Content is now much more dynamic and people notice this. More people want to contribute to our intranet now, as it is seen as a reliable information resource.

The visibility of this project has also raised the profile of Knowledge Management within the firm. With KM in the lead on content management, we have been able to integrate more KM systems into the intranet, allowing easier access to precedents and enterprise search.

Overall, the project has been successful. The intranet is a focal point in the firm, and with this redesign, it is now much more usable. The shift in content ownership has also contributed to a more content rich intranet, and there is a much more visible purpose to it now.

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Managing Change in Difficult Times

Abstract: Linda Holbeche discusses how knowledge and service industry organisations should change in recessionary periods and she explains the cycle of change.
Keywords: change management; recession

Introduction

Linda Holbeche

That we are living in "interesting" times is not in doubt. The seemingly synchronised global recession has had a major impact on business and society at large and even though there is growing optimism over early signs of recovery, most pundits agree that there is a long way to go before we can stop describing these as "difficult" times.

In many ways the global recession appears to have been an epoch-making event. The current recession is reported to be the deepest since the Great Depression of the 1930s and not since the Second World War has there been such global economic turbulence. The speed of the onset of the crisis was staggering, highlighting the global interdependence of today's economies. Its knock-on effects on industrial production and global trade are significant.

And while the onset was rapid, the recovery is likely to take considerably longer. Even optimistic talk by the Economic and Social Research Council (June 2009) about "green shoots" has been quashed by further gloom by various pundits including the CBI's Director General, Richard Lambert, who predicts that growth of any sort will only begin again in 2010. The IMF also forecasts that the world economy will grow at just 2% during 2009-10, the lowest rate since the Great Depression. In the UK government attempts to reboot the economy through various measures including progressively lowering bank rates from 5% to 0.5% and "quantitative easing", have had only limited success so far.

The net effect on business has been very damaging and executive attention has been channelled through an even shorter-term lens than usual, as businesses struggle to survive the turbulence. Throughout the business world cost-cutting and change are the order of the day. Employment is one of the major casualties with 3.3 million unemployed in the UK at the time of writing. High levels of unemployment have already led to growing employment protectionism and increased the difficulties for young people seeking to enter today's tight employment market.

Business is not alone in being affected. In the UK and Ireland shoring up the economy as a whole has put an enormous strain on public finances. Levels of public debt are now at unprecedented levels and inevitably the UK Budget (April 2009) forecast an overall cut in public spending of 10% to be implemented over the next few years. This in turn is likely to provoke another wave of redundancies, this time across the public sector, which remains one of the last bastions of trade union membership. Public finances will then be put under further strain as the numbers of people out of work and drawing benefits go up at the same time as demand for public services increases.

As a result, these difficult times have in some ways flushed into the open a number of systemic issues which could well have caused problems at some stage or other. The fact that few people saw the banking crisis and subsequent recession coming highlights the collective mythology generated by overly-complex yet insubstantial financial products, high bonuses, cheap credit and the belief that boom times last forever. The perils of a short-termist "get rich quick" or "live now, pay later" philosophy have been exposed.

The need to make changes

Unless history is doomed to repeat itself, we need to learn from what has happened and make changes, but what does "different" mean in this new era? For instance, since public trust in political, civil and business leaders appears at an all-time low, do we need different types of leadership for a new era and since regulatory frameworks do not seem to have prevented the poor business practice which led to the crisis, do we need better governance? Since the crisis has highlighted seeming inequities, such as the so-called "rewards for failure" and excessive bonuses for bankers, while many people suffer as a result of the banking crisis, do we need different ways of rewarding people which take the consequences of their actions into account? I would answer "yes" to all of the above.

How should organisations change?

Since change is likely to be ongoing, how can people and organisations become change-able, i.e. able to not only survive but also thrive in change? The question of how organisations will achieve sustainable performance against that backdrop is challenging many business leaders. I argue that change-ability is the basis of sustainable high performance which involves:

- Getting the right people focused on the right things and *engaged* in the collective effort
- The right kinds of management and leadership; the right business model, processes and systems and
- The right collective (cultural) capabilities – e.g. strategic anticipation, speed, customer-focus, flexibility, team working, cross-boundary working, generating new learning and innovation etc – and while there may be some generic good practice, of course what "right" means will depend on the specific context and challenges facing the organisation.

In terms of culture a change-able high performance organisation tends to have flexibility built into its structures, systems, roles and people's mindsets. A change-able organisation has the right levels of authority, accountability and empowerment; it is typified by flattish structures, team work and managers who coach and facilitate performance more than just manage it. It has leadership exercised at all levels, employees who are focused on customers, proactive and committed, who have parameters within which their actions and ideas produce dividends. Such an organisation balances innovation and risk management, keeps bureaucracy to the minimum and has appropriate checks and balances.

The right people in knowledge and service industries

In terms of the right people, in knowledge and service-intensive types of work, people are the means of production. Research by David Guest (1998) suggests that when people experience a positive psychological contract, or deal, they tend to be engaged in their work and perform at their best. Employee engagement, or the "intellectual or emotional attachment that an employee has to his or her work or organisation" (Heger, 2007), is assumed to be a major driver of performance. This is because, when people are engaged, they tend to experience what Czikszentmihalyi (1990) describes as "flow", the happy state in which people are so pleasurably immersed in their work that they do not notice time passing, and tend to perform at their best. Engagement is also defined as "the extent to which employees commit to something or someone in their organisation, how hard they work, and how long they stay as a result of that commitment" (Corporate Leadership Council).

CIPD research suggests that employee engagement is easily the most desirable focus for developing the employment relationship, since it improves employee recruitment, retention and innovation. However, IES research (Robinson et al, 2004) found that even during normal times, only 29% of employees are actively engaged in their jobs and 54% are not engaged. That does not mean that they are not working, simply that aspects of their performance and the employment relationship are going to waste:

– Accomplishing the task rather than achieving the outcome

– Employees feel their potential is not being fully tapped.

Moreover 17% are actively disengaged! According to Steven Covey, the difference between poorly motivated and highly motivated employees is 500% in productivity. The way back is through building relationships. Guest (1998) argues that a psychological contract or deal is based on trust, fairness and delivery of the deal. He found that people management practices are the biggest driver of engagement, especially when employees have opportunities for upward feedback (voice), feel informed about what is going on, experience managerial

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commitment to the organisation and managerial fairness in dealing with problems, and receive respectful treatment. The IES research found that the strongest driver of employee engagement and performance is a sense of feeling valued and involved. This has several key components:

- Involvement in decision making
- The extent to which employees feel able to voice their ideas, and managers listen to their views, and value employees' contributions
- The opportunities employees have to develop their jobs
- The extent to which the organisation is concerned for employees' health and wellbeing.

Sounds easy, doesn't it? Of course many organisations are implementing practices which are variations on this theme all the time. The challenge is to keep these practices and performance going in times of fast change. That is because bringing about successful change and keeping on changing is not just a business planning exercise. It requires more than good strategic goals, systems and structures. Real change takes place at the human level, producing different behaviours and shifting mindsets. Managing the human aspects of change can be difficult, since they go way beyond the merely rational. They are also deeply emotional, complex and messy. People tend to have strong feelings about what is happening, whether or not they are themselves directly affected. Change can affect people's sense of self-determination and security; it can open up or damage people's opportunities and hopes. No wonder then that many managers struggle with the people side of change, preferring instead to distance themselves and treat change as a restructuring project which simply needs project disciplines applying to it.

The change cycle

It is not for nothing that Elisabeth Kübler-Ross's grief cycle model (1969), originally used to explain an individual's bereavement change journey, is also widely used to explain the transitions people experience during other forms of change. The first phase of transition is one of holding on in which energy is more internally focused, where there can be shock, denial, blaming and anxiety. These gradually give way to a phase of letting go in which testing and experimenting are taking place. In due course this leads on to a period of moving on where energy becomes more externally focused and where people experience new discovery and learning and feelings of optimism, hope and renewed energy. However, in organisational change, people typically experience not just one but multiple waves of change. This can lead to people becoming stuck in the more internally focused phases of change in which they experience anxiety, personal stress, loss of control, political behaviour, risk aversion etc, thus undermining their capacity to perform and their willingness to embrace yet more change.

If change undermines employee engagement this has serious implications for organisational performance. Particularly when job security is at risk, employees tend to stop trusting their employer. They may continue to work hard but their performance may be driven more by anxiety than by engagement, running the risk of a build-up of stress and burn-out. Various surveys suggest this is currently the case in many organisations. At the very time when organisations need high performance from willing, talented, customer-focused and change-able people, the very process of change can undermine the basis of that engagement and flexibility.

How can organisations square the circle in these difficult times – bringing about change and keeping employee engagement and performance high? Mostly by deliberately keeping faith with employees and avoiding layoffs by whatever means possible, such as by introducing or extending flexible working, letting contractors go before permanent staff, slowing down recruitment. Even when jobs have to go, the way the redundancy process is handled can make a difference to not only those people whose jobs go, but also to the survivors on whose continuing performance the organisation depends. The process must be seen to be fair and equitable and departures must be handled sensitively and as generously as possible. In particular, restructuring decisions must be made with the longer-term in mind, using clear milestones to show what steps are being taken and what outcomes can be expected.

In difficult times like these communication is absolutely vital and should be fast and honest, telling it how it is. Managers must be visible and use all possible modes of communication, such as team "huddles", rapid cascades etc. Face-to-face works best, but the greater the degree of employee involvement the better. Keeping people informed and helping line managers to deal with stress and manage uncertainty are vital for rebuilding trust with employees. Sustainable performance is more achievable if people connect with the organisation's core purpose. Managers and leaders at all levels must demonstrate the new way and persevere. Creating energy around the organisation's mission and values reminds people that, even though these are tough times, the end result of change can be worthwhile.

Similarly managing performance in difficult times involves making sure that people are clear about their roles and accountabilities and that they are equipped to deliver on them. Short-term priorities should be made clear: what to stop, what to start, what to continue doing and why. The focus should be on improving standards in key areas of the business, especially those concerned with the customer. This is the opportunity to unblock things that have got in the way of performance in the past. Training line managers to coach people on the job,

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and making it easier for people to do difficult jobs can reduce stress at a time of uncertainty. Using non-financial rewards that matter to people, especially recognition, reminds people that they are valued.

With restructuring come new roles and responsibilities. Preparing people by training them in the new skills and competencies needed for the job sets them up to succeed. Many employers remain focused on developing their talent even in a cost-constrained context, since they know that this enables people to give of their best and achieve maximum potential in the most effective environment. Working and learning should be integrated and people should be given opportunities for development through role design and job stretch. Ironically today's challenges can open up new career tracks for some, taking their development in new and exciting directions.

Conclusion

Building a change-able organisation requires managers and leaders at all levels to manage the short-term with the long-term in mind. This means getting out of the cycle of short-term reactivity to a more proactive, anticipatory and shaping approach in which leaders and managers can create real opportunities for their organisations. If the organisation is to become truly change-able, employees and employers must find common cause. Partly that is about gaining unity in a common purpose, one that is fixed on the customer and furthering the interests of other stakeholders.

In particular it is about building a new employment deal for a new era. A positive work environment, the chance for learning and growth, appropriate reward and recognition including work-life balance are elements of this new deal. The benefits will be win-win for both organisations and for individuals. New appointments and more effective ways of working can open up new networks and opportunities to achieve. If people have both the tools they need to manage themselves better and good support from management, the transitions of change can be very positive. These can not only result in enhanced individual, team and organisational resilience and performance, but also a sense of personal purpose and satisfaction for all concerned and it will be from such green shoots that real and sustainable growth will take root.

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Biography

Formerly Director of Research and Policy/Practice at the CIPD, Linda Holbeche is a Director of The Holbeche Partnership, a consultancy providing leadership and HR development and advisory services on policy and high performance. The author of several books, including *The High Performance Organization* (Butterworth-Heinemann), her latest book *HR Leadership*, will be published in December 2009. She is chief editor of the Croner journal Developing HR Strategy, member of the editorial boards for Strategic Change (Wiley) and Human Resources Journal (HRMJ), book series editor of The New Skills Portfolio and co-editor of The HR Series (both for Butterworth-Heinemann).

Linda is a Chartered Fellow of CIPD and a Fellow of both the RSA and the Institute of Leadership and Management (ILM).

Linda can be contacted at linda.holbeche@talk21.com.

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