Corporate restructuring: Does damage to institutional trust affect employee engagement?

by Amelia Marais[*] and Karl Hofmeyr[**]

Abstract

The business environment is continuously changing and organisations are dealing with the after-effects of a global economic slowdown as well. Organisations are under pressure to change the way they do business in order to remain competitive in a more demanding and cost-controlled environment. Many organisations have turned to restructuring as a strategic decision to realign internal structures with changing macro-environmental factors. Through restructuring they implement cost cutting by downsizing or re-engineering processes and closing down unprofitable divisions. The finding from this research is that, within the population studied, restructuring and damage to institutional trust affect the level of employee engagement. This finding was supported by statistical evidence which indicated that there is a high correlation between corporate restructuring, institutional trust and employee engagement and that a change in experience or perception of one of these constructs will affect the others accordingly. The conclusion drawn was that retaining the trust and commitment of employees is a central issue for companies in a highly competitive and changing environment. The article provides clear evidence of the possible negative implications of corporate restructuring and provides practical suggestions for limiting the potential problems.

Key words: *restructuring, trust, employee engagement, job satisfaction, commitment*

1 Introduction

The increase in global competitiveness, together with advances in technology and ongoing changes in the environment, requires organisations to continuously adapt and be willing to change their structures, strategies, methods and practices to remain competitive. In some cases they need to transform themselves from rigid bureaucracies into leaner, more flexible operations (Cummings & Worley 2009). Rising stock market instability and major corporate accounting scandals have increased the accountability of managers, who are also required to deliver improved performance and enhanced market value to shareholders. Companies that fail to deal with these issues successfully may lose their independence, or even have to close their doors (Nag & Pathak 2009).

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1.1 *Background to the study*

Markos and Sridevi (2010) say that in this century more efficiency and productivity are being demanded of people than at any other time in history. Businesses are striving to increase their performance and managers have to deal with many challenges in order to put their companies ahead of competitors. Scholars, researchers and consultants have put forward different theories and suggestions to help managers improve their performance. Concepts such as Total Quality Management (TQM) and Business Process Reengineering (BPR) have earned recognition in the second half of the twentieth century and had been found to be helpful in increasing organisational performance by focusing on operational and process improvements.

Corporate restructuring also became a popular approach to dealing with the challenges of a competitive business environment (Nag & Pathak 2009). Corporate restructuring often followed mergers, acquisitions, demergers or other structural changes, and sought to promote resource optimisation in the organisation. Barney and Wright (1998) highlight a contradiction when they suggest that most corporate annual reports boldly claim that the firm's people are its most important asset, and yet when organisations are required to cut costs their first thought is to reduce investments in people in the form of training, wages and headcounts. A likely outcome of such downsizing and cost-cutting is mistrust; a trust gap develops between managers and employees, and there is a loss of trust in the organisation as a whole (Rankin 1998; Tyler 2003).

The point of departure in this article is that restructuring causes uncertainty, with potential side effects in the work environment. As a result of restructuring, employees might be suspicious about the future direction of the organisation and their role in it. This situation can impact seriously on trust and job satisfaction (Lee & Teo 2005). Without the support of employees, managers are likely to experience lower productivity and weakened organisational performance (Zeffane & Connell 2003). Trust is especially important in knowledge-based organisations because it is known to support knowledge-creation processes and related interactions (Blomqvist 2002; Tyler 2003).

It should be remembered, however, that companies are using advanced operating techniques and as technologies become ever more sophisticated, organisations need more employees with advanced technical and professional skills. The challenge facing managers is that these knowledge workers cannot be managed as they were previously—using old-style totalitarian management. Knowledge workers expect operational autonomy, job satisfaction and status and the attention of managers is consequently shifting towards creating job satisfaction for their employees. Concepts like employee commitment and organisational citizenship behaviour (OCB) began to appear during the last quarter of the twentieth century, when managers started realising that efficiency and productivity were a function of their employees' ability and commitment. As a result, they began focusing on keeping employees happily engaged in their jobs (Markos & Sridevi 2010).

For organisations to be sustainable, it is not sufficient to define a vision and mission statement (Ray 2003). Organisations have to establish, entrench and live their cultures so that they are in a better position to obtain trust and buy-in from employees as a means of gaining an advantage over other companies. In this decade competitive advantage is determined by staff improvement and engagement (Ray 2003). Robinson and Hayday (2003) assert that research in the past focused on employee satisfaction, employee commitment and motivational approaches whereas employee engagement encompasses all of these, including an individual's emotional state. Although there is

an overlap with the topics of employee commitment, motivation and satisfaction, there is a differentiation in the sense that employee engagement is a two-way relationship between the employee and the organisation. This relationship can be explained as the organisation's working to engage the employee and the employee's choosing the level of engagement he or she wants to offer the employer (Robinson, Perryman & Hayday 2004). Employee engagement was described more recently by Cheese, Thomas and Craig (2007) as a complex phenomenon, defined physically, intellectual and emotionally as follows: "I am here; my mind and my feelings are on the job and with the people around me".

A study undertaken by Lee and Teo (2005) indicated that both trust and job satisfaction are negatively affected by the extent of change required from employees in the immediate period (three months) following an organisational restructuring. If this were to continue, it could seriously endanger the productivity of the organisation. It was concluded that the restructuring of an organisation affects the socio-psychological well-being of the organisation (Lee & Teo 2005).

1.2 *Research objectives*

This study set out to determine the extent to which corporate restructuring affects the institutional trust of an organisation's employees. It also aimed to establish whether once damage to institutional trust occurs, decreased employee engagement is the result. The researchers believe that this is an important topic as competition will continue to force companies to change in order to survive. Managers will need to manage this change process successfully if they wish to retain the commitment of their employees.

The main focus of the study was to explore the relationship between corporate restructuring, institutional trust and employee engagement. It aimed to:

- establish the relationship between corporate restructuring and institutional trust;
- determine the effect of damaged institutional trust on employee engagement; and
- determine whether there is a relationship between corporate restructuring and employee engagement.

The study will analyse this issue and attempt to deduce a correlation between the effects of corporate restructuring on employee trust in institutions and determine how this impacts on employee engagement.

2 Literature review

2.1 *Corporate restructuring*

Competitive pressures require many companies to restructure themselves from rigid bureaucracies to leaner, more flexible designs (Cummings & Worley 2009). These companies are also forced to reexamine their human resource management (HRM) practices to ensure organisational success (Brewster, Sparrow & Harris 2005).

Lee and Teo (2005) argue that whether at national, industry or organisational level, restructuring to realign internal structures with fast-changing macro-environmental factors has become a strategic requirement. More competitive markets and greater demands on cost control force organisations and businesses to implement cost-cutting through downsizing, reorganising divisions, streamlining operations, and closing down unprofitable divisions. Nag and Pathak (2009) say that restructuring is a

multidimensional process. It is an on-going process that includes improvements in efficiency and management, a reduction in staff and wages, asset sales (for example, a reduction in subsidiaries) and enhanced marketing efforts, all with the expectation of higher profitability. Corporate restructuring is achieved through changes in corporate structure, including financial structuring, and optimisation of resources. For the purposes of this research corporate restructuring includes components of cost-cutting through downsizing, reorganisation of divisions, reengineering of processes, streamlining of operations, and closing down of unprofitable divisions. All of these factors are applicable to the organisation being researched.

2.2 Institutional trust

Hassan and Semerciöz (2010) differentiate between factors that cause trust, trust itself and the outcomes of trust. They define trust as "the willingness of a party to be vulnerable to the actions of another party". They add that trust is influenced by a trustor's propensity to trust, and the trustor's perception of a trustee.

Different types of trust have been identified. Distinctions based on the nature of the trustee may be drawn. There is trust in particular people (interpersonal trust) or in organised systems (impersonal trust) (Maguire & Phillips 2008). Impersonal trust is based on roles, systems and reputation, whereas interpersonal trust is based on interpersonal interaction between individuals within a particular relationship (McCauley & Kuhnert 1992; McKnight, Cummings & Chervany 1998; McKnight, Choudhury & Kacmar 2002). The impersonal dimension of organisational trust is also known as institutional trust. Trust in the organisation is the evaluation of an organisation's trustworthiness as perceived by the employee, that is confidence that it will perform an action that is beneficial or at least not harmful to him or her (Tan & Tan 2000; Atkinson & Butcher 2003; Maguire & Phillips 2008). The focus in this study is on organisational trust as an impersonal construct.

Kramer (1999) states that employees may draw inferences about institutional trust from the behaviour of highly visible role models in top management. According to Costigan, Ilter and Berman (1998), most employees base their trust in top management on the outcomes of decisions and less on direct personal experience of the character or actions of the individuals. McCauley and Kuhnert (1992) also indicate that the nature of trust between employees and management is not interpersonal, but is based on roles, rules and structured relations within the organisation. Employees also evaluate the organisational environment in order to decide whether or not they will trust management. If the environment encourages a high level of trust in management by employees, the employees will reciprocate by exhibiting high levels of trust.

Vanhala and Ahteela (2011) found in the course of their research that HRM practices influence impersonal trust. It is likely, therefore, that employee trust in the organisation is related to perceptions of the fairness and functioning of such practices, and this knowledge could be used to improve this dimension of organisational trust. Organisations and managers should endeavour to design HRM practices that enhance this impersonal dimension. This is important as organisations cannot rely solely on interpersonal trust, and opportunities for face-to-face communication and interpersonal relationship development may be limited (Vanhala & Ahteela 2011).

2.3 Corporate restructuring and institutional trust

The current business environment is characterised by:

- globalisation – the movement from local economies to worldwide economies;
- diversity – more diverse workplaces and markets;
- flexibility – fewer rules and procedures, greater need for flexible workforces;
- flattened structures – less management, more worker empowerment; and
- networks – more strategic alliances and more direct communication as a result of new information technology (Adams, Thomson, Brown, Sartori, Tamsen Taylor & Waldherr 2008)

In response to these pressures, many organisations have resorted to corporate restructuring and there is a danger that this could have an impact on organisational trust. This is a concern, as trust has been identified as a characteristic of effective organisations. A Watson Wyatt survey (2002) found that total return to shareholders over a three-year period was 186% higher for those companies that had high levels of trust than those with low levels of trust (Watson Wyatt 2002). Trust has also been viewed as a major construct in research predicting individual-level and organisational-level outcomes such as job satisfaction, organisational citizenship behaviours, organisational commitment, job performance, employee productivity, innovative behaviours, organisational revenue and profit (Lewicki, Tomlinson & Gillespie 2006; Colquitt, Scott & Lepine 2007).

The reciprocal nature of trust implies that if the structures, roles and climate of the organisation communicate a lack of trust in employees by top management, employees will respond with distrust. Should top management communicate a high level of trust in its employees, employees will reciprocate with high levels of trust in management (Hassan & Semerciöz 2010). The role of top management involves the creation and management of a system conducive to this two-way trust.

The operational environment of companies is complex and rapidly changing, which makes impersonal trust a potential source of competitive advantage. While interpersonal trust (e.g. a close supervisory role) is critical, organisations could benefit further from fostering complementary impersonal forms of trust. Employees who are able to trust the organisation they work for can have confidence in their future in it, even if other employees and supervisors cannot provide sufficient support for the advancement of strong interpersonal trust. If employees can trust the organisation without having personalised knowledge of each decision maker and key actor, this should promote efficiency (Kramer 1999).

2.4 *Employee engagement*

Employee engagement is a two-way relationship between employer and employee that exists to create positive organisational performance (Markos & Sridevi 2010). Engagement refers to the emotional, rational and motivational connection that people have with their organisation (Davenport & Harding 2010). Kramer (1999) describes the field of employee engagement as bourgeoning, with companies pouring resources into developing a more engaged workforce. Many organisations believe that employee engagement is a central source of competitive advantage which has the potential to solve challenging organisational issues such as the need to increase workplace performance and productivity (Macey & Schneider 2008; Macey, Schneider, Barbera & Young 2009). Research has encouraged this belief, suggesting simply that organisations with high levels of employee engagement have positive organisational outcomes (Kular, Gatenby, Rees, Soane & Truss 2008; Shuck & Wollard 2010).

Employee engagement is broader in scope than job satisfaction, employee commitment or organisational citizenship (Markos & Sridevi 2010). It is a two-way relationship between employer and employee with the ultimate aim of creating positive organisational performance. Employees who are engaged are emotionally attached, highly involved in their jobs, show great enthusiasm and are willing to go the extra mile (Markos & Sridevi 2010). Fernandez (2007) discusses the distinction between job satisfaction and engagement, arguing that employee satisfaction is not the same as employee engagement. Managers can no longer rely on employee satisfaction to help them retain the best and the brightest people. Robinson, Perryman and Hayday (2004) describe employee engagement as a positive attitude towards the organisation and its values, awareness of the business context, and a willingness to coordinate with colleagues to improve performance for the benefit of the organisation. To achieve this, the organisation needs to nurture engagement to strengthen the two-way relationship between employer and employee.

Shuck and Wollard (2010) define employee engagement as "an individual employee's cognitive, emotional and behavioural state, directed toward desired organisational outcomes". According to Saks (2006), employees who are engaged exhibit attentiveness and mental absorption in their work and display a deep emotional connection toward their workplace (Wagner & Harter 2006). Other researchers also describe job satisfaction as merely a part of engagement. Job satisfaction only reflects a superficial, transactional relationship that is based on the organisation's last round of perks and bonuses, whereas engagement includes passion, commitment and willingness to invest oneself and expend one's unrestricted efforts to help the employer succeed. This is a state beyond simple satisfaction with the employment arrangement, or basic loyalty to the employer (BlessingWhite 2008; Macey & Schneider 2008).

Towers Perrin (2007) conducted employee surveys among nearly 90 000 employees in 18 countries and define engagement as the employees' willingness and ability to contribute to company success. Engagement is therefore the extent to which employees "go the extra mile" and put unrestricted effort into their work—contributing more of their energy, creativity and passion on the job. According to the Towers Perrin Global Workforce Study (Davenport & Harding 2010), employees' engagement levels were based on their responses to questions that measured their connections to the organisation across three dimensions (Figure 1):

- Rational: How well employees understand their roles and responsibilities (the "thinking" part of the equation)
- Emotional: How much passion and energy they bring to their work (the "feeling" part of the equation)
- Motivational: How well they perform in their roles (the "acting" part of the equation).

Lockwood (2007) indicated that employee engagement is affected by many factors, ranging from workplace culture, organisational communication, trust, respect, leadership and company reputation. Marks (2007) explained that engaging employees to understand the business strategy and support organisational transitions becomes critical, as this is where employees typically experience lack of control over their future.

Figure 1
Dimensions of employee engagement
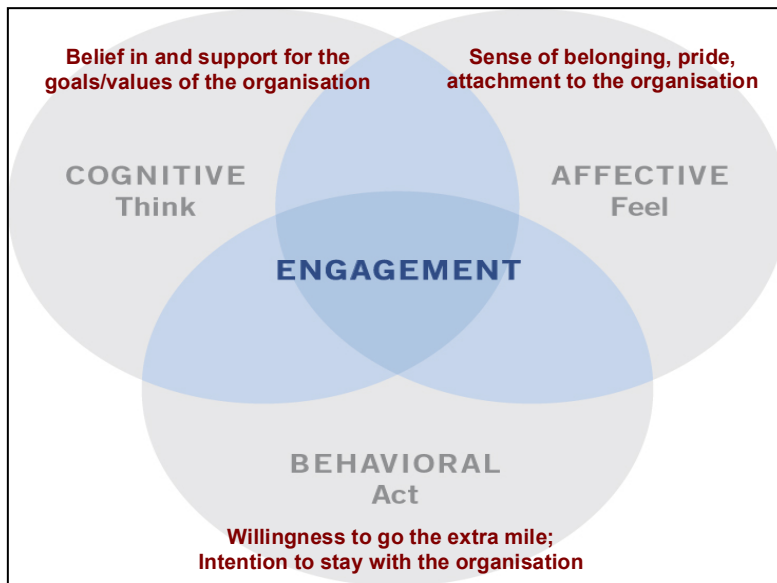
Source: Davenport & Harding 2010

3   Research objectives

In this study the researchers wanted to observe the phenomenon of corporate restructuring and the effect this has on institutional trust and employee engagement. The underlying proposition was that the economic climate and other pressures often require organisations to restructure themselves. Restructuring usually results in organisational change and mismanagement of the process impairs organisational effectiveness and employee trust. This in turn might result in employees' disengaging from their work and from the organisation (Cummings & Worley 2009; Marks 2007).

Three questions framed the research:

1   Is there a relationship between corporate restructuring and institutional trust?

2   Does damaged institutional trust affect employee engagement?

3   Does corporate restructuring influence the extent of employee engagement?

The study also investigated the relationship between biographical data and the way different groups of employees experience organisational restructuring.

4   Methodology

This study employed a quantitative methodology. Collis and Hussey (2003) describe quantitative research as objective in nature, in that it concentrates on the measuring of phenomena, collects and analyses numerical data and applies statistical tests. Scores and weights are assigned to the responses in the survey instrument used, to enable statistical analysis (Zikmund 2003). A descriptive approach was used to determine the levels of association between the variables. Corporate restructuring was the independent variable in the study and institutional trust and employee engagement the

dependent variables. As noted earlier, corporate restructuring as applied in this study includes components of cost-cutting through downsizing, reorganisation of divisions, reengineering, streamlining of operations and the closing down of unprofitable divisions.

The study was limited to a large platinum mining company in North West, a province of South Africa. The divisions of the mine which were included in the study were those which were either (1) in the process of restructuring or (2) within an 18-month period after restructuring. The sample was drawn from frontline employees, including junior, middle and senior managers.

4.1 Research participants

The research was conducted using a questionnaire consisting of pre-tested, descriptive questions that related to the concepts of corporate restructuring, institutional trust and employee engagement. The reliability of these constructs was confirmed statistically (see 4.4 below). Questionnaires were distributed randomly amongst employees in the C, D and E bands as per the Paterson grading system (Paterson 1973). No identification or contact information was requested from the participants and confidentiality was thereby ensured. A convenience sampling method (Zikmund 2003) was employed to identify a large enough sample to make it possible to extrapolate to the total population.

Four hundred questionnaires were distributed and 302 were completed, representing a response of 75.5%. The biographical grouping of the respondents was as follows.

Table 1
Biographical grouping

Age	20-30	31-40	41-50	>50
	66 (22%)	102 (34%)	85 (28%)	48 (16%)
Population group	**Black**	**White**		
	209 (69%)	93 (31%)		
Gender	**Male**	**Female**		
	166 (55%)	136 (45%)		
Grade	**C-Band**	**D-Band**	**E-Band**	
	168 (56%)	91 (30%)	43 (14%)	

4.2 Measuring instrument

The questionnaire consisted of two sections. Section 1 consisted of biographical variables: age, population group, gender and job level. The second section consisted of questions to be answered on the basis of a five-point Likert scale. Five questions measured corporate restructuring and dealt with the perceived fairness of the restructuring, communication during the restructuring process, change efforts and leadership during the restructuring process. Eight items measured employee engagement and were taken from the Corporate Leadership Council engagement study and from the Towers Perrin Global Workforce Study (2007–2008). Trust was assessed using the impersonal organisational trust model developed by Vanhala and Ahteela (2011).

4.3 Research procedure

The company assisted in the distribution of questionnaires. Twenty Organisational Psychological Best Practice Community members (OPS BPC) were asked to distribute

20 to 25 questionnaires each to 20 to 25 employees in person. The questionnaires were to be completed by the employees and collected by the OPS BPC members and returned to the researcher. The target was to distribute at least 400 questionnaires. A two-week period was allocated for distributing and collecting the completed questionnaires. Owing to the sampling and administration method used, a high response rate of 75.5% was achieved. To ensure confidentiality, no identification or contact information was requested from the participants. Questionnaires were placed in boxes and collected from the Organisational Best Practice Community members.

4.4 *Statistical analysis*

The reliability of the research instrument was validated using a Cronbach's alpha reliability test. The five items measuring corporate restructuring, the seventeen items of institutional trust and the eight items measuring employee engagement were tested and Cronbach's alpha produced values between 0.7906 and 0.8952. The reliability of the constructs could therefore be confirmed. Analysis of variance (ANOVA), regression analysis and Pearson's correlation were used to interrogate the survey results. Factor analysis was used to determine the validity of the institutional trust construct and multiple regression was used to test the relationship between the dependent and the independent variables.

The nature of the constructs was investigated using descriptive statistics and distributions. A test for normality was also performed and it was found that all the constructs were normally distributed. Pair-wise correlations were conducted to indicate the relative strength of the relation between the constructs. The constructs were found to be highly positively correlated at Sig<0.05, implying that an increase in the one will result in an increase in the other. These results indicated that a relationship exists between the constructs corporate restructuring, institutional trust and employee engagement and that a change in the perception of one will affect the other.

Conclusions drawn from this study are limited as the study was conducted within a single organisation. The study would require replication in other organisations before broader conclusions could be drawn. The use of pre-restructuring as baseline data and post-restructuring information within the organisation could mitigate some of the retrospective biases that might have occurred.

5 Findings

The main purpose of the study was to explore the effect of restructuring on institutional trust and employee engagement. Valid and reliable results would provide managers in business with useful information relating to the impact of restructuring on institutional trust and employee engagement.

As a starting point, the research measured how prevalent organisational restructuring was amongst the respondents in the survey. Seventy-four percent of the respondents were affected by restructuring in the organisation. Twenty-two percent had experienced restructuring between six and twelve months previously and 34% had experienced restructuring between 12 and 18 months previously. These facts confirmed that the company under research was being affected by the restructuring taking place. A minority of the respondents in the sample had not experienced restructuring. One-way ANOVA was undertaken to determine whether there is a difference between the perceptions of those who have experienced restructuring and those who have not. Not surprisingly, it was found that the group that had experienced restructuring had a more negative perception of it than those who had not.

5.1 Results for biographical groups

From the biographical data it was possible to confirm that the profile of the respondents was reflective of the population under investigation. Whites made up 69% of the sample, which reflects the proportion of whites at the relevant levels in the organisation. Males comprised 55% while females made up 45%. There was also a balanced distribution of ages, the dominant age group being 31–40 years.

One of the objects of the research was to determine whether different employee groups experience restructuring in different ways. To do this, Chi-square tests were performed to test whether there is an association between the biographic profile of the respondents and their experience of restructuring. Restructuring that took place 12–18 months previously had the biggest impact on the 41–50 year age group. The lowest age group (namely 20–30 years) were most affected by restructuring that took place 6–12 months previously. Fifty-five percent of the respondents were male and 45% female. No significant association was found between gender and the way restructuring was experienced. It can be concluded that gender does not affect the way employees experience restructuring. There was a significant association between population group and experience of restructuring (Pearson's test had a Chi-square value of 19.69 and a significance value of 0.0002). Compared with the black respondents, significantly fewer whites had prior experience of restructuring, with significantly more black people having experienced restructuring 6–12 months previously.

There was a significant association between job level and experience of restructuring. Significantly more middle managers had experienced restructuring 12–18 months previously. Significantly more senior managers had experienced restructuring 6 months previously, and significantly more first-line managers had experienced restructuring 6–12 months previously. In summary, the majority of respondents had experienced restructuring during the past 18 months, and the biographical data analysis confirmed that restructuring was experienced by all age groups, genders, population groups and job levels.

The research then turned to investigating the three questions posed in the study. Would the findings support the research of writers such as Lee and Teo (2005), who postulated that restructuring causes uncertainty with potential side effects in the work environment?

5.2 Relationship between corporate restructuring and institutional trust

In this study institutional trust was measured using 18 items in the questionnaire. Owing to the large number of items used for the variable "institutional trust", a factor analysis was performed. Using the Principal Component extraction and Varimax rotation, three underlying subconstructs were obtained: Human Resource Management (HRM) practices, organisational activities and organisational reliability. The items loading on the subconstruct "organisational reliability" were "Our top management has a clear vision of the future"; "In my opinion, top management is taking my organisation in the right direction"; "I have faith in the expertise of top management"; "The tools and/or systems that I use in my everyday work function properly"; and "I receive assistance with technical problems whenever I need it".

The subconstruct of HRM was of particular interest as it has been identified in previous research as a key factor in successful organisational restructuring (Brewster, Sparrow & Harris 2005). If employees develop a negative perception towards HRM

practices during the restructuring process, this could impact negatively on the organisation's success. Responses related to HRM practices were as follows, with the "favourable response" made up of employees who responded "agree" or "tend to agree" to the following statements:

Table 2
Perceptions of HRM practices

HRM practices	Favourable response
My employer offers me opportunities to learn new skills and develop myself in my profession	33.5%
There are work practices in my organisation that help us to cope with exceptional situations	37.9%
Our organisation efficiently utilises the expertise of its people	35.2%

These low scores are a cause for concern as restructuring needs to be underpinned by sound HRM practices (Ellonen, Blomqvist & Puumalainen 2008; Brewster et al 2005). The research found that employees in general experienced a lack of trust in the HRM practices during the restructuring process, which could cause serious damage to the organisation. This is relevant because in the opinion of Way (2002) if organisations do not take the views of their employees into consideration, there is likely to be a negative impact on employee perceptions of fairness and on their behaviour. Robinson and Hayday (2003) also emphasised the importance of a positive relationship between the employee and the organisation. This relationship can be explained as the match between the organisation's working to engage the employee and the employee's choosing the level of engagement he/she wants to offer the employer (Robinson et al 2004).

The research found a strong positive correlation between restructuring and institutional trust in the population under investigation (see Table 2). The following results were obtained:

Table 3
Correlation: restructuring and institutional trust

| Variable	By variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob
Institutional trust	Restructuring	0.5274	303	0.4409	0.6042	<.0001*

A linear fit between the variables with restructuring as the independent and institutional trust as the dependent variable was performed and the results are reflected in Table 4.

The linear fit was found to be significant and 28% of the variation in institutional trust was explained by the linear model.

The implication of this finding is that when employees experience restructuring negatively, this will impact negatively on their institutional trust and vice versa. This statistical evidence supports the findings of Lee and Teo (2005) and others (Dietz & Deb 2006; Cummings & Worley 2009), namely that restructuring is likely to cause uncertainty, with potential side effects in the work environment. After restructuring employees are suspicious about the future direction of the organisation and their roles within it. This situation impacts seriously on trust and job satisfaction (Costigan et al 1998). In research by Zeffane and Connell (2003) it was found that efficiency in organisations is possible only when interdependent actors work together effectively in a climate of positive trust. In addition, trust increases the efficiency and effectiveness of communication. Bijlsma and Koopman (2003) identified trust as being critical for

job satisfaction, commitment and performance. A study by Vanhala and Ahteela (2011) found that HRM practices influence institutional trust and that employee trust in the whole organisation is related to their perceptions of the fairness and functioning of such practices. It is obvious from the above that institutional trust can be damaged if employees view restructuring in a negative light and see it as unfair, and it will have a crucial effect on the organisation's attempts to achieve a competitive advantage over other organisations (Barney & Hansen 1994). This study adds to the evidence that restructuring needs to be handled with extreme sensitivity and care in order to limit its side-effects.

Table 4
Graph illustrating linear fit between restructuring and institutional trust
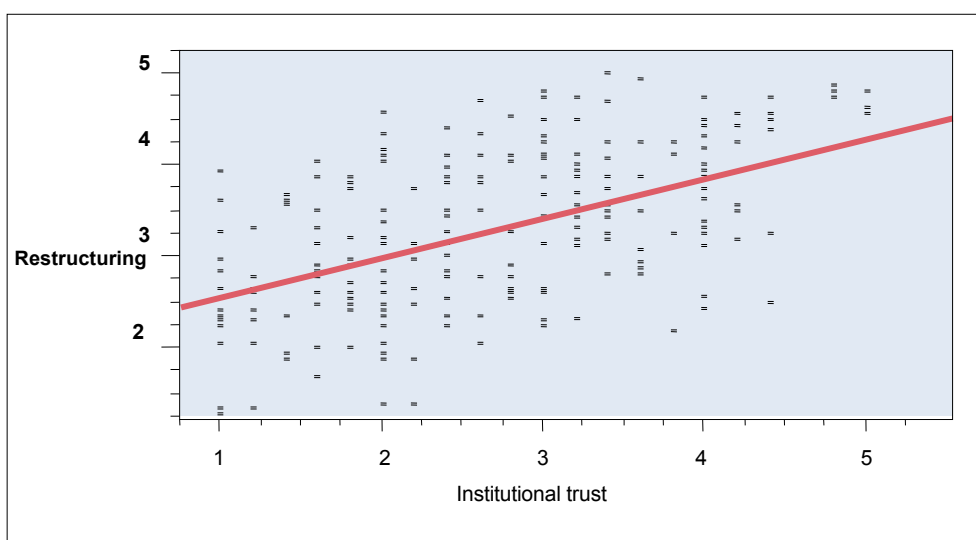
5.3 *The impact of damaged institutional trust on employee engagement*

Employee engagement was defined earlier as a two-way relationship between employer and employee that exists to create positive organisational performance (Markos & Sridevi 2010). There is growing support for the view that employee engagement is a central source of competitive advantage and organisations have been drawn to its reported ability to solve challenging organisational problems such as the need to increase workplace performance and productivity (Macey & Schneider 2008; Macey et al 2009).

The research investigated the question whether there was a relationship between institutional trust and employee engagement. Table 5 shows the correlation between the two constructs.

Table 5
Correlation: institutional trust and employee engagement

Variable	By variable	Correlation	Count	Lower 95%	Upper 95%	Signif prob
Employee engagement	Institutional trust	0.7284	303	0.6707	0.7773	<.0001*

The two constructs are significantly positively correlated, confirming that a change in institutional trust will effect employee engagement. This provides statistical evidence that if the employees have a negative experience or perception of institutional trust, this will impact negatively on how they engage with the organisation, and vice versa.

As in the case of the correlation between restructuring and trust above, a linear fit was performed with institutional trust as the independent variable and employee engagement as the dependent variable. Again, the fit was highly significant, with 53% of the variation in employee engagement explained by the model.

This finding lends support to the literature: Lee and Teo (2005) found that both trust and job satisfaction were negatively influenced by the extent of change required from employees in the immediate term (three months) following an organisational restructuring. If the change was not handled effectively, and continued, this could seriously endanger the productivity of the organisation. In our study, analysis of variance illustrated that respondents who had not experienced restructuring had a significantly more positive mean score than employees who had experienced restructuring in the previous six months. Employees in the immediate process of restructuring, or who were still within the six-month period after restructuring, displayed a negative attitude towards the process. Based on the linear correlation, the assumption can be made that both trust and job satisfaction of these employees are negatively impacted by the extent of change required from employees, and this could have very negative consequences for the organisation.

This study also contributes to the literature that explains trust as a major construct in research, predicting individual-level and organisational-level outcomes such as job satisfaction, organisational citizenship behaviours, organisational commitment, job performance, employee productivity, innovative behaviours, organisational revenue and profit (Lewicki et al 2006; Colquitt et al 2007; Chatbury, Beaty & Kriek 2011). A South African study (Von der Ohe & Martins 2010) explored the impact of different variables on trust relationships in different economic sectors and found significant differences. One of the conclusions was that leaders in organisations need to be aware of the impact of their actions on trust levels during times of change. Chatbury et al (2011) also found a positive and significant relationship between leadership and trust in a sample of South African employees working at an operational level. The type of leadership in their study was "servant leadership" and their findings are supported by Covey (2006), who suggested that servant leadership might be particularly relevant for South Africa as it is characterised by moral authority, humility, service and sacrifice in order to foster trust.

In our research, with a few exceptions the percentage of favourable responses towards institutional trust was very low. Less than half of the respondents perceived the organisation as functioning on such a solid foundation that changes in the business context did not threaten the company's operations, and only 55% thought they had a bright future with their employer. Forty percent felt that top management did not have a clear vision of the future, and they did not think that management was taking the organisation in the right direction. Only 55% indicated that they had faith in top management and two-thirds felt that top management put their own success ahead of that of their employees. Less than half the respondents believed that information on matters that are important to employees was communicated openly to them. The above figures should be a concern to the organisation as they indicate distrust in communication processes, management and leadership within the company, with direct consequences for institutional trust.

A BlessingWhite (2006) study has indicated that one of the key drivers of employee engagement is employee development. They found that almost two-thirds (60%) of the surveyed employees want more opportunities to grow in order to remain satisfied in their jobs. In this study only one in three employees felt that the company offered them opportunities to learn new skills and develop in their profession.

5.4 *The influence of corporate restructuring on employee engagement*

The research sought to answer the question: Does corporate restructuring influence the extent of employee engagement? Pair-wise correlations in our research showed that the constructs corporate restructuring and employee engagement are highly positively correlated: an increase in one construct will result in an increase in the other. This relationship was formalised in the regression model. Restructuring and the biographic features of the respondents were modelled as the independent variables, with employee engagement being modelled as the dependent variable in the following regression model:

Employee engagement =
   2.92457670182349 + 0.315066419136054 *: Restructuring
         +
   Match (: Age,
         20–30 Yrs 0,
         31–40 Yrs 0.330482244070741,
         40–50 Yrs 0.336544242407917,
         >50 Yrs   0.273971798939232)
         +
   Match (: Gender,
         Male   0.00728541499934366
         Female   -0.00728541499934366)
         +
   Match (: Pop Group
         White   0.113144146257845
         Black   -0.113144146257845)
         +
   Match (: Job Level,
         "C"   -0.27566354284756,
         "D"   0.0506044071733497,
         "E"   0.225059135674210)

The model was found to be significant, with 23% of the variation in employee engagement explained by the construct corporate restructuring and the biographic features of Age, Population Group and Job Level. The linear fit between the constructs of corporate restructuring and employee engagement confirmed that a change in perceptions of restructuring would influence employee engagement.

Table 6 shows that employees' perceptions of restructuring tend to be negative, with the percentage of favourable responses being between 23.3% and 35.2%.

Table 6
Perceptions of restructuring

Restructuring	Favourable responses	Unfavourable responses	Don't know
Restructuring affected each department in a fair way	28.2%	59.0%	12.8%
The purpose and overall goals of the restructuring were clearly explained	35.2%	60.4%	4.4%
The outcomes of the change efforts were objectively evaluated	24.2%	59.0%	16.7%
The pain of restructuring efforts was fairly shared among everyone in the organisation	23.3%	63.4%	13.2%
We had an effective project leader for the change efforts	32.2%	55.5%	12.3%

Responses to the questions dealing with employee engagement were more favourable. However, when benchmarked against a South African national norm and a global high performance norm (Towers Watson 2011), the responses are lower than the norms and from the evidence of this research the assumption can be made that this is the result of corporate restructuring within the organisation. The South African national norm includes 72 700 cases and the global norm has 140 000 cases. Variance tests were not conducted and therefore it is not possible to confirm whether the differences are significant. This could be undertaken in the course of future research.

Table 7
Employee engagement compared with norms

Measuring favourable responses towards employee engagement	Research results	SA national norm	Global high-performance norm
I believe strongly in the goals and objectives of the company I work for	80.6%	86%	88%
I support the values for which my company stands	87.7%	90%	92%
I am proud to be part of my company	74.0%	86%	89%
I would recommend my company as a good place to work	71.4%	77%	83%
My company energises me to go the extra mile	71.8%	70%	72%
It would take a lot to make me look for another employer	39.6%	58%	Not available

These results complement research done by Markos and Sridevi (2010), which showed that engaged employees are more emotionally attached to their organisation and more highly involved in their job, that they show enthusiasm for the success of their employer, and are more prepared to go the extra mile for the company. The results also provide support for the study conducted by Lee and Teo (2005) which examined organisations faced with more competitive markets and greater demands on cost controls. These organisations were often found to engage in cost-cutting by downsizing, reorganising their divisions, streamlining their operations, and closing down unprofitable divisions. The research found that employees in a post-restructuring context are understandably wary about the future direction of the organisation and their role in it (Lee & Teo 2005).

5.5 *Responses to the open-ended question*

The research questionnaire included an open-ended question: "What is the one suggestion you could make to improve the effectiveness of restructuring in the future?" The majority of the suggestions (59%) referred to a need for more communication.

Other comments referred to the need for more clarity regarding the impact of the restructuring process, earlier in the process (18%), as well as the need for more involvement from all parties prior to the restructuring process (16%). Respondents also recommended that the chain of command should be shortened and highlighted the need to observe the values of the company at all times.

6 Discussion

This study was motivated on the basis that organisations implementing restructuring as a strategy to remain competitive require a better understanding of the potential effects on the workforce and on the company. The study investigated the effects of such restructuring on employees' perceptions of institutional trust and also set out to determine whether damage to institutional trust affects employee engagement. In addition, biographical data such as data on age, gender, population group and job level were used to explore whether there were differences in employees' perceptions of restructuring, institutional trust and employee engagement, depending on their demographics.

6.1 *Summary of findings*

The study found that 75% of respondents were affected by restructuring in the selected company. Employees affected by restructuring indicated a more negative perception of restructuring than those who were not directly impacted. In terms of biographical differences, restructuring was experienced by all age groups, genders, population groups and job levels. Results indicated that the black population group and employees in the age group 20–30 years and first-line managers had a more negative perception of restructuring, and were less engaged in their work.

The research provides confirmation that corporate restructuring affects institutional trust and that an increase or decrease in the employee's perception of corporate restructuring will result in an increase or decrease in institutional trust. It was also found that an increase or decrease in the employee's perception of institutional trust will result in an increase or decrease in employee engagement. It can be concluded that corporate restructuring will indeed affect the employee's engagement and this was confirmed by the statistical tests applied. In simple terms, damage to institutional trust during corporate restructuring will affect employee engagement.

The respondents were given the opportunity, through open questions, to suggest what they thought the company should do differently during restructuring. The pervasive theme in these comments was the need for more communication during a restructuring process.

Based on the findings of this study, the following inferences can be drawn:

- There is a relationship between employees' biographical data and employees' experience and perceptions of restructuring, institutional trust and employee engagement.
- Employees' experience of corporate restructuring affected their perception of institutional trust and damage to institutional trust was apparent.
- Employee engagement levels in the company were lower than the South African and global high performance norms, indicating that because of restructuring and damaged institutional trust, employee engagement is below the norm.

It was also evident that communication, management and HRM practices play a vital role during restructuring and should be applied constructively to reduce damage to institutional trust and employee engagement.

6.2 *Implications for companies*

This study has shown that there are clear risks associated with corporate restructuring. If institutional trust amongst employees is not on a sure footing, employee engagement is likely to be affected, creating a work environment where decreased productivity could seriously damage the organisation. Managers should focus on building a high trust environment that leads to increased employee engagement, ensuring that the desired results of corporate restructuring are achieved. There should be awareness on the part of management that restructuring results in uncertainty and insecurity for employees, and they need to communicate this understanding to employees with empathy. Managers should move away from traditional management methods of control and promote employee involvement instead. Once the strategic decision to restructure has been made, employees should be consulted and given the opportunity to participate actively in decision making. During this process employees need to feel that they are valued and that their interests are being taken care of. This is vital to ensure employee "buy in" to the restructuring strategy. Their interests need to be aligned with those of management to ensure lasting improvement and achieve the organisation's anticipated restructuring goals.

This study provided strong evidence that employees regard communication as an important factor during the restructuring process. Managers should enhance two-way communication and maintain transparency. The vision, goals, procedures and progress related to the restructuring should be communicated to employees continuously to create a trust relationship.

6.3 *Relevance of human resource management practices*

HRM practices have been found to have a significant influence on employees' trust in supervisors, managers and the organisation as a whole. In this study, employees were found to have a negative perception of both HRM practices and management. Vanhala, Puumalainen and Blomqvist (2011) have proposed a model (validated by confirmatory factor analysis) which suggests that HRM practices need to be designed that enhance an organisation-wide system to support institutional or impersonal trust, as reflected in Figure 2 below.

Markos and Sridevi (2010) argue that unless every aspect of human resource practice is adequately addressed, employees will not fully engage themselves in their job and in the company. Employee engagement is a stronger predictor of positive organisational performance than the three earlier constructs: job satisfaction, employee commitment and organisational citizenship behaviour. Engaged employees are emotionally attached to their organisation, highly involved in their job and show great enthusiasm for the success of their employer. They go the extra mile, beyond the employment contractual agreement. Strong manager-employee relationships are therefore a crucial ingredient in employee engagement in ensuring that organisations achieve their goal of restructuring to obtain a competitive advantage.

Figure 2
Relationship between HRM practices and impersonal trust
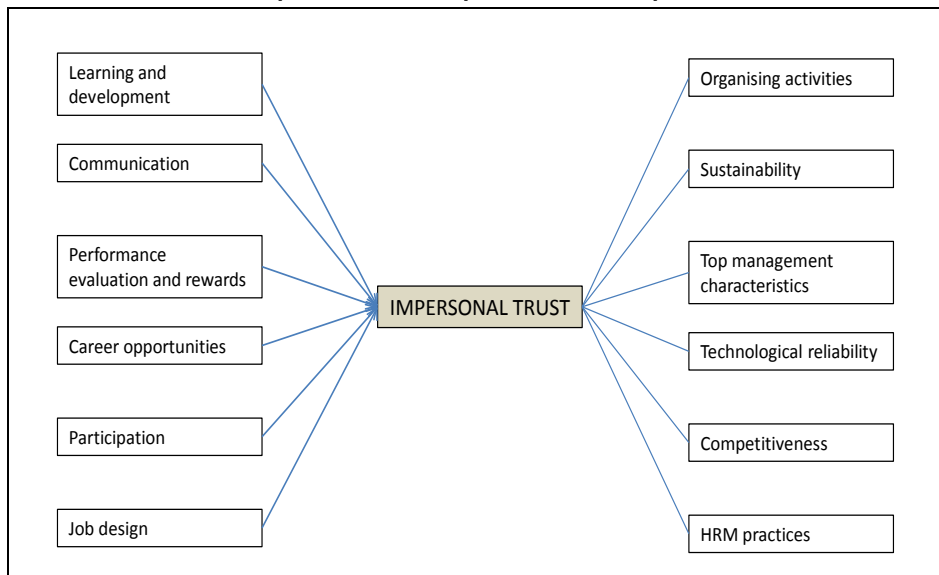
Source: Vanhala et al 2011

Development Dimensions International (2005) say that a manager must do five things to create a highly engaged workforce, namely:

• Align efforts with strategy
• Empower
• Promote and encourage teamwork and collaboration
• Help people grow and develop
• Provide support and recognition where appropriate

The real challenge that managers and organisations face is that of embedding a culture of change in the organisation's psyche. The organisation should make provision for two-way communication and adequate systems to set the foundation for building and maintaining institutional trust, with employees remaining focused and aligned to the business strategy. An engaged workforce is the key for organisations looking to achieve a sustainable competitive advantage.

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