The effect of organisational change on managers in large organisations

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Abstract

The period since the 1990's has been characterised by massive organisational change and considerable rhetoric about strategic human resource management. In this paper our objective is to explore the notion of organisational dysfunction in a period of change and to contrast some of our empirical findings with what may have been forecast by the adherants of strategic HRM. The paper also explores the effect of financialisation on UK businesses and the managers who work with them.

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The effect of organisational change on managers in large organisations

Introduction

One of the best known opening lines in English literature comes from Charles Dickens' book 'A Tale of Two Cities'. The opening of the book reads:

> It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way………. (Charles Dickens 'A Tale of Two Cities' 1859).

A Tale of Two Cities is set in the French revolution, a period of tumultuous change. The opening quotation demonstrates how, in an era of overt class conflict, intense and persistent change can generate paradox and contradiction. This 'best of times - worst of time' dichotomy is a useful device for looking at contemporary change in large UK business organisations. The 'best of times' adherents, marching under the banner of the 'high performance work organisation' (Guest *et al.*, 2000) and the rhetoric of strategic human resource management (HRM), would see employees marching towards the heavenly light of empowerment, autonomy and self-management. The 'worst of times' adherents would emphasise that the rhetoric of strategic HRM bears no resemblance to the reality of everyday organisational life as work both intensifies and extensifies, employees labour under increased surveillance through ever more intrusive performance management systems and increasingly lose control over their workloads as terms and conditions of work deteriorate (Legge, 1995; Noon & Blyton, 2002; Burchell *et al.*, 2002). An important question we seek to answer here is what proportion of UK managers is living in the 'spring of hope' and what proportion is living in the 'winter of despair'.

While much of the analysis of stress and organisational dysfunction has been conducted from the perspective of organisational behaviourists or organisational psychologists, the purpose of this chapter is to explore the political economy of workplace stress and organisational dysfunction. While organisational psychologists tend to focus on the individual and their workplace setting, the purpose of this chapter is to explore the factors that affect these workplace settings and environments, that drive change in organisations and then to assess the effects of these changes on the managers of those organisations. Our argument is that it is important to develop a more multi-disciplinary understanding of workplace stress and organisational dysfunction if we are to develop more informed and effective responses and more sensitive policy.

The purpose of this chapter is to use a large time-series data set to explore the 'best of times - worst of times' theme. The dataset has been developed out of the Quality of Working Life Project that the authors, working in conjunction with the Chartered Management Institute in the UK, have been involved with since 1997. The survey will not be described in detail here as the aims, objectives and methodology of the survey are described in detail elsewhere (Worrall & Cooper, 1997; 1998; 1999; 2001; 2006). The analysis presented here will focus mainly on the most recent dataset (collected in late 2005) and explore the changes that are occurring primarily in large organisations that are either PLCs or public sector bodies (such as local and central government, the health and education sectors). Though reference will be made throughout to conditions in private limited companies for comparative purposes.

The paper will consist of four main sections. In the first section, the task will be to identify the economic and political contexts in which large PLCs and public sector organisations (PSOs) operate and how these external pressures on organisations are manifest within organisations in the form of changed structures, cultures, business processes and behavioural settings. In the second section, the aim is to discuss the theoretical framework in the context of which research and analysis has taken place. The theoretical framework which underpins our thinking here is labour process theory as we see this as a useful device for explaining how the macro-level changes outside the organisation are translated into micro level effects on managers both individually and collectively (Braverman, 1974; Knights & Willmott, 1986). A central theme of the Quality of Working Life (QOWL) research has been to quantify the scale and persistence of organisational change and to explore the effects of these changes on managers' working and non-working lives. The third section of the paper will discuss the scale and extent of organisational change and how different forms of change have differentially affected managers' perceptions of their organisation, their sense of psychological well-being, their absence levels and propensity to report symptoms of ill-health. In the fourth and final section, the aim will be to develop some contemporary, empirically-grounded insights into what it is that differentiates well-functioning organisations from dysfunctional organisations.

The prevailing business climate in the UK, 'financialisation' and its effect on large organisations

All business organisations are embedded within complex economic, social and institutional settings to which they have to adapt if they are to survive. Institutional theorists and organisational ecology theorists would argue that an organisation adapts and survives by managing the complex relationship between the organisation and its environment. Structural contingency theorists would argue that the internal configuration and morphology of an organisation is largely defined by the nature and exigencies of the environment in which that firm operates. Resource-base theorists would argue that a firm has to define and then develop its distinctive competencies if it is to survive in its current product-market, if it is to develop new product markets and if it is to out-perform its competitors. Developing the 'core competencies' organisations need to deliver competitive advantage became the fad of the 1990s (Prahalad & Hamel, 1990). Increasingly, the human resource base of a business and its capacity to develop new knowledge is being seen as an effective way for organisations to develop products and services that are non-imitable and will lead to sustainable competitive edge. There is a welter of theories in the business strategy literature that can be invoked to explore how firms interact with their operational environments, how this interaction impacts on the morphology and internal configuration of the firm and how a firm will develop its resources, competencies and skills sets to achieve high levels of productivity that will translate into competitive advantage.

As Porter and Ketels (2003 p.7) argued in their DTI sponsored study of competitiveness in the UK, "true competitiveness then, is measured by productivity". If we are to take Porter and Ketels' dictum at face value, which the UK government certainly seems to have done, then the competitiveness of the UK economy and its ability to survive the global threat of low wage economies such as China and India will depend on the generation of increased productivity - particularly labour productivity. The concept of productivity clearly implies an equation where outputs are divided by inputs - the higher the number the better. Productivity can be improved by increasing output and either holding inputs constant or ensuring that inputs increase at a slower rate than outputs. Productivity can also be improved by cutting inputs, using them more intensively or substituting a less expensive input (technology) for a more expensive input (labour). A central thesis of this paper is that a continuing trend over the last decade - at least - has been for employers to develop labour handling strategies that have culminated in the more intensive use of managerial labour by modifying the managerial labour process, increasing control and surveillance through performance management regimes or, in the form of delayering and redundancy, eliminating some managers from the productivity equation all together. These have all had differential impacts on managers' behaviours in the workplace and on their sense of physical and psychological well-being as managers have reacted to and internalised these changes.

We also see it as essential understand what it is that drives business if we are to understand and explain what is going on within organisations. One of the prime tenets of the modern corporation is the separation of ownership from control. In this regime, the directors of an organisation become the agents of the owners with the responsibility of maximising returns to investment. Given the presence of an active Stock Market in the UK and the growth of the institutional investor, often in the form of pension funds, the period from the 1980s has been marked by an increased emphasis on the generation of shareholder value. Institutional investors are very influential in driving firms to achieve high levels of return using metrics such as 'return on capital employed' (ROCE) or 'economic value added' (EVA). But the path of causality here is not uni-directional. The development of techniques such as the balanced scorecard (Kaplan & Norton, 1996), for example, emphasise the development of metrics such as EVA as a prime driver of business growth that firms must achieve if they are to secure investment by 'looking good' in the capital market. Additionally, directors' remuneration often comprises a mix of salary and share option preferences: consequently, it is in directors' own interest to maximise shareholder value as they will invariably have a binary interest in the firm. Indeed, some might see the 'financialisation' of the modern corporation (Froud *et al.*, 2000a; 2000b) as the capital market's way of overcoming 'the agency problem' of keeping the directors of a company in line with the needs of the shareholders. Our concern with financialisation is that it has become a very monochromatic way of managing organisations as wider sets of aims and objectives, particularly those related to improving the quality of working life, have been made subservient to achieving rates of return or other 'bottom line' metrics. Indeed, the core aims of the QOWL Project (Worrall & Cooper, 1997) have been to produce a more 'socially complete' and holistic view of the impact of recent business and economic trends and developments on the quality of working life; to develop a better understanding of the processes and factors that influence the quality of working life; and, to develop softer measures of business performance to parallel the 'hard' measures regularly published in corporate annual reports.

Researchers in the shareholder value field argue that it has changed business "priorities and behaviours"; it has been used as a "management justification" for corporate restructuring and downsizing particularly in the USA and UK; and, it has delivered "a different and more carnivorous type of capitalism" (Williams, 2000 p.1). The carnivorous form of capital seems to be particularly dangerous to labour as it involves "downsizing the corporate labour-force" (Williams, 2000 p.4) and an increased desire to "sweat out labour" (Williams, 2000 p.6). Froud *et al.* (2000a p.771) argue that "labour is usually the first casualty" of shareholder value maximisation driven restructuring; that there is a prevailing logic of "the more redundancies, the better for shareholders" (Froud *et al.,* 2000a p.776); and that "restructuring works directly for capital and against labour" as attempts to increase returns to capital are often "at the expense of the internal workforce". Jones (2002) argues that corporate restructuring, often in the form of headcount culls, are, in effect often little more than cynical signalling mechanisms to the market designed to improve share prices.

These authors have also identified a degree of cultural specificity in the way that restructuring is enacted. Froud *et al.* (2000a p.776) see business organisations as embedded in national, institutional structures and they cited the research of Usui and Cilignon (1996 p.551) which contrasts the Anglo-American model, characterised by "widespread lay-offs and worker terminations as a prevailing strategy", with behavioural models in Germany and Japan where firms "use alternative employment adjustment measures with worker termination as a last resort". Clearly, the Anglo-American form of shareholder value maximisation is a more "carnivorous form of capitalism" than those in Germany of Japan. While some neoclassical economists might see 'restructuring' as a means of reallocating workers from less to more productive parts of the economy, the objective in this chapter is to take a wider view and this is reinforced by Cascio (1993; 2005) who found that organisations that had downsized did not outperform those that had not culled the workforce on an array of financial and business performance measures. This finding echoes Froud *et al.* (2000 p.795) who predicted that "late capitalist restructuring is likely to be a negative process for labour with transitory gains for capital". If the assertion that gains to capital will be 'transitory' is true, this raises significant questions about the logic of the more carnivorous forms of restructuring that many firms in the UK, operating in the Anglo-American culture of restructuring, have adopted. However, more recent research has called into question Cascio's findings. De Meuse *et al.* (2004 p.174) suggested that "when a company implements downsizing it will take several years before its financial health will re-emerge" and add that Cascio "simply may not have investigated the downsizing process long enough". While firms may eventually recover from downsizing, there is a considerable literature to suggest that the effects can be profound in the short term (Worrall *et al.,* 2000a; 2000b) and that recovery periods can be protracted (De Meuse, 2004). Clearly, downsizing and redundancy cannot be considered to be short-term fixes or as a means of cynically manipulating share prices.

It is also interesting that Usui and Cilignon published their paper in 1996 based on even earlier research: in September 1999 Michelin announced that it intended to make 7,500 workers across Europe redundant affecting production at its plants in France, Germany, Italy, Spain and the UK. The announcement coincided with a 17% increase in company profits for the first half of 1999 and was accompanied by a 12.5% increase in Michelin's share price on the Paris stock exchange[4]. Perhaps the Anglo-American, carnivorous model has become more pervasive since the publication of Usui and Cilignon’s research. Interestingly, Froud *et al.* (2000b) argue that the obsession with the generation of shareholder value and the growing trend towards 'financialisation' as a means of managing organisations has degraded management as emphasis has moved away from 'improving the numerator' in the productivity equation through creativity and innovative product and market development strategies towards management actions geared to reducing the denominator in the productivity equation by obsessively driving down costs and 'making the assets sweat'. They argue that "even in blue-chip companies….operating management becomes an endless series of cheap financial dodges: this year’s target is met by ending the defined benefit pension scheme, which saves labour costs, and next year’s dodge is leasing the trucks so that the capital appears on some else’s balance sheet" (p.109). They see this degraded work as being punctuated and interrupted by major restructurings – "where it is the financial engineering that is crucial" - and mergers where the key question is "how many workers can be sacked?". There is compelling evidence from Froud *et al.*, (2000a; 2000b) and Williams (2000) that shareholder value maximisation, for the workforce especially, leads to working environments at the 'worst of times' end of our continuum.

So far, our discussion of the drivers to organisational change has focused on the private sector and the primacy of shareholder value logic. Yet our objective in this chapter is to explore organisational change and its effects on managers’ perceptions of their organisation and their behaviours within it in both the private and public sectors. While the public sector clearly does not have shareholders, it does have other forms of stakeholder that are keen to see change but change in the public sector is usually articulated in terms of efficiency savings and legitimised through the language of 'modernisation'. The main stakeholder in the public sector is the ruling political party and, while shareholders are keen to maximise their return on investment, the ruling political party is keen to maximise its probability of being re-elected by delivering an agenda for the public sector based on, for example, 'marketisation' (Conservative Government, 1979 to 1997) or, more recently, 'modernisation' (Labour Governments, 1997 to present) though both variants of change have been delivered through the medium of an increased 'managerialisation' of the public sector (Clarke & Newman, 1997). Since the late 1970s, the public sector has been the focus of a barrage of change designed to expose the public sector to market forces through initiatives such as Compulsory Competitive Tendering, 'market testing', 'Best Value' and, in more extreme cases, the wholesale privatisation of, for example, the former public utilities. In the early 1980s, some saw the need to 'reinvent government' (Osborne & Gaebler, 1992) through the adoption of a more 'entrepreneurial spirit'. The transformation of the public sector since the early 1980s has been considerable and the transformation process has led to a complete revision of the nature of managing in the public sector and the creation of a 'new public management' (Ferlie *et al.,* 1996). The rise of the new public management has been associated with the introduction of performance management systems which, some would argue, have been put in place to 'name and shame' poor performers. Regimes such as Comprehensive Performance Assessment (CPA) have been developed to categorise local authorities on a scale from poor to excellent with the threat that poorly performing local authorities that do not improve may be removed from local control. Some have argued (Mather *et al.,* 2007 forthcoming) that the managerialisation of the public sector has been designed to ship power from 'the professionals' to 'the managers' and to 'whip the professionals into shape' (Pollitt, 1993; Walsh, 1995) so that the public sector can be run on 'sound business principles' (Boyne, 2002; Martin, 2002; Clarke & Newman, 1997).

The 'modernisation agenda' in the public sector, designed to deliver both cost savings and service quality improvements has resulted, in reduced staffing, work intensification, the growth of performance monitoring regimes and control architectures (Richardson *et al.,* 2005) and a shift in power from professionals to managers (Mather *et al.,* 2007 forthcoming) and reduced 'worker discretion' (Grugulis *et al.,* 2003; Rainbird *et al.,* 2004 p.94). Felstead *et al.* (2004) provide evidence of significant changes in job complexity and task discretion since the mid 1980s. For example, a much lower proportion of workers in the public sector now report that they have choice over the way that they do their job; less influence over how hard they work; less influence over what tasks get gone; less influence over how they do their job; and, less influence over quality standards. Others argue that change in the public sector has resulted in increased efficiency, lower costs and higher levels of customer satisfaction. It has certainly resulted in the degradation of work, work overload and less job involvement for many public sector workers.

Public sector organisations have been "the test-bed" for ministerial "experimentation with free market principles" (Legge, 2005 p.267). Indeed, in the NHS, managerial instruments redolent of the 'financialisation' metrics used in the private sector (such as EVA or ROCE) have been adopted in the sector: hospitals, for example, were required to generate a 'surplus' equal to 6% capital employed after meeting all operating costs (Shaoul, 1999 pp.48-49). For hospital managers this meant tinkering with the productivity equation by either increasing income or reducing costs (mainly labour costs) or mothballing assets (closing wards). Given the public opprobrium generated by closing wards and the difficulty in raising additional revenue, 'efficiency savings' were invariably focused on labour cost reduction, achieved either by lowering the overall pay bill through initiatives such as 'casualisation', by deskilling and by intensifying the work effort of existing employees (Hewison, 1999). Our own research has identified that the key stressors in for public sector managers included the unmanageability of work overload, persistent organisational change, having little control over key aspects of their job, over-zealous performance monitoring and low levels of job involvement (Worrall & Cooper, 2006). Similar issues have been reported by Ball (1993), Barry et al. (2001), Bryson (2004), Harris (1998), and, Kirkpatrick and Ackroyd (2003a; 2003b). The broad thrust of these studies reveals a pattern of senior management behaviour and organisational change in the public sector that is directly analogous to that found in most private sector organisations. As Boyne (2002 p.97) argued "public and private management, what's the difference? Our response would be - very little."

If the shareholder value maximisation agenda in the private sector and the modernisation agenda in the public sector are to be delivered, organisational strategies, tactics and actions have to be created to bring about their delivery. The key means of delivering these agendas have been cost reduction programmes and the intensification of the use of assets (primarily labour), the redefinition of organisational labour handling strategies and the redesign of the employment relationship by creating more flexible forms of employment where more of the costs associated with employing workers are transferred from the employer to the worker. Downsizing, delayering and redundancy programmes have been used to reduce headcounts. Organisational boundaries have been redefined outsourcing, developing networks, partnerships and shared service agreements. Other tactics have involved shifting production to lower wage economies (offshoring); deploying new technology and substituting technology for labour; downscoping (i.e. focusing in on a narrower set of functions/products); and, by merger and acquisition. In addition to these more substantive, tangible changes, many organisations have also put in place culture change programmes which can, cynically, be interpreted as attitudinal and behaviour modification programmes to educate workers to expect less from the employing organisation particularly in terms of their own conditions of employment (e.g. zero hours contracts and worse pension entitlements) and job security (Burchell *et al.,* 2002; Worrall *et al.,* 2000c). While we have identified that there are many possible forms of change, it is important not to see these as unrelated single change initiatives. It has become increasingly common for several change projects to run simultaneously within organisations. Indeed, Ichniowski *et al.* (1997) and MacDuffie (1995) have suggested that organisational change is normally multi-dimensional and multi-strand and we argue that these complex patterns of change will have a substantially greater impact on employees as organisational structures, processes, boundaries, cultures, roles and performance expectations change simultaneously and occasionally in contradictory ways.

Here, the objective has been to develop a framework that will allow us to understand the logics that drive organisational change. We argue that the increased 'financialisation' and 'metricisation' in the way that businesses are managed tends to drive the directors of organisations to manage more by manipulating the bottom line of the productivity equation (i.e. by first looking to reduce costs or export them outside the boundary of the business) than to engage with innovation, new business development and techniques designed to affect the numerator in the productivity equation. To invoke our 'best of times - worst of times' metaphor, we would argue that in organisations where denominator management prevails, workers are more likely to be in 'the winter of despair' while in those organisations where numerator management takes place, workers are more likely to be in 'the spring of hope.'

The emphasis on shareholder driven metrics in the private sector and the emphasis on modernisation and marketisation in the public sector have both had huge impacts on how organisations are designed, how their borders are defined and what it is like to work within them. Having developed a framework for understanding why and how organisations change, we now turn to examining what effects these changes have had on managers' perceptions of organisational life, their sense of well-being, their behaviours in the workplace and in the way that they too manage the boundary between their working lives and their non-working lives. Our tasks in the following sections will be to quantify the scale and dimensionality of organisational change, before going on to assess the effects of change on managers.

The scale and dimensionality of change affecting UK business organisations

The analysis reported here is derived from the Quality of Working Life Project that the authors have conducted in conjunction with Chartered Management Institute since 1997. The latest study was conducted in late 2005[2] in order to assess the scale and complexity of organisational change in UK business organisations and to assess the impact of change on managers' perception of their organisation, their views about the impact of change on their organisation and, using the ASSET instrument[3], to assess the effect of change on their physical and psychological well-being. The questionnaire was structured to allow analysis to be conducted by respondent's seniority in the organisation (director, senior, middle and junior manager) and by business sector. Given that the literature review above has focused explicitly on PLCs and the public sector, the analysis presented below is confined largely to these two types of organisation but reference is made to private limited companies for comparative purposes.

Our review of the literature on organisational change provided us with a series of themes that can be explored in the 2005 data set and a comparison of change against earlier data sets in the QOWL series. The themes explored below are:

- The scale, nature, intensity and complexity of organisational change and change since 1999/2000 - is this consistent with the expectations derived from the literature review?
- The effects of managers' experiences of organisational change on their perceptions of their organisation as a place to work - what are they and do different forms of change have different impacts?
- Do the views of directors and other managers about the effects of organisational change differ significantly?
- The effects of organisational factors and organisational climate on managers' sense of well-being.

The scale, nature, intensity and complexity of organisational change

Our review of the literature suggests that as the environment becomes more competitive, the scale, intensity and complexity of organisation change should increase and this was borne out with our data. In 2005, more managers (89%) had experienced organisational change than in 2000 (83%). The pace and scale of change had been most intense in the public sector and in PLCs (where 97% and 94% of respondents respectively had experienced change in the last year) but it was somewhat lower (82%) in private limited companies. While a higher proportion of public sector managers than PLCs managers had experienced change, managers in PLCs had experienced more forms of change concurrently (3.5 on average) than managers in the public sector (3.2) and in private limited companies (2.3).

Figure 1 reveals how the distribution of the number of forms of change managers had experienced (full data set) had changed since 2000. In 2000, 38% of managers had experienced no or one form of change but by 2000 this had declined to 26%. Between 2000 and 2005, the mode of the distribution moved from one form of change to three. The proportion of managers affected by five or more forms of change increased from 14% to 18%.

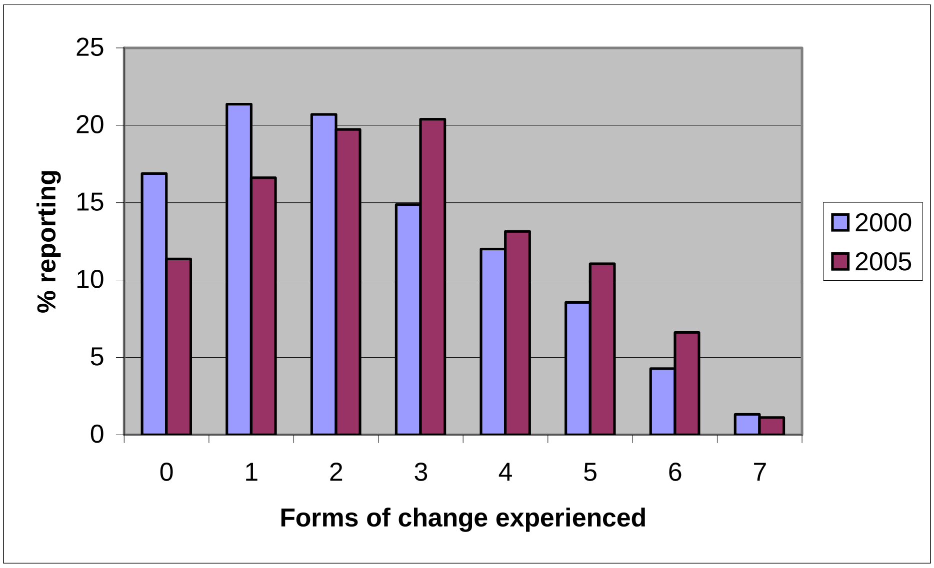

Figure 1. The distribution of forms of change experienced - 2000 and 2005 compared

While the average number of changes experienced by managers in PLCs increased marginally (from 3.14 to 3.27), the average number experienced by public sector managers increased from 2.65 to 3.18 revealing that change in the public sector had become more multi-dimensional over time. Since 2000, a higher proportion of managers had been affected by change and a higher proportion experienced more forms of change concurrently. Managers in private limited companies were less likely to be confronted by change and had also experienced fewer forms of concurrent change.

The expectation from our review of the literature suggests that cost reduction should be the prime driver of change: cost reduction was cited most often in both the 2005 and the 1999[4] studies (64% in both surveys). In 1999, 53% had cited culture change programmes but this increased marginally to 56% in 2005. While there was a degree of stability in the proportions citing cost reduction and culture change, there was a major increase in the proportion of managers reporting the use of contract staff. The reported use of contract staff increased from 33% in 1999 to 57% by 2005. This increase is significant and indicative of a structural change in both the managerial labour market and the nature of the employment relationship as employers seek to create a more flexible labour market and to minimise employment overheads. The increased use of managers with a lower level of attachment to an organisation yields increased flexibility and, more important, reduces some of the long term costs of employment to the firm particularly pension liabilities as the employee is increasingly expected to invest in their own pension thus absolving employers of this liability. The increased use of contract workers also has implications for the nature of the internal labour market and career structures within the firm as managers previously employed within the organisation are replaced by self-employed workers or managers recruited from the large network of agencies that now exists to supply interim managers.

The mix of change instruments used varies by type of organisation (Table 1). The public sector was most affected by cost reduction and culture change programmes with levels substantially above PLCs but it experienced levels of redundancy, outsourcing and delayering substantially below those in PLCs. Some might interpret this as evidence that, while in the public sector there is a lot of apparent emphasis on cost reduction and culture change, this is much less likely to result in people actually losing their jobs than in PLCs where the reported levels of cost reduction and culture change are lower but the actual outcomes (i.e. people losing their jobs through redundancy, delaying or outsourcing) are much more prevalent.

Table 1. The form of organisational change and its incidence by type of organisation

% of managers reporting each type of change	Private limited company	PLC	Public sector	All 2005
Cost reduction programme	54	69	79	64
Use of short-term contract staff	44	64	67	57
Culture change programme	40	59	72	56
Redundancies	34	49	34	36
Outsourcing	22	38	26	25
Delayering	17	32	24	22
Merger	10	18	16	14
Offshoring	9	21	0	8
Expansion into new markets	52	46	N/a	N/a

The differences between PLCs and private limited companies are profound. Managers in private limited companies were much less likely than those in PLCs to experience cost reduction programmes, the use of contract staff, culture change, redundancies, outsourcing and delayering. Managers in private limited companies were, however, more likely to report that their companies had expanded into new markets. This provides some evidence that senior managers in private limited companies may be more minded to manage the productivity equation by working on the numerator while the emphasis in PLCs seems to be much more denominator focused. The extent, dimensionality and pattern of organisational change are more benign in private limited companies than in either the public sector or PLCs. In the public sector, there is some justification for arguing that while they are more likely to talk about reducing costs, unlike PLCs, they are less likely to do it.

While we have identified significant differences in the scale and pattern of change in different types of organisation, there were significant differences in the scale and nature of change in business that were perceived to be declining, static and growing[5]. While 85% and 89% of managers in growing and static businesses respectively had experienced some form of change, this increased to 98% in declining businesses. Managers in growing businesses experienced (on average) 2.5 forms of change but this increased to 2.7 in static businesses and to 3.8 in declining businesses. In declining businesses, more managers experienced organisational change and they experienced change on more fronts simultaneously. In addition to the greater incidence of change in declining businesses compared to static and growing businesses, the pattern of change in these three types of business varied considerably. Managers in declining businesses (see Table 2) were much more likely to experience cost reduction programmes, redundancies, delayering and outsourcing than managers in both static and growing businesses. Elsewhere (Worrall *et al.*, 2000b), we have argued that these forms of change have a particularly injurious effect on the perceptions and behaviours of surviving managers.

Table 2. Patterns of organisational change in growing, static and declining businesses

% of managers reporting	Declining	Static	Growing	All
Cost reduction programme	89	69	50	63
Use of short-term contract staff	63	54	56	57
Culture change programme	64	54	53	56
Redundancies	64	34	27	36
Outsourcing	33	23	23	25
Delayering	42	22	14	22
Merger	14	9	17	14
Offshoring	8	8	8	8

Since 2000, an increased proportion of UK managers have been subject to organisational change. The percentage of managers reporting change increased by six percentage points between 2000 and 2005 to stand at 89%. The intensity of change increased as the average manager experienced more forms - and thus a greater complexity - of organisational change. While cost reduction remained the prime instrument of organisational change, there were significant changes in the pattern of change. Redundancies and delayering became less prevalent (but are still key change instruments in certain sectors) but the use of short-term contract staff increased markedly indicating a change in the structure of the managerial labour market. This we see as evidence of organisations redefining their labour handling strategies to increase flexibility and to reduce costs.

Since our last survey, change had become more prevalent and more multifaceted particularly in the public sector and among managers in PLCs. This we ascribe, partly to the fact that these organisations tend to be larger, but also to the power of shareholder value logic in PLCs and to the government's modernisation agenda that is driving large scale, complex change throughout the sector. Having identified that the extent and complexity have both increased, we now turn to examining how these organisational changes have affected managers' perceptions of the organisations they work within.

The effects of managers' experiences of organisational change on their perceptions of their organisation as a place of work

Managers who had undergone organisational change were asked to indicate what effect change had had on their perceptions of their organisation. While the effects of organisational change had been considerable, they were often not seen positively by managers and more likely to be seen positively by directors - an issue to which we will return later. Table 3 contains a summary of managers' views about the effects of organisational change.

Table 3. Managers' perceptions of the effect of organisational change

% of managers responding	Strongly disagree	Disagree	No change	Agree	Strongly agree	Net agree[6]
Accountability has increased	3	13	32	43	10	36
Key skills and experience have been lost	5	20	27	35	13	23
Profitability has increased	3	17	42	33	4	17
Productivity has increased	3	20	38	36	3	17
Flexibility has increased	6	22	35	34	3	10

Employee participation has increased	6	23	34	35	3	9
Decision-making is faster	8	29	38	22	3	-12
Motivation has increased	9	42	31	17	1	-33
Employee well-being has increased	8	40	39	11	1	-37
Loyalty has increased	8	39	44	9	0	-38
Moral has increased	15	46	24	14	1	-45
Perceptions of job security have increased	15	41	33	10	1	-46

While there is a relatively strong agreement that change has increased managers' sense of accountability, managers were much less of the opinion that profitability and productivity had increased as a result of change: this is a view which echoes Cascio's (1993; 2005) findings and, because of the recency of change, the necessary 'healing period' identified by De Meuse *et al.* (2004) had clearly not elapsed. There was a relatively strong view that organisational change had led to the loss of key knowledge and skills indicating one of the main damaging effects of redundancy, delayering and the increased use of contract staff. Despite the flattening of hierarchies and the increased level of accountability, the speed of decision making was not felt to have increased: 37% of managers did not agree that organisational change had increased the speed of decision making and a further 38% felt there had been no change. In the public sector, where change had been most intense, 47% felt that changed had actually slowed down decision making with a further 34% feeling that change had had no effect on the speed at which decisions were made. There is little evidence here to support the view that change induces improved performance, productivity, efficiency or profitability particularly in the public sector.

More worryingly, change was felt to have had a particularly negative effect on perceptions of job security, morale, loyalty, employee well-being and motivation: 51% of managers felt that change had reduced motivation, 48% felt it had reduced their sense of well-being and 61% felt it had reduced morale. In the clear majority of cases, and particularly among managers in the public sector and PLCs, change had led to lower motivation, morale and loyalty, a reduced sense of job security and heightened concerns among employees' about their own well-being. Managers in the public sector (Figure 2) were substantially more negative about the effects of change than managers in PLCs who were, in turn, substantially more negative than managers in private limited companies. The differences between managers in PLCs and the public sector were most marked on the morale and motivation items while the widest differences between managers in PLCs and those in private limited companies were on the key skills being lost and the decision-making is faster items. Clearly, change in private limited companies is seen to be much less likely to lead to the loss of knowledge and skills and more likely to improve the speed of decision making.

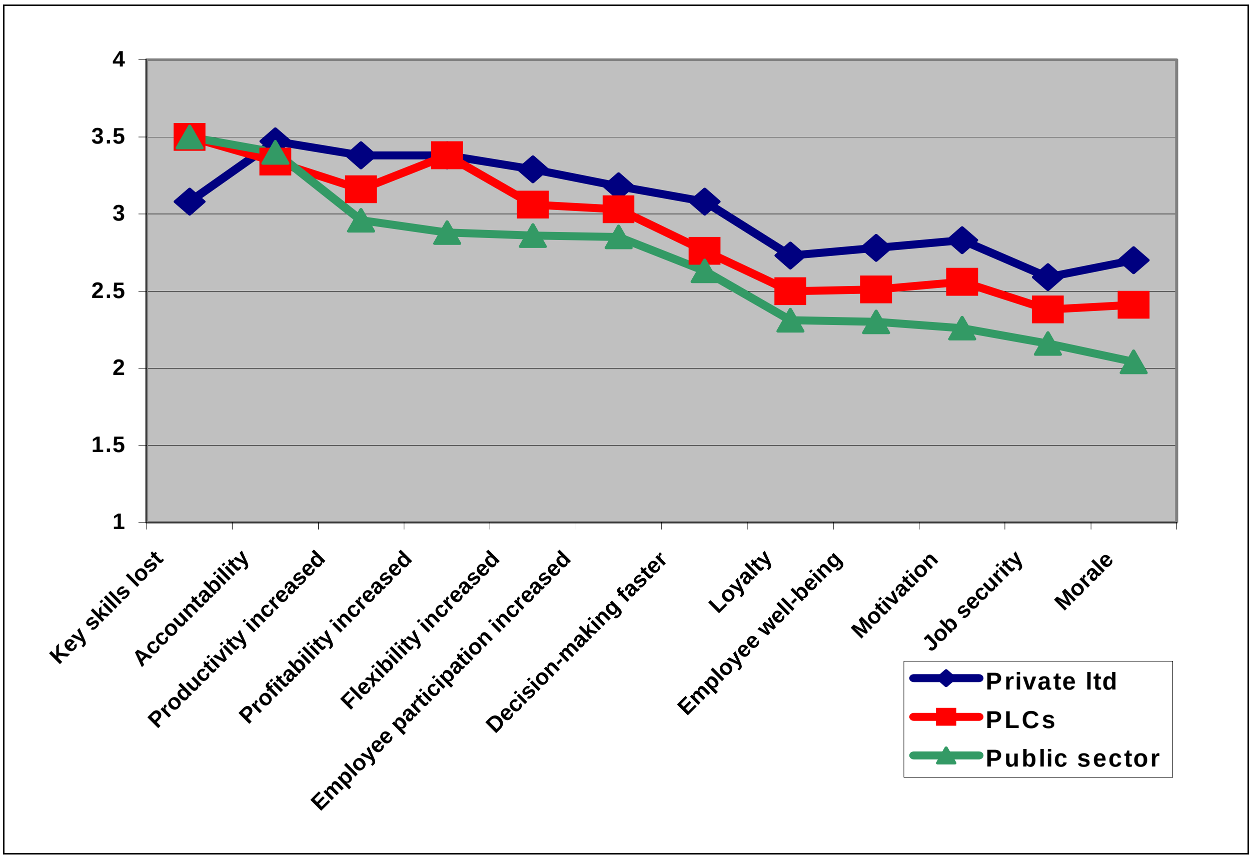

Figure 2. The effect of organisational change on managers' perceptions of their organisation (mean scores on items) by type of organisations

Managers' were asked if they felt that organisational change had had any effects on the organisation in terms of levels of staff turnover, sickness, absence and industrial action (see Table 4). In the public sector a relatively high proportion of managers thought that staff turnover, the sickness rate, the level of absence and the level of industrial action had increased as a result of change. The perceived effects of change in private limited companies were, again, the most benign with managers in private limited companies least likely to think that turnover, absence and industrial relations had been adversely affected by change.

Table 4. Changes in organisational measures by type of organisation

% saying that	Private ltd company	PLCs	Public sector	All
Staff turnover increased	61	71	80	69
Sickness rate increased	51	64	68	60
Absence increased	49	63	68	58
Strikes increased	19	21	64	40

While we accept these are perceptual measures, we are concerned about the logic of organisational change particularly in the public sector and in PLCs: while the scale of change is immense in these sectors, there is a strong perception that the main effects of change are to reduce employees' sense of well-being, to increase staff turnover, to increase the sickness rate and to increase absence levels. We are led to question whether the gains in productivity - which are far from clear - are really worth the effort and cost of implementing change. The clear message from the public sector is that change is generating a lot of perceived pain but relatively little perceived gain. Our findings also call into question just how well change in being managed in many organisations.

Not surprisingly, managers in organisations that were declining had significantly worse views of the effects of organisational change than managers in stable and growing businesses. In declining organisations, managers were much less likely to be of the view that productivity or profitability had improved and their scores on the loyalty, morale, motivation, job security and employee wellbeing measures were considerably lower than managers in static businesses, let alone those in growing businesses. Unfortunately, the change programmes that had been put in place in declining firms were seen far more negatively than change programmes in static or growing firms. In declining organisations the pace of change is more intense, more multifaceted and, clearly, more 'carnivorous' given the more pronounced use of outsourcing, contract staff, redundancy and delayering. Not surprisingly, managers in declining businesses were particularly negative about the effect of organisational change on the loyalty, morale, motivation, sense of job security and employee well-being items (see Figure 3).

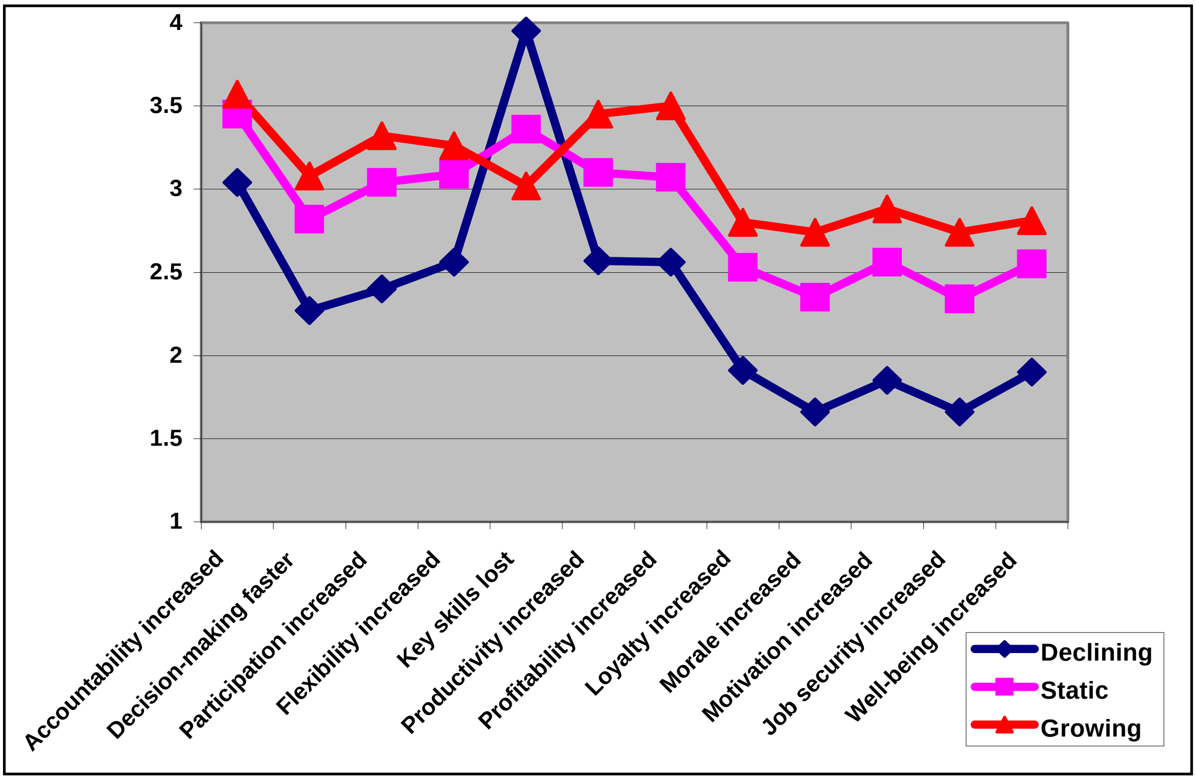

Figure 3. Perceptions of the effect of organisation change by organisational growth

Do the views of directors and other managers about the effects of organisational change differ significantly?

Elsewhere (Worrall *et al.*, 2004a; 2004b) we concluded that directors' views about change and its impact differed markedly from those of other levels of management. Table 5 compares the mean scores of directors with other levels of manager on each of twelve measures used to assess the perceived effect of organisational change. It is evident that directors recorded more positive scores than each other levels of manager on each measure. Some of the differences between directors and junior and middle managers, for example, were considerable. In all cases, the views of directors were significantly different[7] than those of middle and junior managers. In all but three instances (i.e. on the accountability, profitability and productivity measures) the views of directors were also significantly different from the views of even senior managers.

Table 5. Perceptions of the effect of organisation change by level in the organisation

Level in the organisation	Director	Senior manager	Middle manager	Junior manager	All
Accountability has increased	3.59	3.44	3.38	3.31	3.43
Key skills and experience have been lost	2.79	3.28	3.56	3.48	3.31
Profitability has increased	3.36	3.19	3.12	3.09	3.18
Productivity has increased	3.38	3.23	3.05	3.04	3.17
Flexibility has increased	3.35	3.10	2.95	2.96	3.08
Employee participation has increased	3.37	3.09	2.92	2.86	3.05
Decision-making is faster	3.27	2.82	2.70	2.66	2.84
Motivation has increased	3.06	2.60	2.42	2.28	2.58
Employee well-being has increased	2.99	2.55	2.38	2.40	2.56
Loyalty has increased	2.95	2.53	2.41	2.36	2.54
Moral has increased	2.95	2.41	2.23	2.11	2.41
Sense of job security has increased	2.78	2.40	2.24	2.27	2.40

Note: the shaded block in Table 5 identifies where the views of directors and other levels of manager are significantly different.

Just as we have identified that directors and other managers had radically different perceptions of some of our 'softer' measures of change, they were also much less likely to be of the view that staff turnover, sickness rates, absence levels and industrial action had increased over the last year in response to organisational change (Table 6).

Table 6. Changes in key organisational measures over the last year by managers' level

Percentage of manages agreeing that	Director	Senior manager	Middle manager	Junior manager	All
Staff turnover increased	47	68	78	78	69
Sickness rate increased	37	58	71	69	60
Absence increased	32	57	69	70	58
Strikes increased	12	38	54	31	39

We see this dissonance in the views of directors and other managers as a significant finding and we argue that this is entirely consistent with the arguments developed in our review of the literature. Our analysis implies that directors are living in a parallel universe to other levels of manager where the reality of organisational life as experienced by the majority of managers is radically different from the rhetoric-laden - and far more rosy - world of directors. While only 22% of directors think that organisational change has reduced loyalty in their organisation, 60% of junior managers felt that change had reduced loyalty. The world-view of directors is significantly different from all other levels of manager. Our concern is that there is a clear hiatus in many organisations at the Board Room door that needs to be overcome if directors are to develop a better understanding of the lived realities of the organisations that they are attempting to lead and if they are to understand and learn from the effects that organisational change is having on their workforce.

Conclusion

Over the last decade, there have been massive changes in the large firms that dominate the economic landscape of the UK. Organisations have see headcount culls, layers removed, functions outsourced, functions offshored, processes re-engineered, and cultures re-defined. Career structures have been flattened, pension entitlements reduced, jobs have become less secure and workers have been put under considerable pressure from performance management regimes to work harder and longer and to deliver more with less. Our research has clearly shown that work overload, increasing surveillance and control, lack of job involvement, persistent organisational change 'for change's sake' and managers being set unrealistic targets over which they have little or no influence have a huge effect on managers' physical and psychological well-being. More disturbingly, our analysis indicates that since our survey in 2000 a higher percentage of managers have been affected by more forms of concurrent change, more intensively. The pace, variety and impact of change all seem to be increasing particularly in public sector organisations and in PLCs but with managers in private limited companies being less affected and less likely to be exposed to redundancy, delayering and outsourcing.

Large proportions of managers have not seen organisational change positively. Generally, it has been seen to reduce loyalty, motivation, morale; increase managers' sense of job security and to undermine their sense of physical and psychological well-being. There was also a strength of opinion, especially in PLCs and public sector organisations, that change had led to increased levels of workplace ill-health, absence and staff turnover. While these views were commonly held by senior, middle and junior managers, the view of directors were quite different. Directors were much less likely to see organisational change as having negative effects and more likely to think that it had led to increase productivity and output. We see this radical difference of views within and without the Board Room to be very problematic and perhaps at the root of some of the issues of organisational dysfunction and workplace stress that managers in many UK business organisations are clearly experiencing.

While organisation psychologists might see stress and the effects of organisational dysfunction as situated in the individual or the workgroup, our perspective leads us to a much wider frame of reference as we see many of the problems in the work place to be a consequence of an Anglo-American form late capitalism that has become increasingly 'carnivorous'. The prevailing psychology in many large organisations seems to favour managing by cost reduction and intensifying the use of assets - particularly labour - rather than focusing on growing the numerator in the productivity equation by using directors using own creativity and imagination and the creativity and imagination of a workforce that feels a sense of loyalty and commitment to the organisation and is motivated by working within it. We consider Froud *et al.*'s (2000 p.109) assertion that management has become "an endless series of cheap financial dodges" to be disconcerting, saddening but probably accurate. We see management as being about much more than managing by metrics or managing by a few key financial ratios yet some influential business leaders have argued that the "first requirement" of strategy is "to set out the financial objectives that the company should be seeking to achieve" and that "specific financial objectives" should provide the "framework within which strategy should be developed" (Lees, 1997 p.254-255).

Within the public sector, we are very concerned about the plethora of change and modernisation initiatives that the present government is attempting to drive through in the face of increasing worker resistance. Even the Local Government Employers' Organisation (undated, p.1) was led to conclude that "many change initiatives are limited in their strategic impact because organisations try to implement a number of loosely connected activities too fast without proper co-ordination and follow through. People management and development implications are often not fully appreciated or addressed as part of the change process. The result is 'initiative fatigue' where staff become disillusioned and more resistant when managers try to implement the next major change". We believe that our analysis has found exactly that but that these issues have been exacerbated by the substantial increase in the complexity and scope of change we have found in the public sector since 2000.

We are certainly not against change *per se*, but we are against change that is badly thought through, which is geared to the cynical manipulation of a few key ratios to improve shareholder value in the short term or to achieve short-term political objectives. Change is a long-term issue, it needs to be planned as a long-term project and co-ordinated so that employees buy into change rather than switch off from it. As Dickens might have said, we need to move from the 'age of foolishness' to the 'age of wisdom' and from 'the winter of despair' to 'the spring of hope'.

Notes

1. http://www.eiro.eurofound.eu.int/1999/11/inbrief/eu9911210n.html
2. The fieldwork for the study was conducted in the period October to November 2005. The Chartered Management Institute's (CMI) membership database was used as a sampling frame for the exercise. A self-completion questionnaire was designed and e-mailed to 10,000 members of the Institute. In 2005, the exercise generated 1,541 valid responses giving a response rate of 15%. It is important to emphasise that the sample reflects the structure of the membership of the CMI. The 2005 survey, like the previous QoWL surveys, tends to over-represent managers at more senior levels.
3. http://www.robertsoncooper.com/Wellbeing/ASSETProgram.aspx
4. 1999 data is used here because the 2000 data is not directly comparable with the 2005 data set.
5. Managers were asked to identify if it was their perception that they were working in a growing, a static or a declining business - 49% thought they were working in a growing business, 32% thought their organisation was static and 19% thought their organisation was declining.
6. A 'net score' is calculated by adding the percentage who strongly agree or agree with a statement together and subtracting from this the percentage that strongly disagrees or disagrees. Consequently, a positive net agree score indicates the strength of opinion if favour of a given statement.
7. Analysis of variance (ANOVA) supplemented by a Bonferroni post hoc test procedure.

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