

Managing Change, Maximising Value

Leadership's Greatest Challenge

New Zealand

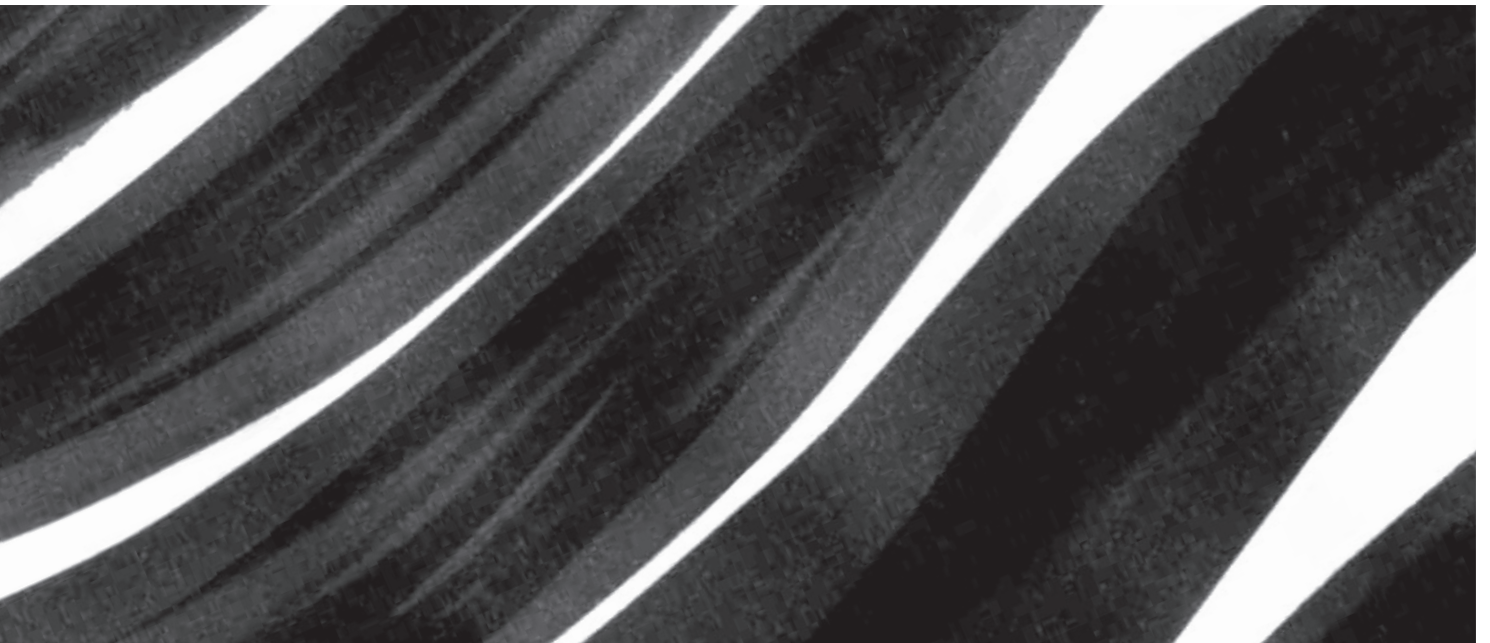


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Executive Summary

Restructuring is a complex issue with make or break implications for organisations. The benefits of restructuring include reducing the cost base while creating more efficient structures, effective processes and engaged staff. Poor execution is common, and our research indicates most organisations and senior leadership teams are struggling to get it right.

Our global study draws on more than 28,000 responses from 15 countries including 4,539 from Australia and New Zealand. Undoubtedly, the business challenge in today's environment for senior leaders is to implement strategic change successfully so that short term goals are achieved and the long term business is protected and ready for the next business cycle.

In these turbulent times, whether downsizing, rightsizing, restructuring or rebalancing, senior leaders must be more decisive, transparent and communicate more than ever before. The full impact of restructuring on productivity, customer loyalty and profits will not be known for years. Ultimately, a successful restructure depends on the engagement and motivation of the survivors.

Our research highlights how 'best practice' restructuring must be people oriented, not just cost and structure oriented. It is relatively easy to reduce head count and take an immediate hit on costs, but much harder to avoid a consequent slide in productivity, customer loyalty and profits. We hope the following document provides information and insight into how you can align and execute your talent strategy with your longer term business strategy.

My colleagues and I look forward to continuing to equip you with the essential resources and solutions you need to excel in these difficult times.



Tim Corcoran

Centre of Excellence Leader - Engage and Align
Right Management

Research Highlights

Eighteen years of economic growth has left many organisations lacking the change agility to navigate the current economic turmoil.

Today, many organisations are cost-cutting and reducing headcount with a clear focus on protecting profits. Yet, our research indicates the corporate world is struggling with the process of aligning the organisation with the new business environment.

Right Management research focussed on the people aspects of organisational change, and involved 28,000 respondents, across 15 countries and 10 major industry sectors. Globally, we found that:

- Most employees (**54%**) doubt senior leadership's ability to respond appropriately to the changing external conditions.
- When change is implemented, **58%** of employees do not believe it is implemented well.

Ultimately, a successful restructure, downsizing, rightsizing or rebalancing will depend on the engagement of the surviving employees, those employees who remain after the actual redundancies have stopped. Employee engagement is a critical measure of person-organisation alignment, and reflects the employees' involvement with, and their contribution to, the success of their organisation. The level of employee engagement is closely linked to, and positively impacts employee retention, employee attendance, safety, trust in leadership, revenue, customer loyalty and profits.

More often than not, in today's environment, it seems that the engagement levels of survivors is a forgotten factor when designing and implementing any form of restructure. Yet, it is a leading indicator of future financial performance.

In Australia and New Zealand, our survey into the relationship between employee engagement and change management revealed some troubling

insights. These insights relate to leadership practices in effectively managing change. Specifically our research provided two critical insights:

- When change is managed well, the number of engaged employees increased by **1000%** (6% v. 60%). Alternatively when change is not managed well, the number of disengaged employees increases by 235% (40% v. 94%).
- When change is managed well, the number of productive employees increases by **455%** (18% v. 82%), alternatively when change is not managed well, the number of unproductive employees increases by 1700% (3% v. 51%).

Other Findings Include:

- **49%** of senior leaders are seen to be responding appropriately to the changing external conditions.
- **45%** of senior leaders implement change effectively.
- **54%** of staff believe management keeps them informed of what is happening.

The business implications of our research are staggering. It is commonly accepted that an engaged workforce has a significant impact on future organisational performance. Research has shown that an engaged workforce has:

- **50%** higher productivity
- **56%** higher customer loyalty
- **33%** higher profit¹

Given the link between employee engagement, future organisational performance and our research findings (i.e., senior leadership performance during these turbulent times), it is clear that organisations that treat restructuring as an 'event', by removing people and roles, without considering a planned and integrated process to manage all the risks, may create additional long-term performance challenges for themselves.

1 *Weir, J. HR.com. 2003. Reporting findings of First, Break All the Rules, by Marcus Buckingham and Curt Coffman and Now, Discover Your Strengths, by Marcus Buckingham and Donald Clifton.

The message for senior management is clear. Their response to the economic turmoil must be decisive, planned, transparent and well communicated – before, during and after restructuring, downsizing, rebalancing or rightsizing the organisation.

RESEARCH METHODOLOGY

More than 28,000 employees representing 10 major industry sectors, in 15 countries participated in an on-line survey. Respondents were largely from private corporations (91%) employing 50 or more people. The organisations represented in the survey range in revenue from under US\$1 million to well over US\$1 billion.

The 10 major industry sectors represented in this research include:

- Agriculture, Forestry & Fishing
- Mining & Quarrying
- Manufacturing
- Electricity, Gas & Water Supply
- Construction
- Wholesale & Retail Trade
- Restaurants & Hotels
- Transport, Storage & Communication
- Finance, Insurance, Real Estate & Business Services
- Government, Social & Personal Services

RESEARCH SUMMARY

The following insights compare Australia/New Zealand data against Asia Pacific (incorporating China, India, New Zealand, Australia, Japan and South Korea) and global data.

SENIOR LEADERS RESPOND APPROPRIATELY TO CHANGING EXTERNAL CONDITIONS

Only 49% of Australian and New Zealand participants agreed that their senior leaders responded appropriately to external conditions. This is significantly better than the rating given to managers in the Asia-Pacific region where only 43% of participants agreed that their senior leaders responded appropriately to external conditions.

	AUSTRALIA/NEW ZEALAND	ASIA-PACIFIC	GLOBAL
STRONGLY AGREE & AGREE	49%	43%	46%
DISAGREE/STRONGLY DISAGREE	18%	20%	20%

CHANGE IS HANDLED EFFECTIVELY IN MY ORGANISATION

Compared to participants in the Asia-Pacific region and globally, Australian and New Zealand participants rated their organisations significantly higher with 47% agreeing that change is handled effectively in their organisations.

	AUSTRALIA/NEW ZEALAND	ASIA-PACIFIC	GLOBAL
STRONGLY AGREE & AGREE	47%	38%	43%
DISAGREE/STRONGLY DISAGREE	20%	21%	21%

SENIOR LEADERS IMPLEMENT CHANGE EFFECTIVELY IN MY ORGANISATION

Australian and New Zealand participants rated their senior leaders significantly higher than participants in the Asia-Pacific region when asked about senior leaders' ability to implement change effectively in their organisations (45% v. 37%).

	AUSTRALIA/NEW ZEALAND	ASIA-PACIFIC	GLOBAL
STRONGLY AGREE & AGREE	45%	37%	42%
DISAGREE/STRONGLY DISAGREE	22%	24%	24%

MANAGEMENT KEEPS ME INFORMED OF WHAT IS HAPPENING

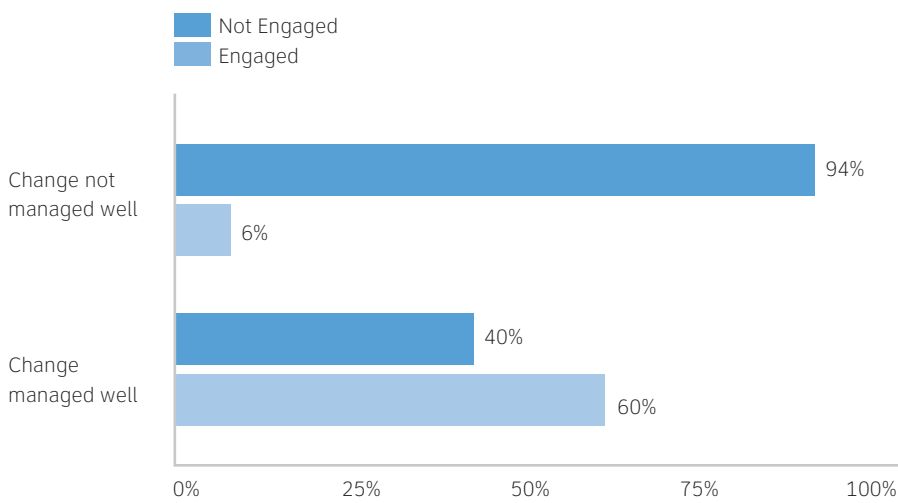
Just over half (54%) of Australian and New Zealand participants considered their managers good at keeping them informed about what is happening in their organisations. This was a significantly better performance compared to the Asia-Pacific region and globally.

	AUSTRALIA/NEW ZEALAND	ASIA-PACIFIC	GLOBAL
STRONGLY AGREE & AGREE	54%	41%	50%
DISAGREE/STRONGLY DISAGREE	20%	24%	22%

RELATIONSHIP BETWEEN CHANGE MANAGEMENT AND ENGAGEMENT

The following graph shows the relationship between change management and employee engagement. It indicates that participants who said change was handled effectively in their organisations were 10 times more likely to be engaged than people who believed that change was not handled effectively.

FIGURE 1: Impact of Change on Employee Engagement²



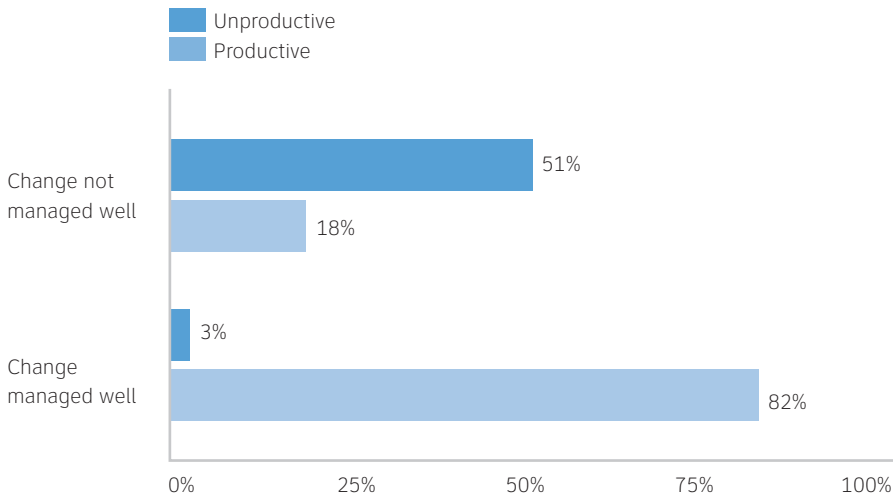
RELATIONSHIP BETWEEN CHANGE MANAGEMENT AND PRODUCTIVITY

To look at the relationship between change management and productivity, we examined participants' responses to two items – 'change is handled effectively in my organisation' and 'our work processes are generally well organised and efficient.'

We found that of those survey participants who agreed with the item 'change is handled effectively in my organisation,' 82% also agreed that 'our work processes are generally well organised and efficient.' This indicates that where change is handled effectively in an organisation the level of productivity (efficiency) is also higher.

² Global Benchmarking Study, December 2008, Base: 28,810 employees

FIGURE 2: Impact of Change on Productivity³



IMPLICATIONS FOR ORGANISATIONS

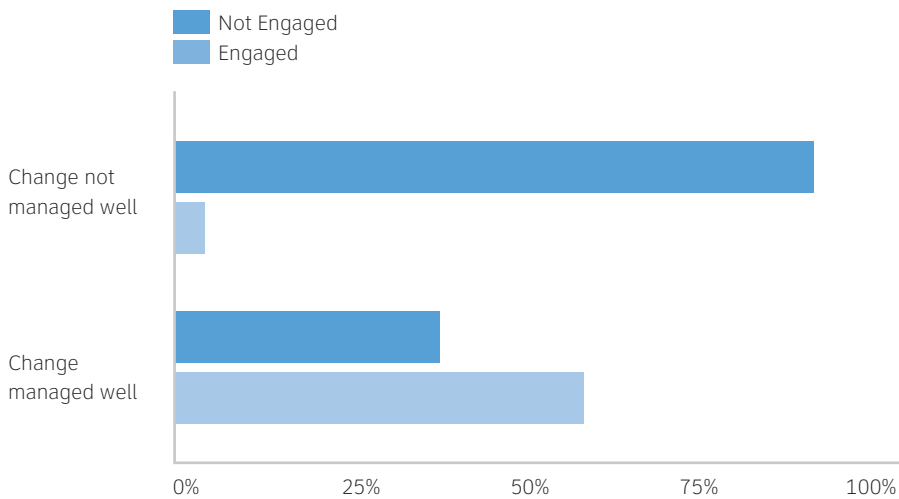
The stakes are high and research shows it is relatively easy to reduce head count, but much harder to avoid a consequent slide in revenue, customer loyalty and profits. In our view, a successful restructure and downsizing depends on the engagement and motivation of the survivors.

As the table indicates, the financial implications of a reduction in employee engagement is potentially devastating to the bottom line. The financial implications of a poorly run change program, in many cases, will not be realised for 6 to 18 months following the actual downsizing.

Our research indicates that despite reducing costs through restructuring, many organisations may encounter significant performance challenges in the coming years.

² Global Benchmarking Study, December 2008, Base: 28,810 employees

FIGURE 3: Impact of Change on Employee Engagement⁴



RESEARCH SHOWS THAT HIGHLY ENGAGED WORKGROUPS

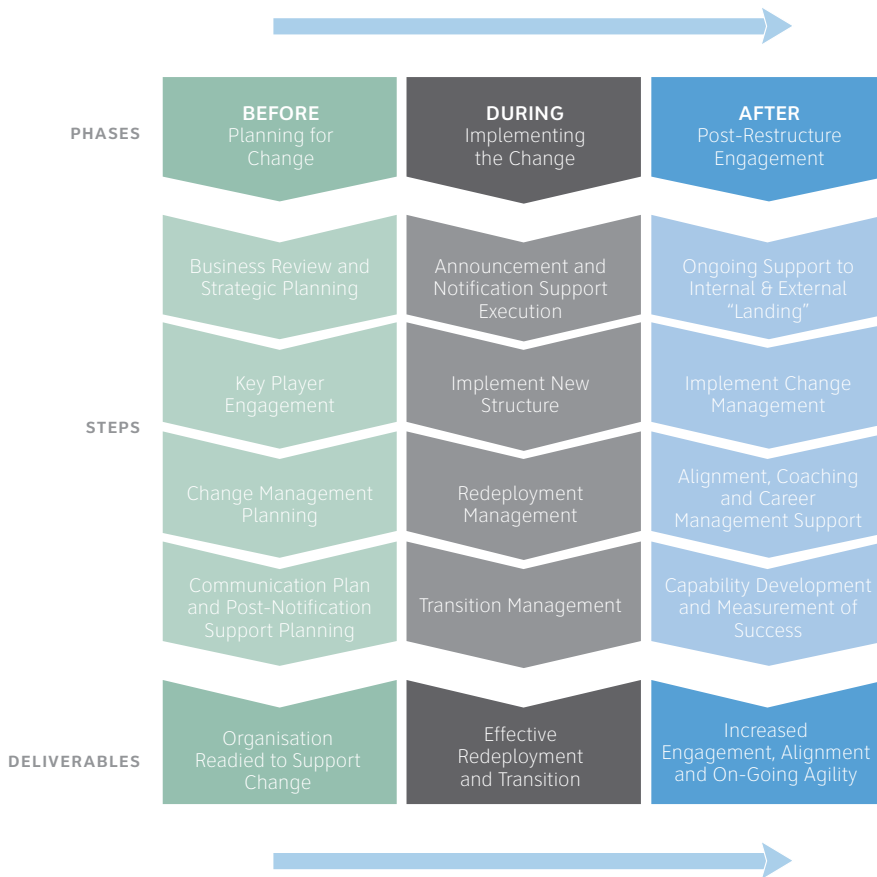
- are **50%** more productive
- have **56%** higher customer loyalty
- are **33%** more profitable

ADVICE TO AVOID THE SLIDE IN PERFORMANCE

Organisations should adopt an integrated and end-to-end approach to the restructuring/downsizing life cycle, breaking the program into three phases, Before, During and After. These manageable phases allow the organisation to mitigate the organisational risks and handle the challenges to ensure performance milestones are hit and productivity dips are minimised.

⁴ Global Benchmarking Study, December 2008, Base: 28,810 employees

FIGURE 4



Some of the actions that should be completed during each phase of the restructure/downsizing include:

BEFORE: PLANNING FOR CHANGE

- Define the organisational change purpose, strategy and success measures.
- Identify the fit-for-purpose structure, capabilities, roles and accountabilities required.
- Finalise the change strategy and implementation plan.
- Plan how to retain the key skills and capability required.
- Prepare and equip leaders below the executive team.

DURING: IMPLEMENTING THE CHANGE

- Clarify timing and accountabilities for announcements and departures.
- Define process of selection and placement.

- If transitioning in phases – deliver a plan that minimises impact on business and productivity, and that enables high retention. Avoid ‘death by a thousand cuts.’
- Provide adequate support and training for line managers to lead employees through the change.
- Deliver on well-planned logistics for career transition support immediately after the announcement.

AFTER: POST-RESTRUCTURE ENGAGEMENT

- Ensure leadership team is aligned, active and visible to employees.
- Provide role clarity and align individuals and teams to changed accountabilities and interdependencies.
- Execute plans for communications processes and interventions to re-engage the survivors and manage stakeholders.
- Apply the key people management systems and processes, especially performance management, etc, to control and monitor the change.

Many aspects shape the way an organisation works. The formal structure and allocation of accountabilities and authorities provide the basic outline. The processes and systems represent the connections and controls across business units. The people, behaviour and culture bring the structure and connections to life. The purpose of the new organisation and structure should be to:

Coordinate the work of employees so that the business objectives are achieved while removing costly bureaucracy.

Motivate employee behaviour through the right work with the right incentives to achieve superior performance, profits and customer loyalty.

Organise work accountabilities with the appropriate authorities, at the lowest appropriate level, to make decisions and respond quickly.

With these in mind, it is clear that restructuring is not an event, nor is it solely about those who may lose or change roles. It is a way to respond to current and future challenges to the effectiveness and efficiency of the organisation, and the customers it serves. Whether you are in the before, during or after phases, these key issues must be considered in all plans and decisions.

Right Management would like to thank the participants of this important study. Your observations and experience are essential as private and public sector organisations quickly adapt in changing economic times. Right Management would also like to acknowledge Jamie Sims (Principal Consultant) and Hilda Wang (Data Manager) for the tremendous work in preparing this research.

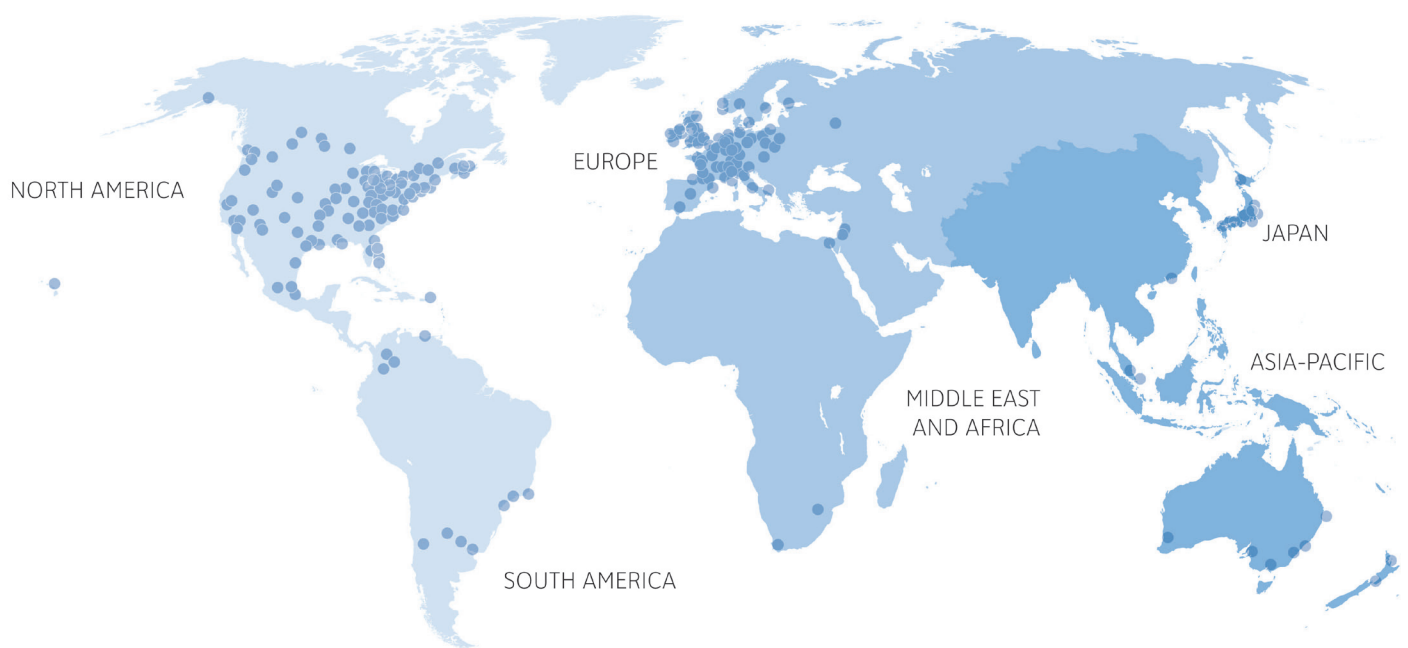
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Romania	Russia	Singapore	South Africa
South Korea	Spain	Sweden	Switzerland
Taiwan	Thailand	Turkey	Ukraine
United Kingdom	United Arab Emirates	United States	Venezuela

About Right Management

Right Management (www.right.com) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans Talent Assessment, Leader Development, Organisational Effectiveness, Employee Engagement, and Workforce Transition and Outplacement. With offices in over 50 countries, Right Management partners with companies of all sizes. More than 80% of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

Right Management is a wholly owned subsidiary of Manpower Inc., leader in the employment services industry, creating and delivering services that enable its clients to win in the changing world of work.

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