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Awakening a sleeping beauty

Has Fortis found the right magic potion for cultural change?

EXECUTIVE SUMMARY

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Organisational Culture

Organisational culture[1] is one of the most active areas of study in organisational theory today. These days many a tale of organisational success references the organisation's cultural advantages. In addition to attracting the credit for organisational success, an organisation's culture often attracts the blame when companies fail to compete effectively and under perform against rivals in their sector. A major impetus behind the rise in interest in diagnosing and creating strong organisational cultures comes from the acceleration of the rate of change over the last 15 years and the need to re-configure the human factors/behaviours/*modus operandi* within organisations in order to adapt and work differently with this speed of discontinuous change. Such discontinuous change has been driven primarily by information and telecommunications technological enhancements, deregulation and increased competition. Internet & digital technology have changed "the rules", "the playing field", or one could say "the culture and operating context" of entire industries and our entire lives. According to Edward de Bono (2005) three things are becoming commodities in business: i) competence, ii) information, and iii) state of the art technology; he points out "*that if these things are becoming a commodity then what is going to matter is the ability to design and deliver value. That needs creative and design thinking*" (De Bono, 2005, p.4).

Whilst numerous perspectives and definitions of culture were reviewed, this research is predominantly based on the perspectives of Geert Hofstede and Edgar Schein on culture and Ronald Heifetz on leadership. Schein states that a group culture forms when beliefs and values become <u>non-negotiable</u> basic assumptions about the way things operate within that group. Basic assumptions become non negotiable when the beliefs and values held within the group are "proved right" as resulting behaviours lead to success. If this occurs the group concludes that is now has the correct way to think, feel and act.

The Fortis case study

This research is based on a case study of the cultural change programme at Fortis, a multi-national Financial Services Group, with 58,000 employees working for various business divisions across the globe. With two head offices, one in Brussels and one in Utrecht, Fortis has grown as a Group substantially via acquisitions, mergers and organically since 1990. The cultural transformational programme is currently one of the largest of its kind being implemented in Europe today (Interview: De Boulle, 2006). The

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[1] Culture: *"when we talk about culture we are usually referring to the pattern of development reflected in a society's system of knowledge, ideology, values, laws and day to day ritual"* (Morgan, 1998, p112).

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case study focuses around two key elements: i) *the fortiomas,* the newly introduced set of corporate values[2] or axioms (Oxford English Dictionary definition: accepted general truths or principles) and ii) a leadership development programme designed to inspire managers and communicate Fortis' growth strategy, with the objective of embedding a performance culture to support it. It highlights initiatives that are having a clear impact on employee's attitudes and behaviours as well as areas that need more attention moving forward. It considers the impact of national culture, values and leadership in influencing the day to day life inside an organisation and applies various theories to the case of Fortis. Specifically two research questions are answered:

1) Has the introduction of *the fortiomas* had a positive effect on employee attitudes and behaviour?
2) Is the Leadership for Growth (L4G) programme an enabler for the adoption of *the fortiomas*?

This research considers whether or not the L4G programme is being successful in its objectives to nurture new ways of thinking and behaving within Fortis leaders and managers and whether or not the programme positively or negatively impacts on managers' attitudes and beliefs (in other words, whether or not the programme is having any effect on the basic assumptions, or values-in-use at Fortis).

Data Collection

Field research took place every month over a six month period between May and October 2006 and involved an ethnographic study of the 3 ½ day L4G programme, as well as qualitative interviews with 18 employees, 5 HR Steering Committee members and 2 ELP directors. Whilst the sample size is small, each interview was in depth and lasted between 45 minutes and 1.5 hours, the final pool of data therefore represents a "chorus of Fortis voices". In addition to the qualitative data, a quantitative values survey was given to 18 employees who were asked to respond to whether or not a particular *fortioma* value was alive day to day at Fortis. Further quantitative survey data was supplied by Fortis pertaining to the L4G evaluation questionnaire filled out at the end of L4G sessions by participants, this data spans the period Sept 2005 to June 2006.

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[2] Values: *"a value is an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or state of existence"* (Rokeach, 1973)

In some cases it was possible to interview L4G participants, a member of their team (who had not attended L4G) and either the participant's boss or a colleague who attended either late 2005 or earlier in 2006, but this was not possible in all instances. From the sample of 25 people, 9 individuals from the June programme were interviewed, 5 of their subordinates and 4 of their colleagues or bosses who had attended L4G earlier in the roll out.

Background to the cultural change programme at Fortis

Fortis has been experiencing a surge in growth over the last two years as a result of a strategy put in place back in 2004. CEO, M. Jean-Paul Votron and the Executive Committee set ambitious growth targets that would see a compound annual growth rate of net profit per share of at least 10% across the Group and profits from outside the Benelux countries rise from 14 to 30 per cent a year by 2009 (Leadership for Growth press presentation, 14/02/06). Fortis is a conglomerate of separate banking and insurance businesses that for many years have operated in a silo fashion, focussing on cost cutting and generating synergies from acquisitions and mergers rather than growth. As such, the growth focus has been a 180° turnaround for Fortis and one of M. Votron's biggest challenges is how quickly the organisation can change its "silo business" mentality to one of growth and collaboration. The introduction of the new growth strategy became just the vehicle around which to anchor *the fortiomas* and launch the leadership development programme. For Fortis, *the fortiomas* represent desired behaviours which the Fortis Executive Committee and HR Management team would like to see become basic assumptions of "what is valued around here".

The fortiomas – **Fortis' set of corporate axioms**

Why consider Hofstede?

Fortis is a multi national organisation, with a Benelux core, which has a direct influence on the company structure and values. National cultural differences do affect interactions between individuals from various nationalities. As such, it was necessary to consider the influence of national culture on the leaders and employees within the organisation in order to begin to understand Fortis' culture and values. The work of Geert Hofstede is useful in providing fascinating insight into understanding both the role of a person's nationality and cultural "socialisation" in shaping their beliefs, attitudes and behaviours at work. It is a help in deciphering some of the deep, national cultural values held by individuals working at Fortis and is therefore helpful in understanding the context and personal frames[3] of the employees interviewed in beginning to analyse the answers (views / attitudes and behaviours) of the respondent interviews. One of the most interesting Hofstede insights in relation to Fortis is the large cultural gap between The Netherlands and Belgium. The Hofstede study showed that *"no two countries in the IBM data with a common border and a common language were so far apart culturally"* (Hofstede, 2001, p.63). Another interesting insight is the fact that in the traditional "Latin" countries, those heavily influenced by the Roman Empire and Colonialism (including France and Belgium) the acceptance of status and hierarchical position as legitimate authority is very high by comparison to other nations. By introducing *the fortiomas* Fortis is trying to overcome the national and company differences and some of the attitudinal barriers already identified to working together and create a common set of values and behaviours to inspire Fortis employees and create a more "gelled" culture. This is not to suggest that Fortis wants or expects to create a highly conformant monoculture, as was clear from the qualitative interviews, Fortis values its diversity. Many multi-cultured employees are successful in their roles precisely because they are multi-cultured and able to straddle multiple worlds, "a highly conformant monoculture is not a recipe for success in today's world, diversity is celebrated as a key driving force in organisational regeneration" (Griseri, p.82).

The role of values and cultural change

From qualitative interviews the research identifies certain attitudinal barriers towards living *the fortiomas.* Many of the attitudinal barriers found at Fortis are identified by Hofstede as national culture traits. It is these barrier attitudes or values that need

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[3] Argyris and Schön's (1974) argument that people have mental maps or personal frames with regard to how to act in situations. This involves the way they plan, implement and review their actions. Furthermore, they assert that it is these maps that guide people's actions rather than the theories they explicitly espouse.

attention moving forward if a common culture based on the *fortiomas* is really to take hold. Kegan and Lahey identify these barrier attitudes as *"hidden competing commitments"*, they discuss instances when an employee has shown commitment to the company, genuinely supports the change, clearly has the skills and knowledge to make a change with ease, but inexplicably does nothing. This phenomenon is part of the real reason people wont change, a kind of personal immunity to change which occurs when an employee is *"unwittingly applying productive energy toward a hidden competing commitment, the resulting dynamic stalls the effort in what looks like resistance but is in fact a kind of personal immunity to change"* (Kegan & Lahey, 2001, p.38). Kegan and Lahey go on to describe how a process of uncovering employee's hidden competing commitments can help move change forward. Values are based on different motivating factors and are made up of deep cognitive and emotive factors, making it extremely difficult to establish the content of an individual's values. Therefore, following a process of uncovering people's hidden commitments may be the closest one can get to understanding their values.

The role of leadership in cultural change

Many authors agree that *"the single most visible factor that distinguishes major cultural changes that succeed from those that fail is competent leadership at the top"*, (Kotter & Heskett, 1992, p. 84). Others such as Schein have similar conclusions *"culture is created by shared experience, but it is the leaders who initiate this process by imposing his or her beliefs, values and assumptions at the outset"* (Schein, 2004, p.225). Schein asserts that one of the most powerful mechanisms founders, leaders and managers have available for communicating what they believe in or care about, is what they systematically pay attention to in the discharge of their day to day duties, as this has a huge influence on what subordinates perceive the leader really values. This research considers the impact of the relatively new CEO Jean Paul Votron on the culture at Fortis and concludes that he has indeed been a catalyst to inspire culture change at Fortis over the last two years. Several quotes from employees highlight the big impact Jean Paul Votron has had on "the way things work around here". The growth strategy has turned the company 180 degrees and motivated large numbers of senior staff to "go the extra mile", "drive performance" and "deliver results" *"Passion is alive with key players, those who are decision makers. They are results driven and have heavy workloads, but their passion is so positive that everyone is motivated more to deliver"* (Risk Management employee, Luxembourg, 2006).

Employees reveal the real values in use at Fortis and the impact of the introduction of *the fortiomas*

Evidence from the employee interviews shows that the introduction of *the fortiomas* has had a positive effect on some employee attitudes towards Fortis but relatively little impact on their actual behaviour. Of those who responded negatively to questions about awareness and usage of *the fortiomas* many really just did not know what the values were at Fortis before they were introduced to *the fortiomas* at L4G, whilst those who responded positively gave unswerving answers as to what they believed was valued at Fortis, even before they attended L4G. Values stated were **"the customer"** (focus on client), **"profit"** (drive performance), **"results"** (deliver results), **"being positive"** (be positive) and **"diversity"** (encourage diversity).   According to the sample of Fortis employees interviewed, these values have been espoused and focussed on throughout 2006. Performance is a clear thread running through these values. These results were corroborated by the Values scorecard survey. Using this quantitative survey, *the fortiomas* categorically chosen as the "most alive" at Fortis between September 2005 and September 2006 were "**Drive Performance"** – 89% agree this is a value**, Deliver Results –** 83% agree this is a value**, Focus on the Client** – 72% agree this is a value. Fewer than 50 % of those who agree that "focus on the client" is a value agree that "team spirit" as a value is really alive at Fortis. The table below shows that the number of interviewees agreeing that a particular *fortioma* is alive day to day, drops significantly from therein.

Table 1: Results of Values Scorecard Survey

Agree this value is alive	Number	Percentage
Drive Performance	16/18	89%
Deliver Results	15/18	83%
Focus on the Client	13/18	72%
Team Spirit	7/18	34%
Driven by Passion	6/18	33%
Be Positive	6/18	33%
Show Courage	5/18	28%
Encourage Diversity	5/18	28%
Be Mobile	5/18	28%
Develop Yourself	5/18	28%
Act as One	4/18	22%
Set the Example	4/18	22%
Stimulate Entrepreneurship	4/18	22%
Communicate the Story	3/18	17%

On an encouraging note, it should be pointed out that every *fortioma* did receive a score, all 14 *fortiomas* got a vote. In an experiment using a "values measurement system" proposed by Yoash Wiener of Cleveland State University, the breadth of *the fortiomas* as Fortis' value system (within this interview sample) was calculated as follows from the data collected:

Sum of key values actually held by each member across all members **- 98**
_____   **= ratio 0.39**

max # of values that could be held by all members **- 252**

Given that the ratio is highest (equal to 1) when each member has internalised each of the core values, the results of the above calculation show that **the current intensity of Fortis' desired value system is only just over a third as strong as it is hoped it will become.** This is based on the fact that to date Fortis has not decided it wants to weight *the fortiomas* and considers them all as essential facets of the desired culture.

Stimulate entrepreneurship received a low score from the survey, despite the fact that Fortis received much positive press commentary as a result of creating a Corporate Venturing Unit in 2001. As a result, initially it may seem that the result of *the fortioma* "stimulate entrepreneurship" is surprisingly low given the number of innovative new business concepts that have "hatched" from the Venturing Unit (over 20 new concepts had been presented to the innovation board in 2004, Source: Fortis Case Study IMD-3-1545). A review of numerous case studies written on Fortis Venturing by the International Institute for Management Development (IMD) reveals that initially the Fortis Venturing Unit was intentionally kept underground in order to prevent ideas getting stifled or sidelined in the business units. The Venturing programme was launched under the agenda of "learning and personnel development" partly to ensure it remained "non threatening" to the operational business units. It is necessary to keep things small and protect them in the early days (innovation and entrepreneurship is generally inversely proportional to the size of the group) and the nurturing of entrepreneurial spirit was generally left to the Venturing Unit. Employees from the operational business units are aware of the Venturing Unit and either pass on new ideas to the team or use them for advice on innovation and business case development. The creation of Fortis Venturing undoubtedly has contributed to the external image of Fortis as an innovator in the market, with new business launches such as "Pet Pack" and "Fortis Yacht Services", yet the entrepreneurial spirit does seem to be confined to the Venturing

Unit and has not become part of the Fortis cultural DNA. Several of the IMD Venturing case studies refer to the challenges of overcoming the same attitudinal barriers revealed from this research such as status, bureaucracy and hierarchy when it comes to getting business line backing for a new innovation.

The role of L4G in supporting cultural change

L4G is playing a key role in cascading the performance and growth message engendered by Jean Paul Votron to a wider executive audience. According to ELP partner Nick Van Heck, several participants have commented on "how L4G connects the dots for them around the overall Fortis journey". It is apparent from interview responses that Fortis executives had already started to receive messages of "performance" "results" and "growth" loud and clear throughout 2006 and that the L4G programme played a strong role in re-emphasising Fortis' strategic ambitions for the company and its people. *"I don't think I had a view before Mello really, Mello has strengthened my understanding of what Fortis values, but I had heard a few months before from Jean-Paul Votron when he started to put more emphasis on "act as one" and "go the extra mile"*. (Private & Commercial Banking employee, Asia, 2006). It can be concluded that the L4G programme does a great job at "setting the context" for change in the senior managers who have attended to date. It is useful in providing a grounding in many of the principles behind *"adaptive leadership"*, which in the opinion of this researcher, is exactly the kind of leadership required at Fortis right now: *"adaptive leadership makes happen what isn't going to happen otherwise"* (Pascale, Milleman, Gioja, 2000, p39). However focus needs to be given to "what happens next" as the "Mello effect" does not seem to have emanated strongly past the participating manager to their teams between September 2005 and October 2006. Evidence from the employee interviews shows that levels of enthusiasm for *the fortiomas* become more jaded as the months after L4G pass. Face to face communication around their context and usage has been low. Results from the values scorecard survey show that "communicate the story" was the lowest scoring value amongst respondents and generally the criticism was directed upwards towards the next hierarchical layer above.

Conclusions – Has Fortis found the right magic potion for cultural change?

Fortis has chosen to create its own model via the development of *the fortiomas* and the L4G programme for supporting its people to deliver cultural change and achieve its

growth objectives. This instinctively feels right and is in alignment with Heifetz's principle no. 5 of adaptive leadership, "*give the work back to the people*". However the different examples given by interviewees of both productive functional values in use and elitist attitudes and behaviours (which are fear based values) at Fortis, tell us that Fortis is indeed in transition between a more elitist culture with inbred attitudinal barriers to change and a more functional culture. Elitist attitudes and values such as "status" and "hierarchy" act as "competing commitments" to change day to day at Fortis (see appendix D in dissertation for examples of barriers). Elitist values are more likely to generate strong feelings such as pride and a focus on the individual that in the long run may undermine an organisation's integrity. The energy involved in "doing" internal competition, bureaucracy, hierarchy, image, blame and information hoarding is not available for useful work. The definitions of value systems as either elitist or functional are proposed by Yoash Wiener and were used to help classify Fortis' current value system. Results of the research show that in accordance with these definitions, the current value system at Fortis needs to shift away from elitist values towards more functionalist values in order to improve effectiveness and generate sustainable performance.

The potential of *the fortiomas* to become Fortis' real values in use will only occur in future if attention is paid to the "competing commitments" or attitudinal barriers on display day to day such as hierarchy, politics, indecisiveness, complacency and the tendency to use a local frame to make decisions rather than an international frame. More honest conversations need to be encouraged and had both vertically and horizontally across the organisation for employees to begin to lose their discomfort with change and begin to embrace change as an opportunity for learning and growth.

It is the view of this researcher that (if it has not been already) the "cultural change programme" at Fortis needs to be given formal recognition as a Group programme and Key Performance Indicators (KPIs). This will help de-mystify the progress being made against cultural goals and raise its profile amongst leaders and ensure its position on senior agendas. The next step is to extend the message from leaders and managers, to involve employees who have not been to L4G in conversations about values and leadership.

To continue to build on the effect of L4G and to help his leaders maintain disciplined attention towards developing a "shared" culture at Fortis, M. Votron's challenge is to

lead some real open and honest conversations, starting in the Executive Committee, which deal with the competing value commitments within the Group. That said, culture change at Fortis is not the sole preserve of M. Votron. The L4G programme is playing a key role in that it is cascading the growth strategy and desired culture message at Fortis, as well as being a "shared experience" for Fortis executives where they are introduced in an experiential fashion to the fact that that new ways of thinking and behaving can result in success.

The journey ahead

This research has identified 4 key axes of focus for Fortis' cultural change programme that could be integrated into initiatives already planned:

1. Take steps to tackle the "silo" mentality through the culture programme and the organisation's structure. Continue the conversations on structure and which kind of structure optimises value across the Group in each business area (is it at the country level, product level or functional level?) What kind of balance is required moving forward?

2. Take steps to tackle "hierarchy paralysis" where found. Encourage conversations about culture and leadership amongst the Executive Committee and other senior business leaders, along with the use of *the fortioma* toolkits as backup material. Senior leaders need to dust off the L4G material and re-think the traditional "command and control" view of leadership.

3. Begin to analyse, measure and report on the real values-in-use across each business in the Group, through qualitative and quantitative means.
   a. Make cultural change a job. Other organisations[4] have taken the step to create a role within HR, Training or the Business that gets involved in the careers and lives of employees, facilitating team sessions and coaching individuals on behaviour. These individuals would have to work closely with business teams, gaining and maintaining trust levels will be crucial.

4. Increase efforts to communicate passionately about the cultural change programme across the Group
   a. Continue to communicate the growth vision as a message for employees to rally around as the context for cultural change

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[4] This step was taken by Alberto Culver North America to aid their cultural change programme. They created the role of "growth development leader" that President Carol Lavin Bernick credits as "*the one move above anything else that contributed to the success*" of their cultural makeover in the late 1990s (Lavin Bernick, 2001, p.142).

Copies of the complete research paper, this executive summary and a power point presentation are available from:

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