



THE NETWORK
OF LEADERS

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REFLECTIONS ON CHANGE

By Lynda Gratton & June Boyle

The key to understanding and unlocking executive strategic management potential lies in the power of engineered conversation. Executives need time to reflect collectively if they are to manage change within their business meaningfully.

With the help of a number of case study companies, the authors reflect on their findings and the factors that come into play when executives perform effectively.

Making successful change happen is pure alchemy: part science, part art, with serious doses of wisdom and experience. When it works well, it can make a significant and lasting impact on organisational health and well-being. When it fails to work, it can leave cynicism and despondency in its wake.

Over the last two decades the authors, as 'alchemists of change', have been involved in the change practices of a number of the UK's most well known companies: BP, The Royal Bank of Scotland (RBS), BT and, currently, Lloyds Banking Group, where one of the authors is now the HR Director for Organisation Effectiveness.

Since their earliest association over a decade ago, the authors have thought and experimented and talked about successful organisational change. This article is their reflection of their conversations.

LIVING IN YOUR WORLD...

The starting point as scholar and practising executive is an understanding of the story of a company. It is both implausible and naïve to think of a company outside of its context. For the authors, context invokes heritage, values, shared experiences, norms and myths. Each of the companies cited in their reflections have their very different histories, and their current capacity and appetite for change is contingent on this history. This acknowledgment of history is crucial. Understanding the past is essential if we are to make sense of why things are what they are. For example, it would be hard to understand BP's former CEO John Browne's interest in the peer group processes and performance management, without understanding the context of falling performance and major acquisitions that resulted in this focus.

When executives take a historical perspective, their challenge becomes one of deciding what to cherish and preserve, and what to leave behind and discard. Some practices and processes of the past will indeed have a role in the future. In her own research at BP, RBS and Nokia, Lynda Gratton has called these 'signature processes'. The peer groups at BP and the morning meetings at RBS are both practices embedded in the past that have the potential to add value into the future.

This understanding of the past creates a framework within which executives can make what the authors believe to be one of their most difficult decisions, namely the decision on how to allocate the resources available to them. To do so, they have clearly to understand where they are now.

In each of these companies, a whole raft of employee and customer metrics create a means by which this understanding can be created. These employee and customer metrics are certainly useful, but they are rarely sufficient. At BT, for example, the broad-brush of metrics is augmented by a practice termed 'back to the floor' where executives find a host to shadow for at least a day truly to understand the context in which people are working. Each of BT's corporate leaders gets 'back to the floor' at least twice a year, shadowing people in the sales, repairs and maintenance departments. Only when they are 'living in your world' can they truly understand.

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THE POWER OF MEANINGFUL CONVERSATION

Beyond understanding history and context, the authors have debated what supported the change agenda in BP, BT and RBS. Their belief is that a key capability is the capacity for people across an organisation to have meaningful conversation. One of the symptoms of a functioning senior team is their ability to converse with each other and their willingness to talk. This seems deceptively easy, but in fact can be devilishly difficult. Lynda has written extensively about the 'power of conversation'. From June's role as a practising change agent, she has chosen to focus a great deal of her energy and resources on equipping leaders with the competencies of dialogue. In part, this has involved these leaders considering how they relate to their circumstances, how they relate to the past, and how they see, or fail to see the future. The foundation for this changing dialogue is the 'management of the future', knowing how best to use resources. Knowing, for example, when to increase the scale of the corporation. At the heart of this conversational competence is the willingness to reflect and to take time out for this reflection. The challenge is clear: given the aspirations and targets of these companies, how do executives stop jumping into action and take time to think collectively?

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Helping executives stay in the conversation has been one of the key roles June has played. As she and Lynda talk about this capability, it becomes clear that this needs both a shared language, and what June refers to as a 'container'. This container is created when groups of people on equal footing are able to engage as peers in the conversation. The 'peer group' process at BP is exactly that, a group of business unit heads from across the corporation brought into cross-business teams to work on performance issues. The challenge here is for individual executives to see the whole, to see beyond their own part of the business to the wider context, and to understand the context of others.

From their different perspectives on organisational life, the authors both believe that executives deliver more if they are willing to engage in collective conversations, build agreement with each other, and create a shared understanding of the context in which they operate.

So how is meaningful conversation supported? One of the most powerful ways is to change the context, or container. At RBS, one of the key ways of supporting conversation was a significant investment in a series of executive development programmes with faculty at the Harvard Business School. Taking time out of working life, these executives began to learn the power of harnessing collective conversations, whilst also receiving 'brain food' for these conversations. As the architect of these programmes, what June saw was that, as soon as these executives stepped outside their day-to-day action taking, the networks they created and relationships they built were qualitatively different. At BT, an executive programme called 'The Global Business Consortium' (Gratton and Ghoshal), companies, including BT, Standard Chartered Bank and ABB, travelled around the world; they had the space and time (the container) for conversations with their peers about the challenges they faced. At BP the 'peer group' process began with the top 400 but now involves over 10,000 people in a community of conversation. Over time, what was a single strand of conversations becomes a mosaic. For June, notably, these conversations are driving the leadership capability of the organisation.

It is certainly hard work to make these conversations happen. The lure of the mobile phone and wonderful feeling of springing into action is always there. Yet, meaningful conversations do happen in companies. Sometimes, like RBS' Harvard programme, the external intellectual insights act as a trigger. In other cases, the stimuli come from

within. Over time, these executives build what June calls 'the muscle' for a richer level of conversation and strong relationships. They begin to get increasingly skilful at it.

MAKING COMMITMENTS

What give these conversations traction are the time to reflect and the commitments (ie, the promises of performance) that are embedded within them. It is a critical way to add value. Within the conversations in BP's 'peer groups', these commitments and the accountabilities that arise from them are a crucial part of the practice. In a series of events, the senior team brought the peer groups together collectively to make commitments and agree targets. Using the technical expertise and understanding embedded in the peer groups, they were able collectively to agree performance goals that were stretching but plausible. An important element in this peer group conversation was the significant training that many executives had received. This began with a one-week course, and then continued with coaching support over a nine-month period. Taking 20 executives at a time, this intervention quickly

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ramped up to include more than 1,000 executives. These programmes, influenced by HR and championed by senior executives, created an understanding about how these meetings would work and built capability in meaningful conversation and commitments. BP worked with outside agents to build this range of conversational capabilities over time, including intellectual stimulation, from complexity theory to whole system thinking conversation, to create a new way of thinking to build new possibilities for the future.

As June reflects on this time at BP, what is clear is that, to be successful, these commitments need both an intellectual and emotional element. It is this combination of the rationality and data of the intellect, and the engagement and purpose of the emotional that together drives commitments, and a willingness to take action consistent with the future strategies



the executive wants to deliver. June states: "Until these commitments are real and cause you to question how you will act differently - they are not commitments." At, BP there is a huge emphasis on speaking commitments and on actually saying, 'I commit'. In part, this reflects authenticity, the commitment to something that is right for you.

USING EXPERIMENTS TO BRIDGE TO THE FUTURE

One of the important outcomes of these meaningful conversations is the capacity to take risks collectively further within the organisation in order to achieve scaled change. Conversation can create the container for this risk-taking, but the three case study organisations need more, and need to involve their people in the change. One of the authors' observations is that a crucial aspect of this is how successful executives bridge into the future through the use of trials and models of what the future could be.

Take for example RBS' Retail Direct Business and the call centres that support the business. These are a central aspect of the business model for Retail Direct, and the means by which customer enquiries are received and managed. The quality of service of these call centres is dependent in part upon accumulated and shared knowledge that the operators have available to them. Much of this resides in the technology platform that underpins the business. A new customer platform with highly effective functionality was about to be launched. So much time had been spent building the system that it raised the question: "How do we challenge and energise over 3,000 people to understand what is now possible?" The way in which June and her colleagues at RBS decided to engage with the business in this challenge was through a series of trials and experiments and conversational approaches (Appreciative Inquiry). These were designed to enable the workforce to engage in shaping their working practices around the new technology platform. The experiments created a series of ways of thinking about the work and, as importantly, of thinking about the metrics that would be most crucial in establishing the performance viability.

For June, the real energy of these trials comes through 'pull' rather than 'push'. By engaging leaders and employees in these experiments, there is a real opportunity for excitement and engagement. Moreover, by comparing these experiments with the current working practices, they were

able to get a really good measure of the impact of the intervention. They knew what happened to the performance metrics with the experimental intervention, and what happened without it. As a consequence, both leaders and team members were able to engage in meaningful conversations about the impact of these experiments, as well as how to scale this into everyday practice. As a consequence, they individually and collectively built up their faith and confidence in doing things differently. They were able to answer collectively the question "Is this having a direct impact, and are we measuring the right things?" At RBS, it is conversations on this scale that ensure that the company has one of the lowest cost bases in the industry, and one of the highest growth rates.

Great organisational change is alchemy: part art and part science. However, by supporting conversations, through making lasting commitments and by creating variety through experiments, executives can make an important positive impact on the chances of alchemy occurring.

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Prior to this position, June was Group Organisational Development Director at BT, having joined the company in 2003. She had previously been Head of OD at Royal Bank of Scotland, where she led a team of 120 in four centres of excellence: change practice, management development, talent management, executive development & training and online learning. Earlier in her career, she held a series of major global roles in BP.



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Lynda teaches at London Business School on the future of work. In 2009, she was ranked by the Times as one of the top 20 business thinkers in the world and described by the FT as the management guru most likely to impact on the future. Her programme on the transformation of organisations is considered the best in the world.

She has written six books including 'Living Strategy', 'Hot Spots' and 'Glow' and her latest - 'The Shift' - about the future of work - was published in 2011. Lynda is the founder of the Hot Spots Movement dedicated to bringing energy and innovation to companies.

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