



When Reorganisation Misses the Social Connection

The way we work together is about more than our org chart.

In the Milan office of a global consulting firm, two senior colleagues sit over coffee, as they have done for years. But their valuable working relationship, in which they share information about clients, team members and the local economic climate, has recently changed. A new strategy and corporate restructuring has altered reporting lines and performance targets from the local office to the regional level. Although these two are in the same location, formal corporate structures now reward them less for working together and more for working with colleagues in other offices. The pair continue to have a deep interpersonal connection – forged by working together for many years. After the reorganisation, this time spent over their espressos could be reallocated to developing new relationships that meet the goals of the new strategy better.

Firms often implement reorganisations with little regard for the interpersonal connections that might be affected in the process. The relationship between these two colleagues is influenced by the reorganisation; more or less so by the extent to which it aligns with formal changes. It is also possible that their relationship could undermine the changes pronounced from on high. If leaders are not cognisant of these interpersonal relationships when implementing new strategies, they may change formal reporting lines but with little impact. Relationships born in the old formal structure could

persist and hinder successful change.

In a recent empirical study published in *Long Range Planning*, we found that deep interpersonal connections remain unaffected by formal changes. On the other hand, professional relationships highly intertwined and embedded in a firm’s network of employee relationships are likely to comply with changes. Our sample, based on in-depth survey interviews, was comprised of 884 work relationships of 96 partners about 18 months after a major reorganisation at a global consulting firm. With these data, we were able to map and study the partners’ networks.

Professional networks

In the interviews, partners were asked who was key to their professional success. Consider your own relationships in the office: They are likely to grow stronger over time. Shared work experiences create greater dependencies and obligations. In the study, we measured the depth of a relationship by considering personal dependence and replaceability. If a relationship is easily replaced, it is the colleague’s professional role that is valuable to you rather than the individual. We found that when there is a personal depth to a relationship, it is less affected by structural changes. The depth of interpersonal connection and dependence is what brings colleagues together as opposed to a firm’s

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official structures and the pressures to conform to organisational changes.

Another prism through which we can consider professional relationships is how deeply embedded those relationships are in the larger social network. In your own network, many of your close work connections would also have working relationships with each other. Everyone in your team is linked to one another – these relationships are more structurally embedded. Our findings suggest that when two people in an organisation are surrounded by many common contacts, conformity and cohesion have myriad influences on that relationship. For example, when you work in a team and are told to do something differently, everyone in that team can see whether or not you're making the change or adhering to the new policy. There is a good chance that you are going to conform because those relationships make it more necessary and everyone else is on the same journey of formal change.

For our friends in Milan, the deep nature of their connection will shape their response to the reorganisation. At the same time, the two come from the same office and have been at the firm a while, so they are likely to be highly embedded in the firm's overall network. The question becomes: Will their interpersonal connection and dependency mean that they resist changes that would weaken their relationship? Or does their embeddedness in the firm's social structure make them more likely to comply with the changes? Our study shows that the interpersonal connection is more pervasive and persists even in the face of a change that could potentially weaken their relationship.

Relationship lessons

With the understanding that people connect in different ways, and that the networks in the organisation may serve to facilitate or hinder formal change, firms planning a strategic reorganisation would do well to keep in mind:

1. Implementing strategic change will likely require changes to the formal organisation. This will not only affect interpersonal relationships, but the same relationships will also influence the extent to which the change can take effect. Too often strategy implementation does not consider the wider organisation and the people involved in making it successful. A first step for senior management is to understand that organisational change may affect interpersonal relationships.

2. Deep interpersonal relationships are likely to survive and could resist an organisational restructuring. For people who are highly engaged and embedded within the organisational structure, the change will be more effective. But strong

interpersonal relationships may reduce the effectiveness of a reorganisation, so leaders need to understand where the strong interpersonal ties are and how they can be optimised.

3. The creation of new ties will follow formal structural changes. We know that with a major change, the new ties are often strongly structurally embedded and are directly aligned with the changes put in place. The formal structure will impact the way people connect and interact – how they spend their time, who they talk to and what they talk about. Leaders should be aware of the impact on professional relationships that follow formal change – those gained and those lost.

Network ties directly shape **new business and knowledge growth**, as **Michelle Rogan** (UNC Kenan-Flagler) and Mors have described. When managers are free to invest their personal resources such as experience and knowledge in creating their own networks, their contacts are more willing to provide resources in return. Incorporating all this into reorganisation strategy ensures that value for the firm is not lost.

Change fatigue and informal networks

When teaching organisational change, Lynch has found that too much change can have unintended consequences. In a previous study, she found that if reorganisations are never ending, informal networks grow in power. When there are no structures in place to guide people, employees create their own “informal bureaucracy” to make sense of change. It is possible to make an organisation change-weary. When organisational change is rare and done well, formal structures are more impactful and the informal network can work to support and ease the path to change.

Transformation at every level is one of the hallmarks of the digital era. Organisational change is necessary, but if it occurs at the same rapid rate as technological change, relationships within a firm are bound to be tested because employees can only take so much churn. When considering a strategic reorganisation, senior leaders must consider the butterfly effect of their “small” changes and how the working environment and positive relationships between colleagues can be reinforced rather than disrupted.

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