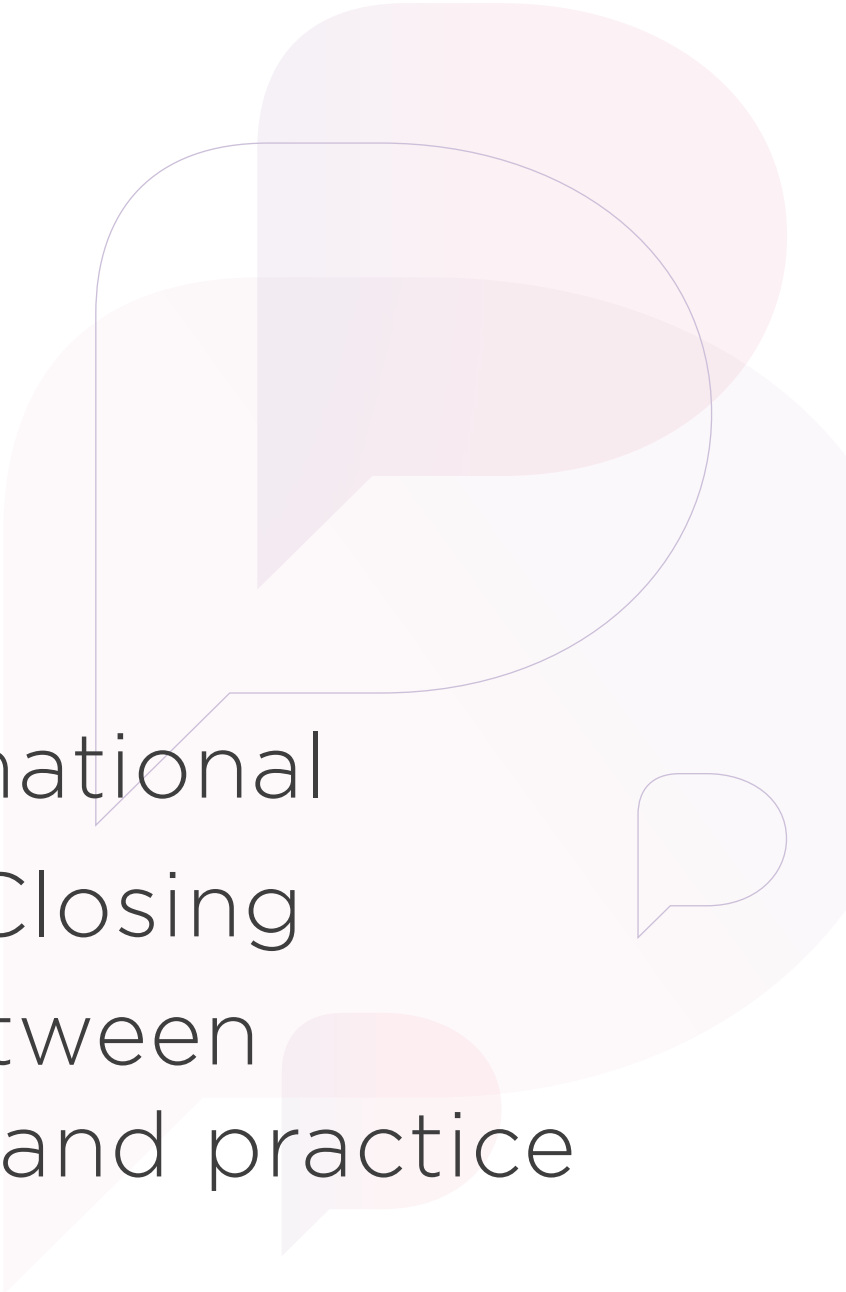# CIPD

Championing better work and working lives

Case study – Zurich UK Life

September 2015

Landing transformational *change:* Closing the gap between theory and practice

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Acknowledgements

Zurich UK Life case study

'While Zurich UK Life always expressed a focus on customers and valued charity work, employees did not always feel valued.'

1 Context

Zurich Group has about 60,000 employees worldwide, including 7,000 in the UK, covering two business streams: general insurance and life. Zurich UK Life offers a selection of personal protection, pensions and investment policies. Its results for 2014 revealed new business value up 17% and annualised premium equivalent up 41%.[1] Yet four years earlier Zurich UK Life had become risk-averse, bureaucratic and slow-moving, struggling to adapt to changing market conditions and customer behaviours. While Zurich UK Life always expressed a focus on customers and valued charity work, employees did not always feel valued. Within Zurich worldwide it was not a part of the organisation in which people aspired to work.

The industry was experiencing significant change in public policy, regulation and competition. The shift of responsibility from state/industry to individual could be seen in the changes to the state pension and companies moving from final salary to defined contribution pension schemes. As the burden shifted, the Government was concerned to protect the individual with greater regulation. The Retail Distribution Review was the biggest change to hit the industry in a lifetime. Providers of products and independent financial advisers, 'IFAs', had to find cheaper operating models. There were opportunities to sell directly to those priced out of the IFA market, but new entrants in the market were more agile.

In this case study, the Zurich UK Life executive is referred to as the 'exec' and the senior management team as the 'top 80'.

2 Preparation for change

The executive team recognised the need to change and create a lower cost base. They made redundancies:

'We took out 20% of the roles in the organisation.'

They also decided to rationalise the buildings in Swindon.

Zurich UK Life developed a digital platform. IFAs wanted:

'...an IT programme where they could see all of their clients' monies and investments in one place, and could use that to communicate with the product providers, like ourselves.'

However:

'It was taking ... too much time and too much cost. ... There was a real need to be more effective in how we finished that delivery to our customers, and developed the products we would put on it.'

New CEO

Gary Shaughnessy arrived as the new CEO of Zurich UK Life in 2012. He was recruited to change the organisation. He started with an exec off-site, using an external facilitator, to look at the vision, strategy, behaviours and culture:

'We agreed ... our purpose was "Protecting People's Futures" ...

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[1] http://www.zurich.co.uk/mediacentre/pressreleases/2015/company/article120215a.htm

whether it was through ensuring their pensions … delivered the pension they were expecting, or whether in tragic events such as critical illness or death that the financial promise we'd made we delivered on. … We had one of those artists along … we had that digitised and shared across the organisation. There's one particular little section of that picture which is effectively a sun, with the "Protecting People's Futures" words and that was rolled out to everyone as a screen saver … all our strategy documents have got that within them as well.'

Although there were great aspects to the organisation, such as high levels of integrity and technical expertise, the exec identified various issues:

- **Restructuring:** Gary organised the UK Life business around three customer groups: corporate business, retail business and 'In Force' (policies still on the books but no longer sold). The cost-cutting and structural changes disrupted the workforce.
- **Bureaucracy:** process and red tape needed to be reduced. Zurich UK Life had put in *'gold-plated sets of governance and control'* but *'decision-making became … unwieldy'.*

'You had to go and ask someone for a pencil, and they would walk you to the stationery cupboard.'

'It was impossible to get things done at the sort of pace that you needed to.'

- **Silos:** two teams could be sat adjacent to each other and have no idea what the other did.
- **Empowerment:** individuals needed to be clear on their decision-making authority and feel comfortable with making decisions within that autonomy.

Decisions needed to be made in meetings rather than carried over to another meeting, or escalated to a higher authority. There needed to be more accountability and ownership by individuals to get things done:

'My authority to take decisions had been at a much higher level in the organisation I came from. … I wasn't used to … multiple layers of approval and signature.'

This transformational change required culture change as well as specific interventions to tackle red tape and process.

ACE/PACE

Gary worked with the HR director and communications director to agree a new set of behaviours they felt were required to deliver the change and create the desired culture. From that ACE was born and taken to the exec. **Agility** is used to mean flexibility and adapting appropriately to the circumstances; **collaboration** addresses the need for the three streams of business, teams and individuals, to work together; and **externally focused** is asking what others need (both customers and staff), not what I need. Collaboration is different from compromise: views should be shared, a decision made, compromise is not essential, but people should collaborate to implement the decision. People should stop focusing on the figures and refocus on the customer. ACE set out what was desirable beyond the values in Zurich Basics:

'It's been memorable, it's made sense to people and they've seen recognition off the back of it.'

Even before ACE was launched Gary:

'…did things, Tea for Ten sessions, to try and get out amongst the

organisation; the exec team did the same. So we had quite a large communications programme before ACE got mentioned.'

ACE was launched in January 2013 and in January 2014 it became PACE, reflecting the passion he spotted in people going the extra mile. **Passion** for the culture change and new ways of working is really important. Adding the 'P' reinvigorated the initiative. Part of the strength of PACE is its applicability to every role in the organisation.

Gary chose the team to sponsor the ACE programme carefully:

'Shaun Hicks, who's the chief risk officer, and Jeanette [HR], headed up the programme. … By definition, he's the embodiment of risk management. … If Shaun's an advocate of ACE, there's no reason that anyone in this organisation shouldn't be.'

So in 2012–13, Gary's first steps brought about clarity of purpose and mass communication of that:

'I remember Gary doing a bit in our Year Start.'

After that the communications had *'a regular rhythm and cadence'* with exec off-sites three or four times a year and senior manager meetings every three or four months, with people and culture fixed on the agenda. Posters were used around the offices. Even by the end of 2012 there was more face-to-face communication within the business.

However, some people were sceptical:

'You're going to have to strip away quite a bit of governance to be able to go forward with this into the future.'

> *'The new structure supported change in the exec: having a single person responsible for a business line made it easier to get things done.'*

Meetings

Gary tasked a small team with doing a review of every regular meeting: attendees, purpose, frequency and output. The size, frequency and number of meetings were slashed. There was a 'bonfire of the committees'.

Exec behaviours

Before launching ACE, Gary got the exec to work on their behaviours, so that when ACE was launched, the exec behaviours would be consistent with it. The exec now are closer to the staff in the sense of being more visible and interacting more on a face-to-face basis, but at the same time have had to distance themselves from the detail and empower their staff to show what they can do.

As an exec member describes:

'I was probably at the heart of our … programme before, and knew absolutely everything that was going on inside out. … I've had to let go of some of the things that are happening … rather than be part of creating the solution.'

'The 360 has helped me.'

The exec had not always been seen as collaborative previously; rather it was internally competitive and argumentative. The new structure supported change in the exec: having a single person responsible for a business line made it easier to get things done. There were also new approaches to working; for example, Gary headed a monthly 'cross-collaboration meeting' of, among others, the heads of business lines. Gary got the exec to a point where they were viewed as a collective.

Managers supported the exec being more visible. The execs were happy to visit teams, but *'they want an invitation, and they want something to talk about'*, to avoid awkwardness.

'My team were sitting this exam, so I emailed Jim Sykes and Carol Cantlon … and Simon Foster: "Would you mind just dropping them an email and saying, good luck?" And do you know what? They all did.'

Similarly in Cheltenham managers ensure every person gets invited to afternoon tea with an exec member.

3 The change process

Top 80 behaviours

The exec then brought about behaviour change in the top 80. In 2013 Gary did one-to-one interviews with them. A member of the top 80 describes the atmosphere in their meetings having changed to a position where you feel relaxed about asking questions.

The managers had similar challenges to the exec; for example, learning to be less involved in the detail of work unless absolutely necessary. The exec example was of value to managers; for example, a manager noted Gary criticised people printing in colour and:

'…now I feel that it's absolutely fine … to point out where other people are falling short on this.'

To support the cascading of new behaviours through the organisation, HR ran PACE 360 feedback, designed by outside specialists, in 2013 and again in 2014. The invitations went out from Gary; there was a 96% return rate. HR ran a workshop and took the senior managers through the feedback. Individuals had action plans. Between the two surveys, every measure improved apart

from one that stayed stable. This success is all the more remarkable because concurrently Zurich UK Life announced proposals to change its own pension scheme, which left senior managers with difficult workforce challenges.

Part of the importance of changing exec behaviours was to cascade management behaviours which promoted empowerment. Gradually, as the exec encouraged their managers to take the initiative, the managers in turn felt supported to empower their teams. A manager gave the example of deciding he would like to put his team through an exam. In the old Zurich UK Life he would have needed multiple signatures. Now, once the business case had been made, he felt empowered to deliver it without repeated recourse to a committee. His superior did not criticise him when the numbers deteriorated while the team were training.

Process reduction

The requirement to challenge unnecessary process and meetings cascaded down through the organisation, with senior managers challenging middle managers and vice versa, for example, to challenge the need for a signature. In such a regulated industry, this required exec members to persevere with pushing people to reach an understanding of what was necessary and what was disposable.

One manager recalls a regular management information pack being cut from 60 pages to 10. He himself now spends 15 minutes writing a list for a meeting, rather than three hours preparing PowerPoints.

The significant redundancies added urgency; the surviving workforce did not have time to attend all the old meetings and work in the old way. The resistance of regulatory and compliance departments had a role to play in not going too far. Methodologies such as lean, agile and scrum were used to simplify working practices. Consultants helped; for example, on lean the consultants trained some Zurich people, who then delivered it throughout UK Life.

Gary reports how lean helped to reduce meetings:

'The leader of one of the teams ... said to me ... when they did the review of the work that she did, 19 hours a week she spent in meetings and now she spends one. [She is now] ... with her team ... encouraging her team.'

P/ACE champions

HR recruited champions to be a sounding board for initiatives to improve employee engagement and to promote ACE. In part they developed into a translation role, taking the corporate messaging regarding behavioural expectations and making it specific and directly relevant to their areas.

'We have regular get-togethers of the team. ... The PACE champion ... is always given a brief slot.'

Champions met monthly. They captured ideas from the whole organisation and have been:

'...a prolific provider of ideas around engagement and culture change and how we keep this journey going.'

The type of person who makes a good champion sets a good example, is approachable, enthusiastic, willing to put in the time, is comfortable with ambiguity and believes in and cares about PACE. It is a networking opportunity and helps

'Part of the importance of changing exec behaviours was to cascade management behaviours which promoted empowerment.'

meet the requirements of an individual's end-of-year review. The individual gets some profile in front of the exec and a sense of influence.

The PACE champions, chaired by HR, organised initiatives:

- **Learning week:** people were encouraged to take some responsibility for their own learning. The exec supported learning week by running training sessions. Areas of the business set up 'come and see what we do' stalls so employees could increase their knowledge of the business and see job opportunities available within Zurich UK Life.
- **Changing the habits of a lifetime week:** again, this event was supported by the exec who, for example, might talk openly about something they had found hard to change about themselves. The way you have always done something may not be the best way to do it, so there is value in trying to break habits.

The biggest challenge for champions was dealing with people *'who don't want to be on board'*. One champion described calling out retrograde steps, for example, speaking up about meetings creeping back in. People would take this from her because they could see her passion for PACE.

The champions facilitated the PACE award scheme.

PACE awards
Anyone can nominate another individual or team for demonstrating PACE behaviours. Not every nomination will be successful, but nominations as well as wins are celebrated. In contrast to previous award

schemes, the nomination process is straightforward: a freeform 500 words explaining your nomination. PACE champions can help and encourage nominations every quarter; some use a regular agenda item in a department meeting to consider behaviours worthy of nominations.

The judging panel invites new judges from every rank each quarter. Being a judge is another way to learn about PACE:

'I found it really inspiring.'

Exec members surprise the winners by turning up at their desks or calling them. The nominees and winners are publicised organisation-wide. The stories bring home the meaning of PACE.

'Ah, this is how he was customer focused, this is how he was agile, this is how he was collaborative, that makes more sense now.'

Nominations and wins are re-promoted locally, which can help when employees feel unable to keep up with all the announcements on ZNet (the global Zurich intranet). One employee described how culture drives can be forgotten when you are working hard, but she remembers PACE:

'[You know] when a team's won because you can hear them cheering half way down the department.'

The continuing exec involvement suggests the exec believe in PACE. It depends on exec behaviour change:

'I make a point of ensuring that I am one of the people that gets out there and presents PACE awards.'

The scheme is a success and is now in its third year:

'The prizes are incredibly generous. My team won last year, and we got £500 to go out for dinner, which we did, and we didn't manage to spend it all, so then we had some money that we put towards some drinks. Then everyone gets taken out for an evening with the exec, which was really fancy, and all that is paid for again.'

The annual awards dinner has a reputation as a fantastic night out.

However, recognition has proved more important than the size of the prize:

'We had £150 as an individual award winner. The feedback from the PACE champions was, "We want more people recognised; we're not bothered about the money." So we halved the money on the individual bit … and nobody batted an eyelid.'

The number of winners every year is such that everyone sees winners in their local area.

The organisation/individual change gap
Some way into these early initiatives the exec still saw big meetings, decisions not being made, and so on. It became apparent that individuals accepted the need for large-scale change but often thought that what they did on a daily basis was already fine.

One response to this was work on translating empowerment to the individual level: work on the 'powers reserved' formal documents as well as work with teams to go through examples of decisions reserved for the manager, or even for Gary, and decisions they could take:

'Having that real clarity of understanding then enabled my team to be able to do their job with huge confidence. Knowing that they could … confirm, "Yes, we can do that" without saying, "Oh, I've got to go back".'

Gary repeated time and time again the importance of people feeling able to make mistakes and learn from those mistakes. One leader described how she in turn has said to her team that they will make mistakes but that it will be fine and the team will learn from them.

Managers were also provided with a Navigator Pack to work through the strategy and translation of ACE to individual behaviours with their teams. It was a facilitated discussion. There were no PowerPoints. Because of the time required (three hours) and the number of people involved, it required managers to take their teams away from their desks, giving people space to *'think through, "what does that all mean?"'*

The packs provided activities to collect people's opinions and captured those in action plans which were collated into divisional action plans. When people saw their ideas implemented, they felt more engaged.

Local initiatives
Within teams there was scope to implement local initiatives to achieve desired changes. In Finance they used 'Insights', which helps people understand their own and others' personalities and how to relate to each other. The Head of In Force introduced 'net promoter' scores:

'"Ranking from zero to ten, how likely would you be to recommend us?" … if across the piece you're negative, that's telling you your

customers, on average, would point people away from you, and if you're positive, they'll point towards you.'

Another exec member created 'Ride the Subway' to help people to empathise with financial advisers. People could sit with a retail sales person serving an IFA. It helped them understand how they could in turn help the retail sales team.

Even if only a few people took part in something, they brought it back with them and it still had a big impact. This freedom allowed managers to implement initiatives appropriate to their people.

Recruitment/L&D/performance management
As well as working to change the behaviours of the workforce, HR also worked with the recruitment team. They were seeking to move away from recruiting people 'like us' to recruiting people who would challenge them to operate in a more agile way. PACE is covered in the induction. L&D worked to support existing employees too; a recent workshop addressed agile and empowered management by developing the coaching skills of managers. HR/the exec also increased the emphasis on behaviours in the performance management system.

A specific application of objectives has been to promote collaboration. This was being demonstrated from the top:

'We have a workplace project at the moment, so the Head of Marketing and the Head of Corporate have got joint objectives, which means … they can only succeed if they both succeed.'

New offices: March 2013
In Swindon, Zurich UK Life surrendered its flagship building

and moved everyone in together. The number of desks was reduced, offices eliminated, areas for quick discussions and small meeting rooms increased and the buildings designed to promote more dynamic, less silo-based, working.

'If we want a quick collaborative meeting, we've got … pods, or … sofas.'

Individuals were given laptops and gained a sense of being trusted. Many people no longer have fixed desks. Dynamic working is not considered possible for all roles but overall the refurbishment is:

'…colourful and lighter and brighter and airier.'

The exec members gave up their offices and now hot-desk. The exec interacts informally across an open area, rather than the more formal interaction when they had individual offices. Managers are now visible to their teams:

'There isn't a physical barrier. You haven't got to go and knock on a door in order to go and talk to him.'

The new office promotes immediate discussion, not a meeting in two weeks' time. It supports using 'feet not fingers': get up and talk to someone, do not send another email. Another area gives cross-discipline project teams dedicated space to promote collaboration. At other locations like Cheltenham they are also using 'feet not fingers' and have replaced exec offices with desks.

Finally, thought was given to encouraging more interaction in the new offices to break old silos:

'"Meet the neighbourhood" sessions … that was a way of just getting to talk to people; you tended not to do that.'

> *'The changes to process and service combined to change Zurich UK Life's reputation in the market. ... Customers said they would start putting business back through Zurich again.'*

ELT: 2014
Working with the top 80 was unwieldy for getting feedback on elements of the change programme. Gary set up the Extended Leadership Team (ELT), comprising 11 senior people chosen for their behaviours and the influence they demonstrated. The ELT met regularly with the exec to work on delivering strategy and culture change.

Publicising changes
The changes to process and service combined to change Zurich UK Life's reputation in the market. The Voice of the Customer initiative had people calling customers to report, for example, a particular product being available online. Customers said they would start putting business back through Zurich again.

Progress was celebrated with the workforce. At year starts:

'It's not just Gary ... it's actually that guy, Geoff, who runs the claims team, telling us what his claims team now do differently.'

Evaluating change
The challenge of evaluating change is exacerbated in this industry by the nature of the product. Put simply, for a policy sold in 2015, the profits will accrue over the next 25 years. The profits in 2015 are determined by policies sold over the previous 25 years.

HR tracked the progress of the global engagement survey, pulse surveys and 360 reviews, and addressed poor scores. For qualitative feedback, verbal soundings were taken from champion meetings, town halls and quarterly results calls. Finally, HR found the number of nominations for PACE awards useful; as a nominee you do not get a prize, so nominations show engagement with the programme.

Externally, Zurich UK Life could compare its speed of reaction to legislative changes against the reaction of competitors. How quickly did they get a new product to market? Poor customer feedback was investigated with 'Close the Loop' calls. Even exec members made those calls.

4 Change achieved
Zurich UK Life's relationship with the rest of Zurich Group improved:

'We are seen as a very positive place for the group to invest.'

'It was seen as a retrograde step to come back to the UK business. ... Now the UK Life business is seen as a great place to work and we've had other moves back into the UK, which have been quite symbolic.'

Three departments within Zurich UK Life now have gold accreditation from Investors in People.

Considering the detail of the changes, it is generally agreed the executive team are more visible and in touch with the workforce:

'Before you would have had two or three people to go through before you even got to some of these people. And ... they're hearing it from us, you know, they're not sort of getting a report or minutes from a meeting.'

With regards to agility, the frequency of meetings, such as the unit pricing committee, has been cut. The new thinking is:

'If it is a three-hour meeting and you are only needed for 10 minutes of it, just go for the 10 minutes.'

The reduction in bureaucracy is allowing more agile approaches to flourish:

'The test and learn type initiatives … let's see if there's actually a demand out there in the market for this, and if there is then we can industrialise it … but if [not] then we can stop it quite quickly, without having incurred a huge amount of cost in getting to that decision point.'

The tests show external focus too:

'We're not just assuming we know what our customers out there want and going and building some really complex, expensive products that take two years to launch.'

'Gathering the information from the customer and actually taking it on board has improved a great deal over the last two or three years.'

Overly restrictive regulation and bureaucracy have been cleared. The reaction to mistakes has changed:

'We dropped the ball on something recently and we haven't gone into panic mode … we could have been in severe panic mode if this was a few years ago.'

People are seeing collaboration:

'We're sharing our experiences with retail … it's not something I've been asked to do before.'

'People are much more flexible in their working day … to meet with people and make the decisions that need to me made.'

The benefits were apparent in the response to pension changes which came into force in April 2015. In Cheltenham they received over 3,000 calls in April. Individuals pulled together to answer the calls. People picked up a phone, even if they had not done so for many years:

'Maybe the biggest change is that today you'll see people roll up and do a job that's not their job to deliver something.'

The increased external focus has changed how people feel about their contributions to the business; for example, the claims team now feels like an exciting part of the business, rather than somewhere less glamorous than sales. The focus on customers prompted changes in service, for example halving the pay-out time on critical illness claims. That took a *'lot of customer journey work and a lot of collaboration'*.

Another aim of the change programme was to empower staff. They are seeing new practices on the floor; for example, ZWOW encourages the team to decide how the workload will be achieved, rather than the manager dictating to the team. The exec set the example:

'Decisions that would've been made by exec members before you can actually see being made by heads of department instead.'

Staff can feel the change:

'It's more of a discussion than, "Can I have permission to do this?"'

'[The biggest change] is that red tape going … it's about having a go, and it's that support that you then get when you've had a go.'

Finally:

'The results this year were great. … So definitely, you can see that we're doing the right things and that we are getting the right financial results.'

'The focus on customers prompted changes in service, for example halving the pay-out time on critical illness claims.'

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