

CHANGING OUT OF A CRISIS

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Seven years ago the financial services industry had a window to respond to the signals of market change, and to use this transformation as a strategic business opportunity. Now that business opportunity has turned into business danger, with the entire industry faced with no choice but to change - if not only to survive until the next fiscal year or the next takeover. The situation is made more acute by the increasing number of products and services on the market, arrival of cheaper, electronic distribution channels, and a more sophisticated consumer base. In short, change is no longer a luxury--it is a commercial imperative.

So what does this mean for today's financial services? What are they likely experiencing internally as businesses in the current business environment?

A recent survey undertaken by International Survey Research (ISR), seems to offer probable and somewhat disturbing revelations to these questions. Among a representative sample of employees in Britain's financial sector, 50% said they would not recommend their company as a good place to work. An increasing lack of trust between staff and employees, low commitment to the organisation, and no confidence in the decisions made by their senior management were also identified as key issues. ISR comment that:

"Much of this dissatisfaction is a consequence of the dramatic change the financial services sector is undergoing. Many institutions seem to be failing to manage effectively the change process and adjust employee expectations to the realities of the market."

This seems to suggest organisations in the financial sector are driving themselves to devise reactive, short term strategies, that are then "injected" into the body of the organisation for implementation. Yet the organisational entities seem to broadly be comprised of workforces that feel victimised, disillusioned, and disengaged from their jobs as well as their organisations. As a result, environments are created where fundamental business change and performance improvement are unlikely to take place.

Although there seems to be an increasing number of failed change initiatives in financial organisations, there also seems to be an increasing recognition that it is fruitless continuing to take a reactive, piecemeal approach to organisational

change. Not only is this approach expensive, but it fails to discipline the organisation to look at the big picture, which is the key to ensuring survival in the current market.

The specific changes each organisation requires will be different, but the broad shifts that need to be made are crystal clear. For example, structures will need to move from hierarchical to more network-oriented, solving problems will need to be more affiliative instead of didactic, and leadership will need to be more inspiring than dogmatic.

Most importantly, organisations will have to accept change is a process--not an event or a magic show--and what needs to be achieved will not happen overnight.

Unfortunately there is no fast and ready formula for creating a successful change initiative. That said, there are several guidelines that have been shown in practice to increase the success of change initiatives in any organisation, but which are especially relevant in organisations operating within the financial services sector:

Ensure the organisation has a clear vision, mission and strategy. These three factors provide the blueprint on which change can be devised. This blueprint should also comprise clear measures of performance. This will ensure it is seen as a businesslike statement rather than empty words.

To go forward successfully, you must look back. In order to devise an effective shift in strategy it is critical to understand past success in changing; and any barriers that frustrated adaptation. An organisation can then devise an appropriate strategy, built on avoiding past mistakes. Once you determine how people need to behave to ensure you meet the aims, you need to identify their attributes. Therefore, if to meet business goals it is deemed people need to proactively service customer requirements, work in teams, share information, and trust colleagues, what individuals require are self-confidence, more interest in achievement than power and status, and desire for affiliation as opposed to isolation in completing their work.

The tactics selected at the beginning will determine how the organisation functions in the end. It is fruitless to choose a didactic and coercive programme if you need the

organisation to move towards a more self-responsive, empowered way of functioning. Therefore it is critical to frame a strategy that will start to align the organisation as part of, not as a result of, the alteration.

Ensure the programme includes activities/ initiatives that are driving change equally at the organisational, group, and individual level. Organisations are comprised of groups, which are comprised of individuals. This requires a change strategy that clearly articulates the initiatives to be deployed. Remember the organisation is a complex system, and therefore must be seen and worked within as such, when devising and implementing alterations. Many organisations fall into the trap of focusing on just one factor (like processes, technology, behaviour/culture, reward/ performance systems). The reality in the organisation is a system which has cause and effect loops. Therefore in order for an alteration to be successful, it must address all elements to ensure the change is supported tactically .

Ensure you have emotional as well as intellectual buy-in from the executives in the organisation who are sponsoring the change. I have heard of all too many situations where top executives have disengaged from the change of direction when things became difficult. Usually the main driver for this is that executives possessed an intellectual understanding of what was required for change, but lacked the understanding of what the change would mean for them personally. This can be avoided by providing basic education on change management issues, as well as coaching to assist them in working through what the change will mean for them during key points in the process. In fact, these suggestions apply to any group going through a change process.

Train yourself to be better equipped to identify and understand the underlying dynamics which drive individuals and groups to behave in the way they do. Behaviour manifests from two factors: how an individual/ group feels about themselves, and how they think/see the world. Therefore if you can learn how to start to explore these factors with individuals/groups, and create an environment where it is seen as acceptable to discuss these factors, you will be better equipped to help them in developing more strategically aligned business behaviours.

During the change, watch for signs of resistance to ideas and initiatives. When people are faced with the unknown, they will react in one of the following ways.

1) Denial (we/I don't really need to change. We/I can survive without this change. Denial also can take the form of "intellectual and rational arguments" on why an action is not necessary, etc; 2) Mental or behavioural disengagement (not showing up to meetings, not sharing views, absence from work, avoidance of activities dealing with the change process); or 3) Reinterpreting the event (I don't remember

deciding that in the meeting) To get individuals to "move through" these responses, it is important to openly acknowledge that resistance is normal, get people to openly talk and explore why they are resisting, and help them identify new options for how they see themselves (and can potentially recreate themselves and/or their purpose) within the context of the changing organisation.

Do not be seduced into using simple summaries like success or failure to explain the output of workshops/ intervention. What happens during change is a live laboratory.

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Therefore if you have not achieved what you expected in a workshop, it is more important and useful to focus on why. Nine times out of ten it has nothing to do with the structure or even content of the event; it probably had to do with how people behaved. Looking at the event from this perspective can provide a wealth of information, that can then be used to refine the wider change process.

Strive to devise change interventions that will allow you to change, learn, refine business processes, behaviour, and culture all at the same time. On a recent project with an international bank, I worked to devise a framework to allow groups working on change related business issues to review their progress in a standardised manner.

As a result of this, they could immediately identify what they needed to do to improve their performance, as well as how they needed to engage with the rest of the business to increase their performance even more.

Many of the concepts and thoughts presented here are new and daunting. Therefore organisations may be tempted to adopt some and leave others which might seem too difficult. Yet organisations must address all of these factors and more in any change to ensure its success. The main things are: to clearly determine the objects and obstacles; to realise that organisations are comprised of people, processes, and technology; to get the right strategy to carry the organisation through the process; to realise that behaviour is a business issue. and that the degree of success depends on getting commitment which is both intellectual and emotional.