Change agenda

cipd

MANAGING CHANGE
THE ROLE OF THE PSYCHOLOGICAL CONTRACT

Introduction

Change is a constant in today's organisations. Recent CIPD surveys have found more than half of all employees saying that their organisation has been going through some kind of major change during the last year, and this is at least as true of the public as of the private sector.

Changes currently affecting the workplace include:

- the nature of jobs: more employees are on part-time and temporary contracts; more jobs are being outsourced; tight job definitions are out, functional flexibility is in
- organisations have downsized and delayered; 'leanness' means doing more with less, so individual employees have to carry more weight
- markets, technology and products are constantly changing; customers are becoming ever more demanding; quality and service standards are constantly going up
- technology and finance are less important as sources of competitive advantage: 'human capital' is becoming more critical to business performance in the knowledge-based economy
- traditional organisational structures are becoming more fluid; teams are often the basic building block: new methods of managing are required.

One effect of these changes is that employees are increasingly recognised as the key business drivers.

The ability of the business to add value rests on its front-line employees, or 'human capital'. Organisations that wish to succeed have to get the most out of this resource. In order to do this, employers have to know what their employees expect from their work. The psychological contract offers a framework for monitoring employee attitudes and priorities on those dimensions that can be shown to influence performance.

This Change Agenda is based on research – much of it commissioned by the CIPD – about the relationship between change and the psychological contract. If employers wish to manage change successfully, they need to work to maintain a positive psychological contract. The evidence suggests that:

- Getting the employment relationship right, by establishing and maintaining a positive psychological contract, is essential to organisational performance.
- The state of the psychological contract will have a significant effect on organisations' ability to manage change.
- Change can also have a negative impact on individuals' perceptions of the psychological contract and can damage performance.
- What constitutes a positive psychological contract is changing as employees' expectations change.

What do we mean by the 'psychological contract'?

The psychological contract has now become an accepted part of the thinking and vocabulary of HR practitioners. Increased recognition of the importance of people in delivering business performance, coupled with wider concerns about reputation and 'brand', have pushed the ideas on which it rests into centre-stage on the management agenda. The sheer scale and pervasiveness of change has focused on employers' ability to recruit and retain the people they need and to get – and keep – their workforce fully on board. This has helped to make the psychological contract a critical part of the management toolkit.
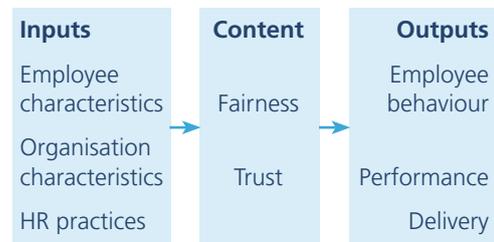
The psychological contract has been defined as '... the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other'. Attention has focused primarily on what the employer owes its employees. These 'obligations' may often be imprecise. They may be inferred from management behaviour or from what has happened in the past, or from statements made during the recruitment process or in performance appraisals. Some obligations may be seen as 'promises' and others simply as 'expectations'. The common factor is that failure to meet employee expectations is seen as some kind of breach of faith.

But lack of clarity about precisely what the contract involves in no way undermines its significance for managers since it represents what is going on in people's heads. If you want to influence employees' hearts and minds, knowing something about what is in them is quite important. The psychological contract looks at the workplace relationship as perceived by employer and employee. It is the psychological contract that effectively tells employees what they can expect from their job and what they are required to do in order to meet their side of the bargain.

How does the psychological contract affect organisations' performance?

Professor David Guest (Guest and Conway 2004) of Kings College London has put forward a useful model of the psychological contract (see Figure 1).

Figure 1: A simplified model of the psychological contract

Inputs	Content	Outputs
Employee characteristics	Fairness	Employee behaviour
Organisation characteristics	Trust	Performance
HR practices		Delivery

Source: Adapted from Guest and Conway (2004).
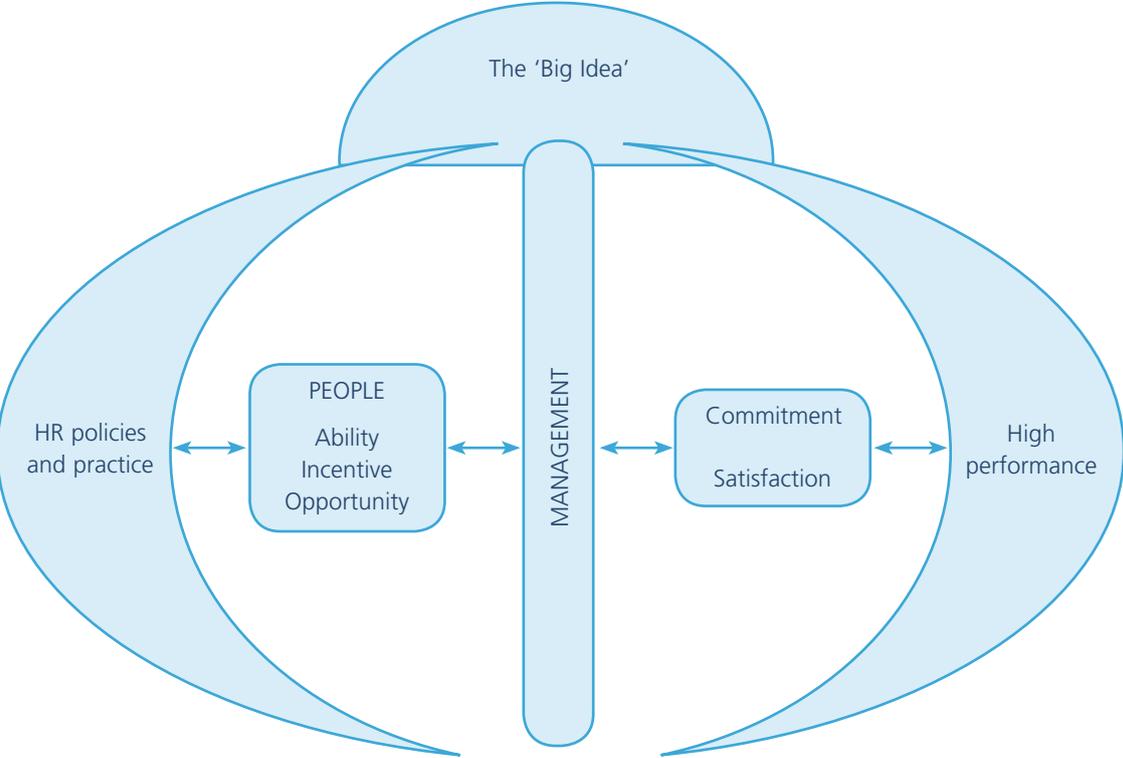
In outline, the Guest model suggests that:

- The extent to which employers adopt people management practices will have a major influence on the state of the psychological contract.
- The state of the contract will be reflected in employees' sense of fairness and trust and their belief that the employer will deliver on the 'deal' between them.
- A positive psychological contract will lead to greater employee commitment and satisfaction.

But can we show a link with organisational, as opposed to individual, performance? The best model we currently have of the impact of people management on business performance is the 'high performance' model (see Figure 2) based on research for the CIPD (2002). This emphasises the important role of line managers in releasing employees' discretionary behaviour. But this model also recognises that the link with performance depends on the

relationship between employer and employee and is transmitted through employee attitudes, particularly satisfaction and commitment. The two models linking HR practices to performance in figures 1 and 2 are not in competition but complement each other.

Figure 2: 'High performance' model of HR practices and business performance

The 'Big Idea'

HR policies and practice ↔ PEOPLE

Ability
Incentive
Opportunity

↔ MANAGEMENT ↔ Commitment

Satisfaction

↔ High performance

Source: Adapted from Purcell (2003).

The changing employment relationship: is there a new contract?

The traditional psychological contract is generally described as an offer of commitment by the employee in return for the employer providing job security – or, in some cases, the legendary 'job for life'. The recession of the early 1990s and the continuing impact of globalisation are alleged to have destroyed the basis of this traditional deal as job security is no longer on offer. The new deal is said to rest on an offer, by the employer, of fair pay and fair treatment, plus opportunities for training and development. On this analysis, the employer can no longer offer security and this has undermined the basis of employee commitment.

But is there in fact a 'new contract'? The reality has turned out to be rather less dramatic. Undoubtedly, there have been changes in the nature of the employment relationship, largely reflecting global changes in product and labour markets, which employers need to be aware of. But these changes are more a continuous and gradual process of transition rather than a disastrous and irreversible shift into a new and intimidating future. The psychological contract has not been turned on its head. It is now best seen as a tool that can help employers negotiate the inevitable process of change so as to achieve their business objectives without sacrificing the support and co-operation of employees along the way.

CIPD research suggests that, in many ways, the 'old' psychological contract is still alive and well (see box). Employees still want security. Interestingly, labour market data imply that there has been little reduction in the length of time for which people stay in individual jobs. They are still prepared to offer loyalty, though they may feel less committed to the organisation as a whole than to their workgroup and possibly to their customers or clients. In general, they remain satisfied with their jobs.

The findings of the most recent CIPD survey of employee attitudes (Guest and Conway 2004) suggest that organisations are more successful than before in delivering on their promises. This may mean that employers are more aware of the need to manage the relationship with employees. Levels of employee satisfaction and commitment are up. The main areas of concern in terms of a healthy employment relationship are issues about fairness and trust. Fears that commitment was about to fall off a cliff in protest at employers' collective failure to match employees' expectations have not been borne out.

> **The state of the psychological contract**
> Press reports often suggest that UK employees are dissatisfied, insecure and lacking in commitment. Major national surveys, including those undertaken by the CIPD, show that this picture is at best distorted:
>
> - A majority of employees consistently report that they are satisfied with their jobs.
> - Four in five employees are not worried about losing their job, and most expect that, if they did lose their job, they would be able to find another one at similar pay without having to move house.
> - Levels of commitment have remained broadly stable in recent years.
> - However, trust in the organisation has declined somewhat.

Some academics have distinguished between 'relational' and 'transactional' contracts (for example, Rousseau 2004). The terms of relational contracts are typically broad-ranging and diffuse, depending for their continuation on the quality of the relationship between employer and employee. Transactional contracts on the other hand are narrower and

more tightly defined. They may be more short-term and focus on tangible benefits such as pay and conditions. It has been suggested that there has been a shift in recent years from relational to transactional contracts as organisational change has undermined old certainties and reduced employees' trust in their employers. Although levels of trust have fallen, there is little evidence that a one-off shift of the kind suggested has taken place in the quality or nature of the employment relationship. The fact that employee commitment is broadly stable, with many workers continuing to work significantly more than their standard hours on a voluntary basis, seems inconsistent with such a shift.

Of course, the state of the psychological contract in all organisations won't correspond precisely to the picture reflected in national surveys. In some specific sectors, the changes may appear particularly severe. In central government, for example, the psychological contract has traditionally offered not only a high degree of job security, but also stability and generous pensions. Currently, all three seem to be under threat and, particularly set against the aspiration of Government to be a 'good employer', this may appear to be a fairly fundamental breach in the traditional contract. This in turn may prejudice the ability of public sector employers to introduce reform successfully.

What do employees expect from work today?

Although there is a significant degree of continuity, and accepting that the contract has not been turned on its head, the relationship between employers and employees is nevertheless shifting in ways that managers need to understand. The most cursory look at employer behaviour and agreements suggests that many have gone a long way to recognise employee concerns about security and their need to build up a 'portfolio' of skills and competencies that will make them more marketable. Employees can be helped to develop occupational and personal skills, become more proactive and take more responsibility for their own careers. Collective agreements often state that compulsory redundancy will be used only as a last resort.

Younger people – the so-called 'generation X' or even 'Y' – want excitement, a sense of community and a life outside work. They are not necessarily interested,

as many of their parents were, in a 'job for life', nor do they believe that organisations can any longer offer this to them. They also expect to be treated as human beings. The 'diversity' agenda has spread way beyond the treatment of minorities and means that all employees now expect to be treated with respect. The law increasingly reinforces this expectation.

Developing the thesis in *Winning the talent war* (Woodruffe 1999), Charles Woodruffe currently sees employee needs focusing on three areas:

- the reward package. Employers need to offer pay and conditions that will attract and retain good people. They increasingly offer flexible benefits which give employees more choice, for example, the opportunity to trade some pay for more holidays. Employees also need to feel that their pay is 'fair'. But, typically, the reward package is less critical to employers' ability to achieve high performance than other 'softer' aspects of the employment relationship.
- employability. Woodruffe identifies three elements of the relationship as critical to employability. These are career advancement (see below), the opportunity for personal development, and being part of a respect-worthy organisation. Challenge and the opportunity to grow and develop are important elements of job design. CIPD recruitment surveys in recent years have shown that people want to work for an organisation that they can feel proud of and employers are building this into their recruitment strategies and practices.
- job satisfaction. Here, Woodruffe lists achievement, a sense of direction, respect and recognition, autonomy, balance, and a sense of fun. In particular, there is an important link between employees feeling they have a satisfactory balance between their work and personal lives, and having a positive psychological contract. Employers need to think through how employees can be helped to achieve such a balance.

This list of employee needs and expectations is different in important respects from that applying even ten years ago, both in its content and in the weight attaching to individual needs. Woodruffe contends that employers now need to 'play by different rules'. There have been major shifts in

employee priorities, particularly among younger employees and those in higher paid or professional jobs. These shifts partly reflect tighter labour markets and partly inter-generational changes in attitudes as children react negatively to aspects of their parents' lifestyles. The challenge for employers is to adapt their policies and communications so as underpin a positive psychological contract in the face of changing employee needs and expectations.

What is happening to careers?

Some comments on the likely impact of labour market change have suggested that employers are no longer able to provide 'careers' and that this is bound to sour the employment relationship. Charles Handy (1995) is identified with the idea of 'portfolio' careers, with individuals more likely to pursue a series of unrelated jobs, either over time or in parallel. These ideas seem to be something of an over-reaction to the economic downturn of the 1990s. Research suggests that, while organisations have been delayering and reducing the number of middle management posts, most employees have in fact adjusted their career expectations downwards. Many will be satisfied if they believe that their employer is handling issues about promotion fairly. They may also benefit from the opportunity to negotiate alternative career options.

Nevertheless, employee attitudes to careers are not static. The CIPD report on employee attitudes (Guest and Conway 2004) referred to above looked particularly at attitudes towards careers and identified three distinct groups of employees. The first group is looking for what might be called a traditional career. They display high commitment and motivation. The second group is more disengaged. They want no emotional ties to the organisation and display low levels of motivation. The third group is looking for independent careers, not tied to any particular organisation. They report low levels of commitment and satisfaction. By adopting good employment practices, employers can maximise levels of motivation and satisfaction among their workforce.

The report also found that:

- Eighty per cent of respondents would prefer (in future) to manage their own careers – a point in support of Handy's (1995) 'portfolio' interpretation.
- Seventy-three per cent prefer job security to being employable in a range of jobs.
- Thirty-six per cent still say they are looking for 'traditional' careers.
- Twenty-four per cent are seeking 'independent' careers, where 'independent' is characterised as being associated with a preference for being employed in a range of jobs, managing your own career, spending a short time in a lot of organisations, and 'commitment to yourself and your career' – ie close to Handy's 'portfolio' career.

Handy also suggested that organisations are increasingly distinguishing between 'core' and 'periphery' workers as more employees are forced out of permanent jobs into temporary work or self-employment. This looked reasonably plausible when it seemed as though permanent jobs might be on the way out. But this no longer looks at all likely. Temporary jobs in the UK have been stuck at between 6 and 8 per cent of total employment for more than a decade: 6 per cent in 1992, peaking at 7.8 per cent in 1997 and falling subsequently to 6.2 per cent in 2004 (Moynagh and Worsley 2005). CIPD surveys of employee attitudes have also shown that temporary staff are more highly motivated and more satisfied with their jobs than staff on permanent contracts, and are likely to have a more positive psychological contract.

How do employees react to change?

Do employers get blamed for changes that employees see as negative? The report on the CIPD's survey of organisational change (Guest and Conway 2001) examined what employees thought about the extent to which employers keep their promises, and what happens when they don't.

Only one in eight employees said their organisation had broken an important promise in the previous year. Over half (55 per cent) of these promises related to pay or promotion. Much smaller percentages of contract violation related to job security and workload (both 7 per cent). Where the breach is seen as serious, however, this can lead to strongly negative emotions, such as anger and a sense of betrayal.

Asked who was responsible for the breach, two-thirds of employees blamed either senior management or the organisation as a whole. Asked why they believed the breach occurred, two in five employees said management could not control the event. Twenty-two per cent cited incompetence, 22 per cent felt they had been deliberately misled and 11 per cent referred to the pressure and workload that managers were under.

Employees understand that organisational promises are quite frequently broken, and seem to accept it as an inevitable part of working life. Serious violations of the psychological contract are relatively rare, but, when they do occur, they have a big emotional impact. Managers should be aware that employees expect commitments to be honoured, and should try to avoid letting them down. If circumstances require a policy reversal, employers should take time to explain what this means for employees and why it has happened. This can sometimes be a challenge, but if employees believe that disappointments have been caused by management dishonesty or incompetence, they are unlikely to want to make their best efforts.

The idea that breach of the psychological contract is likely to damage employee attitudes is not simply a deduction from academic analysis. It is reinforced by case study research. Reorganisation at a Scottish manufacturing plant showed that, where employees believed the company had breached the psychological contract over areas such as pay, communications and personal development, they were more likely to report lower levels of job satisfaction. Frequent introduction of change programmes, including revised mission statements and teamworking, seemed to lead to high levels of cynicism among supervisory and shop-floor workers (Pate, Martin and Staines 2000).

The findings of the CIPD survey of organisational change (Guest and Conway 2001) suggest that, contrary to popular opinion, employees have a positive view of change and often see it as helping them do their jobs better. Employees are not hostile to change as such, but some kinds of change are likely to have a negative impact on employee attitudes and this can seriously damage change programmes.

A majority of employees in the survey believed that, on the whole, changes at work made things better rather than worse. Changes in job design, new technology and products were welcomed by employees. About half also reported having experienced some sort of increase in work responsibilities and demands. The impact of these changes was generally positive, leading to higher work satisfaction and commitment and lower likelihood of employees leaving the organisation. Changes in job content had either a neutral or slightly positive impact on employee attitudes.

However, the findings on HR and personnel policies tell a rather different story. In general, the message is that, across a wide spectrum of HR policies, many intended for their benefit, employees' judgement was that the impact was negative. More than one in five employees had experienced such changes,

including changes in policies affecting security, training, prospects or careers; reward, pay or appraisal; information, communication, involvement and relationships; and in policies affecting how, when and where work is done.

Redundancy programmes in particular have a consistently negative impact on employee attitudes. The report emphasises that these are the responses of employees who have 'survived' redundancies, rather than people who have been made redundant. This suggests that there is something about the way redundancies – whether voluntary or compulsory – are handled that sends negative signals to those who stay. Many employers are responding to such findings by offering outplacement services that help employees who leave to find alternative employment.

The scale and pace of change also influence how it is received. Large amounts of organisational change are shown to have a negative impact on attitudes. It also seems likely that, where changes take place frequently, this may weaken employees' belief that management knows what it is doing and is steering a consistent course. On the other hand, where employees feel they have some control over the changes, they are generally positive about them and feel that the changes are beneficial to them and the organisation.

It is interesting to note that work restructuring, reorganisation and particularly culture change programmes were found to have little or no effect on employee attitudes and behaviour. This supports other evidence suggesting that many culture change programmes fail to achieve their goals. Where restructuring and reorganisation have an effect, it is negative, harming employee relations and increasing employees' propensity to quit.

Contract breach or renegotiation?

Organisations increasingly recognise that change need not necessarily inflict terminal damage on the organisation, provided they commit to active, ongoing renegotiation of the psychological contract. US academic Denise Rousseau (1996) suggests that employees need to have a good understanding of the nature of the business, its strategy, market conditions and financial indicators because, if people don't understand the reasons for change in the 'old' contract, they are unlikely to see it as legitimate or to contribute usefully to creating a new one. She outlines four stages in the successful transformation of psychological contracts:

1 challenging the old contract: explaining why change is needed
2 preparation for change: involving employees and creating transitional structures to manage change
3 contract generation: helping employees make sense of the new contract
4 living the new contract: getting consistency in words and actions across the organisation.

This renegotiation process underlines the fact that the psychological contract is not something that is set in concrete and, once broken, cannot be mended. Rather, it is a continuous image of the employment relationship that involves the ongoing management and adjustment of beliefs and commitments on both sides.

How can employers manage change successfully?

For many employers, the key to competitive success is innovation. The CIPD's report on employee attitudes (Guest and Conway 2001) shows that innovation is significantly associated with employees having more scope for direct participation, higher levels of commitment and more HR practices. These results fit with other research which suggests that good job design, reflected in increased scope for direct participation by employees, is a key influence on innovative behaviour.

Research for the CIPD at the Said Business School (Molloy and Whittington 2005) has also found that two of the critical steps to successful change are:

1   securing the involvement of employees and other stakeholders
2   adopting an effective communications strategy.

The researchers commented that, 'Users, management and other stakeholders will demand honest, consistent and up-to-date information whether the news is good, bad or unremarkable.'

> 'Not all stakeholders will have positive and constructive attitudes towards change. Indeed, some may be intent on sabotaging change. This can happen at any level. Managing change after a merger, takeover or change in ownership can be especially fraught in this respect. Feelings may be running high at all levels of the organisation, from insecurity about jobs to bitterness about location moves and new ways of working. Using existing knowledge of stakeholder issues it may be possible to anticipate some difficulties. Identification of these issues can form part of the risk management process and inform a counteractive strategy where necessary.'
>
> (Molloy and Whittington 2005)

Getting employee buy-in to change

Analysis by Mike Emmott (in Burkitt 2001) looking at the evidence about what practices led to employee involvement concluded that:

* Although UK employers are making less use of indirect involvement practices, they are making more use of direct involvement.
* There is strong evidence, based on large-scale studies and supported by managers, that direct involvement practices have a positive impact on performance.
* There is no evidence that indirect involvement per se has any impact on business performance.
* There is some evidence suggesting that a combination of direct and indirect involvement practices – voluntarily adopted by organisations – can be more powerful than either on its own.
* There is evidence for the effectiveness of 'partnership' arrangements where management seeks active trade union input, but the benefits come primarily in those cases where management offers a share in strategic decision-making.

The message is that managing change effectively is about getting employees on side and ensuring they are not taken by surprise. Employees expect to be treated fairly. They need to feel that management can be trusted. They want to know what has happened if their expectations have been disappointed. All these things are more difficult to manage in times of change but they are also more important than ever at such times.

The role of line managers

Managing change well depends on getting line managers, as well as other employees, on side. John Purcell's (Purcell et al 2003) study of the 'black box' linking people management and business performance found that the quality of line management was fundamental to extracting performance benefits from enlightened HR policies and practices.

Case study: Getting people on board at United Utilities

At United Utilities every employee in the organisation attended a two-day away-day designed to introduce them to the new values and culture of the organisation and new ways of working. Every event was attended by at least one director or the chief executive. This involved 25,000 people over 18 months – a major project in itself. Starting with the top team, selected employees were trained to facilitate the away-days and cascade the same event throughout the organisation, training other employees in the process. This undertaking was a radical departure from the previous management style, not least because never before had the organisation carried out the same event for everyone in the organisation, whether they were chief executive or an operative. The key aim was to get everyone to work through actions and behaviours with their managers and work teams and to feedback to each other in a constructive way. As the project manager pointed out, the unfamiliar approach produced some surprising results:

'Sitting in a room in a semi-circle, no table, two facilitators and, you know, sort of sharing experiences. It's very alien to a lot of our people. There are people who go on the workshops who were cynics, completely, at the beginning, who are almost like it's a revelation about what they found out about themselves. You know, almost evangelic! Gets a bit scary.'

At the end of the two-day workshop, people came away with a 'blue chip', a bit like a casino chip, that represented issues that were important to them as individuals. The idea behind this was that in the event of the employee feeling that they were not being fully listened to, they could refer to the blue chip as a way of ensuring their concerns would be acknowledged in a mutually supportive way. As a means of continuing to capture the learning from the workshops, each participant had a 'buddy' allocated to them who they could meet up with after the workshop at any time. The value was summed up by the HR manager as follows:

'So you go on the workshop. You have the two days and you come away with better understanding within the team. You come away perhaps with something that the team have said that they will do. And mostly you've had a chance to spend some time with people out of work that you wouldn't normally.'

A wide range of communications approaches can be effective in influencing employee attitudes but the CIPD's report on employee attitudes (Guest and Conway 2001) showed that it is those closest to day-to-day performance and to the job that are most effective. Top-down communication from senior management is generally seen as the least effective approach to getting key messages across. Mission statements, which are widely used, are no more than moderately effective. Communication by line managers is essential to getting across to employees messages that are believed.

Unfortunately, research suggests that a majority of line managers are failing in many of the basic elements of good management, including providing regular feedback (Guest and Conway 2004). If line managers are not doing their job, change initiatives will fail. One of the biggest challenges for HR is to support line managers in their responsibilities for managing and developing their people.

Dealing with stress
Stress has been moving steadily up employers' agenda in recent years and can be exacerbated by major change. The most recent CIPD employee attitude survey (Guest and Conway 2004) shows that, in a number of dimensions, respondents are reporting stress levels which exceed those in the standards published by the Health and Safety Executive.

More reassuringly, there is a strong link between having what the report calls a 'high-quality workplace' and low levels of employee stress. Satisfaction, motivation and commitment are all more positive in high-quality workplaces, as is the state of the psychological contract. HR practices, including flexible working, are major contributors to creating a high-quality workplace.

Despite some cynicism about employers' willingness to delegate responsibility, and employees' enthusiasm for accepting it, high-performing organisations demand that employees make an important contribution to decisions that would formerly have been seen as the sole prerogative of management. This is partly an issue of the way that jobs are designed and partly of helping managers adopt new behaviours.

Case study: representation and consultation at CACHE

Direct face-to-face contact with senior management proved to be an effective method for reassuring employees that their interests and concerns were being sincerely listened to. At CACHE, a much smaller organisation with eighty employees, four elected representatives were chosen to participate in discussions with the senior management team. The role of the representatives was to act as a conduit for comments and information about the reorganisation process. These representatives had personal responsibility for keeping all staff updated with progress via e-mail. The representatives were trained for the role by specialist consultants along with members of the HR team. HR took minutes of the meetings between the representatives and the senior management team and these were then circulated via email to all staff. The meetings were held during normal working hours.

An innovative process was initiated in order to elect the representatives. First, nominations for representatives were requested by HR. Each person who stood for election needed two other members of the organisation to sign a memo in support. If more than four people were nominated, a ballot would be held, with the winners being the first four past the post. In the event of a tie, the chief executive was to toss a coin in the presence of both nominees. In addition to the system of elected representatives, CACHE also placed a suggestion box at reception for staff who wished to contribute other ideas about the reorganisation at any time. These regular meetings with employees, coupled with question-and-answer sheets served to break down fears about job security and mistrust of management during the change process.

Summary

The evidence discussed above demonstrates that:

- A majority of workers report major organisational changes taking place.
- Employees are not necessarily hostile to change.
- Major changes – particularly leading to redundancies – tend to cause negative attitudes.
- Most people say change is badly managed.
- The psychological contract has a key impact on performance and supports the 'black box' model linking HR and performance.
- Breach of the psychological contract can seriously damage the employment relationship.
- Employee trust in organisations has declined and this can make the process of managing change more difficult.
- In terms of communicating or renegotiating the psychological contract, top-down methods are less effective than direct communications by line managers.
- Although there is no 'new deal', employees are increasingly in the driving seat and looking for work–life balance.

What should organisations do in order to manage change effectively? It won't always be possible to avoid breach of the psychological contract but employees are more likely to be forgiving where managers explain what has gone wrong and how they intend to deal with it. The contract may need to be renegotiated. Key steps for managers are:

- Take people management issues into account in planning change.
- Manage expectations by giving early warning of changes.
- Involve employees and get 'ownership' of the changes.
- Communicate – share information with employees, listen to the response.
- Consult employees on proposed changes.
- Remember that the line manager's role is often critical.

Managing change is a major challenge for organisations. Unless people issues are faced up to at an early stage, the process is likely to end in tears. HR professionals have a key role to play in contributing to top-level decisions about the direction and pace of change and in supporting line managers across the organisation in implementing them. The idea of the psychological contract, and the research evidence outlined above, can help HR managers to make the business case for incorporating effective people management policies and practices into the change management process, and to successfully manage their implementation.

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