

Mindsets matter: Are your leaders on board?

Accenture Strategy



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When the pandemic hit, companies around the globe transformed overnight, powered by adrenaline, survival instincts and a workforce united with management against a common threat.

Now as the C-suite looks to launch transformation initiatives to tailor costs to new economic realities, they face a distinctly different threat: employee mindsets have shifted. Dramatically. Most alarming is that the greatest disconnect is likely among those closest to the C-suite—the top managers who must lead the charge, rally the troops and execute change initiatives. In fact, one-third of upper managers and nearly one-quarter of middle managers are either change resistant or alienated at work.¹ This disconnect is not only startling, it is a massive liability, which is why leaders must act with urgency to understand the mindsets of employees today. Because achieving meaningful change is not about issuing edicts: it's about enlisting employees in the mission.



The rules of survival mode no longer apply

Companies were forced to make immediate, radical changes to survive during the height of the pandemic. Now, the C-suite will need to focus on longer-term transformations to drive growth and resiliency—circumventing silos and tailoring costs to support new business models and build capabilities, including technology and talent.



However, it is clear this business transformation is not going to look like those in the past. Lasting change has always been elusive with major transformations. The threat now as the C-suite prepares to launch transformation initiatives is that employee mindsets have shifted. Significantly. More than 80% of managers say that COVID-19 has impacted the way they think about work in general and their attitude toward their companies' leadership.²

This new dynamic raises the stakes. It requires the C-suite to approach change initiatives differently, with a deeper understanding of employee mindsets and new, more meaningful ways of addressing them. The pandemic brought together employees and management as colleagues fighting a common enemy. More than a year later, employees expect more from their leaders. These employees are also fatigued. Many are searching for purpose in their work. Moreover, they are asking fundamental questions about the role of work in their lives. The old days of top-down edicts from the C-suite are over.

Lasting change has always been elusive with major transformations, today even more so. Business transformation is not going to look like it has in the past.

Employee mindsets have shifted

During the past year, business filled the void created when people lost trust in public institutions and their dealing with the pandemic, political unrest and societal issues. Eighty-four percent of managers we surveyed said they looked to their business leaders for guidance during the crisis, and 87% considered those leaders to be an authoritative voice during the pandemic.³



The reality is that employees are taking stock, watching what their employer does next and considering their own future. In fact, the 2021 Edelman Trust Barometer ranked business as the most trusted institution globally. Business scored a 61% trust level, the highest among the four institutions that Edelman studied—business, NGOs, government and media. An even higher percentage of respondents (76%) indicated that they trust their own employer.⁴ While encouraging, trust can also be squandered.

The prolonged realities and stress of work and life without outside distractions have caused people to re-evaluate their priorities. Many are making moves as a result. They are not just leaving their jobs. They're moving across country, changing careers, rethinking their work week

and commute, or leaving work entirely through early retirement. A shocking 95% of workers are looking at changing jobs; a full 92% of workers say they are willing to change careers.⁵

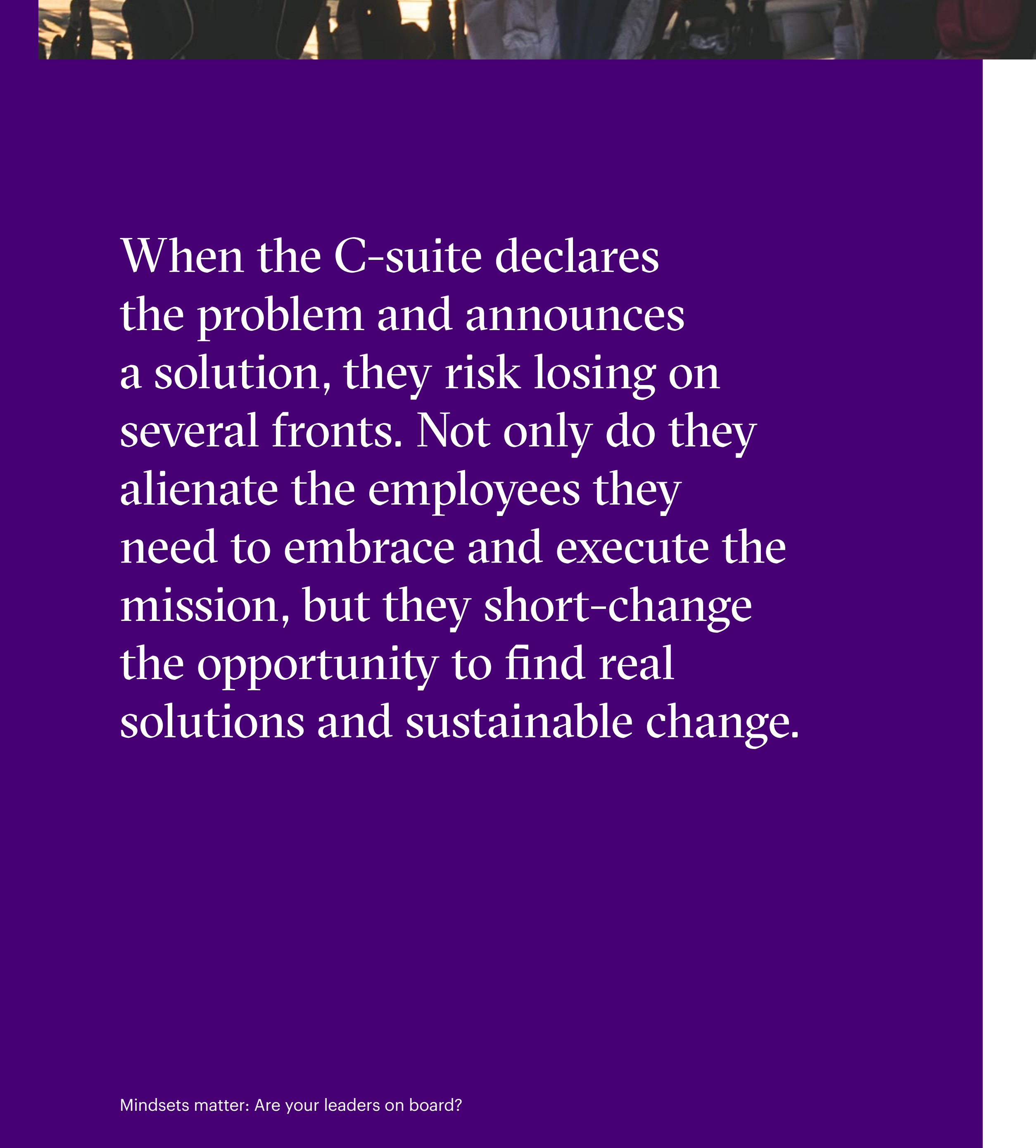
This data makes sense in light of a recent survey that found 75% of workers surveyed have experienced burnout at work, with 40% saying they experienced it specifically during the pandemic.⁶ As forecasters predicted, we are seeing a wave of post-pandemic resignations, including a record four million workers who left their jobs in July alone.⁷ Even in cases where employees plan to stay in their current job, nearly half of them say they would look for a new job if it would afford them a better work/life balance.⁸

During severe recessions, the voluntary turnover rate is around 1.2%. Today, the voluntary turnover rate in the United States is 2.7%.⁹



Stop informing. Start enlisting.

There is a clear dynamic at play that goes beyond pent-up desire to change jobs. After a year of lockdowns, workers have not only reimagined their jobs and careers, but they are also reconsidering their ambitions and how their work lives contribute to their lives more broadly.



When the C-suite declares the problem and announces a solution, they risk losing on several fronts. Not only do they alienate the employees they need to embrace and execute the mission, but they short-change the opportunity to find real solutions and sustainable change.

Leaders cannot ignore this new dynamic. We all know employees are as important as customers. Yet many leaders still approach their workforce as a captive audience with top-down communications focused on informing them instead of *enlisting* them in the transformation initiatives. There is a stark contrast between the two.

Consider how a major global retailer brought employees into the cost transformation planning process. By engaging the workforce early on, leaders gained an understanding of the need for more clarity around roles, better communication, and additional training and incentives to encourage lasting behavior change. The retailer conducted design thinking sessions to address the concerns and anchor the transformation initiative around employee mindsets and their concerns around innovation, ownership and accountability.¹⁰

To be successful, employees need to be partners in the transformation, yet many are not. The failure to actively enlist workers in change processes can lead to critically low levels of engagement. Most concerning? The greatest dissent is found among upper managers: employees that play a critical role in leading the charge, rallying the troops and implementing change. They are *least* likely to be on board with transformation measures. One-third of those closest to the C-suite are either resistant to change or alienated. About the same is true for nearly one-fourth of middle management.¹¹ If those on the front lines—managing directors, senior vice presidents or plant managers—are not on board with the mission, it is unlikely to be successful.

While many transformations have succeeded in driving growth or taking costs out initially, they have failed to achieve sustainable savings and profitability improvements. A leading oil and gas company was able to avoid this fate by bringing employees along throughout the change initiative. The company went beyond costs to identify the cultural and capability barriers to sustaining a “zero-based” mindset, then worked with a cross-section of employees in a series of co-creation workshops to identify initiatives that would sustain the zero-based culture. These included a complete redesign of the end-to-end employee experience to address systemic issues, new capabilities and visibility to maintain this way of working as well as a new governance and reporting framework.¹²



What employees think drives what they do

To understand how to engage employees successfully on the transformation change journey, we looked at differences in the mindsets of both upper and middle managers.



We asked two key questions.

01 Did the executives surveyed lean toward a business-first or people-first approach? (To be clear, companies need both)

02 Did employees show a strong commitment to—or relative disconnection from—the organization?

From their responses, we identified four distinct mindsets.¹³ Just as any best-practice customer segmentation approach informs how to communicate, interact and treat groups of *customers* in a differentiated way, these four mindsets should underpin how to engage distinct *employee* groups, especially when embarking on a transformation.

Want to get people on board with transformation? Know the four employee mindsets.

Adopting an employee-centric approach is imperative to implementing large change initiatives. There is no one approach; every firm has its own mix of mindsets. Some may be similar to those in Accenture's research; others may skew more to a particular group. Understanding where your employees' mindsets are is critical to addressing them in a meaningful way.

It's no longer a binary question of whether you employ a top-down or bottom-up approach to transformation but finding the balanced path that works for your situation. Speed and clarity of direction are important, as are employee buy-in and trust. Finding the right balance is key. Understanding where your employees' mindsets fall both individually and across the organization can enable a customized approach for each mindset segment.



Four employee mindsets

01

Business Operators

This group represents the single largest segment of managers. Although they have confidence in the company's leadership and appreciate the growing concern for people, they want to see tougher decisions made to stabilize the business as a priority. Business Operators appear nearly equally in upper and middle management (42% versus 43%). They respond well to the rhetoric and rationales of senior leadership and are willing to do what it takes to get the job done. However, they also may share the same blind spots as the C-suite.

02

People Champions

As the name suggests, this group is focused on people first and foremost and supports things like mental health initiatives. More than a quarter of upper managers and 30% of middle managers react to large C-suite driven transformation initiatives by considering their effects on colleagues rather than the company. Many have held long tenures at their companies and see themselves as liaisons between the C-suite and the rest of the company. People Champions view C-suite decisions as trade-offs made between the interests of the company and employees. Their insights can be valuable in designing the human-centric aspects of the new business strategy.

03

Change Resistors

This is a group that's gone through multiple marketplace cycles and may have a jaded view of transformation. They have experienced massive change programs that haven't been sustained and doubt things will be different once the pandemic is over. About one in five upper managers are change resistant. Fourteen percent of middle managers fall into this category. While they are not the best messengers to lower levels, they know what has failed in the past and can play a role in ensuring it doesn't happen again. Embrace them as part of the solution.

04

Disaffected

These people were not entirely confident of senior leadership before the pandemic, and now are even less so. They're not seeing the C-suite "walk the walk" when it comes to employee concerns. Additionally, they're reluctant to serve as a bridge between leadership and the rank and file and are unlikely to help improve morale or trust. The numbers of the Disaffected are similar for both upper (13%) and middle management (12%). While these percentages are not overwhelming, it is key that the C-suite understand and acknowledge this group's views. Addressing the concerns of the Disaffected can have a ripple effect of positive change across all employees.



Giving employees a voice in transformation

The COVID crisis made it clear to employees and business leaders that they have to get there together, or they don't get there at all. This is one pandemic lesson that still applies. Transformation cannot be something that happens *to* employees. It should happen with them.

We're not talking about messaging; we're talking about giving employees a voice in the change initiative and a role in making it successful.

Here are three actions companies can take to enlist employees in change initiatives:



01

Understand and gain insight into the four mindsets that exist in your company using advanced segmentation data and analytics (Expressive Segmentation). Integrate a quantitative view of what employees do with a contextual qualitative understanding of how they think. By marrying the two, your company will have better data to drive change management strategy and decision-making. This deeper understanding is especially critical now as employees come out of a period of uncertainty in their professional and personal lives. We can expect a spike in the Change Resisters and Disaffected mindsets. For some, it may be a chronic condition, for others, it was borne out of the pandemic.



02

Enlist employees as allies to ideate and activate solutions. When employees are part of co-creating the solution, making the changes are easier and ultimately more successful. Enlisting employees not only engages them in a shared mission but helps gain insight and uncover solutions. Approach each mindset differently based on their needs and expectations. Perhaps they see things you do not. Perhaps there are real risks to employees' well-being, job satisfaction, and trust hidden in your transformation strategy. Balance how you prioritize, design, and execute change initiatives—not top-down or bottom-up, but by co-creating. Challenge teams to develop and test improvement. Ask them what they believe the right performance targets are and to provide proof points. Get their views on how long it should take given the competitive landscape, financing requirements and risk. Encourage innovation by crowd-sourcing ideas from employees—and fund the top ideas.



03

Engage employees in each of the four mindset groups across every business unit. Recognize that understanding, enlisting, and engaging employees is not a one-and-done proposition. The mindsets of employees, like customers, are liquid. Mindsets shift and conditions change, but all mindsets are likely to be present in any organization at any given time, and weighted towards one or two of the four. Learning to see and engage with each of the mindsets is key. To ensure a more successful transformation, a continuous feedback and measurement loop is essential to understanding and adapting. Technology is a powerful accelerator. By applying robust analytics, you can better understand, profile, and segment employees; and model using a mix of factors including geography, line of business and function.

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About this Research

Accenture Research interviewed 1,300 executives across 15 industries from US-based publicly traded corporations of at least \$1Billion in revenue via a web-based survey in late 2020. Of the 1,300 respondents, 300 were C-suite members, while 500 were upper management-level executives and another 500 were middle management-level executives. Summary findings from this research were published in Harvard Business Review on March 4, 2021 in the Leadership section, “Are Your Managers in Sync with Your Change Strategy” by Professor Joseph Fuller and Bill Theofilou.

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