



Client Story

Loving the customer: Leading to growth

It is not easy to imagine a totally new paradigm for an industry and even harder to change minds and hearts to bring it to life. This client story explores how Harthill's integrated approach, working with four levels of leadership individually and collectively over a 3-year period, helped RSA meet this challenge.



Loving the customer, leading to growth



“It is possible to grow, reduce costs and improve morale all at the same time! The approach used by Harthill goes deeper than any other I’ve experienced.”

Bridget McIntyre, CEO, RSA UK.

By late 2005, this major player in the UK general insurance industry (the major part of an international group) had recovered from a period of severe financial under-performance and had answered fundamental questions about the viability of the business. The company was stable and well-controlled, but lacked a compelling vision and the kind of entrepreneurial spirit that could spark new growth.

The newly-appointed Chief Executive asked Harthill to help the Executive Leadership Team to build on its recent accomplishments and revitalise business growth prospects. The success of the leadership team would depend upon its ability to simultaneously maintain the hard-won consistent profitability of the business, whilst creating a sense of opportunity and a fluid, experimental entrepreneurial style that could lead to profitable growth.

Our immediate aim was to introduce a more participatory and less procedure-driven way of working to open up the highly controlled, hierarchical management style that had been necessary during the fix-up period. We set up a small, strategic steering group that included the CEO, HR Director and the leader of the largest business unit, as well as a fluid group of strategy and communications experts from inside the business, to conceive and shape a participatory way forward. We agreed on three priorities:

1. Quickly form and establish a new Executive Team
2. Create a breakthrough vision for the business that would set the company apart in an intensely competitive market
3. Engage a far wider population of the company’s talent in strategic decision-making and change management

Sparking new strategies

The steering group met every two weeks to shape the strategic development agenda. Our first symbolic act was to design an intensive three day 'Strategic Sparks' off-site workshop for the Executive Team. This semi-structured event engaged people from both inside and outside the organisation to create a breakthrough mission for the business that combined its technical mastery with deep customer relationships in the service of the customer's well-being. This humanising mission was then elaborated into a viable proposition, an initial economic model and high-level organisational design.

“Overall, this positioning offered the potential for the business to really stand out in a market that was crowded, commoditised and extremely competitive”

Gordon Henderson, Strategy and Marketing Director

Having hatched the original idea, we continued to support the internal strategy team as it refined this into a corporate strategic plan in collaboration with the wider business. We ran further large-scale design and action workshops with senior and middle leadership teams across the business to translate and embed the corporate strategic concept into business unit, functional strategies and new business experiments. Propositions were created for intact customer-facing and support unit teams, whilst 'joining-up' sessions helped them as a whole to knit together their ideas and seek synergies across their activities.

Feeding the fire

Throughout and beyond these first two stages, a programme of quarterly Executive Team off-sites and whole-business action inquiries continued to deepen understanding of the company's strategic progress. Individual leadership and team working became more effective. The sessions encouraged honest and revealing appraisals of strategic performance stimulating immediate action. For example, at one such meeting during our first year of engagement, some Executive Team members felt able for the first time to express their severe misgivings about the slow progress of a consultancy-led IT transformation project that had been underway for two years.

Their concerns had been simmering for many months: at the end of the meeting we had gained sufficient consensus on the severity of the situation to call an emergency summit meeting involving the Executive Team and project team to re-draft the strategy for the programme. Within a couple of weeks a project that was under-delivering against deadlines, whilst seeing its costs mounting, was re-scoped with more feasible goals, a realistic schedule and a re-adjusted budget, against which it has since delivered.

‘A bit unfair!’

Two years into the programme felt like long enough to discover what progress we had made. In Autumn 2007, we began a systematic Action Inquiry review. It's very straightforward. Think of it as a 360° feedback process for strategy. Working with the support of the internal strategy team, we facilitated the senior team's own inquiry into the effectiveness of their actions, giving consideration to the company's performance, its business model and the wider commercial environment. We asked:

1. Did you do what you said you would do?
2. Did you do it well?
3. Did it work? How do you know?
4. In the light of the wider business environment, did you make the right strategic choices?
5. Are your purpose, values and vision still appropriate to guide future strategy?

This is an increasingly rigorous and iterative process of deepening inquiry. One executive responded to our straightforward questions with an exclamation of ‘That's a bit unfair!’ However, the intention was to gather and interpret sufficient data about the situation to refresh the company's strategy.

We discovered, for example, that the strategic progress had been significant:

1. The share price of the parent company had risen from 94p to 150p. Profitability exceeded analysts' expectations every year for three years, including final year growth in profits before tax.
2. The business has continued to deliver consistent, sustainable and market-leading profitability, maintaining its core operating ratio well below 100%
3. In exceptionally tough trading conditions, targeted segmental development, pricing discipline, re-branding and innovative customer propositions helped the business grow for the first time in five years, whilst breaking the industry's boom-bust pricing cycle.
4. Strategic cost efficiency work allowed the company to deliver £150M in savings. By re-investing in an improved claims service, new policy administration information systems, upgraded IS infrastructure and a refurbished working environment, the company created a competitive cost base.
5. Significant investment of time and capital in leadership, engagement and culture delivered the highest employee engagement scores in the international group. Employee morale improved by 20% as measured by Gallup.

However, the promise of Action Inquiry is a new kind of power – transforming power – a kind of vulnerable power that goes beyond force, diplomacy, expertise or hierarchical power. Very high levels of Action Inquiry actively seek out failings and inconsistencies in one's own performance to seek greater integrity in mission, strategy, performance and outcome.

The Chief Executive re-shaped the leadership team and Harthill facilitated deeper questioning about the company's strategic development path among a broader cross-section of the leadership team, the parent company and external experts. Whilst acknowledging the accomplishments of the previous three years, this questioning and further exploratory work surfaced significant dissatisfaction with the pace of change, quantified the scale of challenge to the efficiency of the current operating model and surfaced deeper-lying disagreement about the fundamental mission and style of the company.