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Identifying and managing psychosocial risks during organizational restructuring: It's *what* you do and *how* you do it

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ABSTRACT

Over the past years, employees have experienced substantial organizational restructuring implicating changes in the design, organization and management of work. Many of these changes have a possible negative impact on engagement, well-being and health. The current study describes how a large oil and gas industry organization, based on research and best practice principles, developed and integrated a method for managing psychosocial risks during change. Furthermore, this study explored the effects of implementing the method on psychosocial factors and health. Two business areas from the organization were included, one going through major restructuring and the other not undergoing major changes. Psychosocial factors and health were measured each year from 2012 to 2015, when the restructuring took place. We hypothesized that the psychosocial work environment as well as health scores would significantly deteriorate during the first period of the reorganization process for the unit going through reorganization as compared with the unit without changes, but thereafter improve after the implementation of the psychosocial risk management methodology. We found general support for the hypotheses, indicating that the implementation of the risk management methodology had beneficial effects on the psychosocial work environment and health. This study also addresses strengths and lessons learned that can be useful for organizations and the research community.

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1. Introduction

Over the past decades, organizational change has become a prominent characteristic of organizational life. The changes often imply major transitions for employees, such as new roles and tasks, new leaders and coworkers, losing colleagues, changed social status and job insecurity. Many of these changes can be defined as psychosocial risks that may have negative impacts on engagement, well-being and health. As a consequence, organizational change efforts may fail to achieve the desired economic objectives (Datta et al., 2010) and the risks of human error and accidents may increase (Mathisen and Bergh, 2016; Zwetsloot et al., 2014). Accordingly, there is a need for a consistent research focus to enhance the understanding of how to prevent or mitigate the negative consequences of organizational change on employees. In this study, we introduce a method for managing psychosocial risks that was implemented in a major company going through numerous

organizational restructurings. The method consists of three main modules: implementation of psychosocial risk management in the company management system, indicators for monitoring psychosocial risks during change, and a toolkit to support leaders in addressing psychosocial factors during change. The method was developed in order to address adverse effects of change. We also present preliminary findings regarding the effects of the method on the psychosocial work environment and employee well-being and health. A major aim of this article is to illustrate how psychosocial interventions during organizational change can be embedded as part of existing risk management systems and processes within the organization.

1.1. Organizational change and restructuring

Organizational change is a wide-ranging concept and can involve a number of different strategies, actions and consequences. An important factor is the extent to which the change influences the employees' job situation. Transformational changes that involve modifications of the core system of an organization, including values, ways of working, structure and strategy, are likely to

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affect employees' well-being more than less-pervasive changes (Bamberger et al., 2012). Among the most dramatic transformational changes are restructurings, as they can involve issues such as relocations, offshoring, closure, mergers/acquisitions, outsourcing, and internal restructuring including downsizing (Eurofound, 2014). Restructuring is among organizational changes that involve the highest level of psychosocial risks (de Jong et al., 2016) and will be addressed in the next sections of this paper.

1.2. Organizational restructuring and employee well-being and health

A number of studies have investigated the effects of organizational changes on employee well-being, and four review studies summarize the findings. In the first review, (Quinlan and Bohle, 2009) found that downsizing was associated with increased job insecurity. Furthermore, downsizing and job insecurity had negative effects on occupational safety and health in almost all included studies. (Westgaard and Winkel, 2011) reviewed studies on effects of different categories of rationalization on mental and musculoskeletal health (i.e. downsizing, restructuring, lean practices, parallel versus serial production and high-performance work systems). There were negative effects of rationalization on health as well as risk factors for negative health effects (e.g., increased workload, reduced job satisfaction). Downsizing and restructuring had the most negative effects. (Bamberger et al., 2012) presented a systematic review of the impact of organizational change on mental health (with a focus on stress, anxiety and depression). Among five out of six cross-sectional studies, there was an association between organizational change and elevated risk of mental health problems. However, longitudinal studies showed mixed results, as only six out of 11 studies found associations between exposure to organizational change and subsequent mental health problems. The most recent review study included only longitudinal studies and investigated the impact of restructuring on employee well-being (de Jong et al., 2016). The conclusion was that restructuring generally had a negative impact on employee well-being. Furthermore, the majority of studies showed that restructuring had negative effects on well-being in the short term as well as long term, indicating that employees had problems recovering after the change.

Altogether, the review studies point out that there are evidently some negative associations between organizational change and employee health and well-being. Still, some studies do not document such negative effects, indicating that there are moderating factors that influence the employees' experience of the change. In order to prevent negative effects, it is thus essential to understand such moderating mechanisms.

1.3. What factors moderate the relationship between organizational restructuring and employee health and well-being?

In their recent review study, (de Jong et al., 2016) found that changes of the following job characteristics embedded as part of the change were related to reduced well-being and/or health: increased physical demands, reduction in skill discretion (i.e., variety of tasks, low levels of repetitiveness, and possibilities to learn new things and develop special abilities), decreased participation in decision-making and reduced control. Other studies have identified factors that promote health and well-being during restructuring. In their review study, (Westgaard and Winkel, 2011) indicated that when restructurings involved the introduction of high-performance work systems (i.e., teams with considerable autonomy, training opportunities and benefits from intensification of work), most studies reported positive, or partly positive, psychological effects of change.

Several factors relating to the restructuring process itself have an impact on well-being. According to (de Jong et al., 2016), communication and provision of information about the restructuring is positively related to mental health and commitment. Furthermore, the perceived general quality of change management and quality of training relating to the restructuring favorably affected job strain. Procedural justice and perceived fairness in how the restructuring is implemented was positively related to well-being. Thus, both the content of the restructuring itself, as well as the process of restructuring, seem to be important with regard to employee well-being and health.

(Tvedt et al., 2009) introduced the term "change process healthiness". Based on a previously-published qualitative study (Saksvik et al., 2007) the authors emphasized the following elements as particularly important to healthy change: awareness of diversity where leaders aim to create a climate where everyone is listened to; manager availability mitigating uncertainty and facilitating communication of change goals and purpose; constructive conflicts where all employee reactions are considered seriously; and early role clarification that reduces role ambiguity and role conflict. Data from seven organizations demonstrated that change process healthiness was negatively related to stress and positively related to perceived control and support.

Findings from the management research field also indicate that the consequences of change largely depend on the change process. For instance, in their review study, (Datta et al., 2010) reported that effective communication, characterized by openness, helpfulness, accuracy, completeness and timing, could help to reduce worries and resistance to change among employees during downsizing. Furthermore, giving employees a sense of control by allowing for input on the process and opportunities to express their views could result in increased commitment to the change.

1.4. Intervention studies: mitigating negative health risk factors and promoting supportive factors during organizational restructuring

As indicated in the previous section, the process of change is important to health and well-being, and managers should be capable of running the process in a sound way. What do we know about intervention efforts aimed at handling psychosocial risks during restructurings? Intervention studies aimed at counteracting negative psychosocial and health effects of organizational change are rare. One early study investigated a work-site change involving a merger of four wards of a geriatric hospital with a larger hospital (Lokk and Arnetz, 2002). Two wards were randomly selected as the intervention ward and the control ward. The psychosocial intervention was largely performed before the implementation of the restructuring and consisted of an educational part about stress and a process-oriented part involving exploration, feedback and group discussions about different topics and problems. The results showed that the intervention ward did not change in any of the psychosocial indexes after the intervention, while the control group showed a positive development on six out of the 10 indexes. Thus, the intervention did not have any documented effects.

(Nielsen and Daniels, 2012) studied effects of leadership training during a reorganization process that involved implementation of team structure. The leaders were responsible for implementing the change and then assumed the role as team leaders. The studies examined whether training leaders in team management to cope with demands would change their appraisal of the job and preserve their well-being. No relationship was found between training and well-being. However, when the employees were supportive of the change, there was an effect of training on the leaders' well-being. This finding illustrates the complexity of factors that determine the experiences of a change process and the accompanying challenges with developing suitable training programs.

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