Fourth Edition

Exploring Strategic Change

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3.4   Change target

An important design choice requiring consideration is the different organisational levels at which to intervene. These are:

- outputs: the outcome of what people do;
- behaviours: what people do and the way they do it;
- values: the way people think about their work.

Some change processes concentrate on attempting to change the values of employees, others emphasise behavioural change, whereas others may only seek to change the performance objectives or outputs of employees.

3.4.1   Outputs

Change can focus on changing the nature of outputs or performance objectives to in turn trigger a change in behaviours. The target is the *outcome* of what people do in terms of managerially determined outputs or objectives, for example, profit margins, hourly sales levels, levels of customer response. This usually involves the redesign of performance measures, such as rewards and control systems.

A focus on outputs is useful when high levels of autonomy are required. Individual, national or functional business divisions may require a degree of independence from the parent corporation in order to manage the change in a way that is appropriate to their specific country's context or the nature of their staff. Alternatively, autonomy may be required by individual staff themselves as in the case of doctors or medical consultants. In these circumstances, prescribing what has to be achieved through changing targets or what is rewarded is likely to be a more suitable target and effective intervention, than any attempt to prescribe behaviours.

A focus on outputs is also appropriate when rapid performance improvements are needed, such as at GM under Ed Whitacre (see Chapter 2). If an organisation is in *crisis* and needs to effect a rapid reconstruction, then financial outcome measures such as profitability and levels of debt will need to be put in place. The desired outcomes might also include hard measures to do with internal efficiency, such as cost reduction, which in turn may be associated with targets such as staff reductions, levels of waste, and cycle times. Furthermore, there is evidence that results-driven programmes, which focus on achieving specific, measurable, operational improvements within a short timeframe, in order to help achieve specific organisational goals, can yield considerable benefits.[13] The achievement of such goals will also provide visible early wins in the change process.

However, care needs to be taken when targeting outputs. For example, the recruitment agency Twenty changed its performance measurement system to become a more 'progressive' organisation with a strong profit focus. They achieved this by giving each of the Directors more accountability for the performance of their segment as well as profit-based bonuses and equity distribution. Making money became the prime motivator and as the CEO acknowledged, meant that those people who did not fit because they wanted to work in an environment that did not solely value 'money', felt they wanted to leave the organisation.[14]

There are other many stories of staff who change their behaviours to meet the new performance metrics, and gain the promised rewards from meeting these new metrics, but change their behaviours in a way that gains the awards in ways other than intended with unfortunate side effects. This continues to be a debate about this in the UK as part of public sector service reform where use of league tables and performance targets has become common. For example, Accident and Emergency units currently have a government set waiting time target of seeing 95 per cent of patients within 4 hours. There are claims that hospitals engage in behaviours that manipulate this data vis-à-vis these targets. For example, hospitals are accused of leaving patients in ambulances in a queue before admitting them into the hospital, to avoid the clock from starting, or transferring them into wards that are located alongside accident and emergency in order to stop hours from being recorded. Although such actions help hospitals to achieve their performance targets, these practices are not in the interest of patient care.[15]

This does not mean that measures should not be set as part of a change process. The warning is that hard output performance targets alone are often inadequate to achieve desired changes outcomes. Furthermore, simplistic measures such as levels of absence may be measuring levels of fear rather than levels of motivation, and may be masking problems. Other, more qualitative measures are often still needed to support and reinforce other interventions. Change outputs can, for example, be used to describe the *behaviours* required of people, how the behaviours of staff need to change on a day-to-day basis, and the types of outputs they are expected to produce in the future. Such more qualitative measures are important because they enable the change agent to devise ways to communicate to staff what is required of them, develop suitable training interventions and assess whether the desired change outcomes are occurring.

3.4.2   Behaviours

An alternative approach is to focus primarily on enforcing new behaviours. Those that support this view argue that the individual can only change if the organisational system in which the individual operates is changed. Figure 3.3 summarises this argument.

Programmatic change targets individual attitude change to effect behaviour change.[16] The underlying principle of this approach is that ways of behaving are underpinned by individual attitudes and beliefs. So change should be aimed at individuals and their attitudes. Yet individual behaviour is constrained by the organisational system in which individuals work. Roles and responsibilities, and existing ways of working, force particular behaviours on to individuals if they are to function effectively in an organisation. If individuals learn new attitudes, but are then returned to the old organisational system, they will not be able to practise the new ways of behaving that accompany their new attitudes. If instead the organisational system is changed (task alignment), and individuals are placed in job roles with different responsibilities and different relationships to their peers, subordinates and superiors, this will force them to behave differently, and ultimately to think differently, leading to a change in attitudes.

A focus on work-based behaviours can therefore be used to effect behavioural and accompanying attitude change and maybe, ultimately, value change.[17] Illustration 3.7 describes how Santander UK, one of the UK's leading banks, specifically targeted employee behaviours in customer service interactions through training, recruitment and incentives,
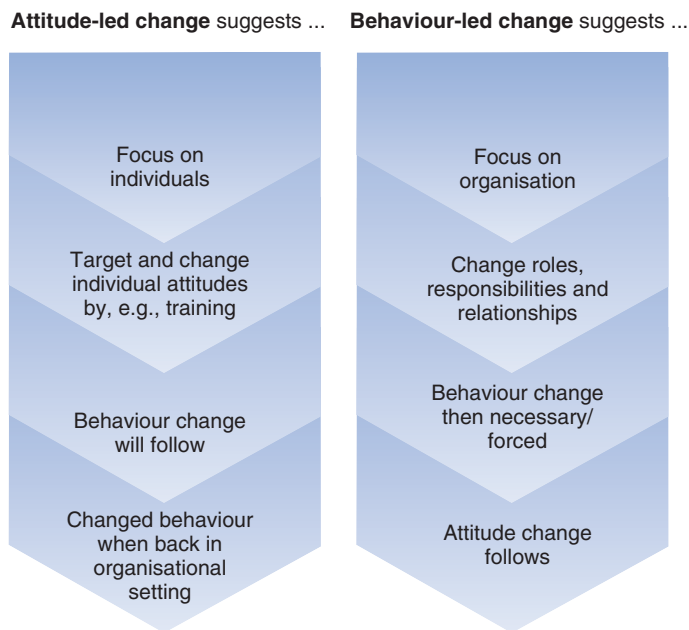
Attitude-led change suggests ...   **Behaviour-led change** suggests ...

Figure 3.3 **Attitudes versus behaviours**

ILLUSTRATION 3.7

Changing behaviours at Santander

Following the financial crisis, like many other banks, Santander UK, one of the UK's leading financial services providers although wholly owned by the Spanish Santander Group, faced the challenge of needing to reengage with its customers. In 2010, the number of complaints were high. Many customers criticised the service provided by the bank, leading some to suggest that compared to its competitors Santander was performing as the 'worst bank'.

In 2011, under the leadership of its Chairman, Lord Burns, in order to tackle these challenges the organisation started a comprehensive behavioural change programme under the 'Customer FIRST' initiative. Initially introduced across its Retail division, the purpose of this programme was to improve customer experience by embedding key service behaviours in the daily interactions between staff and customers across its network. These were built on Santander's service commitments emphasising helpfulness, friendliness, efficiency and a good understanding of customer needs. The programme involved a range of learning sessions for all Branch Managers between September 2011 and February 2012, supported by an external specialist on behavioural training, which would help staff understand customer perspectives and teach them about the behaviours that would enable them to improve customer experience.

Following these sessions, the participating managers were asked to disseminate what they had learned and encourage similar behaviours in their teams, supported by line managers. In addition, greater focus was put on recruiting staff by checking against required behaviours already in the application stage. Staff induction has since been

Illustration 3.7 (*continued*)

redesigned to provide support on behavioural development and behavioural training has been tailored to fit the needs of younger generations. Also, incentive schemes and benefit packages are starting to be adjusted to reflect Santander's commitment to behavioural change.

In 2012, the impact of these activities was first captured by asking 20,000 customers on their experience on a monthly basis. The results were promising. Recently, Santander's Head of UK banking suggested that customer complaints have fallen by 25 per cent compared to 2013 while more customers are switching to the bank compared to any other bank.

Source: adapted from: Jeffrey, R. (2014) 'What you can learn from Santander', *People Management*, 25 March, available online http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2014/03/25/what-you-can-learn-from-santander.aspx [Accessed October 2014]. Santander (2012) Corporate Social Responsibility Report 2011. Available online http://www.santander.co.uk/csdlvlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicaLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324569602360 [Accessed October 2014]. Christie, S. and Hyde, D. (2014) Santander: from worst bank to best bank? *The Telegraph*, 13 March, available online http://www.telegraph.co.uk/finance/personalfinance/bank-accounts/10816559/Santander-from-worst-current-account-to-best.html [Accessed October 2014]

to achieve a change in approach to customers from its employees. Through this behavioural intervention, the organisation managed to shift from one of the UK's worst rated banks in terms of customer service to one that currently has more customers switching to it than any other bank.

A target of behaviours may also be used for other reasons.

● Behaviours are an appropriate target in changes involving reconstruction or re-alignment, which require some degree of behavioural adjustment without a fundamental change in the shared organisational values or beliefs.

● The prescription of behaviours may be useful in service outlets such as McDonald's where routinised procedures ensure quality of delivery or product.

● In a crisis situation where there is little time, the enforcement of behavioural change may be an appropriate initial intervention, since value change can take a long while to develop.

3.4.3   Values

Interest in values as a lever for change was particularly strong in the 1980s, associated as it was with developments in human resource management and the increasing popularity of culture change programmes.[18] In the 1980s, the belief was that if employees could be made to adhere to a predetermined set of corporate values, they could then be given licence to innovate freely. In other words, by prescribing shared values, appropriate employee behaviour would emerge in such a way that there would be less need for bureaucratic rules and regulations. Appropriate values would drive appropriate behaviour, reducing the need for other types of managerial controls on employees.

However, the evidence shows that this approach can be fraught with difficulty in certain organisational contexts.

- Many espoused value statements are devalued in employee eyes if these are not reflected in changed behaviours, particularly from senior managers. So values such as 'individuality' or 'people are our greatest asset' quickly became relegated to meaningless slogans in many companies.[19]

- An emphasis on managing values may lead to staff feeling manipulated or brainwashed, which can result in cynicism about the values themselves.

- The acknowledgement of all kinds of diversity within organisations may undermine the attainment of a common set of values. In hospitals, for example, there are consultants, nurses and managers, each with their own professional allegiances, and different professional values, identities and motivations. Can common values be achieved across such diverse professional and occupational groups, or for that matter, different national cultures or business divisions?

In addition, some organisations feel that the dividing line between organisational values and individual values is hard to define. They therefore feel uncomfortable with this level of intervention, and question the legitimacy of trying to alter something as personal to an individual as their set of values. Yet if an organisation needs to achieve fundamental, transformational change, this by its very nature requires a change in the assumptions and beliefs shared by the organisation's employees. Thus there are circumstances where targeting values, or the shared assumptions and beliefs, is appropriate. This was why Barclays' CEO Antony Jenkins (see Chapter 2, Section 2.2.2) initiated fundamental change in 2013 with the 'Barclays Way', which included a focus for staff on new values to do with respect, integrity, service, excellence and stewardship.

Yet value change is a difficult thing to achieve, and targeting values is not the same as putting up value statement posters or issuing pocket-sized cards with the values printed on them. Unfortunately, however, many organisations do believe that to get values change the development of a communication package around a set of new values is sufficient. See Illustration 3.8 which describes a fairly typical approach to values change. This organisation did not only not follow through on their planned programme, but as is so often the case, the managers didn't put in place any supporting changes to performance management systems, work practices and environment, or leadership behaviours. Change through a focus on employee values requires an intensive focus on personal development programmes supported by organisation-wide change. This is discussed next in Section 3.5.

ILLUSTRATION 3.8

When targeting values doesn't lead to change

Technocom (TC), a Scandinavian company, was created as a stand-alone entity from its parent organisation in 2001. TC produced sophisticated systems and applications for its parent company and had potential to market its applications to other companies. Given its origins, TC was research-oriented with an engineering-led project culture that placed importance on technological advancement rather than delivering a quality product on time, to budget. It was decided to launch a culture change

Illustration 3.8 (*continued*)

to address the perceived lack of market/customer orientation.

TC hired consultants to help with the culture change project. One of these ran a series of culture workshops with 80 senior managers to form an agenda for the culture change programme. The workshops engaged in activities such as SWOT analyses and looked at leadership behaviours as well as other aspects of the organisation. A target culture was developed at the end of the workshops by the consultant and the Chief Technical Officer (CTO). However, the consultants were not retained and responsibility for the programme was passed to HR. They refined the target culture to consist of a 'winning culture' with three business drivers (excellent customer relationships; magnificent technology; powerful teamwork) and five shared values: Our way of working – commitment; leadership – trust and inspiration; communications – openness; decision making and rewards – empowerment; organisation structure and teamwork – clarity. Each value had attached to it a number of winning behaviours. A communications package, or 'culture kit', was developed with a brochure, individual and group exercises, and a video of the CTO explaining the new vision.

The culture change was launched at a management meeting in February 2002. The next step of the process was a series of workshops for all employees in February and March run by junior managers using the cultural kit and based on the knowledge they had gained from the launch meeting. The purpose of the workshops was to encourage employees to consider how their behaviour needed to change if the new culture was to be delivered. Feedback was to be collected from the workshops and passed to the senior managers so that the organisation could identify the behaviours that it should stop, keep and change. The feedback was to be presented at a follow-up event.

However, there was never any certainty about how many of the junior managers ran the workshops they were supposed to run. They were no sanctions against those that didn't. Furthermore, action plans that resulted from the workshops that were run were not followed up by the senior managers. In addition, the programme involved no supporting changes to performance management systems, work practices & environment, or leadership behaviours. As a result, the culture change programme had very little impact on the organisation. The CTO subsequently claimed that the purpose of the culture change programme was more to do with creating an inspiration for rethinking than to achieve anything concrete.

Source: adapted from Alvesson, M. and Sveningsson, S. (2007) *'Changing Organizational Culture: Cultural Change Work in Practice'*, Routledge.

3.5   Change levers

One of the issues facing any change agent is the range of levers and interventions to use to affect the required level of change. Organisations are composed of a number of inter-connected and inter-dependent parts or subsystems, and are most effective when the major components are in alignment with each other, just like a car engine. Given the inter-dependency of these subsystems, it is difficult to change one part in isolation. Either other parts of the organisation with which the changed part inter-connects will counteract the effect of the change, or the change made will force domino change effects, maybe unforeseen, in the other parts of the organisation. Chapter 2 has already introduced a tool based on these principles – the cultural web. As Chapter 2 explains, the web models organisations through six inter-linked and inter-dependent subsystems all inter-connected with the paradigm.

We show in Chapter 2 how the cultural web provides a way of auditing an organisation's culture, identifying the barriers to change it presents, and building an outline vision for a