



How banks can

# reconnect with their customers

white paper



**Calls for a change in culture in banking continue to be made from many quarters. The response by all major banks has been positive, with the need for a new culture being recognised at the highest levels. But what does a change in culture entail and how is it achieved?**

**In this paper, Ian Arbuthnott contends that while the challenges involved are both considerable and often underestimated, the outcome is the ability for the bank to engage its employees in order to connect with its customers more effectively.**

The criticism of banks, following the financial crisis, has been profound with the Governor of the Bank of England and the Prime Minister being two of the many voices calling for a change in culture. In response, the banking industry has readily accepted this need for change.

The Salz Review was commissioned by the Barclays Board with a view to providing a comprehensive roadmap for cultural change at the bank. Its ambition was to set a new standard for the industry, where business decisions are made based on the right thing to do over the long term, rather than to increase short-term profits.

In his review of the performance of RBS in 2012, the Chairman, Sir Phillip Hampton said, "I think we're going through a process of very significant cultural change. I think the culture in RBS has changed. I think it needs to continue to change. I'd say that about RBS, I'd say it about other banks as well."

Academics define culture as 'a complex set of values, beliefs, assumptions and symbols that define the way a firm conducts its business', while for employees it can be seen as just 'the way we do things around here'.

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## **It starts with unambiguous leadership**

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Changing the culture of any large organisation is far from easy. While it has to begin with leadership and a clear message from the top - that is only the start. Culture changes cannot simply be mandated from on high.

Within any large organisation with its multiple layers of management, research shows that the actions of individuals are primarily determined by their immediate boss - what the CEO says has only marginal impact. Unless there is a real employee engagement and in-depth understanding of what is now expected across the entire organisation, then people will make assumptions about what they think the people at the top want.

This is a particular problem when large financial services organisations are widely viewed – both internally and externally – as hierarchical, bureaucratic organisations dominated by functional

'silos'. This construct has led to individual units focusing on their own interests, rather than considering those of the bank as a whole. Finding successful ways of now integrating their efforts on behalf of the customer is often very difficult.

Banks face a formidable set of challenges as they set out on this journey of culture change. Their aim for a renewed focus on understanding and meeting their customers' requirements also comes at a time of large scale restructuring programmes, designed to reduce both costs and staff, with the consequent effects on employee motivation.

Finding a way of positively engaging the entire staff in a new culture, with a common set of core values and standards, is a big challenge for any organisation. We know, because we have gone through that same journey of transformation in our own company.

## Learning from industry

We believe that the lessons we learned and the experience we gained in successfully transforming our culture can be of some help to the banking sector as it sets out to change 'the way we do things around here'.

Originally, we were part of a very large state-owned car company with a reputation for inconsistent quality and very difficult employee relations. When we became independent from British Leyland, over 20 years ago, it was clear that we needed to find a different way of working - and a new approach towards our employees.

Our aim was to put the customer at the heart of our business and our philosophy. While this new way also included the principles of Lean thinking, it was fundamentally a move from 'command and control' to the beginning of 'employee engagement'. We believed that by taking this approach, the people in our existing workforce would reveal their capacity to help build a world class company. Creating a new way of working, with a common set of core values and standards, would be the key to unlocking that hidden potential.

## Requirements for building a new culture

We set out to build a culture that inspired and enabled all our people to go the extra mile and actively seek opportunities for continuous improvement in all that they do, for the benefit of themselves, the organisation and its customers. Over the last twenty years we have learned what creating this sort of culture entails, as we extended it from our factories to all our other areas of operation:

- It requires clear and consistent leadership from the very top of the organisation through the leadership levels; very often in organisations there exists a 'frozen middle' between the executive team and the front line team managers that is overlooked and can be a real barrier to sustainment
- It means breaking down a 'silo' mentality by bringing together cross-functional groups and allowing them to understand the impact of their actions on other areas of the organisation
- It means listening to their views on the reasons for the problems that occur in their business and then encouraging and supporting their ideas for improving both co-operation and productivity
- It means retraining managers at all levels in their new role and the change in behaviours needed to support and build this new culture

- It means starting to share information on performance openly with employees
- It means encouraging employees to speak out about the problems they are seeing and giving them ways of taking action
- It means substituting a culture of blame with a collaborative search for the root cause of problems
- It means empowering and motivating all employees to start solving problems at their own level and providing them with the methods and training to do so.

The result is that everyone, at every level, now shares the responsibility of bringing forward ideas that can increase the quality of customer service, improve processes or reduce waste. The problems they can see are usually invisible to managers. Often they are small changes but, over time, they build to produce significant results. This culture has the aim of continuous improvement at its core. Innovation is not an occasional event; it can happen every day as staff are encouraged to look out for opportunities that arise from their everyday work. It generates an ethos we call 'No problem is a problem.'

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## The benefits when employees do engage with a new culture

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Achieving this level of change and sustaining it for the future, is a big challenge for any organisation. Unless there is a proper structure in place short term benefits can be lost and the grass simply grows back. At Unipart, we learned that it requires a different management approach and the adoption of a new way of working.

Over the years we have brought together all our learning, and the many techniques we use, into a method that we call The Unipart Way. We have seen the results of implementing the Unipart Way across our own companies: a factory improved

from one of Britain's worst to being voted one of Britain's best; a traditional UK rail company found new ways of saving Network Rail £25 million; a warehouse was recognised by a senior client as having become "better than world class." Our levels of staff retention and employee engagement are high, with widespread ownership of continuous improvement that has helped reduce our cost base by an average of £3m every year, whilst growing our top line revenues through delighting our customers, who trust our people to continually strive to provide greater value to them.

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## An approach that can be adapted

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We believe that these lessons from industry can be successfully adapted to the needs of the banking sector, as it is an approach that starts with a deep belief in people.

Indeed, where Unipart has had the opportunity to work closely with Financial Services organisations, the Unipart Way has shown its ability to create engagement and culture change at all levels. The result for those companies adopting the approach has been a significant improvement in both customer experience and satisfaction. In addition they have benefited from substantial capacity release, enabling either growth or savings in costs, plus reduced levels of regulatory and operational risk.

In one example, the considerable increases in quality and efficiency were accompanied with a doubling of front-line capacity for business development and a clearer focus on target accounts, enabled by the new process's transparency. As a consequence the client was not only able to release capacity for market expansion

but also to harness this superior customer experience as a differentiator in the marketplace.

We have repeatedly found that front line staff have some of the best ideas of how to solve problems and create improvements, so we engage them from the start. We help them actively own and manage the quality of what they do, by using metrics and visual management. We work together with them to identify waste and build capability. Directly engaging staff in this approach to process improvement creates ownership and builds cultural change, as well as saving cost.

Many banks have lost the confidence and trust of their customers but our philosophy of working goes beyond the rhetoric and worthy statements about focusing on customers, putting them first or reconnecting with them and instead provides a highly practical way to achieve it. Every customer interaction is a moment of truth that offers the potential of gaining a better understanding of customer needs and provides employees with the opportunity to actively contribute to improving service and addressing the root cause of problems.

## The benefits that the banking sector could see

The key benefits that banks should expect to see through adopting this approach are:

- Increased levels of customer satisfaction through better designed and more agile processes that are developed and managed by more engaged staff who take real ownership of improving the quality of their client interactions.
- More cross functional teamwork, with less of a silo mentality.
- Regular innovation right across the workplace that directly supports the needs of the banks' customers as well as the banks' own internal goals.
- Extra capacity created through greater productivity that can then be used to support growth by focusing on more sales and customer-facing activity, or help absorb additional work.
- Up-skilled staff and leaders, with the capability to continuously improve outcomes both for their customers and for the bank.
- Greater employee engagement, leading to higher staff retention and lower absenteeism.
- An improved working environment, based on calm efficiency and a respect for the contribution of others.

**Unlocking the hidden potential and ideas of people working at all levels in the banking sector can play a major role in improving perceptions of the industry and rebuilding trust - but it could also be the best way of finding a whole new range of opportunities. For those organisations that fully embrace this new way of working, it will also give a sustained competitive advantage over competitors old and new.**

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### About Ian Arbuthnott

Since 2007 Ian has worked with Unipart Expert Practices to deliver successful and sustainable transformation programmes and is currently Head of Sector for Financial Services.

Ian has more than 25 years' experience of leadership, business development and operations management in publicly quoted and private companies. He is a highly experienced Senior Leader, providing executive-level engagement and governance in the implementation of Lean transformations and sustainable improvement in operational excellence.

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