

Transformation in Retail: Cracking Culture

We've all seen a system implementation that made huge promises but didn't deliver the intended benefits. Or a new process that looked impressive in a presentation but was inexplicably impossible to get people to follow. You might have experienced the frustration of campaigns to become more data driven, or to empower colleagues, that were then brushed aside with cynicism on the shop floor. Why does this happen, and how can you break through a culture 'barrier'? You need to get into the detail of individual behaviours, trusting them to drive transformation in your business, which will also lead to a culture change.

Culture can be an enabler or a detractor. Today we'll focus on three areas that can have a significant impact on how culture impacts your change efforts:

- understanding and influencing the drivers of individual behaviours;
- ensuring that leadership behaviours consistently support the culture and changes you are aspiring to; and
- creating an environment for change to thrive.

If you fully understand what is driving your team; you ensure that your leadership's behaviours are consistent with what you're trying to do; and you've created an environment that encourages new ways of working, then you shouldn't find culture is a stumbling block for your transformation programmes.

We recently held the second in our series of virtual roundtables with the BRC and retail CEOs, to discuss these topics and share experiences. From a bigger series on change and transformation, this event focussed on people and culture. What follows is a selection of the advice and examples from this event, along with some of our thoughts.

Changing individual behaviours

We hear a lot about culture as a barrier to change, and we find that it's important to get down to the level of individual behaviours, and the drivers of those behaviours, to unlock change. This sounds straightforward, but understanding what really drives individual behaviours is anything but. You need to immerse yourself in what people are doing and listen fully to them. If you believe as we do that that culture is the sum of individual behaviours, then this is a great place to start, and can lead to culture being an enabler for change.

Behavioural drivers are often split into three types: motivation (why should I do something different to what I'm doing at the moment?); capability (how do I do this?); and capacity (do I have the time and resource to do this?). Businesses often put comms, training, and recruitment plans in place to address these things, but they sometimes miss more nuanced drivers. System or IT training, for example, should address the when, what, and why of a change, not just explain how to do it.

When thinking about motivation, leaders often focus on the 'why'. But this often comes only from one angle – usually the business or customer benefit. One CEO at our roundtable called out the importance of emphasising the personal benefits to people, such as reduced complaints, time savings, or more predictable workload. Great comms cover the three whys: why a change is better for the customer; the colleagues; and the business. Beware the fake why though! Don't say that something will make life easier if it won't – it's better to be open and honest so that you maintain credibility.

Changing individual behaviours (continued)

Capability and capacity might seem simpler on the surface, but they can be even harder to address. It's important to understand whether colleagues have the underlying capabilities required – for example, trying to implement complex digital solutions into creative teams can lead to a battle of wills between people and machines. Make sure colleagues have the capacity to learn and adopt the new skills, as well as the time to do the new task. Think about what support is in place during both the design and the implementation to get under the skin of blockers and really support your change.

At one grocer we rolled out a new process for improving replenishment that required colleagues not to fill across gaps. While the evidence was clear that this new process worked (improving availability and increasing sales), we struggled with adoption. By immersing ourselves with the colleagues in store, we found they were rejecting the new process because they thought customers were happier when shelves appeared full. Once we understood this, we used customer data to show that shoppers prefer shelf gaps to be visible, as it makes it easier to see which products are unavailable, and quicker to realise you need to make a substitution. By addressing this hidden driver, we radically improved adoption.

To understand drivers such as these it's essential to bring representation from those affected by the change into the planning and design stage. One suggestion by a CEO in the group to achieve this, was to consider bringing store managers into transformation teams, as they have a great understanding of both store colleagues and customers.

Another retailer we worked with was struggling with stock management, which resulted in low availability of popular items and high levels of excess stock in sale. Significant system investments had failed to move the dial on this, as increasingly creative

ways had been found to override the stock algorithms and push extra stock into store.

When we dug into what was driving merchandiser behaviour, we found a group passionate about doing the right thing for the customer, but a culture that punished individuals for running out of stock. There was also no balancing incentive, such as measures on net achieved margin, or stock into sale. Merchandisers didn't have the tools to easily model the impact of buying decisions on future stock, or to diagnose availability gaps to root cause. Because of this, it was difficult to know where to focus and prioritise activity, to challenge upwards, or to defend decisions.

By ensuring merchandisers understood the design process, we were able to address the drivers of their behaviour. We built a new way of working that trusted the systems for the majority of decisions, but empowered the merchandisers with the tools to use their expertise where they could have the biggest impact. The tools and visibility also gave them the confidence to quickly explain to business leaders what was driving gaps, which was essential, as the majority of gaps couldn't be solved by pushing out more stock!

We believe that culture is the sum of individual behaviours, and if you really get underneath these behaviours you can have more control over your culture. Understanding the individual behaviours we have discussed so far unlocked significant financial value to the businesses, and also started a culture shift towards more outcome focussed behaviours. It allowed the leaders to know exactly what they needed to do to have the biggest impact on the behaviours they wanted to change. Sharing these findings with the leadership team also helped to start addressing some of their behaviours which had been contributing to the historical outcomes. This leads on to the next area we discussed during the round table: leadership behaviours.

Leadership behaviours

The behaviour of managers and leaders plays a massive role in either supporting or (equally often) undermining your culture, and efforts to change individual behaviours. So, once you've figured out what behaviours you're trying to change and what the drivers are, look next at what your leaders are doing. Will their behaviour fundamentally reinforce or undermine the culture and changes you are trying to make?

A common theme that came out in our roundtable discussion was that in organisations that get it right, leaders behave in a manifestation of the culture the business has set out, and are consistent in that behaviour. The best leaders are the ones that communicate what they care about and consistently reinforce those priorities. If, for example, your organisation has set the goal of being more data driven, you need to ensure leaders back this up and empower their teams to make decisions based on data. Your behaviour as leaders on a day-to-day basis will make or break your change culture.

Take again the example of merchandisers. People in this role tend to have a good analytical skill set, and invest a lot of time interpreting data to inform their buying decisions. If those decisions are overruled by their managers, seemingly on gut feel, the merchandisers are likely to stop using data to make their own decisions and will default to doing what they're told. Whilst the managers will be using their expertise and instinct from years in retail (and so will sometimes be right!) we've seen that it takes just a few clumsy interventions to undermine the wider objective of becoming data driven.

Another example which always makes for a spirited debate in any retail leadership conversation is that of the CEO store walk. It's hugely important in retail for leaders to live and breathe the world that their customers and colleagues see, to listen to those customers and colleagues, and to be seen connecting this way. However, leaders need

to keep a few things in mind when visiting stores.

Store visits by leaders invariably result in the royal treatment: immaculate store standards driven by additional labour brought in; stock redirected from other stores to minimise gaps; and colleagues prepped in what they are to say. Even 'unannounced' visits get leaked around store manager discussion forums. And it's not just the CEO themselves - we've found stock allocation systems that prioritised the stores used by the CEO's family! Given this, it's unlikely that what a CEO sees on their visit represents the typical customer experience.

If leaders do spot issues during their visits, it can be tempting to immediately react and challenge, or to make snap directive decisions across the business. We've seen these types of decisions undermine and disempower entire teams. They also reinforce the desire to put on a show for the CEO, to avoid a similar challenge or reaction in future. To avoid this, it's important to consolidate observations with wider evidence and insight, and to flow feedback through the right management channels.

Finally, the power of listening during these visits can't be underestimated - several CEOs during our discussion echoed how important it is for leaders to listen. Shop floor colleagues are usually willing to be much more candid than their managers, even to the most senior leaders. This is even more pronounced when there is a culture of openness; in which issues raised are responded to constructively to seek improvement rather than apportion blame.

A leader's voice is louder and echoes for longer than anyone else's in the business. So, once you're happy that you understand the motivations for the individual behaviours you want, it's vital that you use your leadership to reinforce these behaviours. This will encourage the culture you want, and enable your change.

Creating an environment for change to thrive

Different environments allow change to either thrive or suffocate, and many cultural and organisational factors impact these. Certain environments encourage new ways of working, collaboration, and an openness to change. A culture of collaboration and openness enables change to succeed.

We discussed creating an environment for change at our roundtable, and one former CEO described how leaders can manage their teams on a spectrum between anarchy and control. Where the business sits will move between the two over time. He suggested that during transformation the balance needs to shift slightly left of centre towards anarchy to allow people to try new things and new ways of working. As the change programme progresses, the balance should then move towards control. But without allowing disorder at first, teams will be too constrained to develop the best solutions.

Related to this is another idea that came up during the discussion - celebrating failure. From our experience, being willing to test and try things, fail fast and learn, is one of the most effective ways of designing new processes, ways of working and systems. In a roll-out too, this attitude to failure has a big impact. It takes a brave colleague to be the first to adopt something new in a culture that punishes failure! Being able to openly discuss failures - whether during change, or business as usual - ensures that lessons can be learned at every opportunity.

Recruitment can also make a real difference to creating a culture and an environment in which change thrives. Several

leaders emphasised to us their belief in the power of recruiting for attitude and training for skill when trying to create such an environment. We like the example of an activewear retailer that held a sporting event, and then used it as an opportunity to recruit people that were passionate about everything the brand stood for. Recruiting for a 'can do' attitude creates a positive change culture.

Another idea we heard was to remove symbols of the past, encouraging culture and behaviour to shift. The example given to us was taking out the trackers in the cars of management, so that those people instantly felt less micro-managed. In this instance, the removal of this visible symbol of the old ways of working sent a clear message about the change that was happening at the company, and shifted the culture accordingly. It is really important to pioneer a trust culture if you want change to succeed. Authentic leadership can help with this – admit your weaknesses to show others that you don't expect perfection. And be solution, not blame focused when things go wrong, ensuring that lessons are learned to help improvement.

The examples given here are just starters, there are many other things to consider. Does your company have any totem beliefs which are creating cultural barriers, and could these be broken down? Does your physical space support your change culture, or should you consider adding more breakout areas for example? Corporate mottos might be working against your change culture, or could be introduced to support your goals (for example highlighting that you are striving for progress, not perfection). Above all, these things need to be consistent, so that your company culture supports the change you are aiming for.



Newton is passionate about retail, and about helping retailers to succeed in their transformation programmes. The last 12 months have been incredibly difficult for retail. There's now a significant opportunity for retailers that can deliver on their change programmes, to respond effectively to the seismic shifts in the market. With that in mind, try to really understand and influence the drivers of behaviours you are trying to change, ensure that leadership behaviours consistently support those efforts, and create an environment in which change can thrive. We stated at the beginning of this article that culture is often seen as a barrier to change. But if you focus on the individual behaviours that form a culture, and you get to a point where you really understand those behaviours and what drives them, then you have the opportunity to really change your culture and support your transformation. In this way, culture can become an enabler for change.

With the current pace of shifts in the competitive landscape, and the increasing rate of change in consumer behaviour in retail, it's not only important for retailers to successfully land major change programmes, but also to be agile in the day to day. With this in mind, our next CEO roundtable will explore what agility means in retail, and how it can be built into an organisation. We hope to see lots of you there, and we look forward to another interesting conversation.

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Newton designs and embeds change programmes that deliver greater long-lasting value to complex organisations than any other consultancy. This is because Newton has been built on a unique 'Design to Deliver' philosophy over 20 years to ensure they always deliver the promised results – 100% of the time.

Over the past 14 years, Christian has overseen transformation programmes which have delivered hundreds of millions of pounds of benefit for clients across retail and supply chains.