



'BETTER PLACE' AT O₂

O₂ UK selected Ashridge Consulting as its partner in enabling a culture change that would encourage staff in shops and call centres to live O₂'s brand values, making the customer experience as good as it could be. Project leader Caryn Vanstone tells the story that recently reached the finals of the Management Consultancies Association case study competition, being shortlisted in the Innovation category.

Lower tariffs, better network coverage, free SMS messaging: such are the constant lures the consumer faces whilst mobile phone companies battle it out to win market share. But simply winning new customers, O₂ realised, is not sufficient for long-term profitability. Such was the rationale of newly-appointed UK CEO Matthew Key when in 2005 he led a shift in strategic thinking to blend acquisition with rewarding existing customer loyalty. Whilst a 'brand promise' attracts new customers, he argued, existing customers remain loyal because of their experiences at point of contact.

When Cellnet separated from BT in 2001, it was very much the poor relation in the mobile phone marketplace. However, when it was transformed and relaunched as O₂ a year later, the new brand image immediately appealed to the market and was backed up with extraordinary technological and service improvements. O₂ went from being a 'nobody' in its own market to the leader.

To sustain O₂'s leading position, Matthew was now adopting a customer retention strategy based on customer experience. It was therefore within the power of staff in shops and call centres to make or break the success of the strategy. It wasn't going to be easy. O₂ recognised the need to balance the company's dedication to task/process delivery with an increased focus on relationships and culture.

The major investment in customer experience required 500 redundancies in back office and managerial roles. This process, and the collective effort expended on a 3-year turn-around, led to an energy dip across the organisation. Frustration rose as employees struggled to give the 'discretionary effort' required to deliver the 'Customer Promise' by living the brand values. The culture in O₂ was far from 'broken', but behaviours in the call centres and shops were driven more by sales/efficiency metrics than by relationship building. Employees wanted customers to know that they cared – but they didn't feel empowered or able to 'go the extra mile'.

Seeking an external partner for a change programme, O₂ selected Ashridge Consulting (AC) from a range of consultancies because of its innovative and highly-participative approaches to both strategy and change. AC, together with a diverse O₂ team, designed and facilitated an innovative change project – 'Better Place'. This replaced the traditional 'push' of programmatic change with informal conversation and experimentation based on Appreciative Inquiry, that was to stimulate immediate, empowered change in the offices, shops and call centres.

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The project was designed to:

- Establish an improved employee experience where people are able to model the brand values: an ‘employee promise’ as compelling and loyalty-generating inside as the ‘customer promise’ outside.
- Unlock the pride and passion already there for the external brand image by giving employees a powerful voice in decisions.
- Translate the resurgent passion, pride and ‘discretionary effort’ into an even better customer experience.

The approach

AC brought an approach based on Appreciative Inquiry (AI), complexity thinking and human psychology which focuses on behaviour and stories – around which human cultures change and self-organise. The overall design was matched to the O₂ brand values, and had two elements:

- An informal ‘movement’ at grass roots level, with local employees and leaders experimenting their way into a more empowered culture, impacting on ‘business as usual’.
- A formal, high profile change programme, based on Appreciative Inquiry.



The informal process – working in ‘the everyday’

A viral approach to communication ensured that people spontaneously joined in and were then helped by the team to deliver things already on their ‘to do’ list – but modelling the desired culture. For example, in the Call Centres and Retail, they were inspired and supported to start breaking some of their rules to improve the experience for customers and employees. This became known as ‘positive deviancy’.

A recurring theme was the need for greater consistency everywhere in the business. There were already many great initiatives in local teams, but not everyone was getting the benefit. Annabel Sweet, Head of HR Strategy, faced a dilemma: either pull everything structurally back into the centre and impose control – leading to consistency and utilisation of HR expertise (but also to low ownership and engagement locally); or fragment it completely out to local control – leading to high customisation, fit and ownership (but also to rapidly reducing efficiency, consistency and leverage of learning).

With AC’s support, Annabel brought everyone together in the ‘Meeting of Minds’ process. This ignored structural and procedural solutions to the problem, and instead developed relationships – creating a network of practice sharing. A new ‘self-regulating’ balance between order/consistency and emergence/localisation has been created which yields all the benefits without the downsides.

Annabel says: “At first people were a little cautious as they felt that I was ‘treading on their toes’. Now however, this collaborative working has been rewarding for people and has saved duplication of work, making significant savings for the company.”

The high profile, explicit change plan – Appreciative Inquiry

The explicit change plan was based on the AI 5D cycle:

Definition The O₂ Core Team conducted more than one hundred AI interviews throughout the business, collecting stories of O₂ at its best. At the Definition Workshop they themed the stories to create six topics (that O₂ wanted to see more of in the culture) to define the next phases.

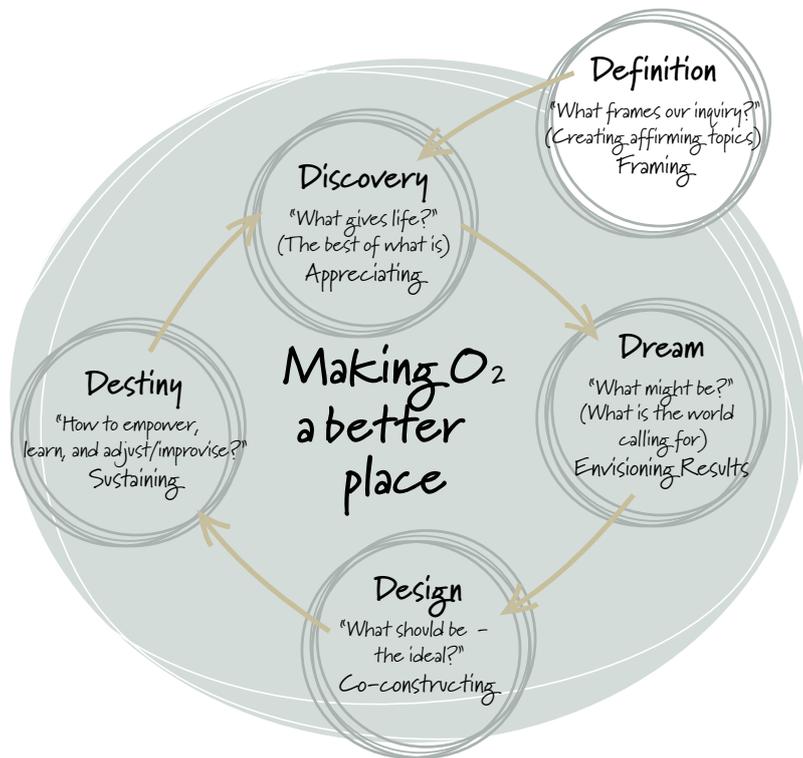
Discovery 120 people from all parts of O₂ were trained as AI interviewers. In a Mass Inquiry, they toured the business, finding stories relating to the six topics. They conducted over 1,000 conversations, and then brought their ‘data’ to the Summit. During Day One of the Summit, 300 people (including Board and senior leaders), through the collected stories, discovered O₂’s unique success factors.

Dream and Design Day Two of the Summit: they collectively imagined provocative visions for the future, articulated in compelling language (a new DNA). Creative enactments combined with rigorous analysis built emotional and rational support for change.

Destiny Day Three: anyone was able to launch, gain support for and lead initiatives to bring the new DNA to life. As they left, they were already starting to implement the changes – both in the initiatives and in their own everyday behaviour.

Active participation at the Summit challenged Board members’ learned patterns of leadership. Some questioned at the end of Day One whether we were really “getting anywhere new”. But by the third day – when the whole group had planned real (and quite radical) changes – they were amazed by the collective ownership. Over 30 employee-led projects were launched during ‘Better Place’ that were to impact on the organisational culture for all 11,600 employees. They included:

- **Real Directors** – this ‘Board’ of 15 customer-facing employees ensures that customer experience and insight is at the heart of key business decisions. Forty people competed for these ‘Board’ places!
- **Blue and Green** – this environmental project has increased waste recycling by 85% and paper recycling by 65%.



- **People Promise** – the ‘Better Place’ inquiry process allowed over 1,000 people to develop their own articulation of what they want O₂ to be as a place to work. This promise mirrors the Customer Promise, making a direct link between employee engagement and customer satisfaction.

In addition to these projects, there has been an emergence of stories from across all Directorates, of employee-led local changes which are creating a great experience for each other and for customers. The appreciative approach is becoming part of the ongoing culture, making the workplace more generative, supportive, creative and connected, and reflected in new ways of working and leadership development.

Challenges

It was inevitable that there would be some challenges to the success of the project, simply because any process which is designed to change the culture is bound, to some extent, to seem uncomfortable, even irrational, to leaders embedded in the current culture.

Matthew Key remarked: “The Board at first questioned the value of the Ashridge approach: it didn’t seem structured enough. However, we trusted the Core Team which had spent much more time in the pitch meetings and reviewing the proposals, and we are glad we did. Now, we understand what Ashridge brought.”

Says Caryn Vanstone, AC project leader: “Programmes based on fanfare launch events often fail when employees become disillusioned

upon returning to a non-conductive workplace. For this reason we timed the ‘big bang’ of the Summit to occur AFTER change had already started locally. However, starting informally creates a challenge – the early changes produced can seem mundane to experienced senior managers, although they are critical experiments to the employees engaged in them. Board members asked: “When is the REAL change going to start?”

Success

‘Real’ change is now happening across every part of O₂. In the Call Centres, the O₂ Select Team have changed the process allowing call handlers to provide ‘end to end’ service, instead of handing over to others. In Retail, the Positive Action Teams are helping every store ‘twin’ with a Call Centre Team, forging relationships that will improve service for customers and create a stronger sense of belonging for employees.

Matthew Key says:

“We (the O₂ Board) were making a leap of faith, but this is real people engagement, and we could see that.”

There is ample evidence that his faith has been rewarded, as the goal of increased customer retention has been achieved: retention grew by 32% over 20 months. In addition:

- The customer base increased from 14.2m in January 2005 to 17.6m in December 2006
- Customer churn decreased from 40% in January 2005 to 24% in December 2006
- O₂ broke into both the *Financial Times* ‘best place to work’ (26th) and *Sunday Times* ‘best big companies’ (5th) listings for the first time in 2006/07. Both results are heavily weighted on what employees actually say in the survey process.
- Independent customer satisfaction surveys have seen O₂ improve from 3rd in January 2005 to 1st in December 2006.
- Every Directorate recorded a significant improvement in the employee engagement survey. In 2006 this improvement was the biggest leap ever for O₂.

Phil Askham, Head of Experience O₂, summarises the reasons behind the project’s success: “People across the business feel privileged to be involved in a process which is energising, thorough and totally robust – something special. There is real belief in what we are creating for O₂ and for ourselves as individuals.”

In particular, he identified that:

“People experienced working together in ways that they had not experienced before – it felt bold and fresh, completely in line with the brand values we’re aspiring towards. They worked together in open, equal ways across the company regardless of role or status.

“‘Better Place’ has created the bridge between the internal expert/leader and the enthused employee, getting them talking and combining knowledge with passion and user insight – that drives stronger change as a result and a momentum which you don’t get from top-down change. They experienced participation, listening, co-ownership and innovation in a shared-learning environment. They continue to feel empowered to be creative and make decisions about the future of O₂.”

As for the future, Summit participant Robbie Glennon comments: “Our original objectives are being delivered – sustaining this is now in our hands.”