranged from .67 to .71 (Larwood, Wright, Desrochers, and Dahir, 1998; Singh, 1994).

## **Result and Discussion**

The sampling and data collection took place from June to October in 2007. A total of 1,200 questionnaires (30 questionnaires to each of the 40 companies) were given out and of these 1,200 questionnaires, 930 were returned. This resulted in a 78% response rate. Of the usable 930 responses, 860 were valid according to the sample criteria. This resulted in a 72% response rate. These rates are considered relatively high given the cultural characteristics of Vietnamese people who have not often experienced exposing their thoughts and needs in this kind of survey.

### ***Results of Hypothesis Testing***

#### *H1a: Purposes*

Table 1 shows  $t(586.084) = 33.838$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of "Purposes" variable. Thus, H1a was supported. The SOE sub-sample "Purposes"

Table 1. Hypothesis Testing Result

Hypothesis	Group Mean		Levene's Test for Equality of Variances		t-test for Equality of Means				
	SOE (N=409)	Non SOE (N=451)	F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
H1a: Purposes	21.8435	12.0732	299.730	.000	33.838	586.084	.000	9.77035	.28874
H1b: Structure	23.5428	11.2239	336.709	.000	38.627	563.534	.000	12.31884	.31892
H1c: Leadership	21.4572	11.3681	252.147	.000	32.431	590.132	.000	10.08914	.31110
H1d: Relationships	19.4597	11.8004	121.664	.000	31.910	628.894	.000	7.65921	.24003
H1e: Rewards	25.3227	12.1463	301.379	.000	39.729	589.212	.000	13.17640	.33165
H1f: Helpful Mechanisms	23.4279	12.5787	345.315	.000	34.287	556.395	.000	10.84916	.31642
H1g: Attitude Toward Change	22.1418	13.6031	124.488	.000	31.889	654.984	.000	8.53871	.26776
H1h: Organizational Characteristics	157.1956	84.7938	311.977	.000	38.983	567.560	.000	72.40181	1.85727
H2: Overall Job Satisfaction	16.0416	26.5033	130.975	.000	-38.473	655.164	.000	-10.46176	.27193

variable mean average was 4.37, indicating that SOEs in this sample had a problem with the functions of “Purposes.” Meanwhile, the Non-SOE sub-sample “Purposes” variable mean average was 2.41, indicating the lack of a problem with the function of “Purposes” in Non-SOE sub-sample.

These results can be interpreted such that SOEs should articulate their corporate goals clearly in their formal systems. They need to improve communication with their employees to make sure that the employees are clear about the organization’s purposes and missions. They should also make sure that people in the organization understand and support those corporate purposes. As for Non-SOEs, even though there was no indication of a problem in the function of “Purposes,” they may want to consider improving their current formal systems in articulating the organizational goals to their employees so that they can achieve higher levels of performance.

The finding of this hypothesis test complements the conclusions of Meyer and Gordon (1982) which stated that the purpose for which public and private sectors serve is one of the crucial differences between the two sectors.

*H1b: Structure*

Table 1 shows  $t(563.534) = 38.627$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of “Structure” variable. Thus, H1b was sup-

ported. The SOE sub-sample “Structure” variable mean average was 4.71, indicating that SOEs in this sample had a problem with their organizational structure. Meanwhile, the Non-SOE sub-sample “Structure” variable mean average was 2.24, indicating the lack of a problem with organizational structure in Non-SOEs.

These results can be interpreted such that SOEs should improve or redesign their structure and the division of labor to a more flexible and goal-oriented structure. Work tasks need to be divided more logically among employees. As for Non-SOEs, even though there was no indication of a problem with their organizational structure, they may want to consider reviewing their current structure and division of labor to see whether they can improve their effectiveness to achieve higher levels of performance.

The finding of this hypothesis test confirms that there is structural difference between public and private organizations, as stated in Lyons et al. (2006). It also complements Ngo et al. (2006) finding that SOEs’ structure is inflexible and maladaptive compared to joint ventures in China. This can be related to this study as China and Vietnam have similar cultural dimensions and business environments (even though there were more than joint ventures in the Non-SOE sub-sample in this study). The finding, however, does not conclude what type of structure each group is following.

*H1c: Leadership*

Table 1 shows  $t(590.132) = 32.431$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of “Leadership” variable. Thus, H1c was supported. The SOE sub-sample “Leadership” variable mean average was 4.29, indicating that SOEs in this sample had a problem with their leadership. Meanwhile, the Non-SOE sub-sample “Leadership” variable mean average was 2.27, indicating the lack of a problem with leadership in Non-SOEs.

These results can be interpreted such that in SOEs immediate supervisors might not be so supportive of their individual subordinates’ efforts. Leadership norms and efforts might not be well understood or not be seen clearly by employees. Thus, SOEs’ leadership should be more supportive of employees’ efforts. They should systematically monitor and initiate efforts to help their subordinates. Also, any attempts to guide or help the employees’ work efforts should be clear. As for Non-SOEs, even though there was no indication of a problem in leadership, they may want to consider showing more support to the employees, better understanding of the environment in addition to behavior skills. They also should initiate efforts to help and make sure that their efforts are well recognized by their subordinates so that they can achieve the optimum performance.

The finding of this hypothesis test supports Stogdill’s (1974) argument that leadership styles and behaviors vary depending on the type of organization. It also confirms the findings of Baldwin (1987) and Hooijberg and Choi (2001) in that leadership behaviors were different between the public and private sector organizations.

*H1d: Relationships*

Table 1 shows  $t(628.894) = 31.910$  at  $p < .001$ . There was a statistically significant

difference between the two mean scores of the “Relationships” variable. Thus, H1d was supported. The SOE sub-sample “Relationships” variable mean average was 3.89 while the Non-SOE sub-sample “Relationships” variable mean average was 2.36. These results indicated the lack of a problem with relationships in both SOEs and Non-SOE sub-samples. However, it appeared that the Non-SOEs generated more optimum relationships than that of SOEs.

Relationships in this study included the interdependence between individual human beings, work units, people and their technologies, and conflict management. As Vietnamese people are culturally collectivism, people-oriented and avoid uncertainty, it is understandable that there are fewer problems in relationships in both sub-samples. However, both sectors need to improve their organizational relationships to be able to achieve a higher level of performance, especially the SOEs. Improvements should be in better relationships among co-workers, between superior and subordinate, better coordination and collaboration between units performing different tasks, better understanding and advancement of technologies, and better mechanisms in managing conflicts.

The finding of this hypothesis test is consistent with previous studies in the literature which state that there is difference in relationships between public and private sectors (Boyatzis, 1982; Hall, 1963; Litchman and Hunt, 1971; Pugh, 1966; Rainey et al., 1995; Robertson and Seneviratne, 1995; Scott et al., 2003). This finding, however, only shows that Non-SOEs have better relationships than SOEs do even though both sub-samples indicated no problems. One can not conclude which type of relationships each group is following. Nevertheless, unlike most of the previous studies that reported a problem in relationships in public sector organizations, this study found a lack of problems in relationships in

the SOE sample.

#### *H1e: Rewards*

Table 1 shows  $t(589.212) = 39.729$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of the “Rewards” variable. Thus, H1e was supported. The SOE sub-sample “Rewards” variable mean average was 5.06, indicating that SOEs in this sample had a problem with their reward system. Meanwhile, the Non-SOE sub-sample “Rewards” variable mean average was 2.43, indicating the lack of a problem with reward system in Non-SOEs.

These results can be interpreted such that there might not be many opportunities to grow as a person with opportunities for promotion in SOEs. The pay scale and benefits of the SOEs might not be considered fair in their employees’ perceptions. Incentives associated with tasks that need to be accomplished might be given out unfairly. Thus, SOEs should improve their reward system accordingly to resolve the reward system problem. A new reward system should not only pay salary and benefits but also show people the value of their work. It should clearly show the relative equality of pay scales and benefits to each individual member of the organization. Tasks that need to be accomplished should be associated with equivalent incentives. Last, but not least, SOEs should create more room for individuals to grow and more promotional opportunities for those who deserve such a promotion. As for Non-SOEs, even though there was no indication of a problem in their reward systems, they should maintain their reward systems and continue to improve these systems so that they can achieve better reward systems.

The finding of this hypothesis test complements the findings of Solomon (1986) and Baldwin (1987) in that the public sector is less flexible in their reward systems

than the private sector. It also supports the findings of Hundley (1991) in that there is a wage differential for employees between public and private sectors. The finding is also consistent with Snyder et al. (1996) in their statement that there have been noticeable concerns on the similarities and differences in reward preferences between public and private sector organizations in developing countries.

#### *H1f: Helpful Mechanisms*

Table 1 shows  $t(556.395) = 34.287$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of “Helpful Mechanisms” variable. Thus, H1f was supported. The SOE sub-sample “Helpful Mechanisms” variable mean average was 4.69, indicating that SOEs in this sample had a problem with the function of helpful mechanisms. Meanwhile, the Non-SOE sub-sample “Helpful Mechanisms” variable mean average was 2.52, indicating the lack of a problem with the function of helpful mechanisms in Non-SOEs.

These results can be interpreted such that SOEs lack flexibility. They might not have adequate information systems necessary perform a good job. They might not possess equivalent coordinating mechanisms that bind the organization together such as procedures, policies, planning and control efforts, and so on. The supervisors might not be really helpful to the individual and the work group. Lack of assistance, cooperation and lateral collaboration among work units might also be a contributive factor to the lack of helpful mechanisms in SOEs. To solve this problem, SOEs should redesign their mechanisms, eliminate what did not work, and add factors that will help bind the organization together. Work units should be screened for errors and procedures changed accordingly to ensure that they co-operate and collaborate with each other in a more productive manner. Infor-

mation systems should be developed and improved so that everyone will have the information at the right time necessary to perform a good job. Supervisors should be more creative and involved in helping their subordinates and work groups achieve their goals. Planning and control efforts should be directed towards the organization's growth and development.

As for Non-SOEs, even though there was no indication of a problem in the function of helpful mechanisms, maintaining those mechanisms that have been working well may not be an easy task. They should continue to improve their existing mechanisms so that they will help the organizations maintain competitive advantage and help them cope with change from both internal and external environments.

The finding of this hypothesis test complements those findings of Hickson and McMillan (1981) in that public organizations have more control mechanisms rather than helpful mechanisms inside and outside their structure. It also reinforces the findings of Lichtman and Hunt (1971), and Pugh (1966) in that in public organizations, increasing departmentalization and differences in goals and interests between departments lead to departmental conflict. The finding also agrees with Galbraith's (1982) innovating organization concept, i.e. creating a mechanism that combines organizational structure, rewards, processes, and people in a special way to create an effective organization.

### *H1g: Attitude towards Change*

Table 1 shows  $t(654.984) = 31.889$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of the "Attitude toward Change" variable. Thus, H1g was supported. The SOE sub-sample "Attitude toward Change" variable mean average was 4.43, indicating that SOEs in this sample had a problem with

their function of attitude toward change. Meanwhile, the Non-SOE sub-sample "Attitude toward Change" variable mean average was 2.72, indicating the lack of a problem with the function of attitude toward change in Non-SOEs.

These results can be interpreted such that the ability of SOEs to change is lower than that of Non-SOEs. SOEs might have a higher level of resistance to change, compared to that of Non-SOEs. They might not introduce enough new policies and procedures to help employees cope with change. To remedy this problem, SOEs should better re-define the organization-wide attitude toward change and develop methods of how they can deal with change. They should get their employees involved as "part of the plan", provide statistical facts and data, take initiatives for their efforts to change, and maintain a positive attitude toward change. Being empathetic, providing more new policies and procedures for direction, clearly articulating the top management's commitment to change, formulating comprehensive change strategy with scenario action plans, and minimizing the uncertainty to every member of the organization are among other solutions to improve the attitude toward change functioning in SOEs. The individuals themselves also need to be more proactive in taking change initiatives and more willing to try something new.

Although there was no indication of a problem in the function of attitude toward change in Non-SOEs, their leadership should still maintain their mechanisms at a high level because change is an ongoing process and they are constantly seeking change to remain competitive.

The finding of this hypothesis test is consistent with the findings of Ha'renstam et al. (2004) in that employees in public organizations display more negative attitude towards change than employees in private sector organizations. As Vietnamese business and economic environments have

undergone significant change in the past decade, this finding may be a wake-up call for SOEs to prepare themselves and their employees for changes to maintain their competitive positions.

### *H1h: Organizational Characteristics*

Table 1 shows  $t(567.560) = 38.983$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of “Organizational Characteristics” variable. Thus, H1h was supported.

The SOE sub-sample “Organizational Characteristics” variable mean average was 4.49, indicating that SOEs in this sample had a problem in their organizational characteristics. Meanwhile, the Non-SOE sub-sample “Organizational Characteristics” variable mean average was 2.42, indicating the lack of a problem in the organizational characteristics in Non-SOEs.

These results can be interpreted such that SOEs show problems in their organizational characteristics. These need to be fixed to become more effective. The problems may lie in the purposes, structures, leadership, reward systems, helpful mechanisms, and the attitude toward change variables. Although their “Relationships” variable did not indicate a problem, SOEs may also need to improve that variable in order to achieve a higher level of performance.

The finding of this hypothesis test contributes to the literature of organizational study in supporting the differences between public and private sector organizations. Unlike most of the previous studies focusing only on the employees’ attitudes, normative systems, and level of involvement in organizational activities, this hypothesis test is about the characteristics of the organizations. In this it is consistent with the conclusions of Hickson and McMillan (1981).

### *H2: Differences in Employee Overall Job Satisfaction*

Table 1 shows  $t(655.164) = -38.473$  at  $p < .001$ . There was a statistically significant difference between the two mean scores of “Overall Job Satisfaction” variable. Thus, H2 was supported.

The SOE sub-sample “Overall Job Satisfaction” variable mean average was 2.29, indicating that employees in the SOEs in this sample had a lower overall job satisfaction. Meanwhile, the Non-SOE sub-sample “Overall Job Satisfaction” variable mean average was 3.79, indicating that employees in the Non-SOEs in this sample had a higher overall job satisfaction.

These results can be interpreted such that employees in SOEs were less satisfied with their overall job than employees in Non-SOEs.

The finding of this hypothesis test supports the findings of Solomon (1986) in that private sector employees have been found to be more satisfied with various aspects of their job. It is also consistent with the conclusion of Blum et al. (1995) that employment in bureaucratic organizations will lower employee job satisfaction. In addition, it adds empirical evidence to the academic debate on differences in job satisfaction and motivation between employees of the public and private sectors, as discussed by Hooijberg and Choi (2001) and Lyons et al. (2006). The finding also complements those of Ngo et al. (2006) in that workers in Chinese SOEs generally are less intrinsically motivated, as compared to joint ventures.

### *H3: Correlations between Organizational Characteristics and Employee’s Overall Job Satisfaction*

Table 2 shows the correlation results between “Overall Job Satisfaction” and “Organizational Characteristics,” as well as each of the 7 organizational components.

Correlation analysis results revealed a negative correlation ( $R = -.926$ ) between “Organizational Characteristics” and



“Overall Job Satisfaction.” This correlation was significant at the .01 level (2-tailed). There was a statistically significant relationship between organizational characteristics and overall job satisfaction. Thus, H3 was supported.

The negative correlation ( $R = -.926$ ) indicated that higher scores in “Organizational Characteristics” were associated with lower scores in “Overall Job Satisfaction.” In other words, more problems in organizational characteristics were associated with employee overall job dissatisfaction while lack of problems in organizational characteristics was associated with employee overall job satisfaction. It also indicated a strong relation between “Organizational Characteristics” and “Employee Overall Satisfaction.” R-squared value ( $R^2 = .857$ ) indicated that the proportion of variances in

“Overall Job Satisfaction” was accounted for by “Organizational Characteristics.” In other words, 85.7% variation in “Overall Job Satisfaction” was explained by the variation in “Organizational Characteristics.”

The finding of this hypothesis test supports the prediction of Ngo et al. (2006) in that organizational characteristics would have different impacts on organizational effectiveness. It also complements the conclusion of Ostroff and Schmitt (1993) in that effective organizations are influenced not only by strength of culture, but also by other variables, such as the organizational characteristics in this study.

**Results of the Study**

The findings of this study empirically reinforce what has been found in organi-

Table 2. Correlation Result

		Overall Job Satisfaction	Organizational Characteristics	Purposes	Structure	Leadership	Relationships	Rewards	Helpful Mechanisms	Attitude Toward Change
Overall Job Satisfaction	Pearson Correlation Sig. (2-tailed)	1								
Organizational Characteristics	Pearson Correlation Sig. (2-tailed)	-.926(**)	1							
Purposes	Pearson Correlation Sig. (2-tailed)	-.873(**)	.957(**)	1						
Structure	Pearson Correlation Sig. (2-tailed)	-.899(**)	.975(**)	.930(**)	1					
Leadership	Pearson Correlation Sig. (2-tailed)	-.874(**)	.962(**)	.911(**)	.935(**)	1				
Relationships	Pearson Correlation Sig. (2-tailed)	-.862(**)	.916(**)	.852(**)	.880(**)	.873(**)	1			
Rewards	Pearson Correlation Sig. (2-tailed)	-.915(**)	.971(**)	.912(**)	.944(**)	.917(**)	.867(**)	1		
Helpful Mechanisms	Pearson Correlation Sig. (2-tailed)	-.906(**)	.970(**)	.912(**)	.930(**)	.922(**)	.867(**)	.943(**)	1	
Attitude Toward Change	Pearson Correlation Sig. (2-tailed)	-.855(**)	.935(**)	.880(**)	.890(**)	.872(**)	.821(**)	.893(**)	.907(**)	1

Note: N = 860

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

zational behavior literature: employee attitudes and behaviors are to some extent shaped by the settings of their organizations. The study supports the argument stated in Ngo et al. (2006) study: “The effect of organizational characteristics on organizational effectiveness (employee satisfaction) is likely to be different.” In this study, the organizational characteristics of SOEs are significantly different from those of Non-SOEs in Vietnam in all of the seven components that make up the organizational characteristics. The employee’s overall job satisfaction is also reported to be significantly different between the two sectors. There is a correlation between organizational characteristics and employee’s overall job satisfaction.

### **Limitations of the Study**

An initial limitation was related to the questionnaire translation. As it was translated into Vietnamese, a language that is significantly different from the original English version, there may have been some misinterpretations of the questionnaires from the respondents. Sample collection was another area that reflects a limitation of this study. Due to the short period of sample collection and limited resources, the researcher could only collect the SOE sub-sample from a few industries rather than across industries. The majority came from the petroleum industry. These selected companies might not have represented the organizational characteristics of companies in other industries. It was also true that the Non-SOE sub-sample had a majority of joint-venture companies, rather than equally selected among other Non-SOE sub-sample types of organization.

As this study was conducted in Vietnam, it can be concluded that the researcher had little control over the consistency in the answers of the participants as Vietnamese people are not familiar with revealing their true opinions and thoughts with these kinds

of survey questionnaires. Geography of the selected sample was another limitation. Most of the selected companies were from Ho Chi Minh City in the South of Vietnam. As a result, this sample will not have represented companies in other regions such as North and Central Vietnam. Generalizability to other public sectors was also limited in this study. It was conducted only with for-profit business companies, while there are various other public sector categories, such as governmental offices and public services that exist in the Vietnamese economic system.

One of the important limitations was the method of measurement. This study did not measure existing organizational characteristics, but rather the employees’ perception of these factors. Responses received were based on perception that might generate individual biases that affect the accuracy of the measurement.

Of particular note was the Organizational Diagnostic Questionnaire used in this study. It was created as an organizational diagnostic tool for organizational development practitioners. This limitation may have reduced the content validity because “errors in measurement may impact the representativeness of the content” (Kerlinger and Lee, 2000).

The last limitation was related to cultural differences. Cross-cultural differences cannot be neglected when studying employee satisfaction and perceptions in different countries since there is no absolute guarantee that participants from different cultures will interpret the questionnaire or value the scores similarly.

### **Future Research**

This research suggests examining the relationships between the seven organizational components to determine the interconnectedness of potential problems between these variables. It also suggests

examining the differences between each satisfaction category and how they relate to the organizational characteristics. Another suggestion is to duplicate this study with a more random and representative sample. For example, the sample could include companies from various industries in North and Central Vietnam. The Non-SOE subsample should include more types of organizations other than joint-ventures. Future research can also use measurement instruments other than the ODQ to measure the organizational characteristics in stead of the employees' perception on these factors. In addition, using the ODQ instrument in other organizational studies can help increase the convergent and discriminate validity of this instrument. Increasing generalizability is crucial for this kind of study. The research suggests replicating this study in other public sectors to improve generalizability and to enrich the empirical support for organizational behavior theory. These sectors may include health care, police, and education, to name a few. Moreover, future research can also replicate this study in various countries to examine the role of cultural differences.

## Conclusion

At the theoretical level, the study contributes to the previous studies in the organizational study. Findings of this study

confirm many of the earlier findings regarding differences in organizational characteristics between public and private sector organizations. It supports the argument that employee attitudes and behaviors are to some extent shaped by the settings of their organizations. In addition, it extends the theoretical application to a broader scope outside of the traditional American testing samples, i.e. cross-cultural application. At the practical level, the study points out the differences in organizational characteristics and employee's overall job satisfaction between SOEs and Non-SOEs in Vietnam. This has implications for Vietnamese management, as well as organization development practitioners at the microeconomic level, as to how to increase the organizational effectiveness of SOEs in Vietnam. At the macroeconomic level, this study provides a concrete analysis and a deeper understanding of the differences between SOEs and Non-SOEs in the Vietnamese economic system. This should help the government streamline their policies for future economic growth and development. This study is therefore especially important for Vietnam, an emerging market, as it continues to reform its SOEs in the context of being a WTO member, integrating the nation into international and global economy, and shifting its economy to the market economy with the socialist orientation.

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