

Changing Culture through Employee Engagement

The Leadership Challenge

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Introduction

Ladies and Gentlemen, Good Morning

Quick survey before we start:

How many people here watch The Apprentice?

How many people here watch it through to the credits?

Well if you watched it all the way through you will see the director is one Martin Conway

Excuse a proud father his moment!

Martin took over the show this year after three previously successful series, a transfer to prime time television and a viewing figure for last years final of 10m

I asked him before he started filming whether he was nervous

His response surprised me - "no" he said "not really – on the show we have a phrase - trust the format"

"What does that mean?" I asked.

"Well the format – Alan Sugar, his advisors, the contestants, the task and the assessment – create a culture – the culture creates great T.V. If you put a monkey in charge and took 12 people at random off the street you would still have watchable T.V.

Think of it in your terms, dad, you are in computers and consulting – it is like an operating system – it governs and controls everything we do but you can't see it, touch it or feel it – it just happens"

For me this conversation begged the fundamental question; why is it that a TV show can readily create the culture it desires but in business we fail dismally?

Well the learning from the Apprentice is that:

Firstly, they understand the importance of culture

Secondly, they are clear on the behaviours they want to see from the contestants and

Thirdly they set about creating an environment that governs the way people will act– simple!

So why do we find it so difficult in business and what can we do to increase our chances of success? Well that is what I hope to answer in this presentation.



Let me turn first to the subject of whales and dolphins!

Whales are large, slow and ponderous creatures, dolphins on the other hand are fast, sleek and intelligent

I will leave it to you to decide which of these descriptions best describes your organisation however after 18 years in Financial Services as a director of a Building Society, a director of a life company and a main board director of a bank you will forgive me if I have a 'whale-ist' view of the sector.



However, whale or dolphin, post the credit crunch and its impact on the economy I would be enormously surprised. you are not concerned with being:

- Leaner
- Sharper
- Faster

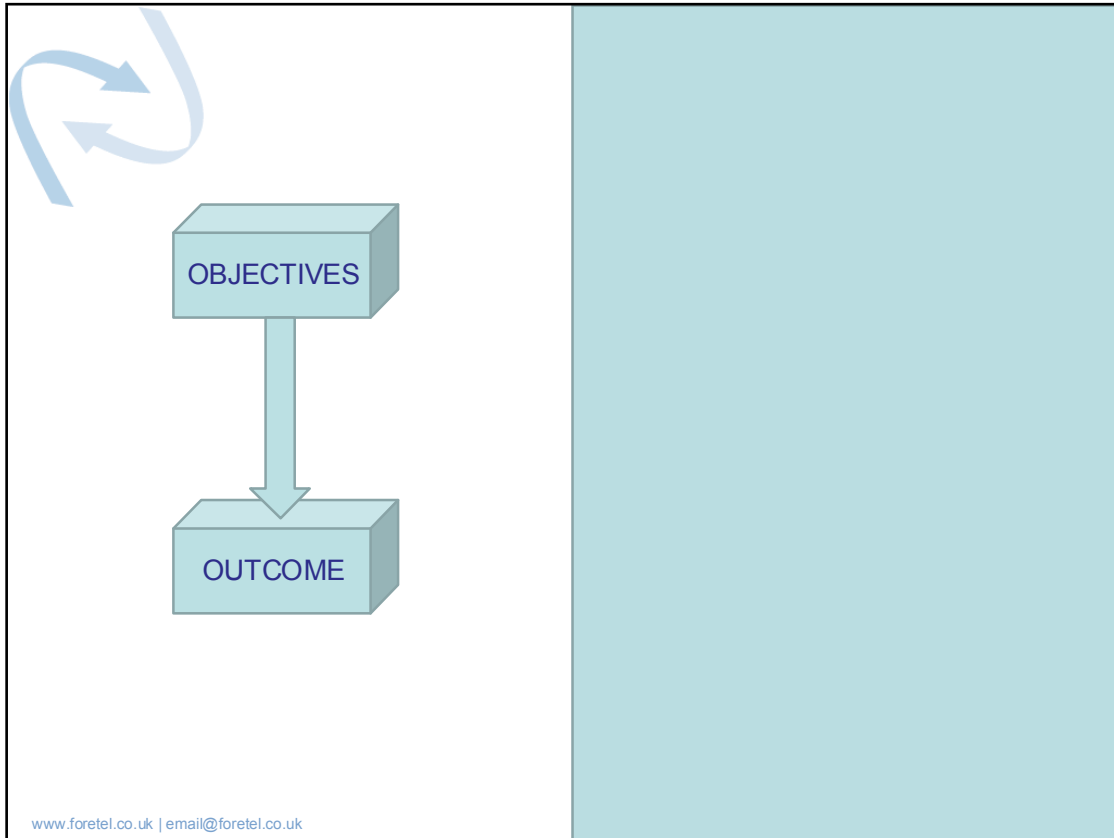
The credit crunch is about liquidity, capital and net interest margin but it is also a golden opportunity to create an imperative for change

And be a little more dolphin like.

But, returning to the Apprentice, these are behaviours - and if you are going to achieve them you are going to have to look at the underlying operating system that creates them. Therefore I am going to cover the following:

- Why culture is fundamental to this transition
- Why 90% + of all change efforts fail
- The one fundamental mistake that is made by most people that attempt to do it

But why , as Martin has shown, it is straightforward if you follow 5 common sense steps

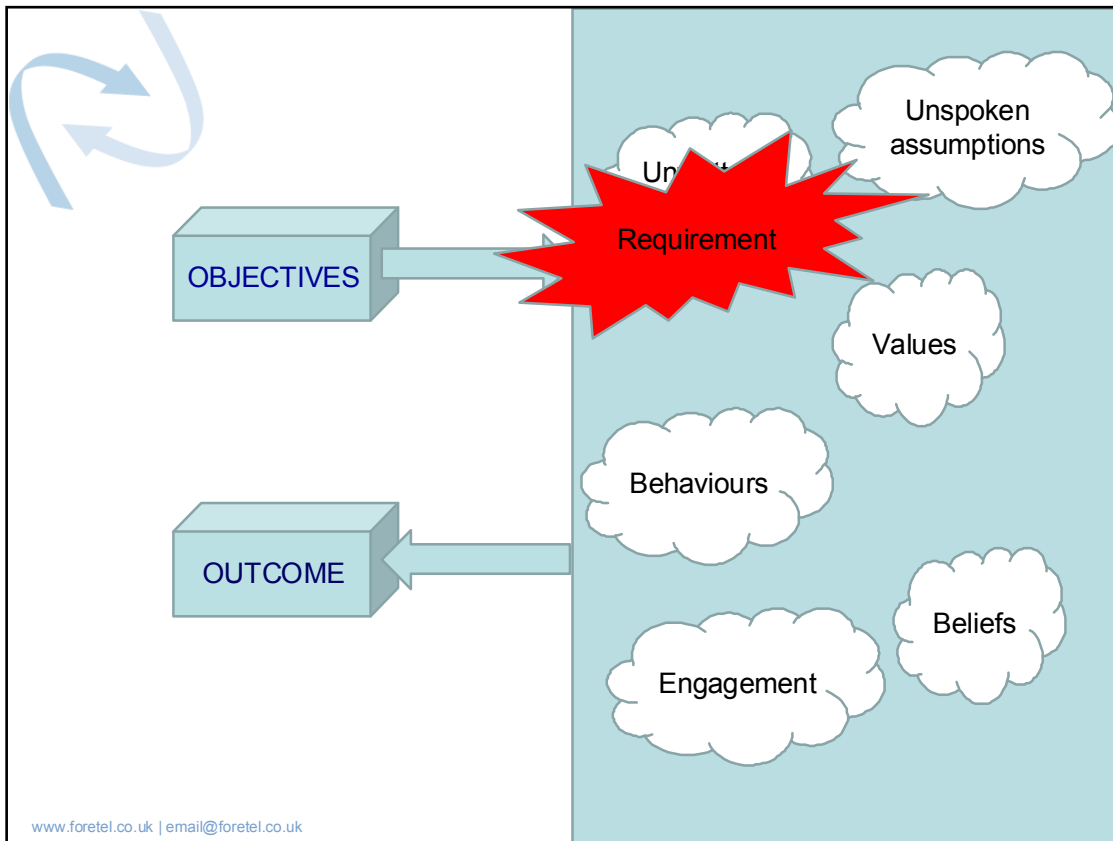


So, why is culture important?

The short answer is that it is the operating system – it governs and controls everything the business does.

When you issue an instruction or set an objective it gets translated 100 fold before you see the outcome

Most of you will have heard the “send three and four pence we are going to a dance” story.
Well the same principle is involved when you try and get something done in a large organisation.



Everything is filtered through

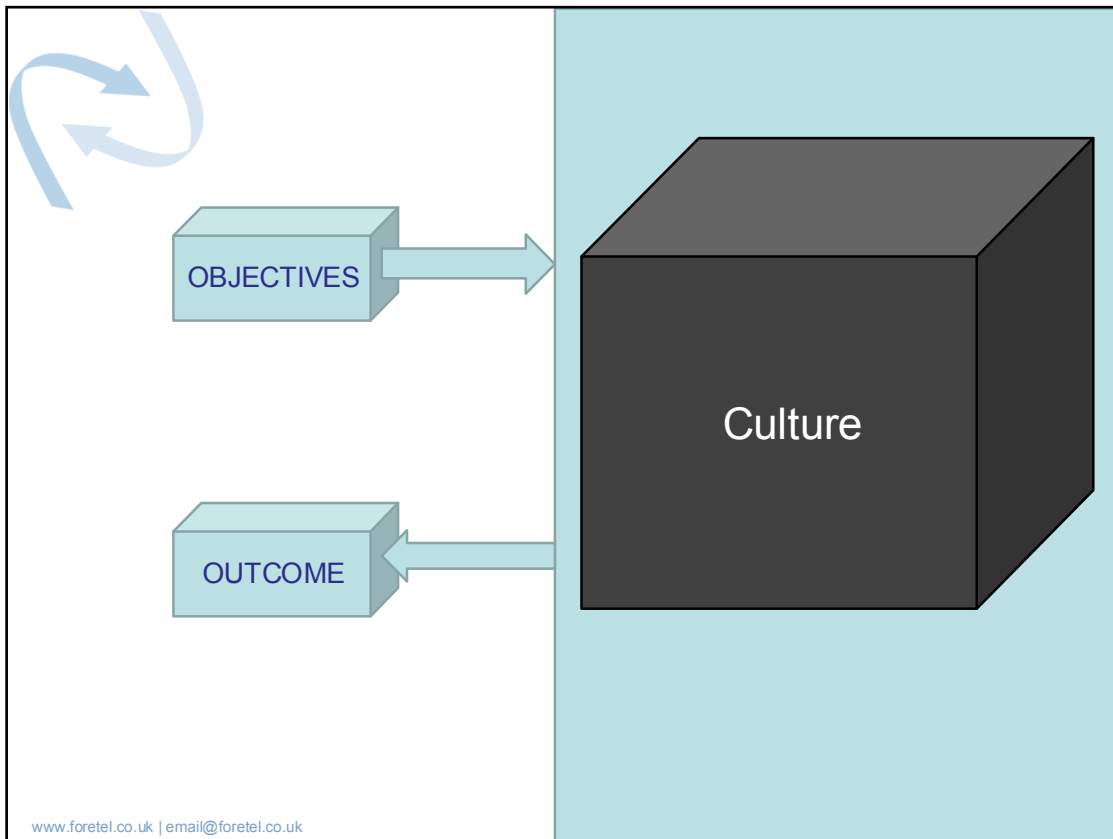
- unwritten unnoticed rules about how things are done
- unspoken assumptions – about what is right or wrong, good behaviour or bad behaviour
- Personal beliefs and values that may or may not be congruent with the organisation's
- The degree of engagement the individual feels to the direction of the business

And these shape behaviours and therefore the outcomes you get

- Late projects
- Poor customer experiences
- Customer complaints

All of these are a function of the operating system allocating, controlling, prioritising.

The problem is...



It is a black box

When you decide to introduce a high performance culture through measurement and transparency – it fails. Because it has gone into the black box and hit the unwritten rule that “people who give bad news are associated with failure and don’t get promoted”.

When you set about trying to address a lack of teamwork, innovation, lack of customer orientation it fails. Because it hits the black box sitting in the middle of your organisation full of unspoken assumptions and unwritten rules that distort these objectives.

When your managers tells you getting things done in this organisation is like swimming in treacle, knitting fog, trying to push water uphill... it’s the black box

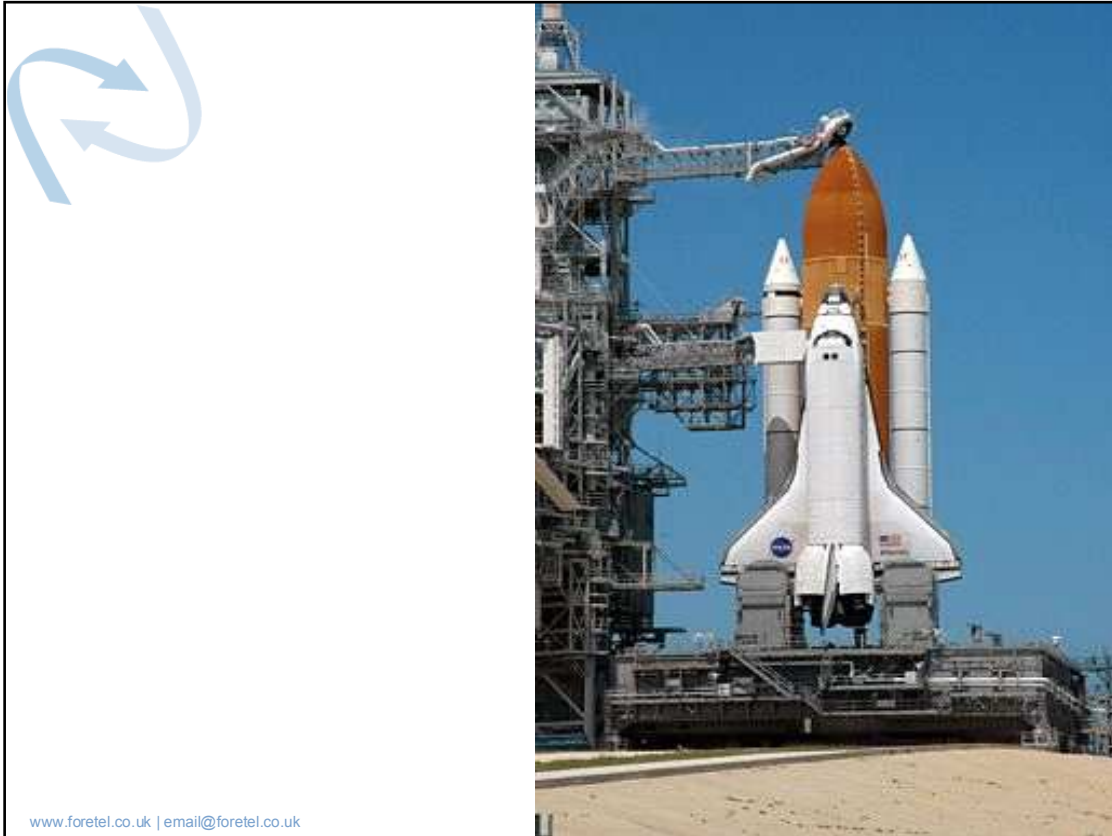
When your teams struggle to find solutions to complex problems the black box is shaping the way they think.

You might have your managers focussed on the essentials

- Products
- Customer
- Cash

But what governs their success is the fourth factor - culture.

As Martin puts it – you can’t see it, touch it or feel it – but it creates great television. How many of us can say we are that positive about the outcomes of our culture?



On the 3rd January 1984 I was on a tour bus at the Kennedy Space Centre marvelling at man's ingenuity whilst looking at the space shuttle on the launch pad.

25 days later Challenger was no more



The findings of the Rogers commission into the Challenger disaster found that the ‘organisational culture and decision making processes’ had been the key contributing factors to the accident. Engineers had known there was a potentially catastrophic flaw in the design since 1977. They also warned against launching on such a cold day.

But they were deep in the black box. Their issues were invisible.

The report found that management exaggerated the reliability of the shuttle to the point of fantasy. Their belief was that there would be 1 failure : 100000 launches (1 launch every day for 300 years)

The engineers believed the real ratio would be 1 : 100

Managers saw every launch as another success; the engineers Russian roulette

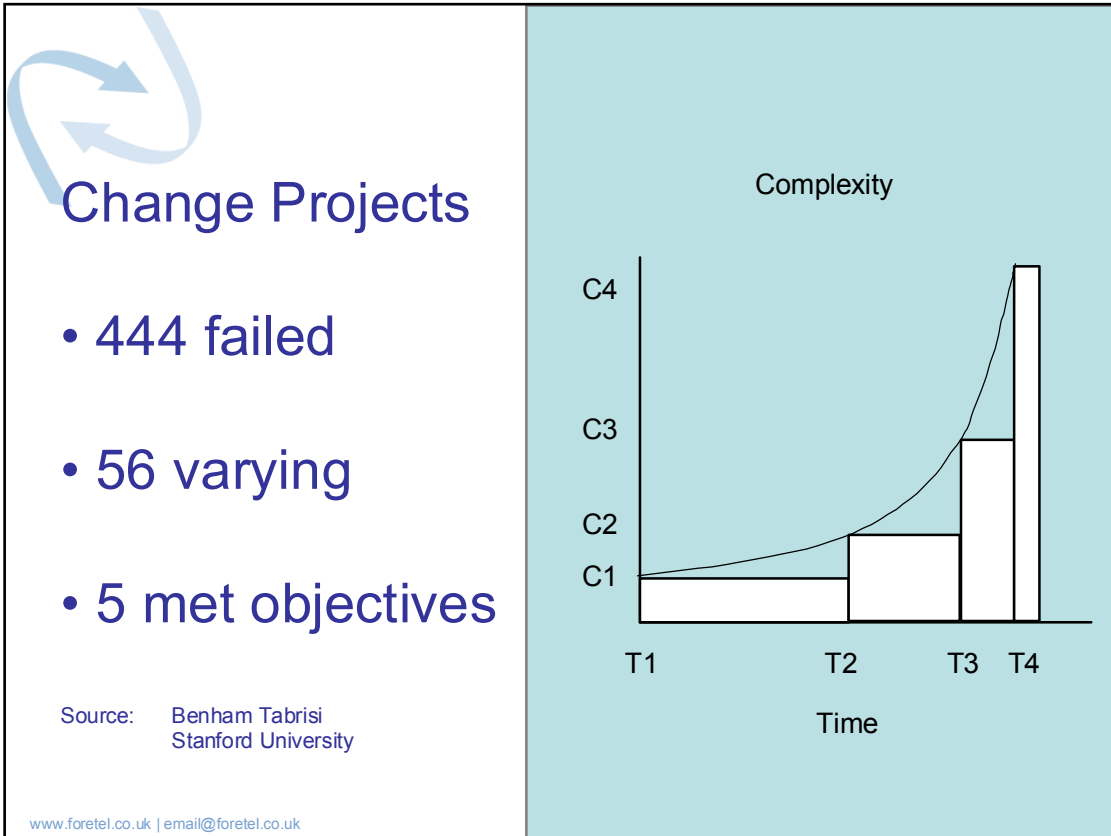
The managers were following the unwritten rule that you do not publicly challenge the reliability of the shuttle, the engineers that you do not bypass the hierarchy.

You might think things would have changed however the board of enquiry following the Columbia accident in 2003 found the same flawed decision making processes were responsible for the Columbia’s destruction 17 years later.

So if you are sitting there thinking culture is soft and fluffy – **think again**. These unwritten rules are deep rooted and can be destructive

Culture Kills.

Beware of the black box!



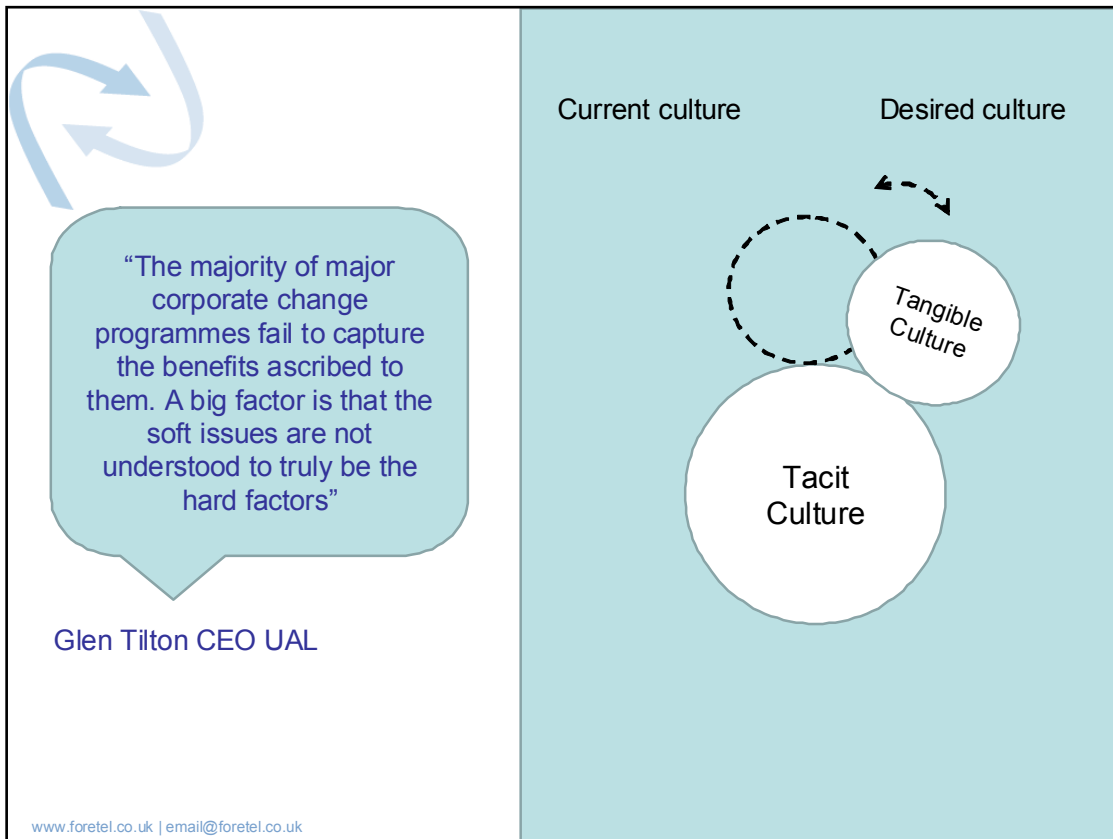
American physicists have shown that complexity in the business environment is increasing exponentially

So how are organisations rising to the challenges caused by complexity? Well, many are seeking to change their culture

Benham Tabrisi of Stanford University looked at 500 change projects, of these:

- 444 had reverted to incremental process improvement
- 56 organisations had stuck at it with varying degrees of success

Only 5 organisations succeeded in meeting their objectives!



Why?

Well, it is all in how the process of how culture change is approached.

As the quote from Glen Tilton says there are hard factors and soft factors.

What characterised the initiatives that failed was they concentrated on the hard factors – they approached the exercise with an engineering mind set – rational and logical.

“We can succeed if we plan it well enough”

They focused on the things they could see.

The commonest reason for failure in all 444 projects was they missed the soft factors – the black box, the things you can’t see.

Those that succeeded realised that the hard factors were only there to shape the soft factors. They had two mind sets – engineering, and **people and culture**

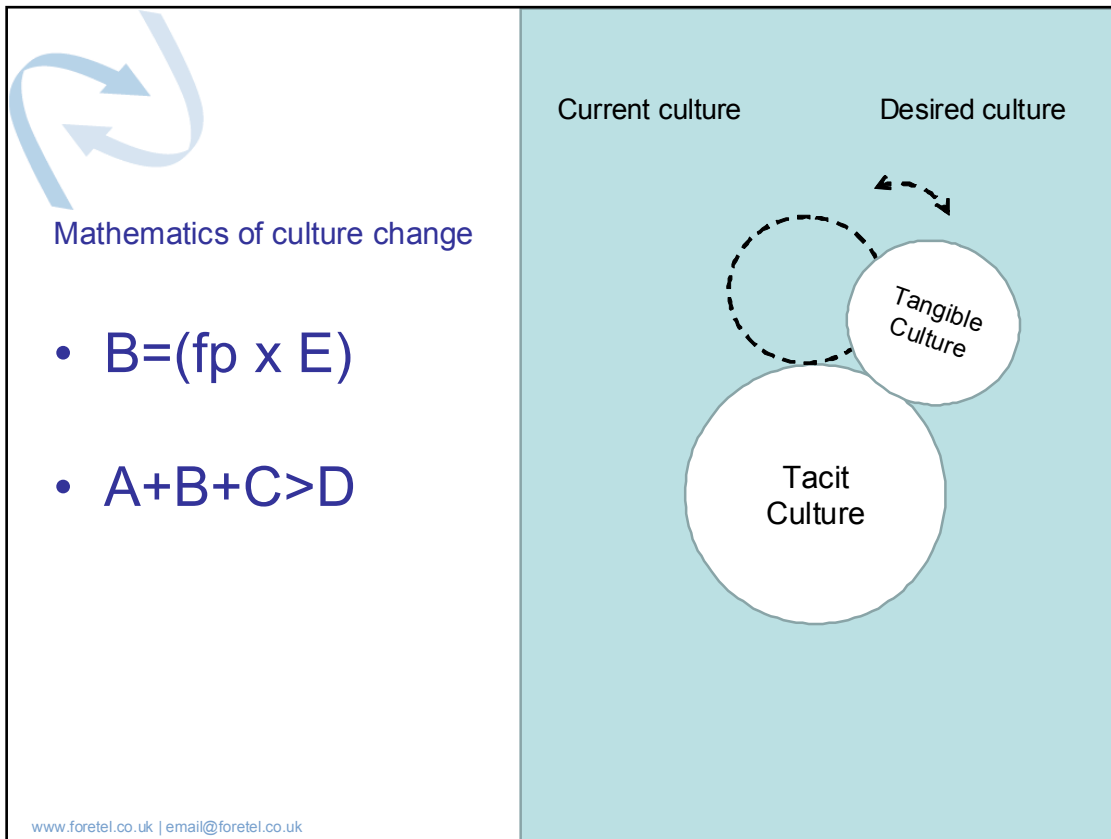
They aligned their activities to shape behaviour and values.

In Martin’s Apprentice context they focused on the format that creates the culture and designed the format to give them the culture they required.

In short they rewired the invisible black box – the things you can’t see.

They realised that if you don’t change the underlying culture - the organisation will look as though it is changing and then just spring back as soon as the pressure is released.

Now let me introduce you to the mathematics of culture change:



$B = (fp \times E)$

we have already discussed the first .

Behaviour is a function of people interacting with their environment
 – The key lesson is more obvious if you reverse the equation.

To change the behaviour you have to change the environment or format.

$A + B + C > D$

To change the environment you have to open the invisible black box and then

A – the desire for change

B – the vision of how things should be

c – the steps necessary to get there

must be greater than D the Status Quo inertia



1) Commanders Intent

2) Enemy within

3) Understanding not just communication

4) Align your assets

5) Measure & control

“No plan survives contact with the enemy”

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So what can we learn from the five organisations that succeeded? Well they followed five clear steps.

Some years ago I attended a presentation by Brigadier General Sir Patrick Cordingley who lead the desert rats in the first desert conflict and much of what he said resonated with me – and I am going to use some of his examples to identify these five steps.

“No plan survives contact with the enemy”

Unpredictable things happen. So the army have created a simple concept for managing complex operation called Commanders Intent (CI). CI = The desired end state of the operation

Step 1 - Commanders Intent

Be clear on your intent, why you need to achieve it and what is essential to get you there.

Step 2 - Confront the enemy within

What is it in our current mind set, approach, programmes that will inhibit or accelerate our progress? In other words what is our black box and how does it serve us?

Step 3 - Understanding not communication

This is not communication ‘tell and sell’ as it is in most organisations – it is an in depth understanding achieved through discussion, dialogue, involvement and feedback.

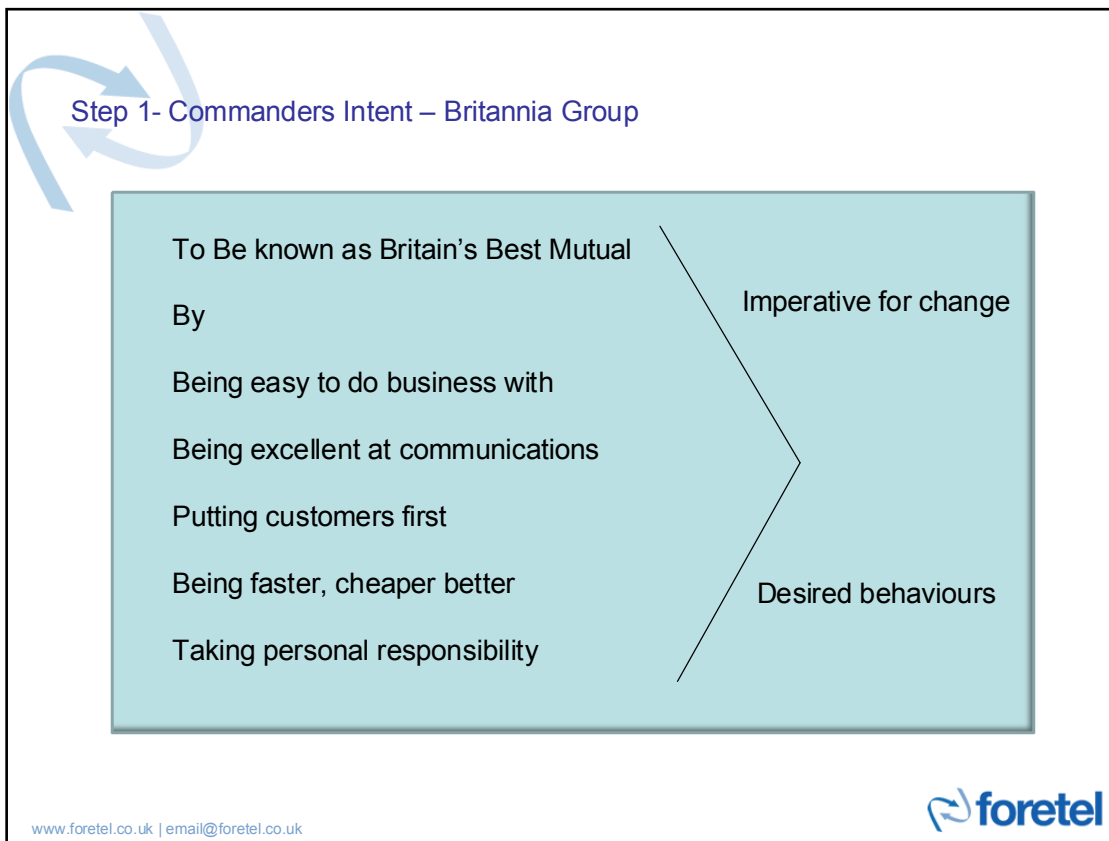
Step 4 – Align all your assets

You approach the battlefield in an holistic and integrated way – their initiatives, programmes training and reward all aligned to achieving the objective.

Step 5 – Measure and Control

Have in place the measurement instruments that tell you whether you are going in the right direction and warn you if you are not

That is it, 5 simple steps to winning a war or achieving corporate change!



Now you might think this is OK for the military or large American corporations but not for us – but you would be wrong.

We have a very good example in our midst – Britannia Group. You will have seen no doubt that Britannia achieved second spot in the Sunday Times Great Place to Work Survey and have seen a significant change in their culture over the past few years. Retailers best buy are also a good example.

They have two visions not one

- A logical vision that relates the business to the market place and creates an imperative for change
- A motivating inspiring vision about how the company can be – the culture and the desired behaviours codified into a behaviour map

So everyone is clear about how people are going to act in this organisation

Step 2 - The Enemy Within



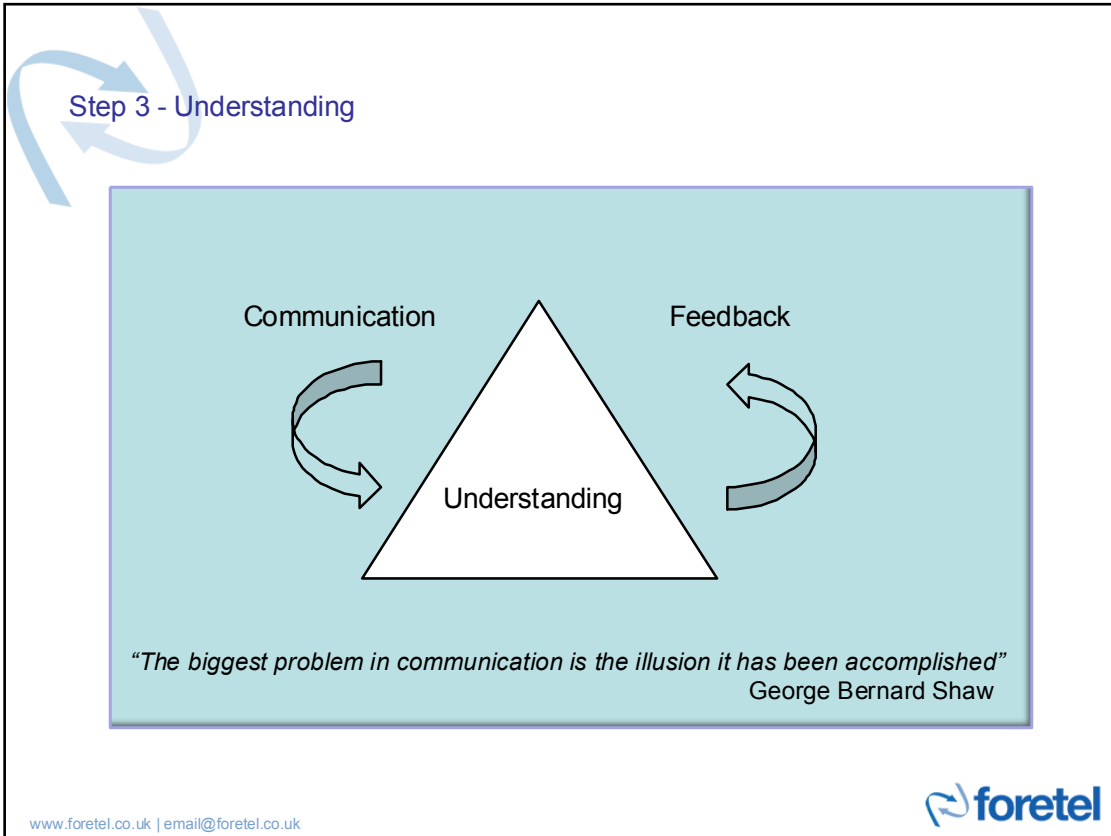
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Then real clarity on what is in the black box - the unwritten rules, the unspoken assumptions that get in the way and stop us achieving.

This analysis is from a healthcare provider

It tells us what we do that inadvertently solidifies the current culture and what buttons to press to achieve the new culture



Communication is always the most broken process in every company we visit.

Too many organisations miss the fundamental point that communication is useless unless there is real understanding, and feedback to check that understanding has been achieved.

Britannia's 'Mutual Understanding' process is a very good example of how to achieve this. Every month everyone gathers in teams and understands the context within which they make decisions.

Throughout their change programme, feedback was systematically gathered and analysed to assess whether the message was getting through

Step 4 - Align all Assets

	Willing	Able
Individual	Enjoys desired behaviour	Can do what is required (Coaching)
Team	How others respond when behaviour displayed	Team can capitalise on behaviours of members (tools)
Organisation	Behaviours recognised and rewarded	Barriers removed (processes, procedures structures)

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When it comes to adopting new behaviours, there are just two simple questions.

Are our people willing?
and Are they able? Is the environment conducive?

This is where

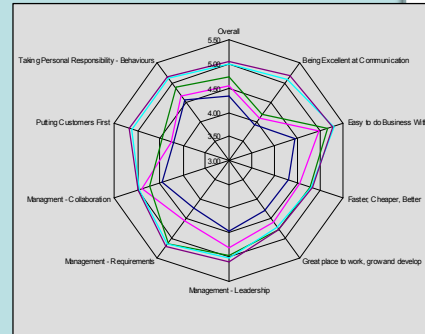
- Performance management,
- Training and development
- Reward and recognition need to be integrated and push in the same direction

Step 5 - Measure and Control



Environmental "Heat" Chart

Behaviour Change over Time



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...and finally, measurement

The example shown is from a telecoms company – it is an engagement 'heat map'. It shows the level of engagement for every team in the organisation and goes way beyond employee satisfaction - it shows where problems are, and equips managers to fix them

The second chart shows the change in behaviours, and by analysing both we can see what is working and not working

The Leadership challenge.....

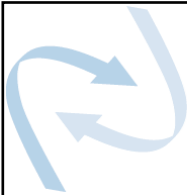
...to change whales into dolphins you have to open the black box!!

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So to sum up, one of the key determinates of success is culture.

Now is a golden opportunity to galvinise your organisation to change for the better and to create an imperative for change

But to do that successfully you will need to open the black box!



www.foretel.co.uk/peopleandculture

- Britannia Case Study
- Managing in Complex Times White Papers

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