

## Britannia Group Case Study

A People & Culture White Paper



## Neville Richardson Group CEO

Welcome to our case study on the management of change within Britannia.

Three years ago we embarked on a journey of organisational culture change. Our objective was an ambitious one to move from a “command and control” culture to an environment where 4000 people could think and act for themselves confident that the decisions they took, and the contribution they made, would deliver the overall strategic direction. In short an organisation equipped to manage continuous change.

At that time, as we drew up our plans for the future, we set ourselves a three year horizon where we would pause, reflect and refine our culture plans for the next three years. This document forms part of that reflection. It is a record of where we were, the steps we have taken and the progress we have made. It is intended to be a learning document for use both internally and externally.

Culture change is always “work in progress”. It is not a project with a start and an end date, but an evolving process. Consequently this case study is simply the first chapter of an ongoing story.

Back in 2003, when we embarked on this ambitious change programme, we could not have foreseen just how much we would achieve in the first three years towards our goal of being known as Britain’s Best Mutual.

But, as you will see in the following pages, we *have* made real and substantial progress. In fact the progressive change in culture has enabled us to accelerate the implementation of the business strategy and achieve some major breakthroughs:

- Describing the “pitch” we wanted to play on and divested ourselves of the life asset management businesses allowed us to focus on achieving progress in our core range of products.
- The purchase of Platform its integration with Verso and the development of the Britannia Capital Investment Group (BCIG) has extended our market reach in rapidly expanding areas of our core product set generating profits for members.
- Defining the purpose and rationale of different parts of the group and achieved clarity on the contribution they make to members and reflected this in our group structure whereby members have their relationship managed through member business and non members within BCIG
- The implementation of the Really Big Programme (RBP) has made a major contribution to both staff and customer satisfaction.
- The merger with Bristol and West increased our business by a third.

Throughout all of this we have managed to increase customer satisfaction, reduce complaints and grow employee satisfaction year after year.

We set ourselves some enormous challenges, right across the business, and I'm proud to say we have met most of them. We cannot afford to be complacent, and there will be many mountains to climb in the years ahead, but I think it's appropriate for us to look at just how far we have come as a Group, and towards creating an organisation that can be regarded truly as a great place to work, grow and develop.

However we measure that progress – and we have very clear performance measures in place – we can certainly feel a real sense of achievement.

Financially, 2005 was a record year for the Group. Our mortgage lending reached almost £7 billion, and like-for-like profits rose 9% to more than £151 million.

We ensured that our members were able to share in that success. While most of our competitors cut their savings rates in 2005, many of our 2.7 million savers enjoyed improved returns on their investment.

Through the unique Britannia Membership Reward scheme, we gave £48 million of the Society's profits back to our members – bringing the total in 10 years to £422 million – and when factoring in the investment in mutual product pricing we estimate the total member benefits for 2005 to be worth around £130 million.

But finances only tell part of the story.

To be truly mutual, we have to have a consistent two-way engagement with our members, and for them to feel a sense of 'belonging' to the Society. That is why we have focused on making mutuality worthwhile for our members, and the record number of members participating in the voting process is just one indicator of the real progress we are making in this area.

But it is not only our members who we need to ensure are fully engaged with Britannia, and who find dealing with us both rewarding and satisfying. Without the involvement and support of our colleagues, we have no hope of achieving the targets we have set ourselves.

It is no surprise, therefore, that I believe the single biggest challenge we have faced during this change programme has been to ensure that our culture – our beliefs, our values and the way that, collectively, we do things – reflects the Britannia Building Society that we want now and in the future, building on but not replicating the Britannia of the past.

Much of what you will read in these pages deals with how we identified, and dealt with, the internal challenges we faced, not least of which was the integration of the Bristol & West businesses. Those challenges have, in the main, been overcome successfully.

We owe that success to everyone connected with the Society: our employees (past and present), our members and our customers.

We cannot hope to cover three years of intensive work in any great detail in these pages, but I hope this will give you some insight into why we needed to change, what we have done and how we have done it.

Organisations have to deal with continuous and discontinuous change both internally and externally, but I know we are now much better equipped to handle that change, and to continue to move forward.

For those who are reading this as members or as customers of the Society, I hope you will see why ensuring your dealings with us are always positive and rewarding have been central to this programme.

For those who are looking at us from the outside, I hope this document gives you much food for thought. We had to identify our issues and our shortcomings in order to learn from them, and the challenges we faced (and continue to face) are not dissimilar to those in any organisation in any sector. However, the way we have dealt with those challenges, and managed the resulting change is, perhaps, unique.

Finally, for those who have been part of this remarkable change programme as an employee, my personal thanks for your loyalty, dedication and – at times – your patience. I hope you are as proud as I am to say you work for the Britannia Building Society.

**Neville Richardson**

**Group Chief Executive**

## Reasons for Change

The roots of Britannia – now Britain's second-largest mutual – can be traced back to 1856, as the Leek and Moorlands Building Society.

For most of those subsequent 150 years, the world of the mutual building society remained largely unchanged although in Britannia's case it required expansive mergers to give it national presence, but the arrival of increased regulation, and the development of a more knowledgeable and demanding customer, has meant mutual organisations in general – and building societies in particular – have faced a stark choice:

*Be more flexible, and more responsive, or be prepared for a future on the sidelines*

Britannia realised it needed to change – not because of any commercial imperative (all its financial measures were strong), but in order to fully exploit the opportunities that a rapidly changing financial services sector was creating.

The speed of product innovation, and the arrival of domestic and international competition across the lending, savings and insurance markets, meant the Britannia could not afford to be left behind. Survival, let alone success, in this competitive environment required a very different approach.

The Society's future success, therefore, would require a new structure, culture and ethos.

The Britannia culture in 2003 can be best described as 'command and control'. Like most organisations, it was hierarchical, with the vast majority of decisions coming from senior managers. 'Empowerment' was not a word that echoed around the branches, or the corridors of Britannia House.

However, there was a strong sense of commitment and loyalty throughout the organisation that could be used as a catalyst for change.

Early in 2002 the Group Executive Board (GEB) set about considering the future of the Financial Services Market and Britannia's ability to compete.

This involved defining the role that Britannia would take and assessing the capability of the organisation to adapt to the changing demands of the marketplace.

The process of strategy development was an extremely important one and took much of 2002. It was an iterative approach involving a large group of Managers from across the business. Four major workshops were held involving over 100 people. This process helped crystallise and refine the strategy as well as setting the tone for future involvement and participation.

There were three areas of concern but also of opportunity:

- 1) An ever-expanding product range draining focus and increasing costs but underpinned by a strong core product range and highly loyal membership within heartland regions.

- 2) An approach to Mutuality which made it tangible for members but had yet to find resonance and meaning
- 3) An organisation used to a command and control directive management style, unable to react spontaneously to change but with real strengths and strong commitment

GEB decided to tackle all three opportunities simultaneously. But realised that this would require new ways of doing things: a collective mindset across the organisation that would willingly embrace change. However previous attempts at organisational change had failed and the credibility of the new senior management team was at risk.

Therefore at this early stage GEB needed to get the organisation to suspend disbelief, to buy into the need for change and to start the journey of change as willing participants. To achieve this they needed to establish trust.

The key to this was involvement. 37 road shows commenced in mid 2003 attended by every employee. The strategy was communicated and discussed and feedback solicited from every participant. "Mountains" of feedback were generated and every item of feedback received a response.

*"We lifted the lid off the organisation and allowed every issue to bubble to the surface; each director took personal responsibility to ensure these issues were responded to. It had the effect of releasing the pressure in the business. People were reassured that their issue had been listened to, consequently they could move forward in they knowledge that their concerns had been heard and acknowledged". Karen Moir Director Organisational Development*

It was a massive labour intensive exercise but it had the desired effect. A very different dynamic had been released; this was not business as usual for Britannia.

## Defining the way forward

Defining its purpose as "we are dedicated to helping members to achieve their goals" and its business mission as becoming known as 'Britain's best mutual', Britannia also articulated the 'givens' – those factors that were central to Britannia, to which it could never let go, which were not up for challenge and which would shape and guide the strategy.

1. *'Remaining mutual and acting in the membership's best interests'*

Although "carpet-bagging" was less of an issue than it had been in the previous five years, demutualisation in the building society sector was still attracting headlines in the financial press.

The Board believed strongly that Britannia's future lay as an independent mutual, delivering real benefits for members and customers without having to deal with a short sighted stock market.

2. *"Being financially strong"*

It was crucial though that the business was run efficiently, and did not fall into the comfortable and complacent trap that had befallen some other mutuals. To help guard against that, key operating objectives for Society efficiency ratios, cost asset ratios and cost income ratios were set across executive teams

3. *“Being ethical, socially responsible and a model of compliance”*

With the FSA having set its intentions to regulate the core business of Britannia (mortgages and general insurance) from Nov 04 and with Basel 2 alerting companies to the need to manage operational risk, it was vital that Britannia was able to anticipate and respond to regulatory requirements and ensure that its risk management processes were industry leading. This involved not just complying with the letter of the law but going beyond this to embrace the spirit of the law and set itself a higher hurdle that was right for Britannia as a business.

4. *‘Being a great place to work, grow and develop’*

Being able to attract, develop and retain key staff was becoming increasingly essential in the financial services market where the demand for skilled individuals was outstripping supply.

Those staff needed to be satisfied, motivated, rewarded and recognised if they were to provide customers with the level of service that this fiercely competitive environment was demanding.

It was a simple equation, but an important one: Engaged staff would mean satisfied and loyal customers.

The challenge was to create a working environment that would stimulate people to fully achieve their potential. This would require a culture that challenged and stretched people, and provided development opportunities for individuals to maximise their unique contribution to the business as well as celebrate each other’s successes.

This required Britannia to become a performance driven business.

5. *‘Rewarding members through our loyalty scheme’*

Making mutuality tangible and relevant for members in the 21<sup>st</sup> century was a huge challenge, but an important one.

The Britannia reward scheme had been a major innovation - it was now vital that members were excited and enthused by it. This would require a major communications and involvement programme.

6. *‘Maintaining an extensive Branch network’*

Internet, telephone and postal banking had led to a severe contraction in the number of high street branches of the major banks and building societies – At Britannia this had not been so.

In 2003, the GEB reiterated the Society's commitment to its branch network. Members said they wanted their local branches to remain, so Britannia promised that as long as a branch was not losing money then it would remain.

It was another tangible example of the Britannia difference.

## Defining the Values

The soccer analogy is much used at Britannia. It is important to be clear on what game is being played. If Britannia is playing soccer and designing itself to do that effectively it is not an environment for those who are playing rugby! Soccer teams rely on the team's ability to react spontaneously to the changing circumstances on the field of play, to make the right decisions in order to influence a positive outcome

For Britannia this involved adopting a new pattern of play, a pattern rooted in its values and strategic direction playing its own game in a unique style.

The way staff behave is shaped by the values of the organisation. Values provide a touchstone for measuring what is done and whether it is being done in the right way.

Britannia defined 5 aspirational values, effectively a clarification of what the organisation is all about, that put the customer at the centre of what each employee does to make Britannia the customer's first choice.

1. *Putting our customers first* (thinking like a customer, seeing the world through their eyes, understanding and anticipating their needs, exceeding their expectations and making them happy)
2. *Being easy to do business with* (being accessible, providing great service, offering straightforward processes, having a passion for going the extra mile, keeping promises and providing customers with a satisfying experience)
3. *Being excellent at communications* (being clear about what we say, at a level people can understand, being upfront and honest, happy to give and receive feedback)
4. *Taking personal responsibility* (being better informed about the business, treating it like my own, being proactive and communicating fully, striving to do things better, taking ownership, helping others achieve their goals but principally being accountable for the way I behave)
5. *Being faster, cheaper, better* (always looking for a better way forward, improving the way we work, innovative and market leading, keeping an eye on what things cost, providing excellent value for money)

Within each of these values, distinguishing behaviours were identified which showed how this value should be lived and what constitutes 'desirable' and 'undesirable' behaviours.

Finally the leadership team considered how they would monitor and measure business progress to ensure a balance between the commercial and financial business requirements and the introspection that accompanies a major change in culture.

The key performance indicators that would be necessary going forward were not those of a traditional plc: they needed to truly reflect the mutual interests of all stakeholders. Centred on a core of employee and customer satisfaction and designed to provide understanding of where the business is and where it is going, 24 measures were identified which were grouped into 6 categories:

- Customer Satisfaction
- Employee Satisfaction
- Financial Performance
- Support for Mutuality
- Compliance
- Media Coverage

## Initiating Change

Historically Britannia had rewritten its strategy each year and also initiated numerous different unlinked initiatives. Britannia's start point for change had been the development and consistent communication of the strategy. The approach to culture change was three pronged:

- Visioning what the desired culture would be like, what would people be thinking, feeling and doing
- Identifying the 'unwritten rules' which governed how the current culture operated
- Creating a measurement instrument ('The Culture Survey') which monitored the change in the incidence of desirable and undesirable behaviours on an annual basis

Most organisations address culture change superficially: by changing the way they look, like introducing a new logo, or saying something 'new' through glossy mission and values statements. They rarely achieve the hoped-for increase in performance, and eventually it gives rise to cynicism and suspicion. This is largely because core behaviours are left untouched, so eventually the old culture reasserts itself.

However Britannia had come to understand that culture change is a process and like any process it requires integration, consistent management and ongoing measures to monitor progress and keep things on track. Culture change is an outcome not an end in itself. The challenge is to ensure that the current cultural state enables the achievement of the strategic direction

## Initial Challenges

Initial attitude surveys showed, not surprisingly, that over two thirds of the 3,500 employees across Britannia were cynical about the change process and its likely chance of success.

It was crucial, therefore, that the Group Executive Board became deeply connected with all parts of the business to understand exactly what impact their decisions were having; to take active control of the implementation of the strategy; to ensure consistency and focus; to identify quickly signs of 'change fatigue' and 'initiative overload', and to ensure that change was not having a detrimental effect on business performance.

*"What I decided at the start was that I had two key roles, one was strategy and the other was communication."* Neville Richardson Group CEO

Buy-in had been achieved at a senior management level, but naturally the middle managers – as in any organisation – had their own issues and concerns. There was a danger that personal agendas, and the protection of 'fiefdoms', would prove a barrier to driving culture change through the Society.

The GEB's role was to ensure the direction and the strategy was being implemented effectively. This meant actively gathering, interpreting and responding to feedback from the managers.

Having completed the visioning process as part of the strategy development, the starting point for understanding the current culture involved detailed internal research, including over 30 hours of confidential one-to-one interviews and a series of 'Uncovering The Unwritten Rules' workshops across the business.

The research revealed that what the organisation considered to be its key strengths were also the source of its major issues:

- People trusted Britannia as an employer and were confident that every effort would be made to ensure people were looked after in a period of change and restructuring, regardless of cost or efficiency requirements
- The environment was warm and nurturing but also tolerant of substandard performance and reluctant to challenge the status quo, so poor performance was 'consequence-free'
- Loyalties tended to be to immediate teams, rather than the Group as a whole, leading to accusations of 'cliques' and polarisation

There were also significant gaps between the newly espoused values of the organisation and the current reality:

- Customer first - satisfying internal networks was often more important than satisfying the customer.
- Excellence at communications – people were reluctant to be open and honest with their colleagues or managers, so key issues were not being aired and addressed.
- Personal responsibility – the downside of the strong sense of 'team' was a lack of individual responsibility and accountability.
- Faster, cheaper, better – promoting innovation and constantly finding better ways to do things was being strangled at birth because the Society was unable to take

collective responsibility; the individual was relatively powerless; the business was incapable of learning from its mistakes; there were poor systems and processes in place, and there was a focus on the symptoms rather than the root causes.

- Easy to do business with – internal politics, the perceived ‘blame culture’, rewards not being based on performance and the lack of measurable performance indicators were obstacles to achieving this.

As for creating an environment that was a great place to work, grow and develop, there were a number of issues to be addressed.

Firstly, the organisation had become cynical about change. Various programmes and change initiatives had floundered through a combination of bad implementation and bad learning. Because of the bureaucracy it was difficult to see what worked or did not work, so previous initiatives had all floundered.

Secondly, there was what became known as the ‘Leek Effect’: a large population of the head office staff who were keen to stay in their comfort zone, not stretched and developed. One of the causes of this was the dominance that Britannia had in Leek the town where it is based. It is by far the largest employer in the town and hence was seen as a large and secure employer regardless of the rapidly increasing changes and challenges of the external environment.

Finally, there were tensions with the newer employees, who were more career orientated with the drive to grow and develop, and who had moved into upper level positions.

## Key Programmes

Equipped with an inspiring vision and a clear understanding of the current state of the organisation, the change programme began with 37 road shows held countrywide in June 2003.

Improving and developing the approach to people and managing organisational change is a never ending challenge, but fairness, ‘rightness’, consistency, honesty, genuineness, involvement and an overwhelming desire to listen and solicit feedback are essential principles of Britannia’s approach.

The aim of the road shows was to solicit open and honest feedback from employees across the organisation on all aspects of the Britannia culture, the business strategy and the plans for change. They focussed on the “role of the manager” not in terms of skills and knowledge but in the context of how managers would be delivering the strategy

The road shows involved high production values, rousing music and interesting venues and gave the programme a powerful start. The feedback from these events was overwhelmingly positive.

It was crucial, however, that the inevitable gap between the start of a corporate change programme and the development of significant change initiatives did not cause the programme to splutter to a premature halt.

As Britannia had experienced in the past, it is when the promised change fails to occur that the initial enthusiasm and desire for change dissipates. The status quo re-asserts itself and those who are resistant to change begin to undermine the process and create a climate of cynicism in the organisation.

Britannia saw regular, consistent communication as key to maintaining interest and involvement during this hiatus. In particular, this involved a radical redesign of the internal briefing process resulting, in September 2003, in the launch of the monthly Mutual Understanding process. A coordinated suite of communication tools

## Mutual Understanding

Mutual Understanding (MU) was a clear demonstration of Britannia's commitment to the fundamentals of communication.

Rather than a one-way cascade of information from management – normally with the 'bad news' filtered out! – Mutual Understanding involves a two-way dialogue where all staff are actively encouraged to understand the communication content and provide feedback. Its objectives from the outset were to:

- Have a clear and consistent understanding of both the organisation's strategy and the progress being made in pursuit of that strategy
- Enable all staff to contribute to the wider organisation through ideas, concerns and general feedback to their own, and other, departments

MU became a vital element of the change programme:

- 1) it ensured staff were continually appraised of the strategic context within which they could make informed business decisions
- 2) it stimulated thought, debate and creative thinking on a range of issues, and allowed staff to devise, and implement, their own solutions
- 3) it encouraged truth and honesty
- 4) it helped break down functional barriers across the Society as teams became more aware of the impact of their actions on other parts of the organisation
- 5) it provided an early warning system when things were going wrong or when communications had been misinterpreted
- 6) the issues raised, and the feedback given, provided an ongoing measure of the degree of understanding achieved and the effectiveness of the communication
- 7) through publishing performance updates on the 24 key measures everyone was aware of where progress was being made, where it was not and the resulting business priorities

*"Mutual Understanding was received very positively by the team who felt the information was relevant and interesting. It fuelled debate and widened people's horizons as to the activities and strategy of the group. It was a much more interactive session than my previous*

*experience of the old team brief. It was also encouraging that the debates were not just about local issues but expanded to wider business issues”*

The messages from Mutual Understanding were supported through a range of other media, including in-house magazines, ‘bathroom bulletins’ and the intranet system, BritNet, which became the key repository for all Britannia information as well as offering such facilities as a ‘chat room’ for staff to exchange views and ideas.

The MU process also provided a platform for role modelling, a key enabler to successful culture change. Behaviour in an organisation can be deeply affected by role modelling, and the mimicry of successful behaviours through observation can be a major positive influence on behavioural change.

*“We have seen a lot more of senior management over the past months. Business leaders carrying out team briefs to staff senior managers visiting the department more often. Definitely has had a good affect on staff.”*

## The Really Big Programme

A key part of Britannia’s corporate plan was the ‘Really Big Programme’.

Over a three-year period Britannia replaced all its member business branch and head office IT systems, switching from account-based processes to a more integrated customer-based approach.

Among the benefits of this fundamental change was the ability to provide a newer competitive range of products, and eliminate duplicate mailings to customers on interest rate changes. As a result, sales and profitability across the product portfolio increased.

A major implementation success completed to time and budget and with little rework, the Really Big Programme brought both commercial and culture change benefits increasing sales and profitability, reducing costs and increasing customer and employee satisfaction.

## Living the Values

In early 2004 the *Living the Values* ‘transformational workshops’ were introduced.

The aim of the workshops was to provide a systematic process for engaging every employee around the values of the organisation, and providing a context within which they could decide what they, as individuals and teams, would need to do differently.

Giving people an emotional connection to these new behaviours gives change a personal meaning for participants. When large numbers go through transformational workshops within a brief timeframe, group by group, it creates a critical mass of individuals who are willing to embrace the new behaviours and culture so that both are more likely to be sustained

Over 100 Living the Values facilitators were trained, who in turn cascaded the workshops throughout the organisation. These facilitators were chosen because of their influencing skills not their seniority and were selected from across the organisation

*“This combination of communication and workshops had a very real impact on immersing the values into the way people work. People now intuitively know what they need to do, and how to treat their colleagues.”*

*“In my previous organisation the values were on posters on the wall, but that was as far as it went. They were never talked about as part of a customer proposition or HR approach, or a framework that governs how we work together. Here they shape everything that we do.”*

## Mutual Preferences

When research showed that combining the roles of bringing up a family and pursuing a career were increasingly difficult, Britannia introduced Mutual Preferences, a tool to help teams and individuals balance the demands of work life and home life.

It gave teams and departments the ability to operate flexible working patterns (where possible), such as compressed hours or team hours.

## Members' Council

The Members' Council is a unique forum established to improve the services provided by the Society, and forming part of its commitment to put customers first.

With more than three million members to consider, it was impossible for each and every one to be consulted on every product and service issue. The solution was to form a 24-strong Members' Council from across the UK, which meets quarterly with Britannia directors and senior managers to discuss a range of issues.

## Measuring Success

The leadership team at Britannia considered how the culture change programme would be monitored and measured.

It was important that those success measures were not simply internal but reflected the organisation's values and the achievement of its business strategy. However, the key performance indicators that would be necessary going forward were not those of a traditional plc: they needed to truly reflect the mutual interests of all stakeholders.

Centred on a core of employee and customer satisfaction, and designed to provide understanding of where the business is and where it is going, 24 separate measures were identified and agreed, which were then grouped into six categories:

- Employee Satisfaction and Engagement
- Customer Satisfaction
- Financial Performance
- Support for Mutuality
- Compliance
- Media Coverage

## Employee Satisfaction

A number of qualitative methods for accumulating feedback from employees were used, and most involved face-to-face communication.

The executive team made a collective commitment to being visible across the organisation, talking to people and eliciting feedback, including attendance at Mutual Understanding meetings.

Neville Richardson ensured he was at the forefront of this, and his “Captain’s Table” initiative – informal lunch meetings with groups of employees from across the organisation – was hugely popular and successful. For those who preferred a less ‘direct’ way of providing the CEO with feedback, a ‘Tell Neville’ facility was introduced on BritNet.

## Viewpoint

Qualitative and quantitative data was systematically collected through Viewpoint, a six-monthly employee attitude survey.

With more than 115 individual measures covering every aspect of employee life, and a large number of open qualitative questions seeking subjective and individual views, Viewpoint – which achieves a response rate in excess of 80 per cent – provides a comprehensive picture of employee attitudes across every part of the business.

Advanced technologies – including an online reporting portal – enabled the rapid gathering and presentation of this data. With over 17,000 responses, sophisticated text mining tools enabled this information to be profiled and themed according to issues.

One of the first things the Viewpoint analysis identified was the need for greater focus on specific groups of employees, particularly those working in small branches who felt remote from the head office ‘hub’.

Another area devolved from the centre was Britannia Capital Investment Group, which incorporates Platform (the Group’s intermediary arm), Treasury Services, mortgage processing business Western Mortgage Services (WMS) Commercial lending and Britannia International based in the Isle of Man. BCIG had been formed principally through acquisition, with the consequence that staff did not yet feel part of the Britannia.

For Viewpoint to be successful, it was imperative that all employees could not only see the feedback, but were empowered to address the key issues arising.

Initially this was achieved by publishing the results and making them available across the Society, and more recently the results have been available through a web portal, enabling managers and team leaders to analyse the results locally, identifying trends and best practice.

Every team is required to assess the results to identify key actions to improve employee satisfaction, to deal with issues and to build on strengths. Action plans are developed and progress reviewed by the teams every six months. Those action plans are also presented

back to the GEB for agreement, before being integrated as part of the overall business plan for each area. Managers are held accountable for delivering against those action plans.

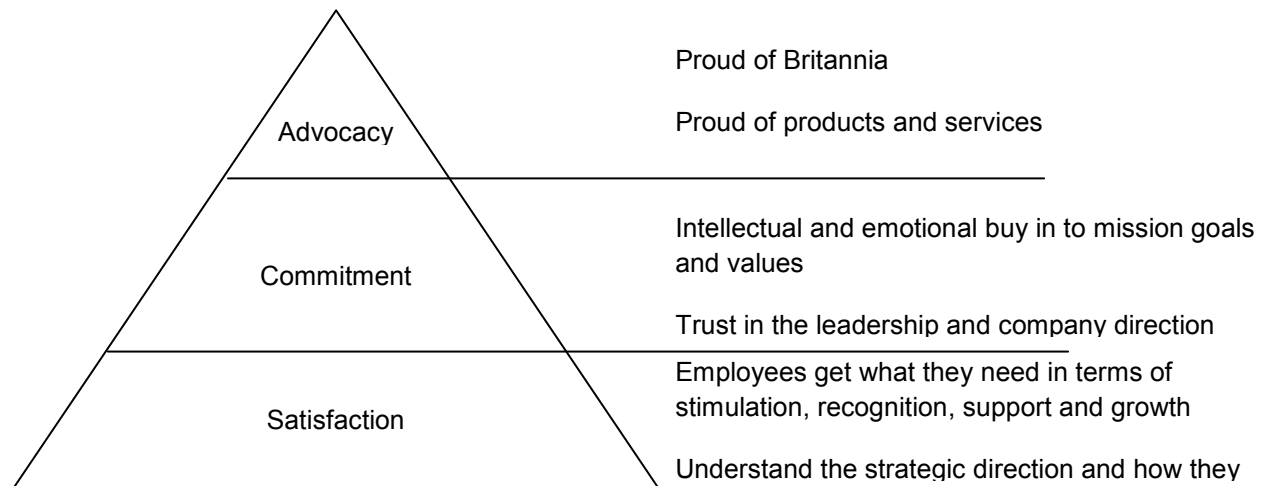
Furthermore, 12 of the Viewpoint measures form the basis of the employee satisfaction measure contained in the management bonus, with progress communicated regularly through the Mutual Understanding process.

## Employee Engagement

Assessing employee attitudes was one important measure, but another key indicator for Britannia was the level of employee engagement across the business.

Employee engagement is important at any time if an organisation is to realise its strategic ambitions, but it is essential in a change process. Engaged employees do more, achieve more and energise others. The end result is increased performance and better results.

Britannia measured the levels of employee engagement based on the model below.



World class performance is only achieved by a motivated and committed workforce, and bringing staff satisfaction to industry leading levels helps to both attract and retain talented individuals.

## Behavioural Change

For behaviour to change in an organisation requires that individuals are both willing to act in a different way and are able to consistently maintain that behaviour.

For these conditions to occur requires the organisation to implement an integrated, self reinforcing set of change programmes that operate at multiple levels (see below).

Behavioural Change Model		
	Willing	Able
Individual	<i>Do I enjoy the behaviour?</i> Road shows Living the values roadshows Communications	<i>Can I do what is required?</i> Performance management 1:1s / coaching Role of the manager
Team	<i>How will others respond?</i> Mutual Understanding Living the Values	<i>Will others provide the necessary help?</i> Britannia Way Mutual Preferences Customer Experience
Organisation	<i>What are the rewards?</i> Reward & Recognition Team Challenge Induction (Group welcome)	<i>Are efforts blocked by structures, systems, procedures?</i> Really Big Programme Viewpoint Diversity Succession management

## Managing and Developing People

Changing behaviours involved a fundamental change in Britannia’s approach to Human Resources.

The organisation had to move from its hierarchical, status-driven system of people management and into one which focused on individual competencies and capabilities, based around the principles enshrined in the Society’s mission, values and strategy.

Among the key changes introduced were:

- Eliminating job grades and status with broader-banded, and clearly defined, generic role types based on responsibilities, in order to allow people to develop wider business skills that could be adapted to different roles and teams

- Assessing all roles and individuals by competencies – the way skills and knowledge are used
- Rewarding individual performance, contribution to the team and the development of competencies
- Using a process of team challenge whereby salary increases are agreed by a group of relevant managers to remove bias and ensure consistency
- Developing team skills, with managers as coaches and facilitators
- Making everyone personally responsible for maximising their potential
- Adopting a flexible approach to benefits and working hours to reflect individuals' different life circumstances (Mutual Preferences)

*“I have been given the opportunity to widen my role to encompass more teams. I am able to influence this change. The new role means I have more stretching work to complete and given me greater visibility across Britannia which in turn leads to greater job satisfaction and motivation”*

## Diversity

The Society's diversity strategy is fundamental to engaging its stakeholders including customers, staff, the community and partners.

The Viewpoint survey shows 98% of employees feel they are treated fairly regardless of age, disability, gender, race, religion or sexual orientation.

Certain branches offer services in different languages relevant to the local community, recognising that over the next 5-10 years a growing proportion of first time buyers will be from ethnic minorities.

Research amongst female members of staff revealed that they felt that there were no glass ceilings; indeed it was felt that the unique qualities brought to an organisation by women such as empathy, coaching, support and continuous improvement formed a very important part of Britannia's culture and were valued accordingly.

*“There is nothing to stop women in this organisation getting to the very top if that is their aspiration”*

*“I love coming to work each day. I enjoy what I do, I am good at what I do I learn something new each day and I feel valued and appreciated”*

*“This is a great place to work grow and develop. I work for a great team of people whom I feel I manage well. Other managers in my division are also a great team and my immediate manger is very supportive, reliable, helpful and trusting”*

## The Bristol and West Merger

It was a historic decision when, in September 2005, the High Court finally gave the go-ahead for the first-ever 'remutualisation', when Britannia acquired the assets, employees and branches of Bristol & West from the Bank of Ireland in a £150m deal.

It increased the Society's size by a third, and more than 800,000 Bristol & West customers joined Britannia. The deal also brought in 97 new branches and gave Britannia access to 65 new towns.

The integration was a mammoth operation, with 150 people working full time and hundreds more part time to achieve the deadline of July 2006, nine months from the date of acquisition. The process included rationalising and harmonising some 2,000 individual products onto one common system.

Key to this successful integration was the behavioural change that had taken place within Britannia, and the strong sense of motivation created within Bristol & West employees.

A huge consultation exercise, continual feedback and a rapid response to issues and problems as they occurred set the tone at the outset. Perceptions of B&W staff were very positive, with feedback saying the transition was professional, smooth and well managed, with minimal customer disruption.

This approach to employee engagement was unfamiliar to B&W staff used to a more traditional 'command and control' culture, and a largely one-way communication structure. Rather than being involved in the process, and consulted at each stage, the B&W employees expected immediate answers to all their questions. But as they began to see the benefit of key decisions – such as location, key roles and team structures – being achieved jointly, so attitudes began to change.

A Viewpoint survey carried out in November 2005, only two months after the integration process began, showed the key values of Britannia were already starting to be instilled among the B&W staff. More than 75 per cent said they were being encouraged to take personal responsibility by their line manager, and more than 90 per cent said Britannia was committed to customer service excellence.

Such an acquisition would still have been possible three years earlier, but it is highly unlikely that it would have been implemented so quickly, so effectively and with so little disruption to business as usual, had it not been for the cultural change programme.

## The Learning

*Why has the Britannia change programme been so successful?*

What the Britannia experience demonstrates is that the highest levels of employee engagement can only occur when there is demonstrable commitment from the organisation's leadership.

Good leaders will be visible, able to instil pride among employees and promote a personal growth mindset. They will also show a genuine passion for creating a positive working environment, engender a spirit of trust and co-operation, and unite people with a sense of common purpose.

For such a change programme to be successful, leaders also need to create an organisational structure that provides substantial opportunities for personal development, and where feedback from across the business is solicited, and acted upon, systematically.

Building on the strengths of the organisation has created a distinctive culture and some compelling results.

### *The results*

Of the 24 key performance measures that were agreed at the start of the change programme, Britannia is on or ahead of target in over 90% of them, including the employee satisfaction measure.

In the Viewpoint survey carried out in November 2005, [95] per cent of employees across the Group declared themselves to be 'proud' of Britannia, compared to [86] per cent two years previously. And those who said they would recommend Britannia to others had risen from [75] per cent to [90] per cent.

The focus on the core business has had dramatic results, with record profits and record mortgage lending in 2005, and the successful integration of Bristol & West accelerating the growth opportunities for the future.

Mutuality is clearly having real resonance with members, with over 400,000 of them voting for Britannia to stay mutual (versus 19,000 in 1996).

The Mutual Rewards scheme generated £48 million for distribution to 900,000 members in 2005, and the investment in product pricing brought total member benefits for the year up to £130 million.

### *What's next?*

A major Customer Experience project will look at the physical and emotional aspects of customer interaction across all channels, focusing on how customers *feel* about their. Additionally, the Society will continue its change programme, reporting regularly to employees and other stakeholders on the progress being made towards the goal of being known as **Britain's Best Mutual**.

*"The culture within Britannia has really changed people are actively wanting to make a real difference for the benefit of the customer"*