

Institution: University of Bath
Unit of Assessment: 19: Business and Management Studies
Title of case study: Redesigning strategic change to enhance employee engagement during intense organisational transformation
<p>1. Summary of the impact</p> <p>The Change Management Consortium (CMC) is a collaborative network of academics and organizations seeking to improve knowledge and practice on staff engagement in the strategic implementation of change. Research done at the University of Bath has helped organizational members of the CMC internally to improve employee trust and to build commitment to change. The CMC provides member organizations (including: Aviva, Ernst & Young, GKN, GlaxoSmithKline, Kraft Foods, the Ministry of Defence and T-Mobile) with opportunities to utilise highly relevant research findings in order to create cross-organizational dialogues on improving practice. The broad aim of the research is to move from strategies for change based on alignment with management requirements, to strategies for change informed by employee engagement. One of the CMC members, Her Majesty's Revenue and Customs (HMRC) provides a specific case example of the benefits of this research, which led to acknowledged improvements in trust and employee engagement.</p> <p>2. Underpinning research</p> <p>Longitudinal research has underpinned the development of an approach to the strategic implementation of change that: (1) emphasises the significance of understanding each organisation's context before designing and rolling out the implementation of change (reference 1); (2) highlights the importance of sequencing change so that organisations can better assess timescales and scope of change for stakeholders; and (3) asserts the critical roles of the middle managers in order to maximise staff engagement in change (reference 2). The focus of this case study is on research that has had impact in this third area – employee engagement.</p> <p>Data were collected from organizational members of the Change Management Consortium (CMC). The current members of the CMC are: Aviva (Norwich Union Group), Bausch & Lomb, CAA, Ernst & Young, GKN, GlaxoSmithKline, HM Revenue & Customs, Irish Life and Permanent TSB, Kraft Foods, Ministry of Defense (DCSA), Sealed Air/Cryovac, Tarmac/Anglo American and T-Mobile. The aim of the CMC is to research the strategic implementation of change through data collection and analysis of existing approaches within member organisations. This has provided comparative data; opportunities for the organizations involved to engage with similarities and differences; and to learn from others' experiences of common challenges. The common challenges that emerged from the research were particularly: the lack of managers' involvement in the design and creation of change; low trust climates; and the high emotional costs of change (references 3, 5 and 6).</p> <p>The specific focus of this case is on the benefits of research on strategic change within Her Majesty's Revenue and Customs (HMRC), which was created in April 2005 from a merger of two organizations to establish an entity of over 100,000 staff. The aims of the merger were to improve customer focus and service; to generate cost savings through improved efficiency (save £507m and lose 12,500 staff by April 2008); and to identify economies of scale and scope by developing new services and reviewing the local office network. HMRC has been selected because it represents research undertaken at Bath (Sept. 2004 – Sept. 2006) and because it offers an example of the significance of this research in changing the way in which large organizations can address employee engagement in strategic change. The research team (led by Hope Hailey) was asked by the HMRC Executive to research the effectiveness of their approach to staff engagement. The research was carried out: within the HMRC Senior Management Team (April and November 2005); within HMRC Large Business Services (LBS) (October 2005, LBS co-ordinates work on taxes in large businesses); and the HMRC Large Processing Office (LPO) (January and April 2006, LPO handles the tax affairs of 15 million individuals employed by 475,000 businesses).</p>

Professor Hope Hailey carried out the research during her first period of employment at the University of Bath between Sept. 2004 and Sept. 2006. Two main methods of data collection were used in HMRC, and across CMC member organizations (references 4, 5 and 6): (1) a quantitative survey to assess various antecedents of engagement (e.g. justice, fairness, intentions to quit, perceptions of support), which led to the development of measures of commitment to change; (2) interviews from a vertical slice of the organization to better understand the survey data; semi-structured interviews with other key individuals; focus groups; and interviews with senior management teams at the time of the merger and six months after the merger to understand differences between the intended and the realized strategy. Across all the HMRC studies, 171 people were interviewed (111 individually, 60 in focus groups) and 17,980 people were surveyed (4,412 responded). The data from HMRC were then set in the context of other CMC member organizations. In particular, the quantitative data were used for benchmarking HMRC against the MoD (sources 1 and 7).

The research pinpointed several barriers preventing staff engagement in the change; and these formed the basis for improvements in workplace practices (reference 4). There was a low level of clarity about the strategic objectives of HMRC and poor communication. There was a gap between the CEO's language of an emergent and participative change process and the tighter control, accountability, and work intensification experienced by those lower down. There was low trust in senior management. A lack of appreciation of the role of middle and front line managers in a highly geographically distributed organisation resulted in a failure to involve local managers in the design of change. There was poor managerial capability within the organisation to manage the scope of change and little investment in terms of money or time in the planned change programme. The findings were also critical of the way that Lean Processes were being introduced (reference 4).

The research report was first disseminated to representatives of HMRC and other CMC members in September 2006 (source 1). Several HMRC senior managers attended, including: the Acting Chairman, the Deputy Director of LBS, the Director of Communications, the Director General of Local Compliance and the Director of LPO. At this workshop it was understood that the ability to maintain staff engagement at all levels was crucial if the HMRC was to deliver its performance targets amidst these large-scale changes. The results of the research have been published as academic outputs (references 3 and 4). The research enabled HMRC to generate "elevated levels of trust and engagement as well as to develop the empowerment agenda in a more inclusive way" (HMRC Director of Local Compliance, source 2).

3. References to the research

1. Hope Hailey V. & Balogun, J. (2002). Devising context sensitive approaches to change: The example of Glaxo Wellcome. *Long Range Planning*, 35 (2), 153-178. (DOI: 10.1016/S0024-6301(02)00035-3)
2. Balogun, J., Hope Hailey, V., Johnson, G., and Scholes, K., (2008). *Exploring strategic change*. (3rd edition) London: Prentice Hall. ISBN: 9780273708025 (http://www.pearsoned.co.uk/bookshop/detail.asp?WT.oss=Exploring%20strategic%20change&WT.oss_r=1&item=100000000129853)
3. Balogun, J., Gleadle, P., Hope Hailey, V. & Willmott, H. (2005). Managing change across boundaries: Boundary-shaking practices. *British Journal of Management*, 16 (4), 261-278. (DOI: 10.1111/j.1467-8551.2005.00463.x)
4. Hope Hailey, V., Farndale, E. & Kelliher, C. (2010). Trust in turbulent times: organizational change and the consequences for intra-organizational trust. In M. Saunders, D. Skinner, G. Dietz, N. Gillespie & R. Lewicki (Eds.), *Organizational trust: A cultural perspective*. Cambridge: Cambridge University Press. ISBN 978-0-521-49291. (<http://www.cambridge.org/gb/academic/subjects/management/organisation-studies/organizational-trust-cultural-perspective?format=PB>)
5. Farndale, E., Van Ruiten, J., Kelliher, C. & Hope Hailey, V. (2011). The influence of perceived employee voice on organisational commitment: An exchange perspective. *Human Resource Management*, 50 (1), 113-129. (DOI: 10.1002/hrm.20404). Wiley identified this as the "Most popular article published in 2011 in HRM".

6. Farndale, E., Hope Hailey, V. & Kelliher, C. (2011). High commitment performance management: The role of organisational justice and trust. *Personnel Review*, 40 (1), 5-23. (DOI: 10.1108/00483481111095492) Emerald publishing Best Paper of the Year.

4. Details of the impact

The benefits of this research for HMRC arose from the data collection and analysis completed within this organization; and from their involvement in a consortium where sensitive and confidential data could be discussed within a group of organizations that faced similar challenges. Significant improvements in workplace practices can be linked to the research (source 2).

Specifically, HMRC benefitted from a prolonged and independent assessment of their capability of managing change in a way that engaged employees. This was important because the research identified common problems across different divisions of the organization and provided HMRC with different models of change (source 1). The research transformed thinking about strategic change in HMRC by helping managers to move from a model based on alignment with management requirements (referred to within the organization as “policing” change). A new model was introduced based on the understanding from the research that organizational members wanted a change process that could be described in practical terms, with milestones in place, and in language they could understand. HMRC also benefitted from being able to compare themselves with other CMC member organizations in order to draw broader conclusions about the importance of employee engagement in strategic change.

The impact of the research can be seen in the way in which HMRC has transformed their understanding of and approach to large-scale change (sources 2 and 7). This is evidenced through researchers’ tracking of improvements in staff engagement survey results over the last 5 years (2008-13). More specifically in HMRC:

- (1) Since 2008, the research has instigated a process offering opportunities for managers to receive staff feedback. For example, community forum web pages were established as a way of more visibly reviewing areas of policy or practice that had faced criticism from the front line (source 2).
- (2) As a result of the Bath research (reference 4), HMRC have grown their communications capability to explain change more effectively. Since 2010 more clarity has been provided around the future of local offices and they have streamlined the processes for redeploying people. In a major restructuring and delayering of management during 2011/12, HMRC focused on re-defining specific roles, particularly emphasising leadership and engagement obligations on all senior managers (source 2).
- (3) Conversations were held with over 1,000 managers to discuss how working across levels could be improved. This helped senior management to support improvements in employee engagement while still focusing on the issues originally identified by the research.
- (4) The Executive/ Directors’ team have greatly improved communication and visibility (source 2). Survey results show that they are now seen to be listening and taking action on areas of difficulty (source 3). Front line managers now have more opportunity and legitimacy to develop change solutions with more attention on local initiatives (source 3).

HMRC is one case illustration of the significance and reach of the CMC. The Directors who sponsored the CMC were responsible in total for around 150,000 employees. All members made adjustments to their change practices as a result of the research conducted within their own organisations and their learning from others (e.g. sources 4 and 5). In the DVD provided (source 6), Directors involved talk about the impact of the Consortium’s work on their practice. Results from the CMC led to Professor Hope Hailey becoming an expert contributor to the Labour Government’s Task Force report on Employee Engagement. She is currently the only academic member of the Coalition Government’s second Task Force on Employee Engagement (Source 8). The research led to a request from the CIPD to write a report on trust repair (source 3) looking at trust maintenance and repair within 14 organisations representing over 750,000 employees. Hope Hailey has now been commissioned to provide a report funded by the CIPD and HEIF on “Creating Trustworthy Leaders”. The work on change and engagement with the consortium has led to funding from the Society of Human Resource Managers (USA) to conduct a comparative study on employee engagement in India, China, the UK and

Impact case study (REF3b)

The Netherlands. In 2013, HMRC requested another survey and interviews in order to be able to assess progress on a longitudinal basis.

5. Sources to corroborate the impact

1. HMRC Research Report, August 2006.
2. Testimonial letter on the impact of the research in HMRC from the Director, Local Compliance, HMRC.
3. CIPD Research Report: 'Where has all the trust gone?' (March 2012).
4. Testimonial letter on the impact of the CMC from the Human Resources Director, GKN Driveline.
5. Testimonial letter on the impact of the CMC from the former Chief Executive of the Defence Communications Services Agency.
6. CMC DVD (a short film in which members of the CMC organisations talk about the benefits they have gained from the CMC research in general).
7. HMRC 20/20 Newsletter, Issue 25, August 2013: 'A Question of Trust' (pgs. 4 – 6), published by HMRC.
8. Engage for Success - Government Task Force on Employee Engagement:
<http://www.engageforsuccess.org/about/who-is-involved/>