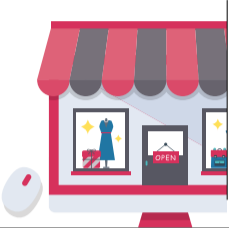


BUSINESS TRANSFORMATION

03 Reinvent or die in a ruthless world

No business, no matter how big or established, can afford to stand still for fear of becoming yesterday's news



04 Follow the guru's 8 steps to change management

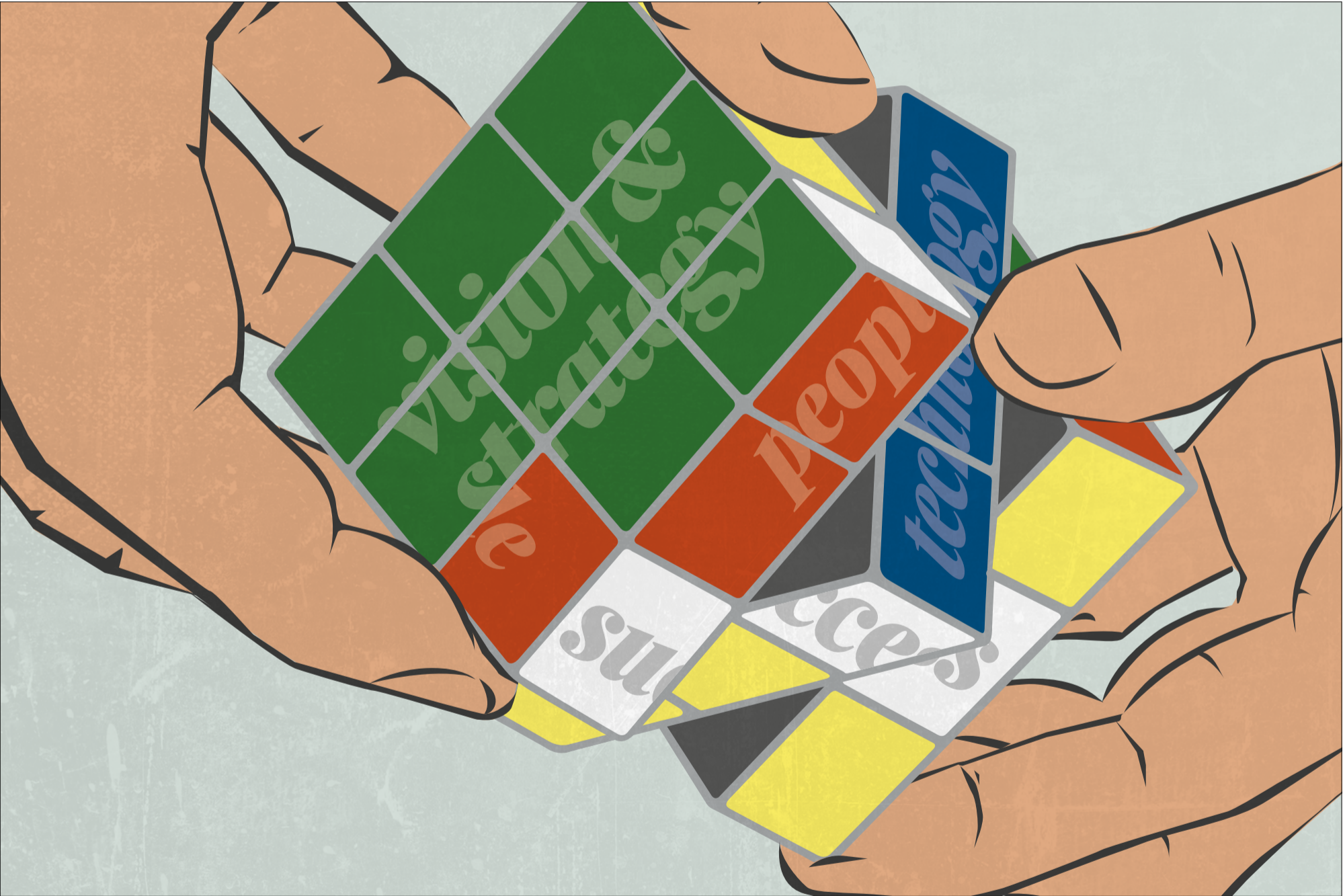
How to use Dr John P. Kotter's guide to business transformation

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Reinvent or die in a ruthless world

No business, no matter how big or established, can afford to stand still for fear of becoming yesterday's news

◆ OVERVIEW

● CHARLES ORTON-JONES

If you don't change, you die. Simple as that. No firm can survive for long by staying with the same formula. According to Professor Richard Foster of Yale University, the average lifespan of an S&P 500 member in the 1920s was 67 years. Today that has fallen to 15 years. He estimates that in the future it will take eight years for three quarters of the S&P to be populated by firms we haven't even heard of yet.

“If you can't admit things are going wrong, you'll never be able to turn around a company, a product line or a division

No matter how strong a firm looks, the rot can set in. Until recently Tesco looked invincible. It was so powerful the Competition Commission investigated

it for being a monopoly. One pound in seven on the high street was spent at Tesco. In 2007 the economist Andrew Simms published *Tescopoly*, an investigation into how the supermarket had crushed its rivals. He lamented: “The store's already monopolistic control of the British grocery market is set to get even more suffocating...”

Since then the share price has halved. In the last year Tesco has gone through a profit mis-statement scandal, lost its boss, and is being hammered by insurgents Aldi and Lidl. Who saw that coming?

So what's the cure? If there is one, the discipline of business transformation is where you'll find it. It's home to tricks, tips, ideas, processes and other ingenious ways of avoiding a premature demise. Like treating cancer, business transformation has no universal approach, and no “cure”. But there are proven methods of getting results.

Being honest tops the list. If you can't admit things are going wrong, you'll never be able to turn around a company, a product line or a division.

Here's a great example of how business transformation should work. Vistaprint was a smash hit from day one. Robert Keane was an MBA student at Insead

when he came up with the idea of low-cost business cards for small firms. He founded Vistaprint in 1995, and for 15 years the business grew at a barely believable rate. By 2010 the firm was valued at \$1.5 billion and wildly profitable. But the management could see things were going wrong.

Don LeBlanc, chief marketing officer, recalls: “Our marketing was entirely based on promotional offers with

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jaw-dropping prices, which would attract price-sensitive customers to our site. We would then up-sell and cross-sell during and after the purchasing process to drive revenue. Unfortunately, in time these business practices began to have a negative impact on customer retention and were harming the reputation of our brand, even though overall revenue was still healthy.”

The website layout was cluttered; the pricing unclear. The marketing materials were obsessed by discounts. The service wasn't good either. Loyalty was poor. “We started to realise, however, that our customers were not making repeat purchases. Our meteoric growth

rates were beginning to show signs of decline.”

This frank analysis revealed Vistaprint needed to transform its culture, marketing, service, design and pricing. Mr Keane stepped up to change the company he'd built.

“In July 2011, Robert made a bold move when he announced to Wall Street that the company would be withholding earnings and committing tens of millions of dollars to improve the Vistaprint experience, from product quality and range, to pricing, to customer service, to the design experience online,” says Mr LeBlanc.

Mr Keane promoted a new company culture. He informed staff at all levels about the new strategy, giving them more autonomy and telling them about his plans. The pricing strategy changed. Surprise “extra” fees were deleted. Discounts were scaled back.

The website got a facelift. New logo; a simpler layout. Canada was used as a testing ground, before ideas were rolled out to the United States, UK, France and Germany.

The result? Net promoter score (customer loyalty metric) is up 20 per cent in the UK. Order values are up and

repeat orders are up. Vistaprint is now positioned around quality and service, rather than merely price.

It is an atypical story, as few firms that grow and stay in the black realise they are at risk. Mostly, it takes disaster to trigger a change. Marketing firm EngageSciences got skewered in 2013 when Facebook had changed its algorithm, pushing corporate brands from 16 per cent of the feed to 3 per cent. EngageSciences' Facebook apps for brands were redundant.

Boss Richard Jones called an emergency board meeting. He repositioned the firm as a platform to help brands turn their websites into social media hubs. “The change in focus turbocharged our business,” he says. “Turnover and staff numbers have more than doubled over the last year and we now work with brands including Vodafone, Microsoft, Spotify, Etihad Airways and AOL Huffington Post, to name a few, helping them drive visits to their websites, interaction with consumers and sales.”

Honesty, boldness, speed and a capacity for reinvention. Just a few of the traits needed for business transformation. What else? You'll need to find out. The need to transform will never go away. The only question is how are you going to do it?

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Follow the guru's 8 steps to successful change management

For 20 years, Harvard Business School leadership and change guru Dr John P. Kotter's eight steps for business transformation have helped leaders revitalise their organisations. Here's how it's done

◆ TRANSFORMATION
● ALEC MARSH

1 UNLEASH BURNING AMBITION

As the Chinese philosopher Laozi observed 2,500 years ago: "A journey of a thousand miles begins with one step." Unsurprisingly, Kotter's first step is the most crucial if you are to have a chance of successfully transforming your business. Leaders often reach for the "burning platform", says Andrew Campbell, director at Ashridge Business School's Strategic Management Centre, to inspire a sense of change urgency in their people. "In reality that urgency comes from the fact that your boss wants it," adds Mr Campbell, for whom success lies in really showing your commitment to the goal you're setting. And if you do use the burning platform metaphor be careful because it spreads anxiety in your business. "In the land of burning fires there are lots of pyromaniacs," warns Peter Fuda, Australian author of *Leadership Transformed* and a consultant who has worked on transformation with blue chips including Philips, Bayer and MasterCard. He cautions: "A burning platform can get you started, but in order to sustain transformation over time you must move to a burning ambition, to something that pulls you, rather than running from the fire that's behind you – it's exhausting."

2 LEAN INTO THE GAP

Next Kotter believes leaders must assemble a group of managers with the power and energy to lead and support a collaborative change effort. This can start with a core of perhaps 15 senior leaders before becoming a coalition of at least 20 to 50 key people in larger organisations. How do you engage these people? It all depends

KOTTER'S 8-STEP PROCESS FOR LEADING CHANGE



on what you want, but one approach might be the "fish bowl" technique where more junior staff are asked to discuss their managers – warts and all. That might help you change a management culture, for instance. Crucially, Ashridge's Mr Campbell advises that whoever you get in your coalition, they must be people that others will follow. A broader "must" is to engage any headwinds head-on. "The number-one factor in whether leaders succeed or fail is whether they lean into the gap or reject the gap," says business author Mr Fuda, suggesting that a gap could be weaknesses in an individual's leadership or their top team, for instance. "If you embrace that gap, which is what the best leaders do, with humility but aggressively, and enjoy the process no matter how difficult it is, then it becomes a source of innovation, growth and competitive advantage," he says.

3 START THE BALL ROLLING

Once you know what you want and you've got as many key managers onside as possible, it's time to communicate your vision and get the organisation moving towards the goal. When Jack Welch was chief executive of General Electric in the 1990s, he decided to break the company's focus on the US market and achieved it, too. "His strategy was to announce that he wanted every business in his empire to be number-one or two in their global markets – or he would sell them," says Mr Campbell. "That certainly created a burning platform and was an incredible success story." Kotter, meanwhile, advises: "If you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not done." However you do it, before you set out on the journey, make sure you've engaged your organisation to help find the way.

Source: Kotter International

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Mr Fuda adds: “Make sure all the leaders are agreed that we’re leaving from the same point.”

4 ASPIRATION IS EVERYTHING

When Barack Obama fought and won the 2008 US presidential election, he fought on a ticket of change. But so did John McCain. One of the many differences was that Obama offered a vision of change that aligned more closely with the aspirations of a much greater segment of the US population. So whichever way you communicate your message of change, it needs to be wedded to an aspiration that your people buy into. “Town hall” meetings work well for spreading the word; you can get a thousand staff under one roof, engage them directly and then recruit volunteers for an army of change-agents. “This is a way that you can create the ‘felt need’ – another way of talking about urgency for action,” advises Mr Campbell, who points out the impact of acts of leadership. When Colin Marshall, then head of British Airways, led BA through privatisation, from being focused on planes rather than people, he rolled up his sleeves on the shop floor. It helped his staff understand that people mattered, pretty crucial to a service like an airline. Finally, whatever you want to do, you need more people with you than against you.

5 ALIGNMENT IS KING

“A big part of a leader’s job is to remove the barriers to change,” says Mr Campbell, who has identified ten generic impediments to successful change. For instance, is everyone clear about what needs to be done and convinced that it will be effective in achieving the benefits desired? Do your guiding coalition and those actually effecting the change really have enough time, resources and motivation to do it? Is your burning platform still blazing – in other words is there continuing pressure to drive change? “The evidence I have is that if you have more than three barriers that you’re worried about, then change isn’t going to happen,” says Mr Campbell, with each adding 15 per cent probability of failure. “If you get four, you’re below 50 per cent of it happening, so thinking those through is pretty important.” And don’t forget the broader cultural point, either. “Guide leaders in clearly identifying the type of culture that will move the organisation towards the vision, and any aggressive and defensive expectations and behaviours that currently are working against it,” says organisational culture expert Robert Cook, from Human Synergistics International in the United States. In other words, align everything to your goal.

6 MEASURED SUCCESS

A critical way to keep your organisation on track – your long-term transformation might well take five or more years to achieve – is to offer the uplifting reward and motivating drive of short-term wins. These help prove that the therapy is working and as Kotter acknowledges, if you

don’t have them, “too many people give up or actively join the ranks of those who have been resisting change”. If, for example, you were Liverpool Football Club, which Mr Fuda for one holds up as an exemplary example of change management under its present ownership and team manager Brendan Rodgers, then a short-term “win” might be to finish higher up the Premiership than you did last season. While your ultimate goal remains generational league and European dominance in about five years’ time. For a football club this is relatively easy to measure, but your changing business needs some away wins, too. Give your people a shot at goal in the first half.

7 NOW STEP IT UP

It’s hard to forget President George W. Bush’s flight-suit declaration on the deck of USS Abraham Lincoln in 2003 that major military operations in Iraq were over. In the corporate sphere the mission is never accomplished. “Business transformation today is a constant process of alignment and re-alignment to our aspirations,” says Mr Fuda. “As you arrive at your goal, so you set a new goal and you start the alignment process all over again.” He advises his

clients to use 11 levers – running from the impact of leadership, to strategy, to raising standards and the symbols you communicate – to align their business to suit the new ambitions they have for it. “Strategy is not enough,” he cautions. Human Synergistics International’s Mr Cooke agrees. “Identify and replace the systems, practices and structures that have inadvertently emerged, and are reinforcing the current defensive culture,” he advises. You do this, he says, by using the unwanted behaviours as “visible levers for change”, thereby communicating and enabling, and rewarding the behaviours you do want instead.

8 MAKE FLUX NEW NORMAL

Change is the medium, not the message. You must embed it. Kotter advises that you should include openness to it in your requirements for promotion, so your successors keep it up. For others, the very notion of change management is an oxymoron, partly because it implies there’s a beginning and an end. That’s not all. “Change management as an idea encourages leaders to want to control things,” warns Mr Fuda, “so, if they can get enough measures, processes and systems in place, somehow they can manage their way through massive layers of complexity. That’s just a recipe for failure.” And Mr Campbell agrees. He suggests considering agile approaches to management, empowering people to try things and see what takes off. Finally, if your change effort isn’t working, remember a piece of inspiration from Napoleon, who knew something of burning platforms, as well as burning ambition. “Nothing is lost, while courage remains,” was his dictum – which for all of us means it’s time to start again...

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COMMERCIAL FEATURE

TRANSFORMING HEALTH AND SOCIAL CARE

The NHS is the gold standard of health services, unparalleled among all the world’s major economies. While that is hugely reassuring to know for those who are ill, as business transformation consultancy Prederi points out, when it comes to preventing illness, the health and social sectors have fallen short



Stewart Johns
Managing director
central public services

“A financial director of a National Health Service trust recently told me it should not be called the NHS because it is regional and about treatment of illness,” says Stewart Johns, Prederi’s managing director central public services. “Instead, he suggested that it should be called the Regional Illness Service. However, he didn’t think the service would be as popular if it was called RIS.”

The remark was light hearted, but as he knew only too well, it carried an element of truth, particularly around the health or illness element.

Addressing the Kings Fund recently, the NHS leadership presented the 2014 Commonwealth Fund study showing the NHS is rated the top health service of all the major economies in the world.

“I won’t dispute that fact, but I would point out that the same study had UK population health, or healthy lives, ranked second from the bottom in the same group of countries,” says Mr Johns.

There is growing recognition among all the major political parties, and the NHS itself, that the biggest transformation required is that of creating clearer links between health – and illness – wellbeing and social care.

Mr Johns adds: “There is a need to increase and improve public health, self-care and social care so people can stay healthier and remain in the community, while reducing the huge and growing demand for GPs and hospitals. This will give a better outcome for the population and a more manageable cost to the taxpayer.”

The Prederi modelling team have carried out a systems-thinking study into the interdependencies of the causes and effects of keeping a person in the lower-risk categories of health (Figure 1) by supporting them when they are still relatively healthy, rather than waiting for them to be ill or get injured.

For example, when a patient is discharged from hospital, they could be given reablement for up to six weeks. Reablement is predominantly a social care service that works with the frail to reduce the likelihood of a return to hospital

due to a fall, infection or illness and to improve life in his or her own community.

Reablement halves the likelihood of a quick return to hospital. In the long term, it also reduces or delays the person staying in a care home.

“Our study looks in detail at how people move through the risk profiles as they age and/or become more ill,” explains Mr Johns. “We have examined how an upfront spend in public health and social care can improve lives and reduce long-term costs. The result indicates there is a return of six times the investment in the first ten years and even more if the analysis is over a longer time frame, which takes long-term social care into consideration.” (Figures 2 and 3)

“There is a need to increase and improve public health, self-care and social care so people can stay healthier and remain in the community

This result, while not unexpected, provides real evidence that the upfront investment in social care is worthwhile.

Mr Johns concludes: “The major transformation would therefore be to move the entire monolithic health and local authority structures into a more dynamic, integrated person or patient-focused organisation within a single budget, where population health is the true measure of success, rather than just being great at healing ill people.”

This is a short article providing a simplified set of results to a complex systems-thinking model that has linked the major aspects of health and social care. If you would like further information, please contact Stewart Johns at stewart.johns@prederi.com For greater detail on the study please go to prederi.com

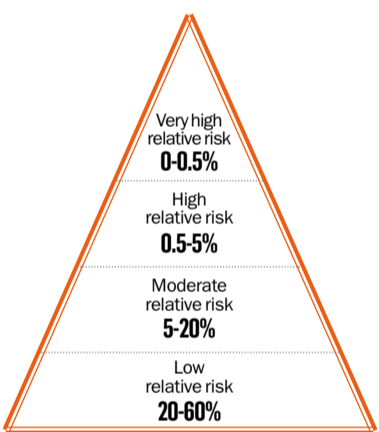


Figure 1: UK health risk profile

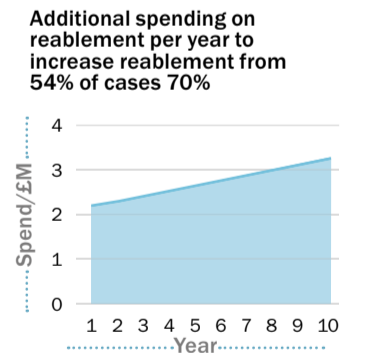


Figure 2: Increased reablement spend

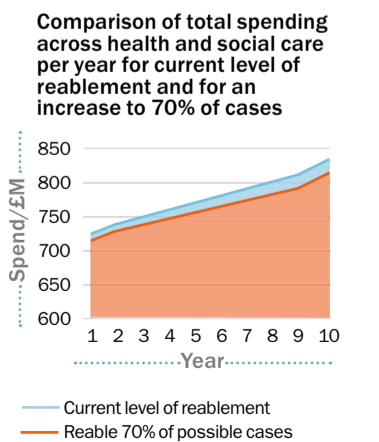


Figure 3: Effect on total spending



It's goodbye dead trees, hello digital

Digital innovations are transforming workplaces faster than ever. The challenge for leaders is to ride this technological wave of change and pick out the benefits, without losing sight of company objectives

◆ DIGITAL

● DAN MATTHEWS

Revolution is an overused word in the English language, but working people have witnessed a genuine technological revolution in the last 20 years that has eclipsed anything since Britain industrialised.

Two decades isn't that long, yet in this time organisations have gone from sending slivers of dead trees to each other, to adopting technologies that facilitate the instant sharing of information and collaborative work.

Between 1995 and 2005, organisations went digital. They built websites and installed e-mail as their primary communication channel. Between 2005 and today they have experimented with increasingly powerful digital technologies, picking up all kinds of efficient, business-boosting applications.

These tools, from sophisticated video conferencing to cloud storage, big data and customer relationship management platforms, free up space, save money and emancipate the workforce to be where they need to be rather than where technological constraints mean they have to be.

There is no sign of this abating. The technological genie is out of the bottle and the signs are that innovation will speed up, not slow down. The implications for businesses are enormous and those who adopt smartly will push ahead of the others.

"Digital makes the process of change faster, because of the connectivity it creates," explains Peter Veash, chief executive of The BIO Agency. "Businesses are better connected to their employees and their customers, and their customers are connected to a global marketplace through the internet. So whether it's fear of obsolescence or the excitement of opportunity, digital is transforming the workplace fast."

Despite technological convergence, digital transformation is not one thing, but lots of micro-changes that, combined, make a big difference. Broadly speaking these components fit into brackets such as communications, information-gathering, insight and collaboration.

“The technological genie is out of the bottle and the signs are that innovation will speed up, not slow down”

Big data, for example, is helping businesses to learn about customers and trends in minute detail, allowing them to transform into the businesses they should be, based on insights from who they want to sell to.

Andy Baker, director at Hitachi Con-

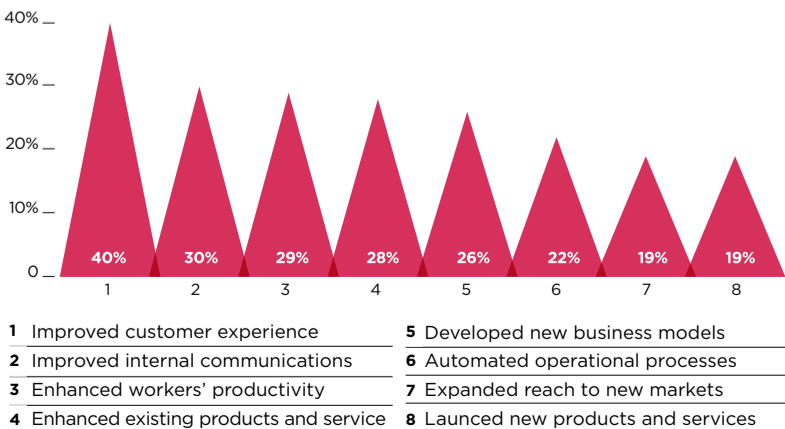
sulting, says: "Digital technology can drive workplace transformation by allowing vast amounts of data to be analysed into easily digestible insights which can be seen at a glance, in real time, and on the move.

"Following the rise of social, mobile and cloud technologies, which enable the collection of big data, sophisticated analytics tools are now emerging to deliver unprecedented levels of insight. Employers can keep a close eye on operational efficiency, employee engagement and consumer engagement, allowing them to make informed decisions about business processes like never before.

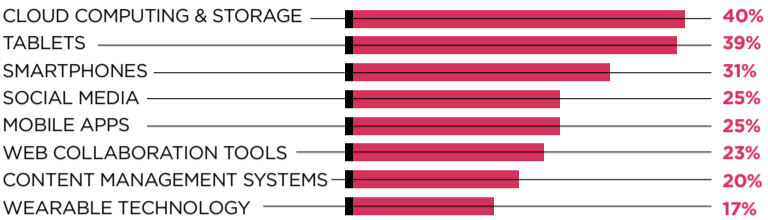
"Social technology is also having a huge influence on employee behaviour. The growth of corporate social networks and apps now allows employees to collaborate with colleagues locally, nationally and internationally. The ubiquity of mobile devices enables flexible and new ways of working to maximise productivity."

For the leaders of businesses undergoing transformations, it's important not to

WHICH BENEFITS HAVE EXECUTIVES EXPERIENCED BY ADOPTING DIGITAL TECHNOLOGIES WITHIN THEIR ORGANISATION?

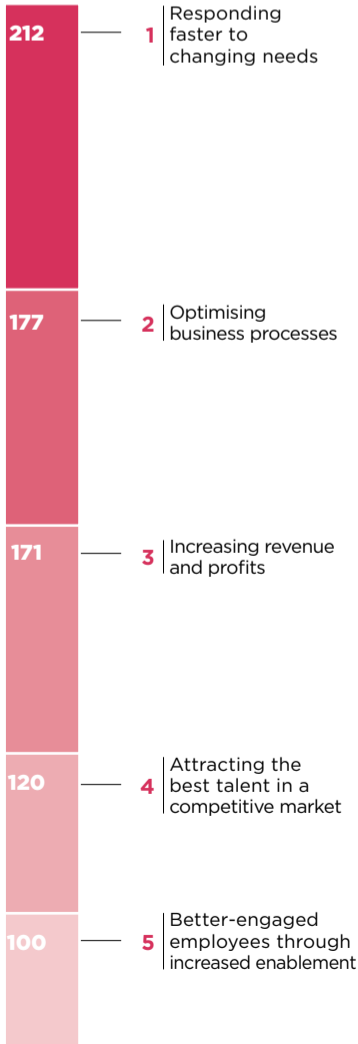


OVER THE NEXT FIVE YEARS, WHICH TECHNOLOGIES DO EXECUTIVES BELIEVE WILL HAVE THE GREATEST IMPACT ON THE WAY WE WORK?



Source: Future of Work, Raconteur & Google, 2014

IN TERMS OF BUSINESS PERFORMANCE, WHAT DO EXECUTIVES FEEL ARE THE BIGGEST DRIVERS BEHIND DIGITAL TRANSFORMATION?



Source: Future of Work, Raconteur & Google, 2014. Based on index score

get starry-eyed. History is littered with examples of companies that invested in the wrong technology, overspent and paid the price (literally). Bosses must look at their specific needs and find the right mix to push things forward.

"It's about getting all functions of your business fit for purpose in a digital world, from finance to customer service to HR," says James Hilton, global chief executive of M&C Saatchi Mobile.

"It should be very clear that an effective digital workplace transformation cannot be driven by one area of the business alone. To get individuals and functions across the business to change the way they work and communicate, you'll need to engage them in the change.

"This means identifying the key stakeholder groups, who need to be involved in shaping and driving the change, and bringing them together."

But for digital transformations to succeed there needs to be a corresponding step-change in working practices, according to Ursula Morgenstern, chief executive of Atos UK and Ireland.

"The workplace is changing at an unprecedented rate. Employees have embraced the latest mobile devices and digital technologies in the home. They now expect and demand the same in the office. And as the latest tribe of digital natives join the workforce, having these kinds of tools and applications in place is more important than ever.

"It's a transformation that has to be backed by a corresponding change in working practices and culture. If employees embrace the move to mobile and social technologies, organisations can achieve enhanced productivity.

"And if businesses can reduce the use of internal e-mail to embrace more collaborative models, they can deliver further efficiencies that help unlock the potential of the future digital workplace."

There are other dos and don'ts of digital transformation, including of course installing a fit-for-purpose digital communication channel that allows everyone to share their views about what's going on.

According to Adam Hale, chief executive at Fairsail, businesses must plan for change, analyse all the data that comes back and never be too reliant on technology alone. Successful transformations happen when bosses provide "great workplace experiences", says Mr Hale.

"To achieve workplace transformation, staff at all levels need to have a means of communicating and feeding back their thoughts to the top. Digital technology facilitates this and as such bosses should encourage employees to use it as a medium to voice their opinions and concerns," he says.

COMMERCIAL FEATURE

LET'S WORK TOGETHER

Collaboration in business bolsters the bottom line, but requires the right technology and easy-to-use collaborative tools

POWWOWnow



The *Harvard Business Review* recently identified a serious problem. Companies that get better at what they do will slowly stop collaborating. Staff get obsessed by their own niche and get isolated. They stop sharing ideas with colleagues. It can get so bad that individuals treat clients as “their property” and won’t bring in colleagues to help even when there is a clear benefit in doing so.

For example, in a law firm, a patent lawyer may sit just yards from a tax expert. Yet they may fail to introduce their clients to the tax expert, even though both the clients and the law firm would profit.

But what happens to firms who overcome this issue? The *Harvard Business Review* article’s author, Heidi K. Gardner, fellow of Harvard Law

School, looked at the effect on professional services firms who promoted collaboration. The results were remarkable.

Collaboration by partners increased profits. If the collaboration crossed international borders, then profits increased further. The more countries involved, the bigger the leap in profits. Collaboration increased profit per partner. Interestingly, a partner who contributed to serving a colleague’s clients, sell more services to their own clients.

“Why?” asked Dr Gardner. “When you team up with colleagues, they better understand what you have to offer and that knowledge makes them more likely to refer work to you down the road.” The data shows that the payback referral typically came within a year from one in six colleagues. Not bad.

“The quality is significantly superior to many rival streaming services – important when conveying a professional demeanour

Clients benefit hugely from collaboration. They get the extra expertise brought by the new faces. And clients become more loyal. Dr Gardner found that clients become “owned... by the firm rather than controlled by one partner, reducing the risk that a departing professional will take that client with them”.

Corruption is reduced. It is far harder to hide misdoings when colleagues are

working together on the same project. Enough proof?

With such a broad list of benefits, it is worth asking why firms so often struggle to work together effectively. A big answer is technology. Collaboration tools may exist. But so many are fiddly to use or require lessons, leaving potential users out in the cold.

The message is this: if you want to boost collaboration and reap all the rewards, you need to supply tools which are easy to use. Those tools must do this while offering all the functions needed to get staff working with each other and with clients.

Powwownow’s suite of tools has this in mind. The firm is known for hosting conference-calls. With no contract and no obscure charges or billing, guests simply pay the cost of their own call. The service is hugely popular. It boasts a 97 per cent recommendation rate.

Since the company’s acquisition by PGI in 2013, Powwownow has the ability to offer its parent company suite of products in a simple and effective way. These include simple collaboration tools for document sharing, screen sharing and instant messaging.

Powwownow’s iMeet service is a virtual meeting room for up to 125 guests. They can work together, whether they are in the same building or working in different continents.

iMeet allows users to share their screens in crystal-clear resolution. The host can pass control to a guest, so they can present or talk colleagues through the nuances of a document.

The video-chat is in high-definition quality. Since most communication is non-verbal, this makes meetings more productive and engaging. The quality is significantly superior to many rival streaming services – important when conveying a professional demeanour.

The video-chat service can also be integrated with large-screen video conferencing equipment, making it ideal for enabling meeting room conversations.

The iMeet meeting room can be personalised. Guests can upload a photo, a biography and choose a background. Integrated social media apps add a lively extra dimension to communication.

Perhaps the biggest unique selling point is the ease of use. There is no downloading for guests, they simply log-in via a web browser and start work immediately. This means meetings can be scheduled at a moment’s notice, without needing the approval or assistance of IT staff, who would otherwise need to evaluate and approve the collaboration software before installation. Naturally, iMeet is multi-platform, working across PC, laptop, and most tablet and mobile devices.

The iMeet package gives all firms, from cost-sensitive small and medium-sized enterprises to multinationals with complex needs, the perfect way to work collaboratively. The ease of use means clients are more likely to request meetings and the complete nature of the toolset means even the most intricate projects can be addressed in depth.

The benefits bestowed by working collaboratively are many. Firms that know how to combine the talents of their colleagues are even proven to survive better in a downturn, according to the *Harvard Business Review* article.

Staff and clients want to work together in real-time. All they need is the right service to get on with the job.

Jason Downes, managing director of Powwownow, says:

“iMeet allows people to share their screen and video-chat, working with colleagues anywhere in the world. Early-adopters of iMeet have been recruitment managers and HR directors, as the industry looks for smarter ways to become more efficient in recruiting the best possible talent. We are extremely excited to be able to offer iMeet to businesses, enabling people to work anywhere, at any time on any device. It’s all about working smarter to get the job done.



Find out more about iMeet by Powwownow. Visit www.powwownow.co.uk/Web-Conferencing/iMeet or call 0203 398 1919

Customers drive transformation

Boosted by technology and changing expectations, consumers are increasingly setting the business agenda

◆ CUSTOMER INFLUENCE

● HAZEL DAVIS

An upmarket Manchester restaurant hit the headlines recently when it responded to a customer complaint with a vitriolic social media attack on the complainer. The stunt backfired in a way that might have seemed unimaginable a couple of decades ago and the restaurant's reputation was wrung out online.

Customers have become as crucial a part of business success as the board of directors itself, and are beginning to define brands and business direction.

According to PwC's 2015 *Global CEO Survey*, when asked to identify disruptive trends in their industry over the next five years, 72 per cent of UK chief executives cited changes in customer behaviour, compared with 61 per cent of their global peers. This was seen as the biggest single disruptive trend, followed by changes in core technologies of production or service provision.

Understanding the customer is key to success, says Alistair Smit, chief executive of smart energy meter company, Blueberry Home Solutions.

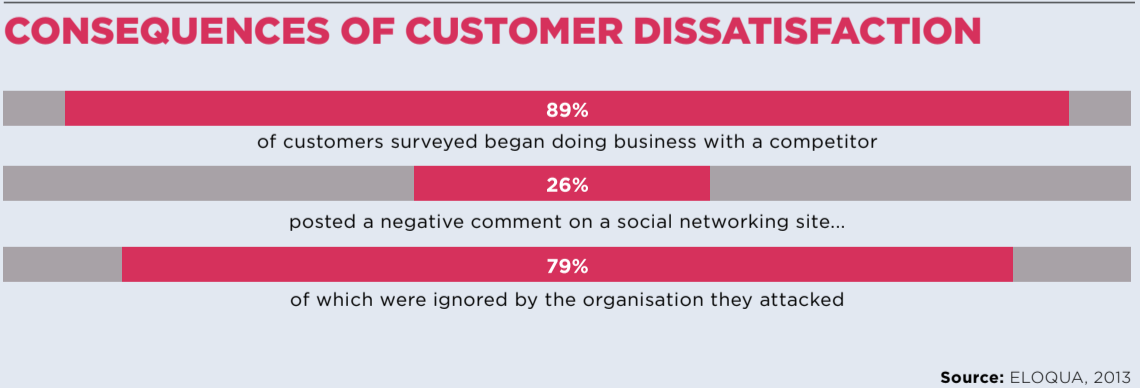
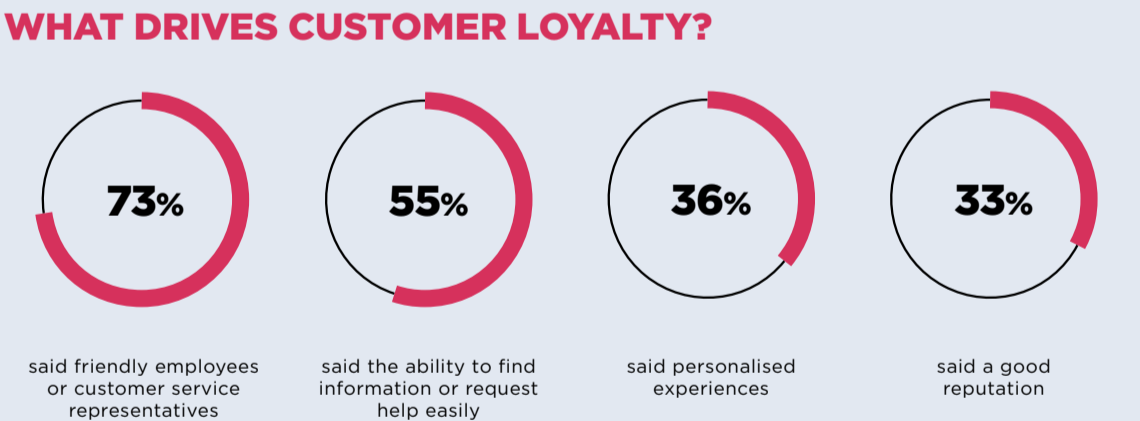
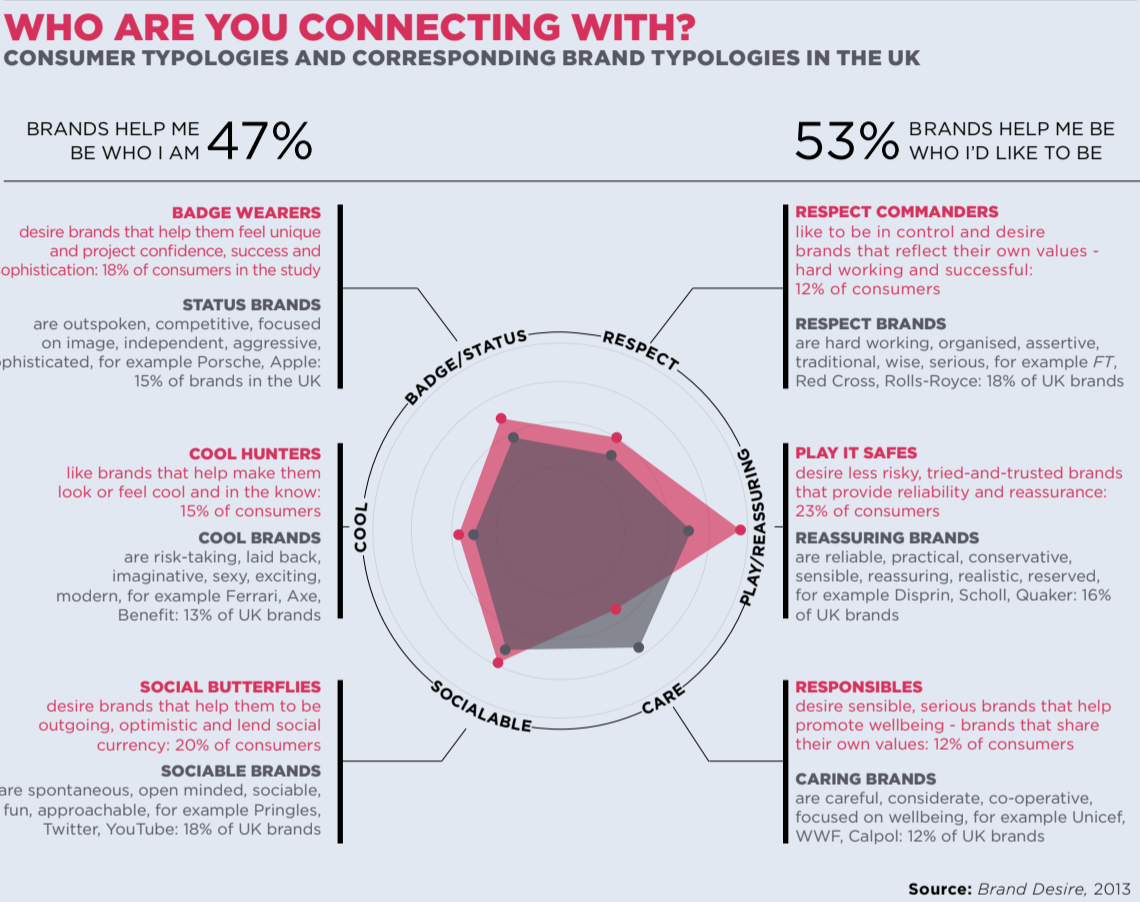
His company developed the Blueberry Smart Hub as a direct result of customer-led technology aspiration and deployment. "As more and more customers aspire to own smartwatches, the R&D team are using these – Samsung Gears – to develop

“To drive transformation, the company did something very simple, but incredibly powerful – we asked customers what they wanted

and test the hub, the world's first hub to measure real-time boiler fuel consumption,” says Mr Smit.

Blueberry's research and development team are planning to test on Apple smartwatches. "The key to the success of the hub is that it shares its loyalty with the loyalty the customer has to his or her smartwatch. So Apple early-adopters remain Apple fans for life."

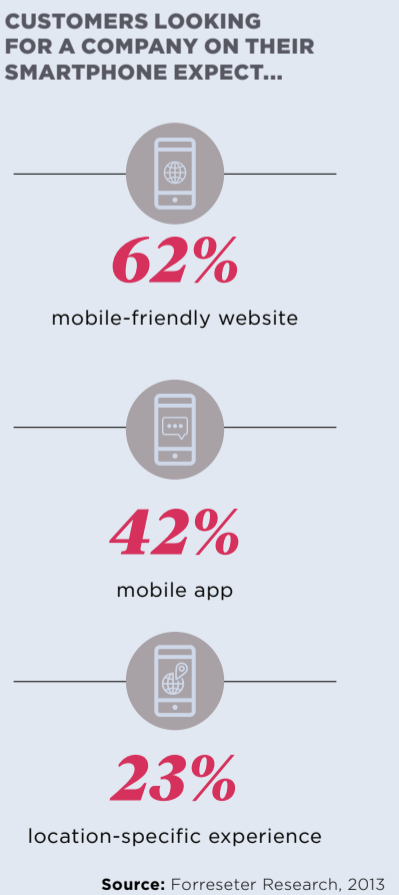
Customer trends are key to every aspect of the company's R&D, says Mr Smit. "So, for example, we know that the number of mobile phones is now higher than PCs, 64



per cent of internet traffic is done using a mobile and, on average, people check their mobile every six minutes, people use mobile apps six times more than websites, and 73 per cent of business owners use mobile apps daily," he says. Following the customers' lead seems to be working. The Essex-based company started just seven months ago and is on target to hit £2 million in orders this year.

"Customer experience is behind everything we do," says Dean Lamble, chief executive of financial services company SunLife, part of AXA. "When I joined the business a little over two years ago, we embarked on a major transformation, launching new products, refreshing the brand, overhauling the digital experience and trying to bring to financial services what is severely lacking – a 'retail experience' where everything is designed around

SOCIAL MEGAPHONE
Jeff Bezos, Amazon founder, famously said as early as 2002: "When you have a bad experience offline, you tell six people, online you tell 100 people."



TOP 10 NET PROMOTER SCORES* FOR UK BRANDS, 2015

*Customer experience metric

>

73

first direct
Banking

43

Nationwide
Banking

38

tesco mobile
Cellular phone service

38

Freeview
Cable/satellite TV service

37

ation

the customer’s needs and experience,” he says.

“To drive that transformation, the company did something very simple, but incredibly powerful – we asked customers what they wanted from financial services. Their answer? Straightforward, affordable products and a clear, straightforward experience. We now look, sound and feel like a company making financial services more straightforward and accessible to all.

“We ask our customers their thoughts at every stage, from pre-product design, through to customer testing, post-purchase surveys and ongoing research. Customer insight is key to us as a direct-to-consumer brand.”

As a result, he says, that ruthless focus on customer experience extends from the very first interaction with a customer right through the customer journey. “For example, we pay out 98 per cent of claims within three days,” says Mr Lamble.

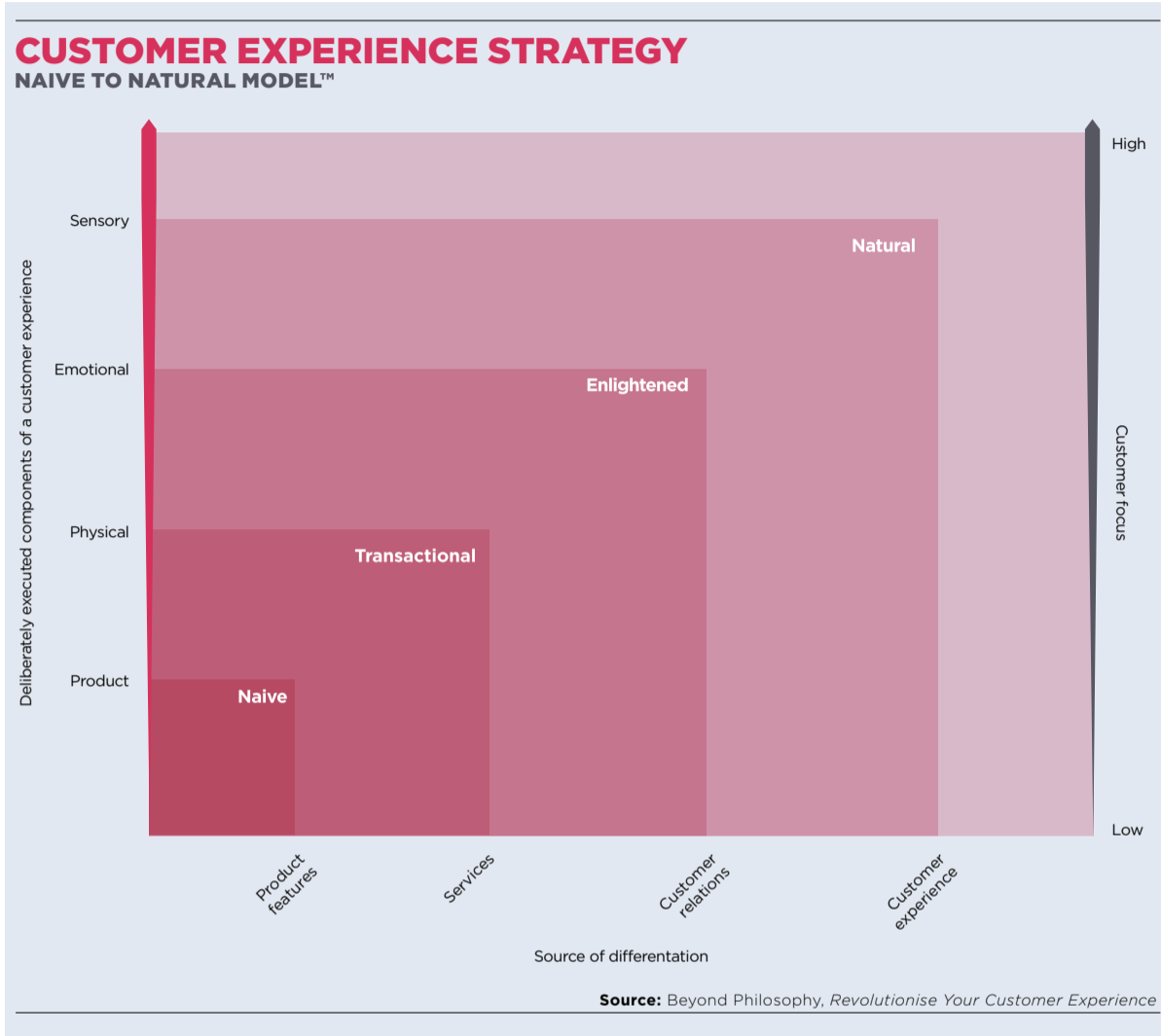
SunLife customers said they wanted the application process to be simple and clear. “Some companies routinely ask their cus-

tomers over 40 questions, which means less than 5 per cent of them complete the application journey,” he says. “We have streamlined this process to fewer than 15 questions which has also resulted in a 200 per cent decrease in the time it takes to apply for cover.”

Moreover, when SunLife launched its savings proposition, customers wanted the chance to beat cash returns, but ensure their money was guaranteed. They also wanted to be able to start and stop paying when they wanted, rather than be tied in.

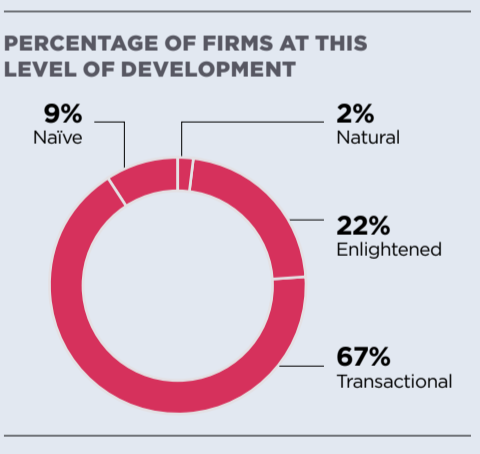
“We knew there was a large audience of people who were currently excluded from stocks, shares and ISAs because of the high monthly deposits required,” says Mr Lamble, “so we designed a product that lets people invest as little as ten pounds a month, have full flexibility and access the stock market, but with a ten-year money-back guarantee. We also let them name their accounts depending on their savings goal, which means we know why they are personally engaged in saving.”

It’s translating into business success. The



NAIVE TO NATURAL CHARACTERISTICS	
TYPE OF COMPANY	SOME CHARACTERISTICS
Natural	Have highest level of customer experience capability Have an experience map Focus on depth of emotion Use theatre as a delivery method
Enlightened	Have some advanced customer experience capability Have appointed a customer experience director or council Customer experience measures form large part of bonus Focus on stimulating planned emotions and build these into the design of the customer experience
Transactional	Have some basic customer experience capability Functionally organised but have recognised need for customer service No complete view of customers on systems Take into account customer physical expectation
Naïve	Have little or no customer experience capability Product focused – price and features lead Customers asked to call on different numbers for different parts of the company Efficiency and productivity are the most important key performance indicators

Source: Beyond Philosophy, Revolutionise Your Customer Experience



company is now the market leader in over-50s life insurance, with more than a 50 per cent market share. “We’ve sold thousands of new policies of products that a year ago didn’t exist. Our awareness and consideration brand metrics rose by 5 per cent each in the last year. And we have one of the highest customer satisfaction scores in the industry at over 97 per cent,” he says.

Online wine retailer Naked Wines has shaken up the wine industry with its angel-funded model. Last month it announced it would be expanding and opening high street stores and tasting rooms. The company, which backs 145 winemakers in 13 countries, shipped

13 million bottles to its customers last year.

“One of the key turning points in Naked Wines came after we watched a TED talk video by Simon Sinek called *Start With Why*,” says founder Rowan Gormley. “The gist of it is that companies obsess about what they are and how they do business. And that’s wrong. What they should be thinking about is why their business needs to exist in the first place.

“When we applied that test to Naked Wines, the answer was obvious. We are here to make rich people’s wines available to normal people. As soon as we focused around that objective, a whole list of strategic questions had simple answers. Do we need to be the cheapest? No. Do our wines need to taste better, pound-for-pound, than the supermarkets? Absolutely.”

The power of the customer to transform business is as relevant to the little guys as it is to the behemoths, as fast-growing knitwear fashion brand, Wool And The Gang, has discovered.

The brand, founded by designers Aurelie Popper and Jade Harwood, has collaborated with Whistles, Giles Deacon and Christopher Raeburn to create something of a distinguished name for itself. Initially tapping into a growing trend of DIY fashion by selling ready-to-make “knit kits”, the company gathered acclaim quickly through word of mouth as customers

began sharing their finished pieces with friends, family and fellow fans.

These talented customers then started approaching the brand to become members of the gang themselves, so by the time Wool And The Gang introduced its ready-to-wear collection, they had a network of knitters who were knitting the garments for new customers. The business grew organically as a result, creating a whole new generation of knitters across the world.

Chief executive Lisa Rodwell says: “This really helped build a core following and we became ‘cool’ almost overnight, with orders quickly rolling in.” Keen to capitalise on this, the company partnered with FedEx to make sure parcels arrive complete with the correct shipping documentation. “Speed to market is essential in our industry, so we need a provider that we can trust to do the job quickly and efficiently,” says Ms Rodwell.

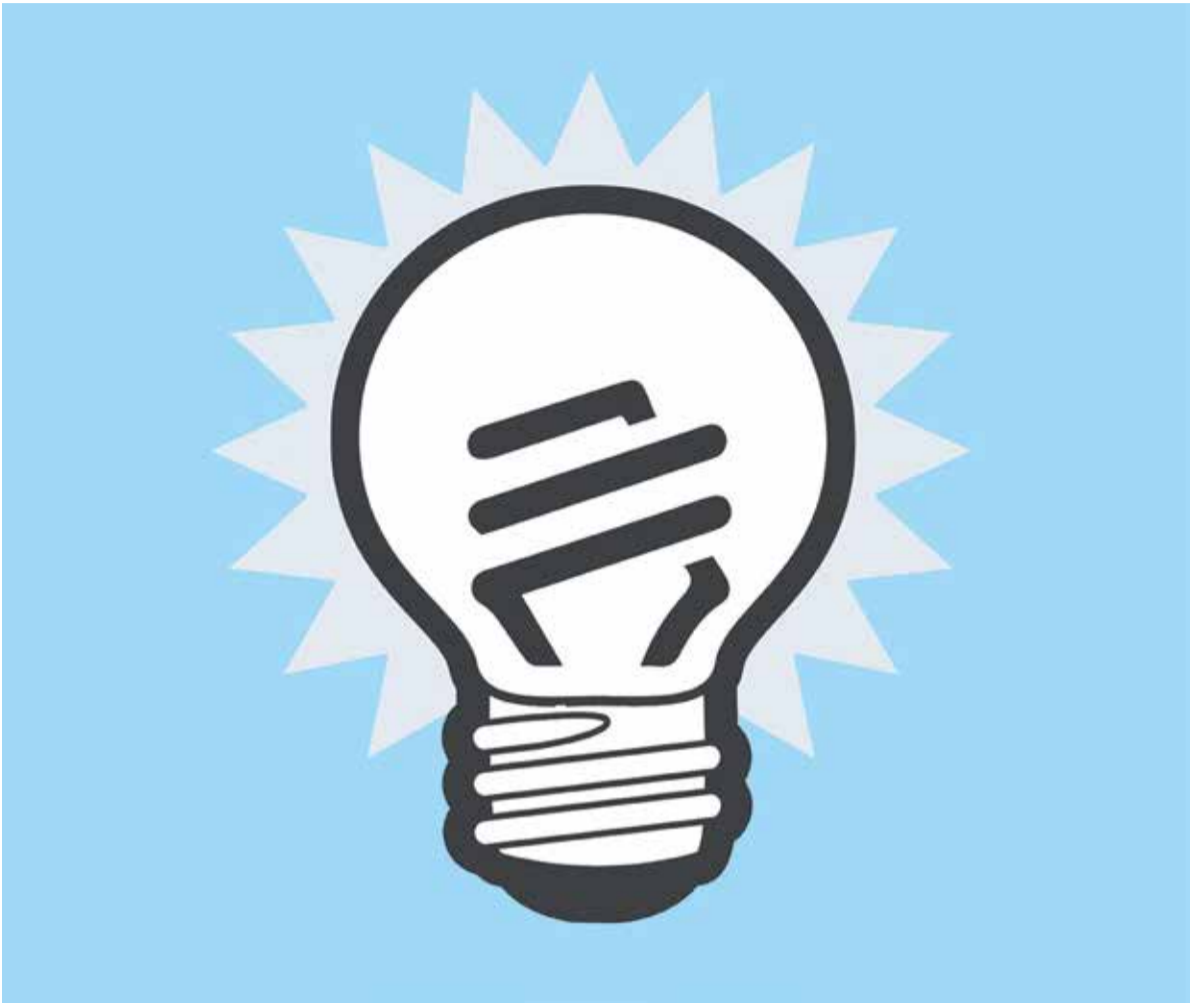
Using FedEx’s international next-day delivery service means the company can be more reactive, tapping into customers’ online shopping expectations. “We know ahead of time exactly what customs clearance fees are likely to be, leaving no unwanted surprises for anyone,” says Ms Rodwell.

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COMMERCIAL FEATURE

SUSTAINABLE BUSINESS REAPS REWARDS

Organisations need to forget out-dated notions of sustainability as an “add on” that impresses the outside world but creates unwanted cost and slows down progress. Instead they need to see it as a catalyst for radical business performance enhancement, better outcomes and a sharper commercial edge, says global management, engineering and development consultancy Mott MacDonald



The transformation, from paying lip service to the sustainability agenda to embracing it as a real solution to many of the challenges and pressures facing organisations, appears to require a giant leap of faith from business leaders.

Yet some of the best-performing companies have made that transition and by adopting a very different approach to sustainability are now gaining a competitive edge.

It is about developing a strong culture and a leadership style to drive sustainability throughout the organisation and its supply chain, delivering more powerful innovation and collaboration, effectively taking the business up a gear.

That is what Davide Stronati, Mott MacDonald Group sustainability manager, is bringing to the company following a period pioneering the approach with a UK utility company. He is now taking the same transformational ideas to their clients.

And it is a tall order because right now, across the infrastructure industry,

Mr Stronati is keenly aware that this is a very new and challenging set of ideas.

He says: “Many organisations understand that sustainability is crucial for success, but don’t know how to incorporate it into their business. Part of the problem lies with interpreting what sustainability means for their organisation. They can see the potential for improvement, but not how to achieve it.”

One of the things that organisations struggle with is the alignment between sustainability and the business strategy. Many get it fundamentally wrong.

“You see sustainability professionals reporting to the marketing director or the head of corporate affairs, but this is not going to influence the business strategy as it should do,” says Mr Stronati. “This is the sort of confusion that must be cleared up before progress can be made.”

The head of sustainability in an organisation needs to be a strategist and a change management professional, a catalyst for transformation.

“Companies that score high for sustainability outperform those with a low score, achieve better growth and profitability, and access funding on more favourable terms

“They report to the chief executive or strategy director, who in turn must have an absolute belief in this different approach that they are taking. They also need to embrace a longer-term view than immediate quarterly results; it may be three years before they see positive quantifiable returns. Driving this cultural change through requires visionary leadership to empower new thinking from everyone within the organisation, including key players such as the financial director.”

Perceptions within the organisation of sustainability as a business cost or a barrier to innovation can be transformed by highlighting practical ways

in which sustainability strengthens performance, by cutting carbon to cut cost, for example. Designing to minimise whole-life carbon will automatically result in an asset or product that is less expensive to build and run.

Sustainability also is acknowledged as an indicator of good stewardship. Companies that score high for sustainability outperform those with a low score, achieve better growth and profitability, and access funding on more favourable terms.

It is essential that companies set bold targets aimed to achieve that vision. And it is vital to point high.

“Instead of asking ‘what do we think we can achieve’, you need to ask ‘what would we like to achieve?’ It forces the business way out of its comfort zones and demands new thinking,” he says. But personal accountability is vital. “I have seen companies setting targets and starting the process of business transformation only to fail because people have not been held accountable for performance.”

Arguably the biggest challenge around sustainability and business transformation involves the people within the organisation.

Mr Stronati says: “What often happens is that you get pockets of people and individual teams doing things well, while the rest of the company lags behind. You have to do this as one organisation, creating a common vision and agreeing clear accountabilities for achieving it.”

How does an organisation persuade its people to change? Simply telling them that they have to change rarely works, nor does influence from a “celebrity”.

“You need to understand what makes individuals and teams tick,” Mr Stronati

says. “What engages them in their job? Invariably it is the opportunity to do things better. People want to succeed, they want the freedom to innovate and make a contribution, to play a role in helping the organisation achieve goals, grow market share; they want to collaborate but also to compete. Those are huge motivators and drivers of talent retention, and as an integral part of the business strategy, sustainability will enable them to do that.”

“Transforming the attitudes and views of an entire workforce, several thousand strong, located in different parts of the country, or even the world, requires a meaningful disturbance, not merely a top-down instruction.”

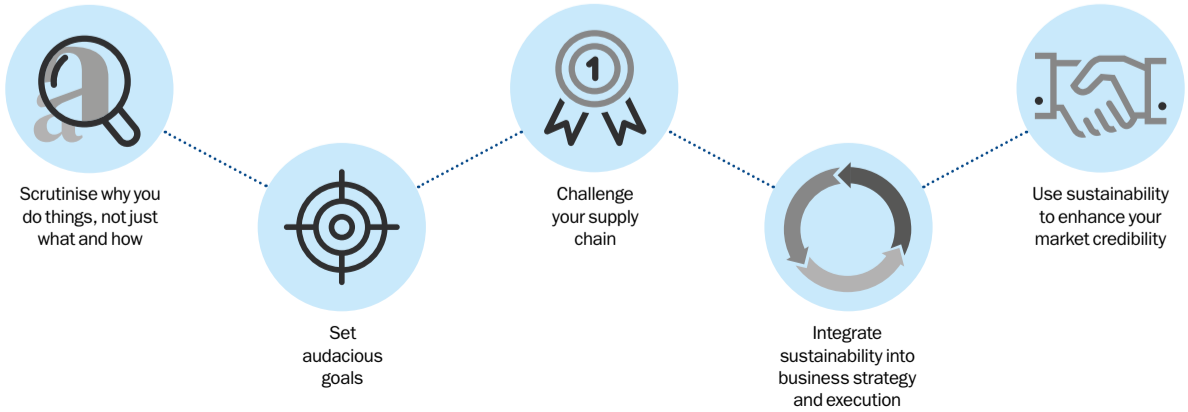
And most organisations have the tools for instigating this at their fingertips. By harnessing the power of internal social networks, change can take place across an entire business community, emphatically and quickly.

Mr Stronati adds: “Our sustainability approach promotes the idea of using our own ingenuity to bring lasting value – not just for our clients but their stakeholders and communities too, and also for us. It extracts the best out of people, stimulates them to advance knowledge and ultimately becomes empowering.

“This also results in greater openness to the outside world, improved ability to adapt to new circumstances, and a greater sense of community and collective identity – key characteristics of resilient companies.”

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Using sustainability to strengthen your business



Fortitude and forward thinking to grasp business opportunities

One of America's most powerful female lawyers tells how she oversaw two successful mergers which transformed her law firm

◆ INTERVIEW

● RAYMOND SNODDY

As someone who chairs a major international organisation and is one of the most powerful women in her sector, Jami McKeon (pictured) knows about the characteristics vital for success.

"When you are running any organisation, you have to have intestinal fortitude, and you have to have an appetite for risk and the judgment to know what risks you should take and invest in," says the Philadelphia-based leader.

"I don't think anybody in today's world can stand idle and no industry or business can succeed if they rest on their laurels or are complacent and fail to adapt to the world around them. We all have to change," she insists.

She has just overseen a vast international expansion of her organisation within four months, without the need for leveraged buy-outs.

Jami is a top American lawyer and the first woman to chair the 140-year-old Morgan Lewis partnership, which she has helped turn into one of the top five international law firms in the world. There are few more powerful female lawyers anywhere.

The expansion began soon after she took on the chairmanship in 2013, after more than 30 years at Morgan Lewis, most recently leading its large litigation practice.

The Philadelphia firm was approached last year by Bingham McCutchen of Boston with its 750 lawyers. Bingham had started to come under increased financial pressure in post-recession America.

"Our initial conversation was one of polite interest. It was not the kind of transaction we were looking to do," recalls Jami, whose firm has strong labour, employment and immigration practices, areas some law firms avoid as being too sensitive.

As talks continued Morgan Lewis began to see the opportunities. It wanted to strengthen its regulatory practice in Washington. A deal would mean a total of 400 lawyers in DC, not to mention 300 lawyers in the New York transactional practice, and a significant Bingham presence in California in intellectual property and private equity.

Around the same time, Morgan Lewis was also talking to a leading law firm in Singapore, the 80-lawyer Stamford Law.



"First we did Bingham and later Stamford. It is unusual to do one thing of that size much less two things in such short order," says Jami, who decided the opportunities were too great to miss.

"They came more quickly and in a bigger package than we expected. The question then is do you have the strength of your convictions and are

you willing to take a deep breath and do what needs to be done," she says, the granddaughter of an Irish publican.

The result was a law firm with more than 2,000 lawyers and, according to Reuters analysis, annual revenues of more than \$2 billion.

Despite being a partnership of professionals, rather than a publicly quoted corporation, Morgan Lewis still

faced many of the problems common to commercial companies embarking on transformational mergers.

How do you create a common culture, agree compensation systems and organise the inevitable redundancies, while avoiding something less than the sum of the parts?

Being a law firm helped. Partners of Bingham and Stamford simply became partners in the expanded group, and redundancies were limited to administrative and financial staff.

As for culture, Jami, who is proud of Morgan Lewis's *pro bono* work, which includes award-winning efforts for prisoners on death row, says you just keep talking about it all the time.

Then you "walk the walk" and line up what you say with what you do.

"Some law firms use the phrase 'eat what you kill' and have lawyers who are competitive with each other. That is antithetical to our culture," explains the senior lawyer.

There were endless meetings, a budding system, joint meetings with clients and realigned practice groups to include leadership from Bingham and Stamford. Then last month there was a week of meetings

in Washington featuring hundreds of the firm's new lawyers and hundreds of existing lawyers, all focused on how the enlarged Morgan Lewis should develop.

The lessons learnt, which Jami believes apply to all companies involved in mergers, include recognising the importance of "the talent" and making sure enough resources are committed to ensuring they can spend "meaningful time" getting to know each other.

It means that this year the focus at Morgan Lewis will be investing for the future. Jami is, however, already convinced the expansion and integration have been successful.

Lawyers from both firms are now working jointly on several hundred cases, which would not otherwise have been won, because of added expertise and greater geographical range. One example is representing a Singapore group in a proposed \$350-million acquisition of a US software company.

Contemporary law firms, Jami argues, have to be as innovative as any other business and can't pretend for a moment that anything can remain the way it was 100 years ago.

"Every other industry has had to be innovative and look at things differently and the legal industry is no different," says Jami, who notes that her firm was an early-adopter of a wide range of flexible fees, including fixed fee or combined rates for a portfolio of work. Hourly billing is largely a thing of the past.

Morgan Lewis has also developed sophisticated in-house technology systems to process and evaluate massive numbers of digitised documents, something that many law firms are now outsourcing.

Another of Jami's passions involves encouraging women in a traditionally male-dominated profession. But hasn't she broken through the glass

ceiling as indeed has the head of Stamford Law, Suet-Fern Lee?

"I guess everyone looks at the legal profession and wonders why it has been so slow to have women at the top," Jami muses.

She is a firm believer, however, that

women really can have it all "if you are passionate about what you do and are prepared to work long hours". The successful lawyer has a husband John, an academic lawyer, and four children and is on the board of Philadelphia's Kimmel arts centre.

Jami is also a keen cook who gave one of her favourite recipes, for Philadelphia cheesesteak spring rolls, to law magazine *Lawdragon* to conclude an interview.

But will there be further expansion for Morgan Lewis during her five-year chairmanship?

There will certainly be expansion in London, but at present no plans for a 200-lawyer deal.

"But we will always look at opportunities, if something bigger than expected comes along or sooner than expected, and it is the right thing for us and our clients..."

Should it do, you can be sure that Jami will have the intestinal fortitude to take it in her stride.

"I don't think anybody in today's world can stand idle and no industry or business can succeed if they rest on their laurels"

CAREER TIMELINE

1978

Graduates from Pennsylvania State University

1981

Graduates from Villanova University School of Law and joins Morgan Lewis

1981-2013

Rises through the ranks to lead the firm's global litigation service

2003

Oversees the integration of a San Francisco law firm into Morgan Lewis

2013

Becomes the first woman to chair the Morgan Lewis partnership

2014

Directs acquisition of Bingham McCutchen and merger with Stamford Law



All hail the visionary leader

Senior executives who can transform businesses are particularly valuable in an era when organisations must be lean and adaptive. But what are the skills that make someone a transformational leader and is it possible to acquire them?

Marissa Mayer, chief executive of Yahoo

◆ LEADERSHIP
● DAN MATTHEWS

When business transformations go to plan they make the leaders involved look sage-like. But when bosses are asked how they achieved that rebrand, product launch or how they swung a business out of the red and into the black, most have pretty straightforward answers. Putting the specifics of a transformation aside, the skills required to create change in a business are not especially cryptic or hard to understand. Communication, strength of leadership and clarity of purpose are the main ingredients. Bosses who can blend them together will achieve their goals and keep employees on-side. It is simple stuff, though some leaders are more naturally equipped by dint of their personalities and pre-

dilection for empathy than others to force change while steadying the ship. Leadership, in this case, is not about knowing all the answers and making all the moves. It is about facilitating the work that is going on beneath you. People work best when they know what they are doing and why – so tell them. Dr Mark McKergow, author of *Host – Six New Roles of Engagement*, says leaders who shine during periods of transformation are those who can park their fears and accept that things are about to go wrong. Worrying, he says, burns too many calories. “The very first thing is to get over worrying about hiccups,” says Dr McKergow. “Not only is it utterly impossible to foresee every bump in the road, it’s also highly counterproductive to expend energy and time worrying about them.”

Much more useful, he thinks, is the ability to generate a crystal clear picture of company objectives, as well as being able to share the overriding vision with all stakeholders, especially the people who will be carrying out the grunt work. “Have a clear view of where you want the business to be. Not just a load of business school jargon, but a really

“**Leaders question the status quo and focus on the purpose. They must answer why are we in this business and what for?**”

clear, detailed, multi-dimensional picture of how things will work, what you will all be doing, and the benefits of that for you, your people, your customers and suppliers,” he says. Clarity of purpose is often missing in examples of transformations gone wrong. Sometimes the point of changing a business gets lost during the process; occasionally it was never truly nailed in the first place. In either case the net result is an unholy mess that gets worse by the day. Professor Omid Aschari, from the University of St Gallen in Switzerland, argues that leaders must cover all questions concerning the change. The questions should be raised during the process and if the answers change, then people need to know about it. “Leaders question the status quo and focus on the purpose. They must answer why are we in this business

and what for? A relentless focus on purpose aligns the organisational purpose and creates unity of vision to undergo deep transformation,” he says. Information cuts both ways during this process, top-down and bottom-up. Clarity and openness are great qualities in a business, but management misses a trick if it resists information and advice coming back the other way. According to Martin Hall, head of marketing at Honda Motor Europe, senior managers too often turn in on themselves when faced with a problem, like schoolchildren trying to solve a maths puzzle, and mistakenly equate asking for advice with stupidity and weakness. “The single biggest area where managers can go wrong is thinking that it is their sole responsibility to come up with a solution. They need to be looking

THE SIX TENSIONS OF LEADING CHANGE

CATALYSE CHANGE Champion an initiative or a significant change, consistently promote it and encourage others to get on board	COPE WITH TRANSITION Recognise and address the personal and emotional aspects of change
SHOW A SENSE OF URGENCY Demonstrate the need to take action and accelerate the pace of change	DEMONSTRATE PATIENCE Know when and how to slow the pace so that people can cope and adapt
BE TOUGH Make difficult decisions without hesitation or second-guessing	BE EMPATHETIC Take others’ perspectives into account and understand the impact of your actions and decisions
SHOW OPTIMISM See the positive side of any challenge and convey that optimism to others	BE REALISTIC AND OPEN Speak candidly about the situation, don’t shy away from the difficulties and admit personal mistakes
BE SELF-RELIANT Be confident in your ability to handle new challenges	TRUST OTHERS Be open to others’ input and support, allowing them to play their part
CAPITALISE ON STRENGTHS Know your personal and organisational strengths and confidently apply them to new situations and circumstances	GO AGAINST THE GRAIN Show a willingness to learn and try new things - even when the process is difficult

Source: *Leading with Authenticity in Times of Transition*, CCL Press, 2005



to the greater wisdom from within their team. Rarely, if ever in history, have the greatest achievements been achieved by one individual alone – it is always a collective effort,” he says.

The ability to build trust is another essential quality of a good transformational leader, says Mr Hall. Bosses can bark orders and most people will probably follow, but it is obviously much better to win the confidence of middle-managers and their staff.

“The best leaders focus on the challenge of leading, developing and nurturing individuals, and bring out the best in them,” he says. “People are naturally complex, as their work, family and social pressures are all interconnected.

“Great leaders take the time to get close to and develop deep trust with each team member – all of which takes a lot of time, but is invaluable and incredibly rewarding from both a personal and business perspective.”

So soft skills are important, but what else? How about the surprisingly rare quality of being able to act decisively? “The main issue is waiting too long,”

says Ella Bennett, HR director of Fujitsu. Dithering is a sign of weakness which can erode confidence and belief in a project.

“Leaders also need good old-fashioned project management skills,” agrees Colin Price, chairman of Co Company. “Transformations are complex – they are like changing the wings on an aircraft while in flight.”

Mr Price says it is important to blend the different elements – or “strands” – of a transformation; a process which he calls “weaving”.

“Most transformations are made up of multiple strands, such as new products, new service models, new systems and processes, and new behaviours. Each one of these strands might be quite delicate and even weak, but when woven together, they create a new fabric.”

He estimates that 70 per cent of transformations end in failure and there are three main reasons for it happening. One is that the original idea was bad. Corporate history is littered with mergers gone wrong (AOL-Time Warner), massive investments of time and effort in doomed products (Kodak) and rebrands that were quietly sidelined (New Coke).

This is as much a leadership failure as a bad implementation of a good idea, which brings us to point two: getting the timing wrong. Mr Price points to the example of Nokia, which dominated the mobile phone market until the iPhone smashed it to pieces. The company had a window in which it could respond, but missed it.

The third common point of failure is behaviour. To illustrate this point he uses the UK’s much-maligned banking sector. Part of the reason these have struggled to shrug off negative press is that they failed to control the behaviour of some employees.

“Behaviour let them down. It’s not clear whether they were too big to lead or just took their eye off the leadership ball. But the bottom line is the same. From rate fixing to rogue trades, miss-selling, tax evasion, the list goes on. The banks responsible simply did not ensure that individual behaviour lined up behind the strategy,” says Mr Price.

With all these complexities it’s no wonder that leadership qualities are in demand. As organisations get leaner and qualities such as adaptability and dynamism are evermore highly praised, people who can create and control transformations will become increasingly desirable to recruiters.

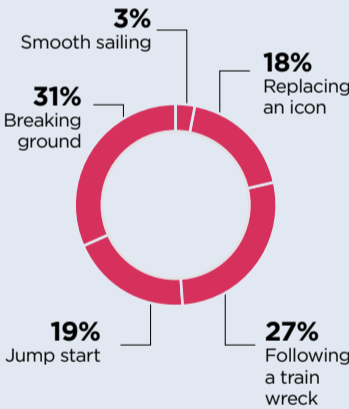
“It is unsurprising that if you took a snapshot of newly appointed leadership board members in the FTSE, you would discover a trending increase in the number of ex-management consultants who bring with them strong transformation skills,” says Jean-Pierre Green, partner at executive search firm Eton Bridge.

“It is very evident that transformational skills are sought after in a market where strong interim programme directors will often command day rates in excess of £1,500 per day.”

Writing down the elements of a great leader of transformation makes it look easy. It isn’t. While the concepts are simple enough, learning the lessons and putting them into practice is another thing entirely. As the salaries suggest, demand is currently outstripping supply.

“Transformations are complex – they are like changing the wings on an aircraft while in flight

PERCENTAGE OF LEADERSHIP TRANSITIONS BY TYPE



Smooth sailing

Leader operates under normal business conditions

Replacing a business icon

Leader's predecessor was very successful in the job

Following a train wreck

Leader's predecessor was not successful in the job

Jump start

Organisation needed to quickly move in a different direction

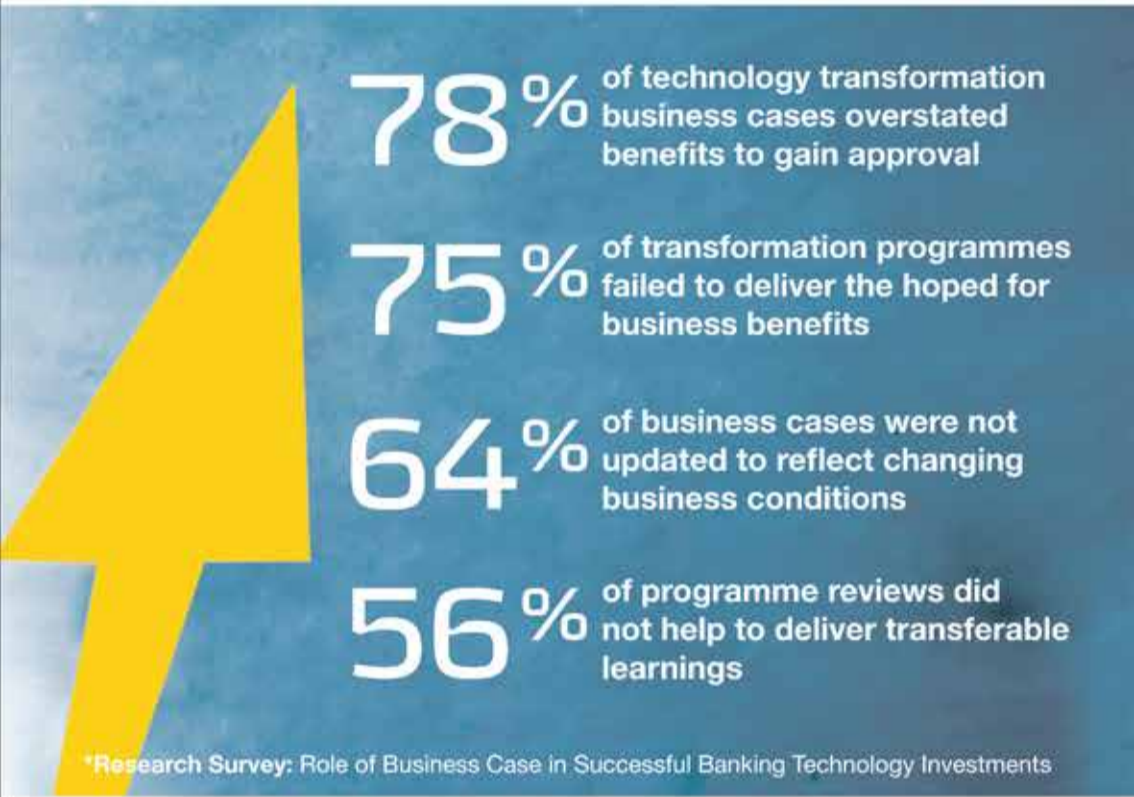
Breaking ground

Leader assumes a newly created position

Source: High-Impact Leadership Transitions, CEB 2013

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THE 4 CS OF AN ENGAGED CULTURE

Business transformation depends on more than just KPIs and quick-wins. It requires an engaged culture. What are the most important engagement factors so your transformation sticks?

These four top the list.

COMMUNITY

Loneliness is the new smoking.

Research finds that people who are lonely are at heightened risk for mortality equal to smoking 15 cigarettes a day, even greater than obesity related mortality.



89%

of office workers say relationships with their colleagues are the primary contributor to their sense of engagement in the workplace.

CONTEMPLATION

Brain scans

show that alpha brain waves, which are produced when the mind has time to wander, make people less stressed, higher performing, and more engaged.



71%

of employees say they don't take quiet time during their workday to think or reflect as they fear they would be seen as skiving by their managers

CAUSE

Researchers have found that businesses who gave their staff greater autonomy grew

4x faster



87%

of employees say their engagement diminishes when they lack control over their day to day activities

CONTROL

What drives people?

Not a paycheck.

A meta-analysis of engagement drivers found that feeling a sense of purpose in your job was in the top three.



94%

say the more meaning their job has, the more likely they are to feel engaged

Research from HATCH Analytics Global survey of 27,000 respondents, Cornell University, Brigham Young University, *Drive: The Surprising Truth About What Motivates Us*, Dan Pink

HATCH
www.hatchanalytics.com

A human analytics consultancy helping businesses understand how they think, connect and hatch new ideas.

Building change culture with Generation Y

Generation Y is notoriously savvy, opinionated and political, so ignore them at your peril. Any business undergoing major change needs to cater for their demands or deal with fresh-faced rebellion



The Washington Post/Jared Soares

MANAGING CULTURE DAN MATTHEWS

Business leaders tend to be go-getters, entrepreneurs and opportunists, well used to duelling rivals for supremacy, making devil-may-care decisions and taking big risks for a shot at glory. Employees, on the whole, less so.

In a notional workforce of 10,000 people, there will be a broad strata of different personalities, but you can bet the average tolerance for radical change is a lot lower than in the upper echelons of management where big decisions are made.

There will be young mums and dads who want stability of income, people nearing retirement who just want to get over the line, first-jobbers terrified of their own rent payments and generally a whole lot of people who would be content with predictable jobs as long as these are also dependable jobs.

Sending a company-wide e-mail to this lot detailing your enthusiastic plans for

a "major new direction" is like throwing a hand grenade into a swimming pool full of raspberry jelly. You might be confident, assured and excited, but their response will range from sceptical to hysterical.

"Humans have a three-times stronger preference for avoiding risk than for attaining gain," says Tim Riesterer, chief strategy officer for Corporate Visions, quoting the behavioural economist Daniel Kahneman. "Most people, whether they are employees or prospects and

customers, believe that change is where most of the risk lies."

This is a truism across the board, with one possible exception. In every large workforce there is a new generation that bucks the trend – the millennials or Generation Y, born between the early-1980s and early-2000s. Generation Y is mature beyond its tender years and is said to be savvier than its predecessors Generation X, baby boomers and the now mostly retired war generation.

Generation Y presents a unique set



GEN Y (21-32)
compared with
GEN Z (16-20)



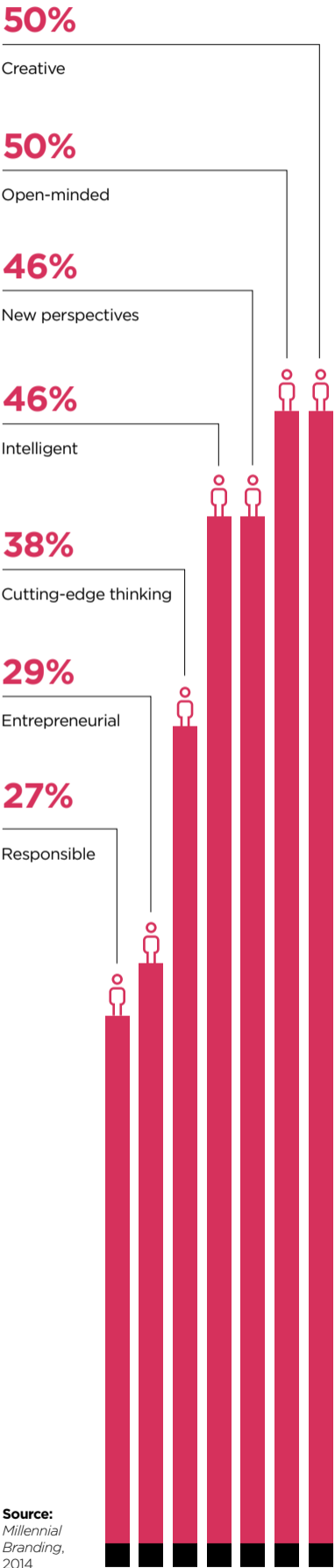
17%
of Gen Z compared
with 11% of Gen Y want
to start a business



53%
of Gen Z prefer face-
to-face communication
over technology

TOP 7 GLOBAL STEREOTYPES
OF GENERATION Y
(according to Gen Y)

PERCENTAGE OF RESPONDENTS



Source:
Millennial
Branding,
2014

Learn from the people
Plan with the people
Begin with what they have
Build on what they know
Of the best leaders
When the task is accomplished
The people all remark
We have done it ourselves

- Laozi

of dilemmas for a business undergoing transformation. If the stereotypes are to be believed, they are enlightened, politically confident and they know more than the rest of us – or at least they think they do.

“Technologically savvy, with a high exposure to all types of media, millennials are highly adaptable and capable of creating and utilising data over multiple platforms,” says James Henry, consultancy practice manager at Auriga, a data security consultancy.

“They’re very comfortable with abstract concepts, such as virtual consumerism and the cloud, and socialise as much online as they do in

“Leaders can better engage younger generations by listening to their views on smarter approaches to work, flexible working, and the devices and services they prefer to use. All of which can help foster a positive dialogue and make employees feel like they have played an instrumental part in any change that may occur as part of the outcome of those conversations,” he says.

Mr Coplin thinks it’s a good idea to create a collegiate atmosphere in which all employees feel empowered and energised towards the goals of the business.

“Transformation can only be successful if there is support and energy behind it from the workforce, and is much more about culture than anything to do with what technology might be implemented,” he says.

“For a transformation to have a significant impact on traditional working practices, make people more productive and free up their time so they can focus on other things, behavioural changes are needed and will only be a success if people are bought into the opportunity.”

The crucial point is that Generation Y wants to be included. It exists on a plain where everything is interactive and collaborative, and where opinions are sought, chewed over and given credence. Go over their heads and they will wonder why.

“They live in a world that is fuelled by feedback and want to give and receive this in a way which is authentic, open, trusted and in real-time,” says Richard Goold, a partner at transformation consultancy Moorhouse.

“Leaders must recognise that there will be an increasing transience to the workforce going forward as people no longer look for a career for life, but for the immediate opportunity that satisfies both intrinsic and extrinsic motivations. Therefore, leaders must ensure they have open conversations with this generation of employees about the process and how it will impact them.”

Millennials are unlike other generations. They feel entitled, they want to contribute and they get hurt if people don’t listen to them. During a period of transformation, therefore, they can be a major asset or a thorn in your side.

The best advice is to treat them with respect and value their input. They may not know everything, but as a group they understand the future better than all other demographics. That, surely, is what transformation is all about.

Transformation is much more about culture than anything to do with what technology might be implemented

real life. Such technical competence means businesses need to rethink how it engages with and motivates this demographic.”

Generation Y presents a serious technical challenge to their older handlers. But there are other aspects of this segment that present problems. Stephen Archer, director of Spring Partnerships, believes this is the age group that requires the most attention of all.

“Leaders will find it more difficult to engage Generation Y employees than other age groups. Generation Y workers tend to be more focused on their own personal development rather than interests of the company,” says Mr Archer. “They are not necessarily selfish, but they see their jobs as steps up the career ladder and therefore they are more likely to view a period of change as an opportunity to move on. The opposite is true of older workers who will be looking for reassurance and security.”

Millennials want a seat at the table and are comfortable engaging with their elders through multiple communications channels. They like to talk and will air their views whether called upon to do so or not. This is a curse and a blessing for business change.

Leaders need to spend time and effort communicating with younger employees on their own terms, but if they do, they might actually learn something, according to Dave Coplin, chief envisioning officer at Microsoft UK.

People before buzzwords

People and their complex individual needs are at the heart of every successful business transformation process

OPINION



COLUMN

“Matrix management, process re-engineering and disruptive technology. When you are going through a business transformation you’ll hear a lot of language like this, so it is easy to forget that transformation is about the people. Real people, not just boxes on a flow chart. Real people who get up at 6am to get the kids ready for school, drop them off at breakfast club and get to work on time. And after that, they want coffee from the usual place in their own mug. Forget that and your transformation heads for disaster.



ANDY TINLIN
Management Consultancies
Association board member

egades pushing against the new ways and spread rebellious tips with likeminded colleagues. Chief executives and senior execs are used to change. Managing it well probably got them where they are. But most people don’t like it and will only entertain ideas of change for a short period before counter-arguments stack up. Change programmes have a short period in which to bed-in and get people established in a new routine. Miss that window and you could be fighting a losing battle trying to get people onside.

In reality, there is rarely a Machiavellian agenda behind most business change. The vast majority are rational responses to changing market or regulatory circumstances. To ease change, management needs more communication, much earlier, and it needs to be more candid and consistent.

People see through management-speech very easily. They laugh, they play buzzword bingo. You need leaders who are sincere, credible, personable and open, and who are comfortable in social situations. They need to tell a story that resonates with the listening workforce, not their top-down view of things.

Some companies get more junior employees to take a lead in certain parts of a transformation. In cases of digital transformation, they are more accepting and others are less likely to see them as a threat. Unlike those in more senior management roles, they are not seen as acting in short-term self-interest.

After all, at the end of the day, MBAs, detailed business-process diagrams and transformative technology are worth nothing if you don’t put people at the centre of every change programme. That’s true in any language.

To ease change, management needs more communication, much earlier, and it needs to be more candid and consistent

That’s a real example from a transformation I worked on. For regulatory reasons, a company’s operations were being split in two, but occupying the same building. When one team realised its much-loved coffee machine was now behind a newly installed security door, with no direct access, it was the beginning of the end. People were furious their routine and personal space had been trampled on, without notice. It might seem trivial, but it is not.

A small disruption to people’s working lives, done in the wrong way, can plant a seed that will grow in their minds. As resentment festers, any additional glitches, miscommunication or unfulfilled promises will be attributed to a fundamental flaw in the transformation. A rumour mill will produce wild conspiracy theories behind even the most transparent, logical justification for change and in reaction people will willfully start to go back to old working patterns.

It’s easy for a critical mass to resist change without getting fired. They use Post-it notes and call colleagues instead of exploiting the new business processes and software that was supposed to catapult productivity to the next level. They enjoy being ren-

28%
of Gen Z find money motivating compared with 42% of Gen Y

52%
of both Gen Z and Gen Y say honesty is the most important quality to be a good leader

Source: Millennial Branding, 2014

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