Aon Hewitt
Talent, Rewards & Performance

Managing Engagement in Times of Change

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20%

of business content will be authored by machines by 2018 according to Gartner.[1]

The world is going through an incredible amount of political and economic change these days. Populist movements in the United States, the United Kingdom, and throughout Europe have aroused fears of walls and borders—causing anxiety about both job security and leaders' ability to attract talent from other countries. Furthermore, rapid technology advancement in robotics, drones and driverless cars, artificial intelligence, machine learning, and the Internet of Things is threatening both blue collar and white collar jobs.

In this rapidly evolving environment, we can expect company leaders to adjust with strategic transformation, mergers, acquisitions, restructurings, and divestures. Combined, these internal and external events will have a significant impact on the very employees who are required to drive value through them.

Despite these pressures, leaders and companies are still expected to engage their employees and preserve healthy cultures. It is important, therefore, to understand that the rules of engagement are altered in the face of disruption. This article examines what happens to engagement during times of change and what can be done to manage employee engagement throughout that change.

Defining Employee Engagement

We define employee engagement as "the level of an employee's psychological investment in their organization." We measure an employee's engagement level by the extent to which they "Say" positive things about their organization, their intent to "Stay" with the organization, and their willingness to "Strive" to give their best efforts to help the organization succeed.

Aon's upcoming **2017 Trends in Global Employee Engagement** report reveals that engagement is falling around the world and well over a third of all employees fall in the "Passive" or "Actively Disengaged" categories. Engaged employees are an even more powerful asset during times of change—and disengaged employees become an even greater liability. With these abysmal numbers, the average organization cannot possibly reach its performance goals quickly, much less manage through a disruptive internal or external change.

Engagement in Times of Change

57%

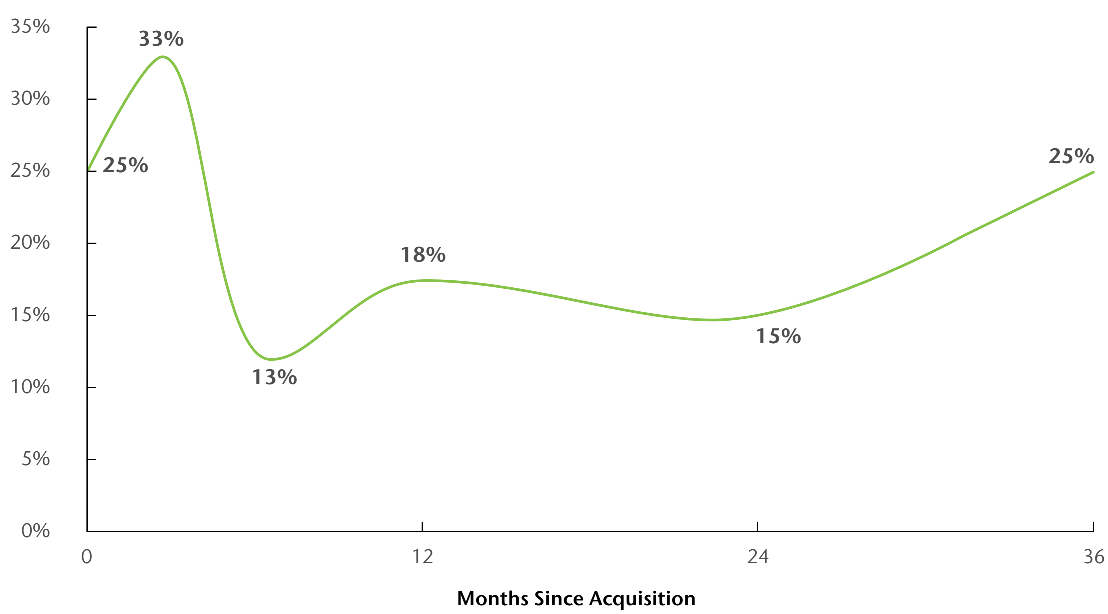
of executives say they are planning an M&A transaction in the next 12 months. That compares to 25% just four years earlier.[2]

Whether it is the wave of populism that we are seeing sweep through many countries, the disruptive technology that threatens millions of jobs globally, or a deep recession like the one we saw nearly a decade ago, societies and organizations must battle through transformation. As external disruptions occur, there will be an eventual outcome for certain vulnerable or opportunistic organizations—a merger or acquisition. Not surprisingly, employee engagement is influenced by any of these changes.

In a merger or acquisition situation, most organizations experience a dramatic spike and then a precipitous fall in the engagement of those employees who are most significantly impacted by the transaction. Within that group of employees whose jobs are most significantly affected by M&A, the proportion of actively disengaged employees increases in a manner similar to that of other types of transformation—but the percentage of highly engaged employees is **cut nearly in half** during an M&A event. By contrast, many employees appear to become highly engaged when their company makes an acquisition that has no impact on their individual jobs. Perhaps they see an opportunity to expand their sphere of influence or see positive possibilities for the future that hold no personal threat.

Organizations also should consider how these M&A engagement effects play out over time. We have found that individual reactions to organizational changes fluctuate at various stages of the acquisition process. Immediately after any merger or acquisition, employees tend to be engaged by the prospect of a new direction. However, the reality of the changes that come with integration and restructuring may cause employees to disengage.

% of Highly Engaged Employees Over Acquisition Timeline



Not surprisingly, the increase in job demands and loss of control that occur soon after the merger or acquisition may increase employee stress and fatigue. But after employees become accustomed to the new demands and controls of the job, their engagement levels recover over time.

The graph above follows and validates the "change curve" often cited by change management professionals. This finding suggests that it can take a long time for employees to recover to baseline levels after transaction events.

What can organizational leaders do to decrease the depth of the engagement dip and/or to accelerate the time to recovery?

To help inform potential interventions, we examined data from a diverse panel of employees who had experienced any type of change that impacted their jobs (e.g., merger, acquisition, transformation, restructuring). The drivers of employee engagement do, in fact, have different priorities depending on the presence of change. The highlighted items in the table below are those that are different depending on whether or not there is a significant amount of change occurring in the organization.

Top 5 Employee Engagement Drivers in Times of Change vs. Times of Stability

Rank Order	Times of Change	Times of Stability
1	Involved in decision making	Understand career path
2	Understand career path	Involved in decision making
3	Co-workers make personal sacrifices to help the organization	Have the necessary resources to do job
4	Company provides encouragement for development	Company provides encouragement for development
5	Company provides a two-way dialogue	Employees are provided proper training to do job

The findings indicate that three issues—1) *control* (involvement and empowerment), 2) *career* (understanding of one's path), and 3) *capability* (training and development)—are important regardless of the amount of change taking place in the organization. However, during times of change, it appears that the need for control supersedes the need for a career path.

In addition to these three important ingredients of engagement, employees undergoing change appear to have significantly more need for a fourth ingredient, connection:

- Connection with leaders—employees want more two-way dialogue with organizational leaders.
- Connection with co-workers—employees need to see their co-workers pulling together, providing reliable support, and making personal sacrifices during these stressful times.

Managing Employee Engagement in Times of Change

15 million

jobs in the UK are at risk of automation as a result of advances in AI, machine learning, and robotics, according to The Guardian.[3]

Our research has identified five tangible steps organizations can use to assess, understand, and take action on the engagement levels of employees as the organization undergoes strategy transformation:

- **Define** the type of change your organization is experiencing and what is required from employees. Defining the behaviors that employees need to stop, start, and continue becomes critical as significant changes occur.
- **Measure** engagement, change readiness, and other work experiences throughout the change. When undergoing dramatic change, it is paramount for your organization to understand your employees' readiness for change. Many organizations delay assessing understanding, emotional state, readiness, and engagement levels during times of change, but this is actually the perfect time to get a baseline measurement—not only of how engaged your employees are, but also on critical organizational levers to manage transformation risk. Enacting a pulse survey strategy with quarterly or even monthly measurement can enable proactive change interventions.
- **Tailor** interventions that meet employees' engagement needs during change. Our analyses identified four key themes that are important for employees undergoing change:
  - **Connection**
    Employees want a personal connection to leaders and co-workers.
  - **Control**
    Employees almost always feel some loss of control with change events.
  - **Career**
    The need for a clear career path showed up consistently in our analyses.
  - **Capability**
    Employees' need for skill building and development is a constant but takes on increased importance in times of change.
- **Go!** Based on your findings, develop an action plan for each organizational unit with clear accountabilities. It should spell out, in very concrete and behavioral terms, the actions to be taken, who is to take them, who is overseeing the efforts, when the action will take place, what resources are needed, what risks exist, what (if any) time restrictions are imposed, and how success will be measured. The action can be small at first—but it is extremely important, especially in times of change, that employees see action being taken.
- **Reinforce.** Once your organization implements its action plans, it is critical to ensure that the plans do not lose steam. Ideally, engagement and proactive planning will become part of your ongoing culture through regular discussion. This feedback loop allows you to manage existing change as effectively as possible and future-proof your organization against the disruptive forces of future change.

Conclusion

Regardless of the type of change, the degree to which employees can identify with their organization, see a clear future, or strive toward organizational objectives seems to be most significantly at risk during change events. We know it can take months or years for employees to re-engage once they have been negatively impacted by a change event. We also know that employee engagement, and particularly the percentage of highly engaged employees, is positively correlated to higher performance and business value creation. These findings suggest that employee engagement is both an opportunity and a risk to be managed during times of transition.

[1] "Gartner Reveals Top Predictions for IT Organizations and Users for 2016 and Beyond" gartner.com. Gartner Symposium/ITxpo 2015, October 2015.

[2] "M&A Outlook: Global Capital Confidence Barometer," 15th Edition. EY.com. Ernst & Young Economist Intelligence Unit, October 2016.

[3] Elliott, Larry. "Robots threaten 15m UK jobs, says Bank of England's chief economist." theguardian.com. *The Guardian*, November 2015.

Contacts

Ken Oehler, PhD
Global Culture & Engagement Practice Leader
Talent, Rewards & Performance
+1.212.441.2814
ken.oehler@aonhewitt.com

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