

## EMPLOYEE RESILIENCE IN TIMES OF CHANGE: PARTICIPATION AND WELL-BEING DURING MERGERS AND RESTRUCTURING

### CASE STUDY BT UK

Visited 11-12 September 2008

BT is one of the world's leading providers of communications solutions and services operating in 170 countries. Its principal activities include the provision of networked IT services globally; local, national and international telecommunications services to customers for use at home, at work and on the move; broadband and internet products and services and converged fixed/mobile products and services.

Founded in 1981 (as British Telecommunications), it is now a publicly quoted company on the London and New York Stock exchanges and employs nearly 110,000 people. In the year ended 31 March 2008, BT Group plc's revenue was £20,704 million with profit before taxation and specific items of £2,506 million.

BT runs the telephone exchanges, trunk network and local loop connections for the vast majority of British fixed-line telephones. Apart from Kingston Communications, which serves Kingston-upon-Hull, BT is the only UK telecoms operator to have a *Universal Service Obligation* (USO) which means it must provide a fixed telephone line to any address in the UK. It is also obliged to provide public call boxes.

BT's businesses are operated under special government regulation by the British telecoms regulator Ofcom (formerly Oftel). In some of its markets, BT is required to comply with additional obligations such as meeting reasonable requests to supply services and not to discriminate.

As well as continuing to provide service in these areas BT has expanded into new communication products and services such as broadband, mobility and converged services. BT consists principally of four lines of business:  
BT Group is organised into the following business divisions:

*BT Retail:* serves business and residential customers and is the prime channel to market for other BT businesses.

*BT Wholesale:* runs BT's networks and provides network services and solutions to other communication companies

*Openreach:* owns, maintains and develops the access network which links homes and businesses to the networks of Britain's communications providers. *Openreach* was created in January 2006. This was at the instigation of Ofcom, with the aim of ensuring a better regulatory framework for BT and the UK telecoms industry generally by managing the UK access network on behalf of the industry. It was formed from 30,000 engineers previously employed by BT's Retail and Wholesale divisions and its aim is to provide an open and equal service of provision and repair in the "last mile" of copper wire, ensuring that other communications providers (CPs) have exactly the same operational conditions as parts of the BT group.

*BT Global Services:* BT's global managed services and solutions provider, serves multi-site organisations worldwide

In July 2007 two additional divisions were established:

*BT Operate:* deploys and runs communications services for customers over BT's core network and systems. .

*BT Design:* BT Group's IT design and delivery business

This case study looks at the process of change and the support for employees within two divisions of the organisation, Wholesale and Design as well as the role the HR department plays in mergers and acquisitions. The visit covered Wholesale, GS, Operate and Design

### **Drivers for Change**

Since its privatisation in the 1990s BT has been driven by considerable innovation and technological changes, rapid globalisation of communications, the integration of technologies and intense global competition. It is a company built on continuous change and recognised that that to survive and thrive in a period of increased competitive intensity there was a need to transform from a traditional telecoms company to a leading provider of converged networked services and to improve customer service and optimise financial performance. The three major objectives in the change process were:

- being number 1 for customer service
- investing in its global IP platform
- being more agile

To achieve these objectives it was necessary to have:

- new BT structure
- new internal trading model
- new pan-BT operating model
- an expanded global 21CN IP platform
- faster re-engineering to provide faster solutions
- a collaborative culture

It was recognised that the people transformation would be key to the success of the business transformation. Four key change levers provided the focus for managing the transition:

- managers provided clear leadership and were seen to do so
- all employees understood and agreed what was expected of them
- there were formal structures in place to support people
- people were provided with the skills and competencies to do what was required of them.

## **The Characteristics and Process of Change**

In order to make technical and process improvements it was essential to embed a collaborative culture with the staff so that they all understood the challenges, the risks of failure and the rewards for success. By far the most crucial success factor in ensuring people transformation was optimised was communication with and engagement of the workforce.

The organisation retains some of the industrial relations legacies of the past, negotiated when employer-employee relationships in the public sector were very different from those prevailing now. This is both a strength and a weakness. In such a large organisation formal representational arrangements improve efficiency in communications and participation, but they may not represent the global dimension of the business, encompassing different expectations of cultures and ages.

### ***Downsizing and Re-deployment in the Wholesale Division***

The BT Wholesale division was one of the areas most affected by the change as it needed to be downsized. It had to evolve from a network operator managing 21CN deployment to a next generation communication business with the need for fewer people having a different skills set. The division is 68% male dominated with an average age of 43 years, average tenure of 18 years and a technology & product focus.

The experience of managing the shift of engineers to a new business and the evolution to a next generation communication business challenged the morale and motivation of managers and employees. There was concern that skills would not be recognised or needed in the new structure and that individuals may not have a future in BT.

As 90% of the BT front line UK people are unionised, the union attitude was crucial to the success of the transformation. The unions have a powerful 'no redundancies' agreement that has to be applied pragmatically so the HR function undertook early engagement, to gain their support. They:

- secured commitment to principles underpinning the transformation
- continued the voluntary approach where jobs were lost or changed
- obtained commitments to retraining/reskilling and redeployment
- ensured complementary communications to reinforce strategic direction to employees
- agreed to monitor progress using the Organisational Culture Index (OCI) and regular Pulse Surveys

The division looked at developing an integrated formal organisational structure, identifying new key roles and capabilities to align them with the objective of meeting customer needs. To implement the organisation changes, there was a selection and appointment process and a need to redeploy those people not employed. The selection principles were agreed with the union in a process aimed at minimising disruption and focusing on getting the right people in the right roles. Following this they set about major morale boosting, communications and recognition task (?) using and developing existing BT Group tools.

Redeployment was managed by the *BT Skills Transition Centre* which supports redeployees in their job seeking activities by a dedicated infrastructure of “Transition Managers” who undertake skills analysis, help develop CVs and provide interview experience. The centralised learning and development budget was used to implement a learning plan for the individuals concerned, aligned to the objectives of the transformation. This included customer service, growth and sales, costs, management skills, leadership and talent. Any gaps in skills and competencies were then addressed.

Extensive and group wide support was provided by the HR and occupational health departments. BT Wholesale used the tools provided in the *BT people transformation programme* to help them through the process. The main elements were

- ***To provide leadership role models***

To achieve this, a *transformation leadership team* was created to undertake the *Organisational Culture Index (OCI)*. This looked at 3 main leadership styles - aggressive defensive, constructive and passive defensive. Research has shown that high performance organisations are characterised by constructive styles. The Board members underwent thorough analysis to determine their leadership styles and values and persuade them of the need to embed a constructive leadership style. Investment was also made in *Talent and Leadership* programmes.

- ***To feel engaged in the future of BT Wholesale***

To achieve this, a *Passion Matters* programme was introduced. This engaged 2000 people over 12 weeks in about 30 leadership led events designed to be interactive and experiential, reusing what had already worked well and refining it to be inspirational and motivational. This work is being developed and is continuing to link employees’ motivation to customers’ aspirations.

Further to these, new forms of communication were developed and revitalised, building on trusted established BT group channels of electronic and printed systems.

Recognition programmes were aligned with those across the BT business. The *SHINE* programme for example rewards individuals who show passion and commitment in the job they do in:

- aligning effort to strategic priorities
- delivering for customers
- encouraging culture and behaviour changes
- encouraging best practice

The rewards vary from ‘*e thank yous*’ to unit and business recognition at gala dinners and prizes such as holidays.

In monitoring progress with the people transformation, BT Wholesale used the suite of tools developed across BT. These included ePulse; Sick Absence; STREAM; EEI (CARE); Behaviours Index and Leadership 360.

*Pulsing*, for example, is an employee attitude survey containing common questions and comparisons across the group and is designed to monitor the “pulse” of the organisation. The process is organised locally, with central co-ordination. Leaders are engaged throughout the data collection, analysis and feedback. Quantitative and qualitative feedback is provided to track progress relative to the stage of the transformation journey from awareness of the objectives to delivery of business results.

*STREAM* is an online stress risk assessment resource based on the well publicised HSE management standards, centred around the 6 main stressor factors in jobs: demands, control, role, relationships, support and change<sup>1</sup>. It involves 30 items and takes 10 minutes for the employee to complete. It went through a rigorous development, testing, validation and implementation process before being deployed as a significant tool to support the change process. It was developed with HR, line management and trade union involvement and was piloted by more than 800 people, further refined after discussion with focus groups and subjected to two further pilots before going 'live'.

The results are analysed by the Health, Safety and Wellbeing team and rated with cut-off points for RED, AMBER and GREEN performance. Using the results, individuals and line managers are encouraged to discuss stress-related issues. Senior managers are provided with departmental reports on their stress profile. This also allows the BT Group team to compare and contrast different divisions and identify hot spots in terms of the scale and nature of stress. The use of externally produced stress management categories (i.e. the HSE's management standards) allows BT to benchmark results with any other organisation using a similar approach.

The process is supported by the *STRIDE* programme - stress in the workplace: dealing with it effectively. This is a manager's guide on the BT health and wellbeing website and the *Route2Learn* programme which covers:

- Line Managers responsibilities – individual, team, BT
- Recognising stress
- *STREAM* assessment process
- Typical scenarios

In addition to the tools and techniques used to aid the transformation, incentive programmes were reconfigured to identify and motivate all staff. One of the successful programmes was the identification of BT *pride builders* (*An Operate initiative*) from both long standing and new employees. Their ability to capture the attention of and provide support and motivation to employees who are to be integrated into BT is a substantial resource, though it was recognised that it could cut across established means of communication and consultation.

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<sup>1</sup> For further information see <http://www.hse.gov.uk/stress/standards/>.

### ***Creation of the BT Design Team***

The *Passion Matters* and *e pulse* tools were also used by the BT Design team in their transformation. Their perspectives were however very different from those of BT Wholesale, as their team was being created, not down-sized. BT Design performs a key role in delivering the BT Transformation and their strategy is to shape, define and execute the objectives through people, whilst acting as a force for good. Through some of the large-scale programmes which focus on engaging employees, leaders have found that confidence, belief and motivation can be developed. However, when such programmes ease up, the engagement drops. This highlights the need to build upon the capabilities of the leaders to keep their workforce engaged on a day-to-day basis, and reduce reliance on centralised programmes.

### ***Managing Mergers and Acquisitions***

BT's people and change management programmes are key to its methodology for managing the integration and engagement of people following mergers and acquisitions. HR's role is clearly defined in the process. The project management of mergers and acquisitions focuses on *what, who* and *when* of the activity, based around a business case for change. An externally recognised '*in2great*' framework methodology is used, which governs the handling of the integration of acquired companies. It consists of templates, documents and specific guidance and brings together a number of work streams e.g. finance, facilities, systems, organisational alignment and HR - aimed at fast and rapid integration.

The change management of mergers and acquisitions on the other hand focuses on the *how*, based on *why* people should change their behaviour. Change programmes typically address:

- The definition of the change envisaged (what, why, when, how)
- Change leadership style
- Capability of BT and the target company
- Culture, behaviour & climate
- Communications & engagement
- Relationship / stakeholder management
- Organisational design
- Skills & capabilities

The *Accelerating Change Execution* (ACE) framework provides a flexible approach to change management, depending on the project size and complexity. It places appropriate emphasis on managing the human aspects of change. Some of the tools and templates that are used to support integration are *ePulse*; *live the values*; *create the customer experience* and *make our vision reality*.

The HR function see that proactively managing change will deliver real value faster, cheaper, with less disruption and greater probability of success, as "9 out of 10 barriers to success are people related". The first 90 days are seen as key, where the focus is on orientation, sharing and discussing the BT Values, ensuring that messages individuals receive are in context and appropriate. The HR function captures feedback on their initial

experiences and ensures that the key people are identified and engaged. Time is spent understanding the skills of the newly acquired staff and the fit with other BT professional communities and reward frameworks. Full integration is the point where individuals are supported and managed in the same way as BT heritage employees.

The initial engagement with employees is at Day 1 where the focus is on welcoming them to the company and ensuring they understand why BT has acquired them and what value BT see in bringing them on board. The contract implies an exchange of information so that BT indicates the support they will provide and what the joint organisation will bring to the customers. At this point much of the BT traditional support – HR, admin and payroll – is probably not changing and it is important that the areas of no change are made clear as well as areas that will change on Day 1 and when further change can be expected.

The HR department is charged with:

- Tackling the root causes of engaging and motivating the workforce through change
- Developing the HR capability to engage the business with a consistent approach to change
- Mandating a set of change standards across ALL projects that have people impacts
- Underpinning the standards with guiding principles, tools and templates

## Key Lessons

Key lessons have been identified by the individuals involved in the many programmes and processes involved in the change process. The high profile occupational health programme (do you really mean the OH programme?) provided a best in class market position in line with companies in the healthcare sector, portraying an image of a high performing business wishing and able to recruit and retain high performing people. Furthermore, the introduction, development and use of the programmes provided enhanced productivity, engagement and discretionary effort. It also reduced costs by controlling attendance levels.

The company recognised the barriers to the introduction of such challenging programmes because senior managers had to be convinced of the essential role of wellbeing /resilience in business success. There were also considerable resources required to make the programmes successful as they required time for people to be released for training etc, financial investment in the programme development and persuading 'middle' management to focus on things other than operational targets.

The manager and employee views of the success of the redeployment process by the BT *Skills Transition Centre* varied according to the success of the outcome for the individuals concerned. It is recognised that it has been an inconsistent experience and can often leave people with a stigma both for the managers (who have to deliver their own targets and achieve measures of success) and the people who have been

redeployed. It has however been decided that the Transition Centre will be a pan-BT approach as it will:

- be easier to see the vacancies
- optimise redeployment resolutions
- provided a consistent approach across BT
- improve organisational effectiveness
- provided transition management development
- have a wider availability of assignments
- assist the establishment of Career Centres

The HR department identified the lessons learnt from the implementation of *Pride Builders* strategy as:

- People are at the centre of the integration strategy
- Strong leadership is critical to drive integration
- Integration is best if FULL and RAPID. There is a general drive for standardisation; only keeping acquisitions stand-alone in exceptional circumstances
- Clear integration principles should be established (e.g. all will move to common HR system of records and outsourced HR admin) the only variable then being the timing
- Ensure heritage employees are seeded into the acquisition company
- Spend time with the senior acquisition team and key influencers in their environment
- Establish governance with clarity on decision making
- Ensure key capabilities identified in the target are retained and not “destroyed” by the integration process
- Learn from and share internal experience and external best practice to ensure that approach evolves based on the application of that learning.

The key learning points for the BT Wholesale experience were:

- Recognition of the large scale nature and impact of the changes
- Ongoing pressures from a dynamic market environment
- Challenges to maintain morale and motivate people
- Need to adopt and integrated the approach to change
- Need to work with the unions
- Need to monitor progress and sustain engagement
- Opportunity to improve by working with feedback

The feedback from BT Design employees on the next steps was:

- Improve the way they work (the operating model) provide clarity around roles and process, shifting behaviours and building capability to deliver better, faster, cheaper
- Build the Design leadership group as a team aligned around the strategy and focused on execution
- Build change leadership capability
- Engage people to implement the operating model
- Leverage the middle layer to translate the operating model into what action/change is required on an individual/team basis
- Lead local implementation of the operating model focused on realising the benefits.

## Future Developments

The Health, Safety and Wellbeing team has been highly innovative and visible both inside and outside the company in developing and providing support to employees for their wellbeing in times of change. The BT health, safety and wellbeing programme has evolved because of the vision, drive and high profile of the Chief Medical Officer who has been able to persuade senior management of its cost effectiveness, using health statistics in the first instance and demonstrating impact. He has brought on board people who share the vision and have additional skills/knowledge/experience to take it to the next level; becoming a key player nationally and internationally; keeping ahead of the game; and establishing good external networks. This has increased the sustainability of the programme as it is used as an exemplar for other companies.