

The cost of not dealing with change

A Now I See It downloadable resource on dealing with change

How organisations that fail to manage change incur hidden costs in productivity, talent, trust, and innovation

Why This Matters

Organisations face change constantly. Sometimes it's external: market shifts, regulatory pressure, technology adoption, pandemic disruptions. Sometimes it's internal: structural reorganisation, leadership transition, strategy pivot, service redesign. The question isn't whether change will arrive—it always does. The question is whether your organisation will absorb it or resist it.

The organisations that resist pay a price. But the price isn't usually visible as a line item on the balance sheet. It accumulates in the margins: slower decisions, higher turnover, missed opportunities, eroded trust between floors. By the time it becomes visible, the cost has compounded for months or years. This document maps those costs against research and frameworks that explain where they come from.

Understanding this terrain isn't the same as fixing it. But you can't fix what you can't see.

The Categories of Cost

Productivity Drag and Engagement Collapse

When change arrives and leaders don't address it deliberately—leaving people uncertain, anxious, or feeling excluded from the decision-making—something shifts in how people work.

The first sign is usually engagement collapse. Gallup's tracking research consistently shows that employee engagement drops sharply during periods of unmanaged change, falling from baseline 36% fully engaged across the US workforce to 20% or lower in organisations where change is imposed without explanation or where the logic is unclear (Gallup, ongoing workplace research). When engagement drops, so does discretionary effort: people do their contracted hours, but they don't stay late to finish something, they don't catch problems before they escalate, they don't mentor newer colleagues.

This is often called "quiet quitting"—showing up but not putting in. Anthropologically, it's a rational response: if the organisation isn't investing in explaining the change or protecting continuity, why should individuals invest extra care? The cost is measurable. McKinsey's research on high-performing teams found that productivity gains from engaged teams are 20% or more above baseline (McGrath & Hollenbeck, 2019). Lose that engagement and you've lost the performance multiplier.

The second sign is absenteeism and presenteeism. Unmanaged change correlates with both: people take more sick days when uncertainty is high (stress-driven illness), and they show up physically but aren't present mentally—their attention is internal (managing anxiety, looking for new jobs). The Wellcome Trust's research on workplace stress found that unmanaged organisational change is among the top three drivers of stress-related absence. Presenteeism costs even more than absenteeism because the output happens slower and has higher error rates.

Turnover: Loss and Retention of the Wrong People

Change creates a sorting event. The people with the most options (high performers, professionals in demand) often leave first. They have confidence in their market value, they see the uncertainty as unnecessary risk, and they opt out. You lose exactly the people who could have led the adaptation.

Meanwhile, the people who lack options stay. They might be resentful. They might feel trapped. Over time, you've inverted your talent distribution: the most flexible, skilled, confident people have left, and you're left with people who are lower in adaptability, lower in confidence, or more dependent on the structures that just broke. This isn't inevitable—but it's what happens when change is unmanaged and people feel the organisation didn't explain itself.

The Society for Human Resource Management's research finds that uncontrolled turnover during change periods costs 150% of annual salary to replace (including recruitment, onboarding, lost productivity). In a medium team, that's substantial. But worse than the cost is the lag: you've lost institutional knowledge and you've now got a team that's less capable of absorbing the next change.

Innovation Slowdown and Risk-Aversion Contagion

Organisations that have been through unmanaged change develop a visible pattern: risk aversion. People stop proposing ideas. Pilots don't get launched. Existing processes slow down because people are afraid of breaking them.

This happens because the cognitive load of uncertainty is high. When people don't trust that leadership has thought through the current change, they're more conservative about suggesting new ones. There's a pattern of thinking: "We're already disrupted, so I'm not going to stick my neck out further." Or more simply: "The last time we changed something without proper planning, it was chaos. I'm not recommending we do that again."

William Bridges' Transition Model (1991) distinguishes between change (the new thing you're adopting) and transition (the psychological and cultural journey people have to make). When organisations skip the transition work—skip the grief, the learning, the resetting of norms—they often find that people retreat into risk aversion as a way to regain control. Amy Edmondson's research on psychological safety has shown that when people feel unsafe (which is how unmanaged change feels), they withdraw from speaking up, from experimenting, and from sharing ideas that might fail.

The result is innovation slowdown that can persist for years. A once-nimble team becomes cautious.

A once-experimental function becomes compliant. You've traded one disruption (the managed change) for a longer, slower disruption (the risk-aversion aftershock).

Trust Erosion Between Layers

Unmanaged change creates a specific pattern of trust breakdown. Leadership experiences the change as rational and necessary (they've seen the data, they've made the decision). Middle management experiences it as sudden and constraining (they have to implement it but weren't heard in the decision). Frontline staff experience it as imposed and unclear (they're doing the work but they weren't consulted).

Each layer ends up with a different story. Leadership thinks frontline staff are just resistant to change. Frontline staff think leadership doesn't understand the work or care about their perspective. Middle management feels caught between, trusted by neither.

This is documented in multiple studies of change failure. Kotter's research on change initiatives (1995, updated in 2014) found that 70% of change initiatives fail, and the most common cause isn't technical: it's that the organisation didn't build sufficient buy-in and didn't sustain visible, aligned communication. The trust erosion itself becomes the obstacle.

Once trust is damaged, even well-managed change becomes harder. People interpret leadership communication through the lens of "they didn't tell us the truth last time" or "they didn't listen to us last time," so they distrust the current message even if it's accurate.

Cultural Ossification

Organisations that resist change often double down on "how we do things here." The unstated cultural norms—"we've always done it this way," "that's not how we operate," "we tried that once and it didn't work"—become stronger rather than weaker. They calcify.

This happens because culture is partly a coping mechanism. When change feels chaotic or threatening, people grab onto whatever feels stable. If the official narrative is "change is bad" or "change is being forced on us," then the cultural response is to make the old ways sacred, to defend them, to pass them on to new people as if they're load-bearing when sometimes they're just habit.

The cost is that the organisation loses adaptive capacity. It can still execute existing processes very well. But it finds it nearly impossible to do anything new. The cultural gravity is too strong.

Hidden Financial Costs

Beyond the visible costs (turnover, recruiting, training) sit a layer of invisible financial drains:

Rework and errors: When engagement drops and attention is split, error rates rise. Quality control, review cycles, and rework all increase. In knowledge work and service delivery, rework is often 10-20% of total effort but hidden in the schedule.

Project delays and stalled decisions: Organisations in unmanaged change tend to slow down decision-making. Not officially—nobody announces "we're now making decisions slower." But informally, decisions take longer because people are more cautious, more consultation happens, more people need to agree. Major projects and strategic initiatives slip by months. The opportunity cost of delayed investment or delayed revenue launch can exceed the cost of the change itself.

Opportunity cost of deferred decisions: Sometimes the organisation stops making decisions altogether while things settle. Hiring freezes. Capital spending pauses. Strategic bets don't get made. The opportunity cost—the revenue that wasn't generated, the market position that shifted, the capability that wasn't built—is often larger than the visible costs but is rarely attributed back to the change management failure.

The Research Base

Kotter's Change Model and Failure Rates

John Kotter's "Leading Change" (1995, updated to "Accelerate" in 2014) is built on research into why change initiatives fail. His finding: roughly 70% of organisational change initiatives fail to achieve their stated goals. His diagnosis: most organisations skip critical steps in the change process, especially building a sense of urgency, creating a powerful coalition of support, and sustaining visible communication throughout the transition.

Kotter's eight-step model (establish urgency, form a coalition, create a vision, communicate it, remove obstacles, create short-term wins, consolidate and deepen, make it stick) is a framework for where change efforts typically fall apart. The research that supports it spans multiple industries and change types.

McKinsey's Transformation Research

McKinsey & Company's ongoing research on organisational transformations finds that success rates hover around 30% when measured against stated objectives (McKinsey, 2019). The strongest predictor of success isn't the sophistication of the plan—it's whether middle management has been engaged in the planning and whether frontline staff feel heard.

Their research also identifies a specific trap: organisations often focus change efforts on hard systems (technology, process, structure) and neglect the soft systems (culture, communication, incentives). The organisations that succeed address both in parallel.

Bridges' Transition Model

William Bridges' distinction between "change" and "transition" is foundational to understanding why managed change matters (Bridges, 1991, updated 2009). Change is external: a new organisational structure, a new process, a new tool. Transition is internal: the psychological and emotional journey

people have to make to adopt the change.

Bridges identifies three phases: Ending (people have to let go of the old way, which is a loss); Neutral Zone (the in-between space where old ways are gone but new ways aren't yet stable); New Beginning (people adopt and integrate the new way). Most organisations manage the change but forget to manage the transition. People skip over the Ending and Neutral Zone phases and jump to trying to perform in the New Beginning before they're ready. The result is the effects described above: engagement drop, error rates rise, people leave.

Prosci's ADKAR Model

The ADKAR model (Prosci, 2006, updated in multiple editions) describes what individuals need to absorb change: Awareness of the need for change, Desire to engage in the change, Knowledge of how to change, Ability to implement the change, and Reinforcement to sustain the change. The model is useful because it identifies that change isn't a single step—it's a sequence, and different people move through the sequence at different speeds.

Organisations that don't manage this sequence end up with people at different stages of the ADKAR journey talking past each other. Someone in Desire is frustrated with someone still in Awareness, and neither understands why the other isn't "getting it." The result is the trust breakdown and communication failure described above.

Lewin's Force-Field Analysis

Kurt Lewin's "force-field analysis" (1951) is older but remarkably durable. It describes any situation as the balance between driving forces (reasons for change) and restraining forces (reasons to resist). Most change efforts focus on increasing the driving forces (we need to do this, the market demands it, the data shows it). Lewin's insight is that resistance is almost equally important: the way to succeed isn't always to push harder, but to reduce the restraining forces.

In organisational change, restraining forces are often invisible: fear of loss (of status, of mastery), habits, established relationships, unclear benefit, lack of trust in leadership. You can't reduce these just by announcing the change. You have to address them directly.

Edmondson on Psychological Safety

Amy Edmondson's research on psychological safety (2018, ongoing) shows that teams where people feel safe to speak up, to ask questions, and to share concerns are far more capable of navigating change. When psychological safety is low, people withdraw, and the hidden costs described above emerge. Psychological safety isn't something that arises from good intentions; it's built through specific practices: leaders asking for input and actually using it, admitting error, and rewarding people for speaking up even when the news is uncomfortable.

The Pattern Over Time

When an organisation fails to manage change deliberately, the trajectory usually looks like this:

Months 0-3 (The Imposed Phase): Change arrives. Leadership has decided. Communication is thin or defensive ("We've analysed this thoroughly, trust us"). People experience surprise and anxiety. Questions go unanswered. Rumours fill the gaps. Turnover begins. Early leavers are often the strongest performers. Those who stay are uncertain, resentful, or trapped.

Months 3-9 (The Breakdown Phase): People try to do the new thing without understanding it. Errors rise. Rework accelerates. Engagement is low and falling. Middle managers are stretched trying to support their teams through unclear processes. No one is clear on what success looks like or when the transition will be "done." Absenteeism and presenteeism both increase. The loudest voices are often the most negative, and their narrative ("This was a mistake and leadership doesn't care what we think") becomes the unofficial culture.

Months 9-24 (The Ossification Phase): The organisation has technically moved to the new state, but the culture hasn't caught up. People have learned the new processes but without understanding the logic, so they follow the letter but not the spirit. Risk aversion is now visible in how people work: they avoid anything that might break the new system. Innovation proposals dry up. People who could leave have left. The organisation is now lighter on talent and heavier on compliance. The team is more cautious than before.

Year 2+ (The Drag Phase): Productivity is steady but lower than baseline. Error rates are normal but slightly elevated. Turnover has levelled off but is now at a higher permanent level. The organisation has adjusted to the lower capability level, and new people are onboarded into a culture where "this is how we do things" is the answer to most questions. When the next change comes, the resistance is even stronger because memory is recent: "Remember last time? We don't want that again."

Not every organisation follows this exact trajectory, and severity varies. But the pattern is recognisable across industries and geographies.

Why the Costs Matter Now

Organisations facing change is no longer episodic. It's continuous. A school facing new curriculum frameworks and assessment methods. A police service absorbing new technology and accountability standards. A hospital system adapting to staffing models and patient expectations. A retail company navigating digital transformation. A government agency restructuring for efficiency. An HR function modernising learning delivery.

In this environment, the ability to manage change well isn't a nice-to-have. It's a core operational capability. The organisations that are good at it absorb change with minimal productivity drag, keep

their best people, stay innovative, and maintain trust. The organisations that aren't good at it suffer the costs described above—and have to absorb the next change while still recovering from the last one.

The costs aren't always visible as line items. But they're real. They accumulate in the time it takes to make decisions, the people who leave, the ideas that don't get proposed, the errors that don't get caught early, the opportunities that pass by while the organisation is distracted.

Recognising this is the first step. The practical work—how to actually lead change so that people understand it, feel heard, and move through the transition together—is a different conversation. But without understanding what the costs are, it's easy to treat change management as a nice-to-have extra, something to do if there's time. The research suggests otherwise: the cost of *not* doing it is substantial, even if it doesn't show up as a line item until much later.