

## **Change Management at Midlands Co-op Society**

Written by Administrator

Monday, 21 February 2011 16:09 - Last Updated Thursday, 28 November 2013 12:22

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Midlands Cooperative Society or Midlands Co-op as it is better known, is the second largest independent retail Co-operative Society in the UK. Employing over 7,000 staff, it has gross sales in excess of £744 million. It also has a substantial investment property portfolio.

Its principle activities are Food and Non-Food Retail, Travel Retail, Funeral Services and Transport. It has 375 trading outlets ranging from superstores and convenience stores to funeral homes and Post Offices based in the Midlands. It also has a substantial investment property portfolio.

### **The context for change**

Midlands Co-op developed in its current form following several mergers of co-operative societies. However it was evident by the early 2000s that the Society was suffering from lack of economies of scale. This, together with poor sales performance in the light of increasing competition in the retail sector and a lack of reduction in cost base led the Society to recognise the need for major change. In 2003 the Chief Executive and the senior management team undertook a full strategic review of the way forward for the Society. Subsequently it was decided that a change programme should be created to create a culture of service excellence across the business. Excellent service it was believed would be the key to the Society's long term success.

The Society appointed change management and service excellence consultants, The Stairway Consultancy to help facilitate a three year process of culture change. They used the principles of the Service-Value chain developed by Harvard Business School Professors Heskitt, Sasser and Schlesinger as the basis for change. This methodology is based on the principle that effective leadership and internal service quality promotes employee engagement and satisfaction. This in turn leads to customer satisfaction and loyalty which in turn leads to organisation profitability and growth.

### **Defining the current and desired culture**

The programme of cultural change was entitled Service Excellence and all associated activities were identified by this title. In order to change the culture, the first step was to define the current way of doing things throughout the Society. Recognising that culture is the glue that binds an organisation together and can be invisible to people within an organisation, the senior management team invited Stairway to conduct a series of employee and customer focus groups to help the Society better understand its current position.

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The findings of the research indicates that the Society had many loyal customers who had traditionally shopped with the company for a long time. The key strengths of the Society from a customer perspective were the location and convenience of their stores. However, the Society, particularly in Food Retail, could not compete on price or range compared to the larger food outlets.

Some of the cultural indicators that Stairway discovered when conducting the internal customer focus groups included a highly siloed organisation where managers were still referred to as 'Mr' and where there was a divide between 'Head Office' and front-line staff. The culture was perceived as hierarchical and risk averse. In particular although many employees had worked for the organisation for 20 years or more, there was a strong feeling of lack of recognition for effort and achievement. 75% of employees taking part in focus groups cited this as a major area of concern.

Stairway presented the outcomes from the research to the CEO and GMs. They recommended that the starting point for change was the development of an organisational vision and a set of supporting values. The organisational vision and values would then drive the resulting mission and strategy for the Society. The vision that was developed by the senior team was 'Making a Difference'. A set of supporting values that underpin the way the Society does its business were developed in a collaborative manner with a cross section of employees.

### A road map for change



The senior management recognised that the communication of the vision and values would be key to embedding them in the organisation. In 2004 Tracey Orr was appointed to the senior management team as General Manager Culture and Service, thus highlighting the importance that the Society gave to the culture change programme. Tracey explains: 'Once the vision and values were communicated we were able to develop a strategy to help deliver our vision and embed our values. This strategy, set out as the Service Excellence road map, concentrated first on the Internal Customer (employee satisfaction and engagement) and then improvements to the service we deliver to our External Customer.'

### **Business Support Centre**

In line with the principles of the Service-Value chain, the Society Stairway recommended that the Society needed to create a greater sense of internal customer focus. One of the first steps in the strategic road map was to develop a Business Support Centre based on the shared services principal in place of the traditional Head Office functions. This involved 'Head Office' being streamlined and renamed 'Business Support Centre' to signify its true function. There was capital investment in an office refurbishment to change to an open-plan environment. Tracey's team gathered feedback from internal customers on the quality of the service they received and areas for improvement. As a result, each department set internal service standards. These are measured on a regular basis. In the course of one year there has been an increase in internal customer satisfaction from 8.6 to 9.3

### **Service Leadership Programme**

Rather than focusing on front-line service training to bring about the desired changes, senior managers recognised that the Society needed to first focus on its leaders to ensure they were role modelling the required behaviours in line with the values.

Stairway Consultancy developed a Leadership Programme for all Senior, Operations and Front Line Managers. They worked in partnership with Tracey Orr to train a team of facilitators from across the business to deliver the programme. In total 600 people attended the workshops. These focused on gathering customer feedback, setting and measuring service standards, support and challenge and feedback, recognising the needs of the internal customer, welcoming complaints and learning from these, looking for ways to continually improve and recognising success and achievement.

### **Valuing Staff**

One of the major changes was to instigate a recognition scheme to address the concern expressed by staff about lack of recognition. In 2005 3000 nominations were received for awards.

From a learning and development perspective, a competency framework has been developed to support the values. This has been linked to performance review. New Retail reward policy linked to contribution, control of variable cost and attainment of customer satisfaction measures

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In addition the Society's training and development offer has substantially increased. The Service Leadership Programme was complemented by further training and development interventions that were developed to support the Society's new competency framework. During a three year period, the number of training interventions has increased by 52%

The Society has now begun Front-Line training to support the delivery of the customer promise. To date 500 Retail staff have undertaken the training.

### Valuing Customers

During the last twelve months the Society has undertaken customer research in order to develop a customer promise for each of our businesses. This sets out the levels of service the Society promises to deliver on a consistent basis.

In addition as part of the change process the Society wanted to make it easy for customers to complain, on the basis that the complaints that are received are the tip of an iceberg. As statistics show, a dissatisfied customer who complains and whose complaint is handled well, is more loyal than a satisfied customer who has no complaints.



The Society has revised its complaint procedure for all business. Midlands' Complaints Manager has been short-listed for the Institute of Customer Service Awards that take place in November this year.

### **The Results**

So Midlands have been applying the principles of Service Value chain over the past three years. What have been the results? The Society has undertaken customer and employee satisfaction measures.

Looking from an external customer perspective, customer satisfaction measures have certainly improved. The measures focus on the customer promise. The Society has focused in particular on checkouts - this has seen a marked improvement and all areas have scored higher overall. In 2005 the Society had its best trading year ever.

From an internal perspective, Midlands conducted the first whole organisation staff survey at the end of 2005 to assess the change management programme's progress. The questions reflected the Society's values and general staff satisfaction issues. There were some encouraging results and generally people throughout the organisation are seeing the benefits of change . The lowest score was for the percentage of employees agreeing that they their work is recognised and appreciated is higher than three years ago 25% to 53% agreeing, but this is still an area of concern.

### **Next Steps in the Change Management Programme**

Tracey Orr and her team are now working on a further programme of activities to drive a greater sense of belonging amongst staff, to create a sense of excitement and to provide greater confidence amongst employees. Tracey explains: 'The Service Excellence programme has certainly helped us to change and better meet our employee and customer needs. However, in a fast moving and competitive marketplace, we need to continually improve to protect our market-share and enhance our brand. I am confident that the next steps in the programme will continue to help us raise the bar.

### **Summary**

The secrets of Midlands Coop's successful change programme to date appear to be its holistic approach to change that began with the definition of the organisation's vision and values and a process of embedding these across the business. The key activities to help facilitate culture change included:

- Customer research and the development of a customer promise
- Revised customer complaint process

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- Creation of a Business Support Centre and supportive business processes
- The development of a service leadership programme for all managers
- Creation of a competency framework and supportive training and development programmes
- Recognition programme
- Introduction of a new reward policy

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