

The Dangers of Disgruntled Ex-Employees

Ex-employees who believe that they have been mistreated by the company where they worked may be highly motivated — and effective — at competing against their former employers.

BY FEDERICA PAZZAGLIA, KARAN SONPAR, PABLO MARTIN DE HOLAN AND SCOTT FLYNN

Are you overlooking the danger of losing unhappy employees to your competition?

Tough economic conditions in recent years have forced many companies to cut costs wherever they can, and sometimes this has had a direct negative impact on employees' perceptions of their jobs and their treatment at work. Meanwhile, although it is true that employees are less likely to change jobs during a recession, experience shows that once things look up, turnover rates increase significantly. Unsurprisingly, talented yet disgruntled employees are often the ones to leave first.

To study the impact of disgruntled employees leaving an organization, three of the authors of this article, Federica Pazzaglia, Karan Sonpar and Scott Flynn, studied a phenomenon known in professional soccer as the "Immutable Law of the Ex," which postulates that players play unusually well against their former teams. The research project built and tested a theory on how previously mistreated players' knowledge of their former team's routines and their desire to exact revenge improves both the players' and their new team's performances against



the players' former teams. The theory was tested through a study of 402 head-to-head matches in the English Premier League from 2000 to 2005, carried out by analyzing more than 2,500 newspaper articles. These articles included both independent match reports that rated the individual performance of the various players and interviews with the players and the managers of both teams. (Detailed findings from the study were reported in the September/October 2012 issue of the journal *Human Resource Management*.)

The study found that anger and pressure to prove loyalty to the new organization, as well as knowledge of the former team's routines, led to superior performances against a former team by transferred players who left that former team on bad terms. These results draw attention to how heightened emotional states such as anger can stimulate exceptional performances when employees move to rival organizations and compete against their former employers. Interestingly, however, competitive arousal triggered by anger and

a desire to exact revenge is a much stronger predictor of a player's superior performance than knowledge of the former team's routines.

While the study examined the field of professional sports, the findings are relevant to other settings in which organizational performance relies strongly on individual contributions. Examples include relational fields such as advertising, legal services and sales, as well as fields such as high-technology innovation and design, in which specialized knowledge exists within a small group of individuals. They are

also relevant where head-to-head competition occurs through competitive bidding, such as in the accounting and consulting industries.

Disgruntled former employees can hurt their former employers in many ways. Consider, for example, the former Whole Foods Market Inc. employee who sent out an angry and lengthy resignation email to employees in the company, accusing it of being "a faux hippy Wal-Mart." The resignation email was quickly seized upon by bloggers and was also featured in news stories. But in addition to the reputational damage that employees may cause by taking potshots at their former employers, an underemphasized but more serious threat is when they leave in anger to join or create a rival company. The business world is full of tales of ex-employees going off to found new companies: Intel Corporation and SAP AG, for example, were founded by former employees of Fairchild Semiconductor and IBM, respectively.

Disgruntled employees take with them strong motivation to exact revenge on their former employers. These can be very strong forces, moving people to outperform themselves in their new company and produce superior results. Former employees also possess knowledge of their prior organization's tactics and have continued access to customers and suppliers, with whom they may have close personal ties, and who may be willing to move their business to

the new organization. In the English Premier League, pressure to prove their loyalty to their new team was another strong motivator of players' performances. Players also spoke of their new managers supporting them and believing in their abilities, in contrast to their previous club, thus inspiring them to perform better.

Some people will always leave companies unhappily, and good management involves accepting that managers' primary job is not to make employees happy but to create value for customers and shareholders. However, if employers ignore employees' emotions in favor of strictly economic motives, they may create morale problems, particularly when pressing and urgent financial decisions lead to a lack of emphasis on human-resource management issues. Some work environments may become toxic, and working conditions may deteriorate, increasing the likelihood that employees, including top ones, will leave angrily.

To prevent employees from wanting to strike back, follow these four steps:

1. Don't take employees for granted. As simple as this sounds, many companies not only vastly misjudge their employees' inclination and ability to change jobs but also seem

oblivious to their former employees' ability to hurt them. Ignoring employees' feelings is not merely the recipe for a negative working atmosphere; it is poor business sense.

2. Don't ignore what rubs employees the wrong way. In the English Premier League study, roughly half the players left their clubs because they believed that their coaches and teams were not giving them a fair chance. Moreover, such players' perceptions of revenge against their former teams were particularly acute in cases where the coach who had aggrieved them was still in charge. Other factors to consider include a culture of secrecy, a lack of transparency, a lack of involvement in decision-making processes or a top management that does not recognize and acknowledge the sacrifices that employees make.

3. Don't underestimate employees' intelligence and goodwill. The "carrot and stick" approach will only motivate employees so far. Great companies are great places to work because they have the best incentive structures tempered with strong control systems — but also because their employees feel a strong sense of belonging and pride.

4. Don't neglect the desire for revenge in an employee scorned. Angry and disgruntled employees with critical social

connections, know-how and skills in scarce supply carry with them both the will and the capacity to exact revenge on their former companies. English Premier League players who willingly left the team, generally due to a high performance level that enabled better opportunities, did not elevate their performance in head-to-head competition with their former teams. It was the players who were either shunted out of the team or nudged away through inattention who sought to exact revenge — and who often put up exceptional, match-winning performances against their former teams.

In the end, common sense and good management are key. While it is impossible to please everybody all the time in business, and tough decisions sometimes do need to be made, being sensitive to employee morale issues will pay off — and reduce the risk of creating disgruntled ex-employees.

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