



KARIANBOX

Organisational change: managing the impact on employee engagement and culture

- ✓ Tracking employee advocacy through the change curve
- ✓ The effects of change on psychological safety
- ✓ A proven 'change engagement formula' for success

Listen better,
make meaning,
inform action



With market conditions continuously changing and the working world in a state of flux, organisations need to make sure they are set up for success and can withstand any further disruption.

For at least 47% of organisations, we know this includes actively planning structural change¹ – commonly known as organisational design – which is the lens through which we explore organisational change in this guide.

While the motivations behind this more intentional organisational change can vary, one thing that does not is the impact change has on employees. And they don't just feel the impact when the announcement is made.

Our data shows that restructures and other planned organisational changes can negatively impact employee engagement and workplace culture for up to 2 years.

This study brings together data from a variety of companies over an extended period (see page 11 for full methodology) to show the **real impact of organisational change on employee engagement and culture.**

Using this data, we have outlined a concise but comprehensive guide that provides:

- Key insights on **what to expect from employee advocacy scores** throughout a period of structural change and **the impact on psychological safety, accountability, innovation, and other key behaviours** – particularly when change is constant.
- Data-driven actions – including a 'change engagement formula' for success – to help you **support employees, managers and leadership teams** through change, supported by case studies from a market-leading energy company, car manufacturer and retailer.

78%

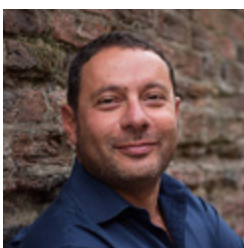
of companies are adapting future strategy because of the pandemic.²

1 in 8

employees feel it is likely they will lose their job in the next 12 months.³

17^{pt}

drop in the experience of psychological safety during organisational change.⁴



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¹ New ways of working: the lasting impact and influence of the pandemic; Karian and Box, The Global Institute for Women's Leadership & King College London, April 2021

² New ways of working: the lasting impact and influence of the pandemic; Karian and Box, The Global Institute for Women's Leadership & King College London, April 2021

³ CIPD Good Work Index 2021, Chartered Institute of Personnel and Development, June 2021

⁴ With data that covers the opinions and experiences of over 280,000 employees during the period of change that forms the basis of this study. See page 11 for full details of this study's methodology.



The advocacy change curve

The impact of organisational change needs to be viewed over a long period of time. Only this way can you see the short-, medium-, and long-term impacts of such a change on employee sentiment and behaviours.

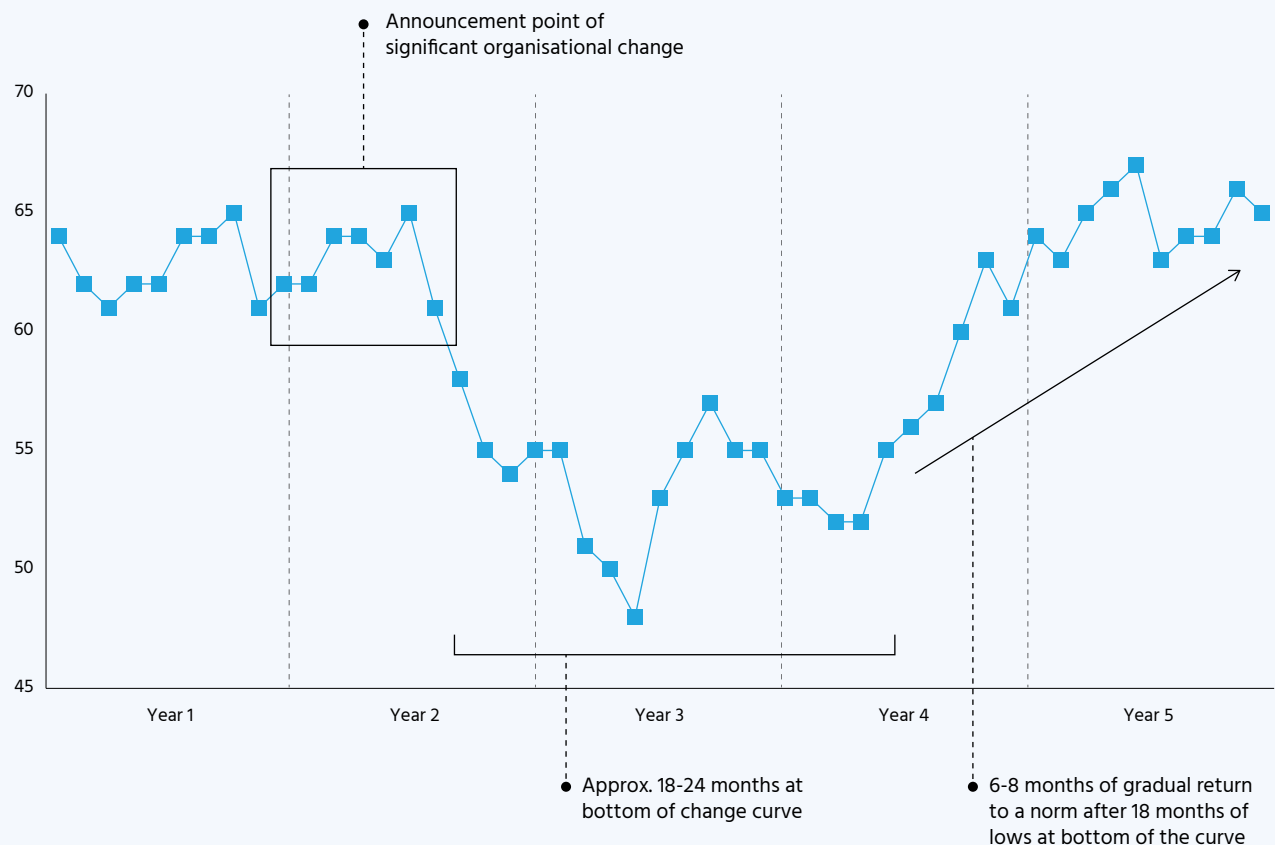
A key marker of engagement is employee advocacy – would an employee recommend the organisation as ‘a great place to work.’

By tracking this marker regularly, over several years, we have been able to see very clearly how restructures cause major fluctuations in advocacy.

This reflects analysis from 11 multinationals⁵ and large UK-based businesses that have undergone a combination of restructuring, job cuts and other changes that affect the roles people do (such as offshoring and outsourcing of key tasks to other geographies or external suppliers).

It takes approximately 18 months for the change curve to ‘play out’

■ % Employee advocacy trend



The clear drop in advocacy when such changes are announced is to be expected. However, the data shows a continuing drop in advocacy, which then stays relatively low for around 18 months, before a gradual return to the pre-change norm over a period of 6-9 months.

Employees feel the negative impact of the restructure for potentially 2 years after the announcement of major organisational change.

⁵ With data that covers the opinions and experiences of over 280,000 employees during the period of change that forms the basis of this study. See page 11 for full details of this study's methodology.

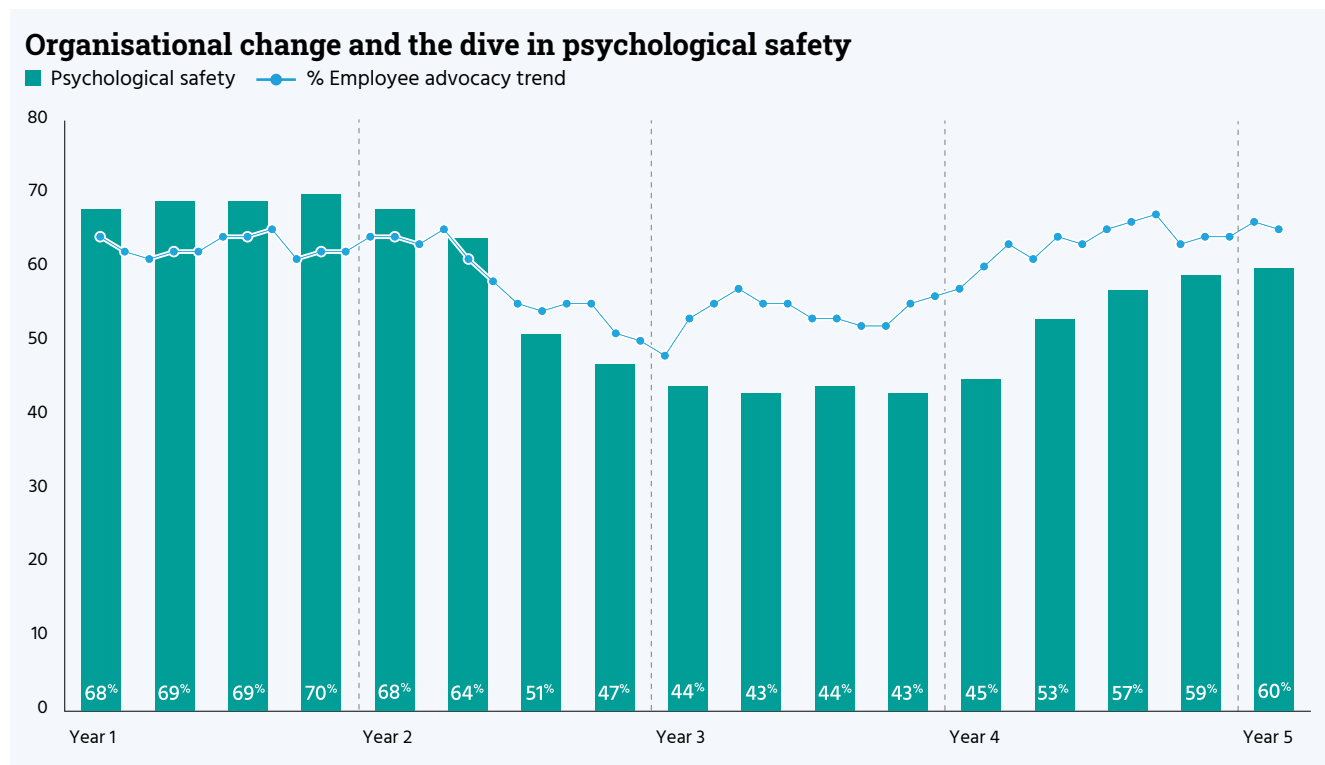


Impact of change on psychological safety, accountability, innovation and other key behaviours

Engagement is not the only indicator affected by structural and wider organisational change. Our data from the experiences of over 280,000 employees shows change has a significant impact on levels of psychological safety. Change also has an influence on the extent to which employees experience accountability (ownership and empowerment) in their jobs, and consequent levels of innovation in the workplace.

Psychological safety drops markedly in the months following a major organisational change as employees go into 'head down' mode. Leaders at most levels do so, too. Qualitative employee feedback highlights two key factors that drive this shift:

- **A genuine fear for their jobs** and/or future promotions as structures and roles change, with a desire to say or do as little as possible at a time that may negatively impact how they are seen by managers.
- **A sense of futility** in doing anything different or that challenges the status quo – mainly because there is uncertainty over how that status quo 'dust' will settle. As change occurs, employees wait it out to see how the organisational politics and positions of influence will lie afterwards. As such, few seek to offer ideas or decisions that enable the business to progress its agenda at a time when the agenda is in flux.



The evidence is clear: analysis of the data in this study shows that lower levels of psychological safety directly impact falling accountability – and a major drop in new ideas and experience of innovation.

As fear of speaking up increases, people are less willing to take accountability for decisions and/or offer up new ideas and solutions.



From isolated change to overlapping and escalating change curves



Fact:

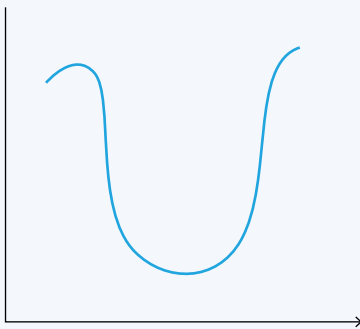
Organisational change is now continuous and ongoing. The gaps between major organisational, structural changes are growing shorter.

This phenomenon is driven by multiple factors, including:

- **A drop in the tenure of an organisation's senior leaders⁶** – and thereby increasing the number of times businesses experience a 'new broom', with a new CEO, COO etc. seeking to make their mark and be seen to make tangible improvements to organisational performance.
- **Growing pressure for value from equity markets** (and investors) to provide a return on investment (underpinned by stronger profits). With high top-line growth more difficult for many in mature markets, this requires constantly finding new, internal ways for 'creating value' (code for cost-cutting and squeezing internal resources to secure more for less).

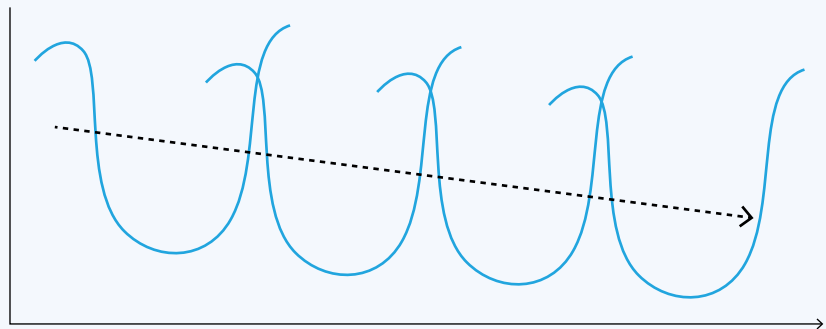
We go from this...

A singular event



To this

Constant change, ever reducing engagement



These factors mean that businesses are implementing a major structural change, on average, once every 2–3 years⁷. The implications of this are self-evident. If it takes 18–24 months for a business to experience and come out of a single change curve, what happens when those curves overlap and become a constant feature?

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Turnover among CEOs at the world's 2,500 largest companies soared to a record high of 17.5% in 2018 – 3 percentage points higher than the 14.5% rate in 2017 and above what has been the norm for the last decade.

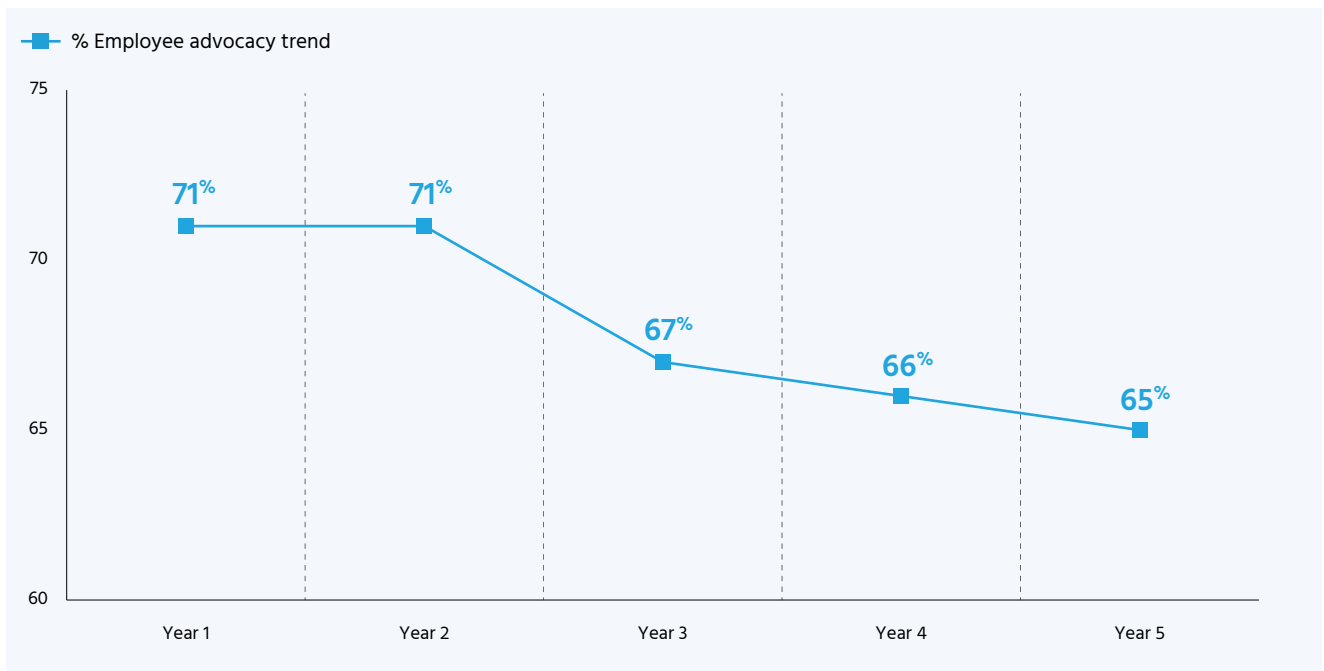
2018 CEO Success Study, Strategy& (part of the PWC network), May 2019

⁶ 2018 CEO Success Study, Strategy& (part of the PWC network), May 2019

⁷ Getting Organisational Design Right, McKinsey and Company, June 2015



Gradual erosion of engagement as change curve becomes constant



Evidence from this study's data shows that while engagement can fluctuate during periods of change, for some businesses the trajectory is one of gradual erosion. The overall impact of ongoing change in a subset of 7 businesses⁸ within this study is an iterative, 5-point decline in engagement over 4 years. The remainder saw engagement fluctuate but remain broadly the same over the same period.

Psychological safety takes an even greater hit

The more worrying impact is on a longer-term, deeper embedding of poor psychological safety, poor accountability and of lower levels of innovation.

While businesses seek to enhance the bottom line to secure short-term value for shareholders, they are potentially destroying the capital that creates long-term growth in employee willingness to challenge, share ideas, try new things out and to not be afraid of failing when they do so.

It should be noted that a handful of businesses out of the 30-40 surveyed by Karian and Box⁹ have experienced a modest-to-strong rise in engagement while experiencing ongoing change.

However, while the emotional commitment to – and advocacy for – their employer improved, key cultural norms related to psychological safety and accountability fell. This reflected a focus by leaders on short-term emotional and practical support for their people while not addressing deep-seated behavioural challenges.

⁸ Out of the 11 that form the full focus of this study.

⁹ In the period 2015-2021



How do businesses facing the prospect of ongoing change address this quandary?

There is limited likelihood in the foreseeable market environment for CEOs and CFOs to resist the urge to cut costs, restructure and institute new operating models. They will want to make a tangible difference to the value that their shareholders seek – and, critically, want to be seen to do so.

As such, continuous organisational change has to be taken as a given. The only way of mitigating its impact on both engagement and culture is how that change is implemented.

So how can leaders institute major organisational change but reduce its impact on employees? How can businesses make those changes while ensuring that engagement holds up and psychological safety does not plummet? Those planning an organisational change can take heart that some businesses have done just that.

The following examples outline a range of pragmatic and practical actions taken by some businesses that have implemented change while retaining high levels of advocacy and positive cultural traits.

The below summarises a formula for successful organisational change, with each component unpacked on pages 8–10.



The 'change engagement formula' for successful organisational change

Total transparency

Open and honest communications by leaders

1

Constant listening

Monitoring feedback and rumours, responding rapidly

2

Involvement and co-option

Buy into change through empowerment

3

Being seen to care

For colleagues leaving, with fairness and practical aid

4

Boosting 'remainers'

Genuine, directional, fast and targeted appreciation

5

Equipping managers to lead

Practical tools, training and support

6



Total transparency

Open and honest communications by leaders

Being candid is critical to building trust during times of difficult change.

Clarity on why change is happening, who will be affected (and when), what options people have and much more. It is important to be frank about all of this with employees seeking reassurance or simply reliable information. This involves:

- Telling people as soon as you can and not holding back information – even if it causes concerns.
- Being honest about when you don't know specific information – so you are not seen to be holding back information employees want to know.
- Providing context for the changes and, critically, really homing in on the 'why'.
- Personalising the information – what it means for specific populations or teams.



Constant listening

Monitoring feedback and rumours, responding rapidly

Make listening to employees at a time of major change a consistent habit.

- Having regular insights into employee feedback enables businesses to anticipate issues and risks and identify misunderstanding and rumours – and thereby tackle them head on. Frequency of listening moments will depend on the intensity of change at key points (it will vary from weekly to monthly depending on the point at which the change intensity is experienced).
- Setting up a 'rapid rebuttal' team to tackle rumours quickly is key.
- Listening can involve proactive, forward-focused solutions development, with crowdsourcing of employee input to aid the design of aspects of planned changes.



Case study:

British Gas – being transparent about transforming its operations

British Gas planned to offshore 3,000 back-office roles to its new centre in India, which would significantly reduce jobs in the UK. The plan was to make the change in 2-3 years' time following detailed planning on how the new systems and ways of working would run, which teams would be affected and how the existing operations would be wound down.

- Senior advisors recommended informing employees 3 months before the plan would be finalised, arguing that telling them any earlier would disrupt operations.
- However, the British Gas MD Mark Clare and a range of other senior leaders felt this would leave employees little time to adjust to plans that would fundamentally affect their lives. After much debate, he and the leadership team took the decision to take a candid approach and tell employees once plans for supporting employees were in place.

The announcement was a shock to those affected, but there was concurrent recognition that they were being told 2 years before the change would be made. This was combined with proactive and practical career support for individuals, together with involvement in shaping how the operations would evolve.

Despite an immediate fall in engagement among the affected population, the transparency and frank dialogue between employees and leaders led to a bounce-back in colleague motivation – which rose beyond the pre-announcement phase.



3

Involvement and co-option

Buy into change through empowerment

Listening is not enough. While more difficult given the context, actually involving employees in shaping difficult change solutions can help secure their buy-in, even if only among those staying.

- Obviously this cannot be done in certain circumstances, and not everyone can have a say in every choice.
- However, input into the remodelling of operational ways of working or of shift patterns, for example, can be very important as an approach to involve employees in the outcomes the business is seeking.
- Focus on employee involvement in design of the means while aiming to secure the same end (reduced costs and/or headcount with a more productive operating model).
- This can be through crowdsourcing (see #2), through specialist change design teams OR through all teams participating in coming up with ideas to design solutions that secure the outcome required by the business.

4

Being seen to care

For colleagues leaving, with fairness and practical aid

For those leaving a business (and especially those staying), being seen to implement change with humanity, empathy and fairness is critical.

- Tone is important, and the narrative for change is key. But so is the approach taken to implement change and make difficult choices. Being seen to be fair is as important as designing change that is applied fairly.
- Making sure that practical support is available at all stages is also vital. Employee support and career advisory services are often valued, complemented by practical tools and training on CV shaping and interview guidance.
- Coaching, counselling and other related support to address the emotional fallout of difficult change can also make a real difference to those struggling with the impact of losing their roles (both at work and in life).
- Spreading financial settlements and aid over a period can be critical for some.



Case study:

Rolls-Royce – empowering its people behind fundamental operational change

It used to take Rolls-Royce over 800 days to make an aeroplane engine. A major ambition was to do so in 40 days – but involved radically re-shaping inventory management, systems design, process implementation and much else in the way employees worked. This would also inevitably lead to the reduction in some roles and a major change in shift patterns. The solutions could have been shaped by experts in system design alone. Instead Rolls-Royce took a completely different and highly empowering route.

- Groups of employees from every aspect of its operations were involved in rethinking and redesigning the end-to-end process of engine manufacture.

- The business undertook a major programme of mobilising its workforce behind the desired changes – with a focus on engaging its people behind the rationale for the ‘40-day engine’.

Following the first 6 months of change communications, employees were inspired by the overarching vision, resulting in a major uplift in belief in the business’s strategy and an increase in workforce engagement.

Over 2,000 employees were involved in actively shaping the new system’s design. This formed the basis of the work conducted by a smaller group of ‘expert employees’ who finalised the new approach to making an aero-engine. Over 4 years, the business hit its goal of making engines in 40 days – 1 year earlier than planned.



5

Boosting 'remainers'

Genuine, directional, fast and targeted appreciation

Reconnecting with those left behind when teams change or colleagues leave is important for maintaining levels of engagement and culture.

- A basic focus is keeping every employee up to date with what is happening throughout the process – and be clear on both next steps AND long-term plans.
- Senior leaders should 'tag team' high talent individuals and business-critical teams with intensive levels of communications and dialogue.
- Once most of the tangible structural changes have been made, move quickly to provide clarity of direction (both immediate and long-term) that blends together humility and empathy about the recent change, a reality-check on the future business context as well as inspiration about the collective mission for the business / team.

6

Equipping managers to lead

Practical tools, training and support

People managers are at the forefront of change implementation (and are often affected themselves) – and need intensive practical support.

- Team leaders, shift leaders, and line managers are employees' primary information sources. Provide them with as much tangible guidance for their team as possible, such as FAQs and discussion aids.
- Practical tools, templates and training are critical for team leaders – helping them have the capability and confidence to discuss and implement change in their teams: how to discuss difficult change, how to spot emotional and mental health impacts, how to rebuild team focus and engagement after change. This and much more should be the focus of practical toolkits available to people leaders.



Case study:

Asda – enabling its people managers to lead their teams through change

Like all retailers, Asda have had to adapt and respond to big shifts in consumer demand and behaviour alongside fierce market competition.

As part of their broader transformation, Asda recognised that their 100,000+ people would be affected in different ways by the organisational change ahead and that a 'one size fits all' approach would fall short.

Their solution was to equip and empower their people with the knowledge and tools to navigate change. A comprehensive change toolkit was created for managers, accompanied by a distilled version for colleagues.

The toolkit was designed to be used as a step-by-step guide or to provide targeted support on particular areas depending on manager confidence, capability and experience. This enabled a tailored approach to line manager support and upskilling, which clearly linked to other resources and support rather than feeling like a separate resource or activity.



Organisational change is here to stay for businesses looking to adapt, thrive and provide value to all their shareholders. But, as we have proven, this doesn't have to be to the detriment of employees' psychological safety and, consequently, advocacy of the company they work for.

- The data shows that implementing change in a manner that is **not open, inclusive and supportive** will negatively impact your employees, their productivity and the desired benefits / outcomes of that change – not to mention your bottom line.
- When organisations build an environment where all employees are **listened to, involved in the change, and supported throughout the process** – by leaders and managers who are properly equipped – major change can be undertaken while developing an inclusive and positive culture.
- An **inclusive and positive culture** can be used as a platform to create a psychologically safe, engaged and empowered group of employees – a group who can help to make sure that a planned organisational change, and inevitable future changes, are a success.



Methodology

The analysis and reporting in this report are based on data from employee surveys conducted by Karian and Box or partner businesses in the last 10 years.

It incorporates...

281⁰⁰⁰

employee survey responses in the period 2011 to 2021, from...

11

UK / international businesses (10,000 or more employees) in...

5

sectors: Banking, Energy, Retail, Manufacturing and FMCG



KARIAN & BOX

As employee experience and insight specialists – working with the likes of **Barclays, bp, BT, Co-op, Diageo, GSK, HSBC, Nestle, the NHS, Royal Mail, Sainsburys, Tesco, Vodafone** and many more – we have enabled companies to actively listen to their people and act during times of major change.

If you want to discuss how you can better support and listen to your people, please do not hesitate to get in touch by email or connect with me on LinkedIn.

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Listen better,
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