

Impact of Change on Workforce Productivity and Engagement

By Nadia Haridi

The world of business is reshuffling itself. Our global market economy, technology introductions, aging Boomer population, and “less than honest” world competition have all had an impact. Today, nine in 10 workers grow disengaged when companies don’t do the right thing and handle change well. By contrast, among companies where employees believe an employer is honest and caring in handling change, only 40 percent become disengaged.

As we rethink the future, employee engagement is a critical driver of organization effectiveness and productivity, and it’s declined sharply among Northeast companies over the past year. With the sudden financial shock in late 2008, many employers rushed to downsize their organizations to capture possible profits. They were so focused on immediate cost cuts through layoffs, legal compliance, policy issues or severance that they failed to consider broader change management issues that might retain critical talent, and now they’re paying for it.

CHANGES OCCURRING IN THE NORTHEAST

Major employers in the Northeast in financial services, pharmaceuticals and technology firms have struggled in dealing with layoffs and the aftermath. There was a sense of emergency and intense

pressure to cut costs, so in some cases the downsizings weren’t done in an optimal way. Some organizations may have over-reacted, and they’re finding many remaining employees disengaged. The research suggests that one in four talented individuals who remain with companies will make a switch at their first opportunity once an opportunity presents itself.

Nevertheless, hard times are also an opportunity for organizations. During such a crisis, employers can get to initiatives that should have already been done, such as integrating a recent acquisition, centralizing or restructuring, cutting cost, eliminating redundancy, setting new strategy, bringing on different leadership, succession planning, and inspiring employees—many of which frequently go by the board during better times.

Moreover, given the business environment, top management looks to HR

as a catalyst to implement such initiatives using internal resources, which often are inadequate for the job. Senior teams underestimate the scale of the change challenge and imagine that purely tactical, directive procedures will be enough. One senior executive recently indicated “I can’t believe people aren’t focusing on the things that align with strategy. I sent a memo on this!” HR is expected to develop the strategy as well as the related communications. No wonder employees in the Northeast and worldwide say companies are doing a poor job managing change.

At the same time, despite the difficulty of such challenges, many Northeast companies are undertaking a fundamental reassessment of their future leadership and workforce needs. When times were flush, every leader was a great leader, but now it’s clear that





many organizations don't have leaders who can navigate in difficult or shifting market conditions. So they're considering what competencies and skills they'll need over the next few years, looking at their management pipeline, developing new success profiles, and rethinking how hiring decisions are made.

Given the constant need to navigate rapid change, such as organization restructurings, revamped product lines or the appointment of a new leader, it is imperative that organizations introduce systems to help their entire workforce to participate in and adapt to change. Leaders need to involve their workforce in change, not just impose it. They can be more effective in implementing changes by understanding behaviors that create obstacles. Agile organizations can be trained to embrace change, not only as a one-time event, but on an ongoing basis.

It needs to become part of the behavior of the organization to change. Our research at Right Management suggests that when employees have a compelling case for change, and understand the specific behaviors that will result in success, they are likely to self-initiate and navigate change effectively.

GLOBAL RESEARCH DEMYSTIFIES CHANGE AND ITS IMPACT ON ENGAGEMENT

Right Management recently conducted a global study—"Ready, Get Set... Change!"—to demystify the change process as well as identify key engagement drivers that may be used to improve change management initiatives and outcomes. The study draws on feedback from 28,810 employees across 10 industries in 15 countries. Key findings include:

- **Best-performing organizations manage change nearly four times more effectively.** In top-performing companies (defined as those achieving higher revenue and above-average customer loyalty profit results), 60 percent of employees responded that "change is handled effectively in my organization," compared to 16 percent of employees in below-average performing organizations.
- **Less than half (43 percent) of employees are confident in their organization's change process.** One in three employees believes their organization does not handle change effectively.
- **The biggest downfall for senior leaders is the perception that they do not follow through on what they say they will do.** Less than half (47 percent) agreed that senior leaders

communicated change effectively; 54 percent of employees doubted senior leaders' ability to respond appropriately to changing external conditions.

- **Organizations that do not manage change well are four times more likely to lose talent.** Twenty percent of employees who perceived change was not handled effectively indicated they planned to leave within one year versus only 5 percent of employees who held a favorable view. The latter planned to stay for at least five years.

- **Ineffective change management can lead to lower levels of job confidence.** Of the employees who reported that change management was not handled well, 45 percent expressed favorable feelings about not losing their job within 12 months, while 32 percent did not. This is in stark contrast to organizations with effective change management, where 80 percent of respondents had positive feelings about keeping their job versus only 7 percent who did not.

- **Ineffective change management negatively impacts an organization's ability to attract talent.** When employees reported that change was managed poorly in their organizations, 75 percent of respondents had concerns with their company's ability to attract talent.

A STRATEGY FOR EFFECTIVE CHANGE MANAGEMENT

Putting in place a successful change and/or transformational strategy is not an easy undertaking because there are multiple streams of work that must integrate successfully. It requires applying an integrated planning process, including steps to take before, during and after the change process. While what you do to prepare beforehand is critical, the actions you take while implementing change, and afterwards, are also very important. Following this multi-step process can put you on a path to realizing the benefits your organization needs to achieve through the change initiatives it is undertaking.

Given the constant need to navigate rapid change, it is imperative that organizations introduce systems to help their entire workforce to participate in and adapt to change.

BEFORE

Understand how previous changes were received and acted on. To create an effective plan, you need to know what happened during earlier change initiatives. That means working with leaders and employees to learn what worked, what didn't and gaps that need to be filled.

Involve and align top leadership. For best success, it is imperative that senior leaders, including the CEO, Board, Executive Committee and other opinion leaders, are clearly aligned behind the effort. Indeed, leaders need to drive change. The top-down approach works, and is really a requirement for success; as is leader alignment to a singular purpose and focus. Our experience suggests

CASE STUDY:
MANUFACTURING/FURNITURE —UNITED STATES

Objectives

- Increase world-wide growth initiatives while maintaining sales and profitability levels
- Nimble, fully engaged workforce necessary for changes that include: new streamlined manufacturing, technology and personnel processes; elimination of operational silos

Solutions

- Process addresses emotional journey, career implications of organizational change
- Change readiness assessment, 1:1 coaching, and transition or redeployment services enable employees to successfully navigate change
- Managers develop skills to manage career decision conversations

RESULTS

	Before	After	Variance
Managers ready to lead change	35%	94%	+59%
Employee confidence in ability to adapt to change	14%	94%	+80%
Employee confidence in ability to determine short- and long-term career plans	53%	90%	+37%

that change efforts do not succeed without an aligned leadership mantra. To that end, HR practitioners have to demonstrate to executives that change isn't a nice-to-have, but a necessity in a world that is very dog-eat-dog in terms of competition. We must overcome lethargy, reinvigorate our ability to "do business differently for the future" and ensure that talent management is aligned with business strategy. The catalytic role of HR in large-scale change endeavors cannot be over-emphasized—providing HR is equipped to provide the support, which means much more than handling transactions.

Identify people who are change champions or might be potential stumbling blocks. Using an assessment to help individuals understand their own strengths and opportunities for change effectiveness can be part of the process to identify key people. You might also ask employees to share findings with

their manager, who can help build an awareness of how they react during times of change. The manager can also use the results to create a team profile and discuss how individual behaviors might affect the group dynamic. In the process, they can also refer to the assessment to create a common language for discussing how to deal with change. There are all sorts of methodologies in the market on root cause analysis that can be effectively applied in this instance, to raise awareness of how we individually respond and address change.

Map out a change process. Most important is pinpointing the key areas in which employees are likely to be affected—anything from a new performance management system, to a reorganization of teams, to a merger—and then putting in place appropriate tools and communications to help them adapt to the changes. You may also

consider restructuring the metrics used to reinforce certain behaviors.

Construct an effective communications strategy and system. You have to communicate your vision and plan convincingly throughout the organization. That means building it into everything you do, from your performance management system to regular intranet postings. Throughout the process of change, publicize the significant and subtle wins that are being achieved.

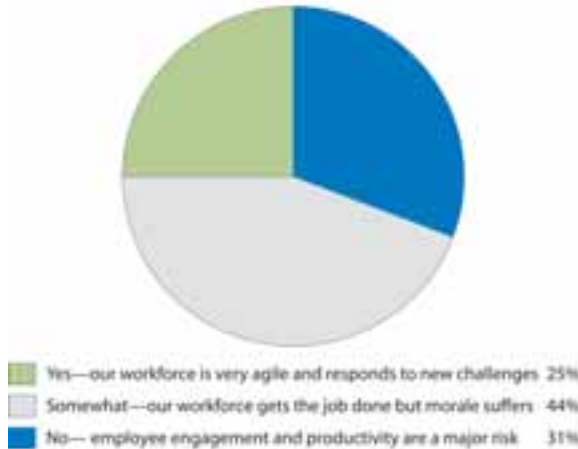
DURING AND AFTER

Provide adequate support, development and enablers for line managers to lead employees through the change. This may take the form of group or one-on-one interactions, depending on the circumstances. In some cases, it is helpful to bring managers together, because the process of dealing with change can be an isolating experience. At the same time, managers should make sure they hold individual meetings with each team member. Senior leaders may require one-on-one coaching.

Provide coaching for managers who still need help. Adequate support and development to managers to help drive change through the organization should be provided. If they are unable to effectively communicate the vision and strategy and engage the team through the process, the change initiative will not succeed. Managers need to provide role clarity and ensure employees are aligned with the new strategy in order to meet performance objectives and achieve goals.

Measure success. Define success at the outset and the metrics to be used to assess whether you've achieved your goals and objectives. For example, in some cases, you may need to measure a manager's ability to have an effective conversation with an employee about change. Under those circumstances, it might be appropriate to ask his or her direct reports to do a 360° evaluation of their interactions. On the other hand, if success is defined as how the organization as a whole manages change, then you might ask employees to fill out opinion surveys before and after the change initiative.

IS YOUR WORKFORCE ABLE TO ADAPT TO CHANGE AND INCREASE EFFECTIVENESS ON THE JOB?



Source: Right Management's survey of 257 senior HR leaders (professionals) across 10 industries conducted in February and March 2010.

RECOMMENDATIONS

An effective change process can't be an afterthought. Indeed, it requires a comprehensive effort involving all levels of the organization, driven by top management. While we may generally imagine change as a constant in today's world, it takes both focused planning and orchestration to be successful. In order to succeed and thrive in today's rapid-paced and tumultuous market, organizations need

an agile workforce that can effectively respond to, adapt to and perform under rapidly changing requirements. Develop a plan with measurable goals. Identify and develop effective change management behaviors within the workforce, and focus these on the future purpose of the organization. Carefully implement a process that includes leadership support, development, strategic communication and success measures. The approach ought to enlist employees by ensuring they understand "what" to do, are "equipped" to do it, and "know" why they need to do it. By following these steps, your organization's workforce will have the agility needed to meet the high demands of the change initiative, performing at the levels you need to ensure the company remains competitive and achieves its strategic goals—even in today's tough economy. ■

For a complimentary copy of the global study titled "Ready, Get Set... Change!" please email shari@fryerassociates.com. The research spans feedback from more than 28,000 employees from 15 countries and 10 industries.

Nadia Haridi is Principal, Talent Management Consulting, USA, for Right Management, the talent and career management expert within Manpower, the global leader in employment services. Contact Nadia at nadia.haridi@right.com or (973) 769-0726.