

UBS Case Study – aligning a complex global organisation to a new strategy and entrepreneurial culture using leadership, talent and communication.



Irrespective of the current mayhem in the Financial Services sector the quality of the talent and leadership activity in leading edge players over the past 5 – 10 years has proven the value of talent and leadership activity to organisational performance.

UBS was created from a series of mergers and acquisitions globally in the late 1990s and early 2000s. This gave the bank substantial potential to develop into a top global institution by leveraging the skills and experience of all the constituent organisations. Given the many cultures and groups in the bank by 2002 the corporate objective was clear, to create “One UBS”, to enable seamless delivery of a full range of world class services to customers globally and maximise profit by so doing. This was aimed at attracting high value customers to the bank and at the same time enabling them to use as many services as possible across the world from wealth management, investment bank to asset management for both their personal and professional needs.

Alignment, consistency and world class quality had to be delivered in everything the business did. To create “One UBS” the top 500 leaders of the bank had to be aligned to the new organisational strategy, to be entrepreneurial to make their own business area world class and to build a new local culture. They would then work in partnership with colleagues to do the same for the whole Group. This would be delivered simultaneously in 5 different divisions through 70,000 people spread over 100 countries. So the supporting talent and leadership activity had to meet a world class benchmark.

Essentially this is what any organisation has to do for both its client base and its staff but as the scale, complexity, geographic and cultural spread increases the difficulty increases and chances of success decrease. In the case of UBS failure was not an option given the critical business need to deliver competitive advantage and create a world class global bank. In reality this potential could not be achieved without aligned world class talent and leadership activity and cultural change.

To be successful the implementation had to create the desire and capability within the senior management cadre to move into a new world and new way of thinking in particular to be come more entrepreneurial. The existing complex and unaligned legacy HR system was not capable of doing this, hence a new approach. The new talent and leadership strategy had to be focussed on delivering business benefits, developing capability, enhancing motivation, aligning effort and building



networks not just the delivery of a range of products. The value chain had to be created by starting from the business need and working back to quick and simple interventions that, when aligned and integrated, would deliver the required outcomes effectively. Entrepreneurial leadership had to be developed to drive forward this change the old way of working would not achieve the improvements required.



So in 2002 driven by the traditional Financial Services desire to minimise support function costs, maximise business focus and keep it simple the UBS Leadership Institute, now Academy, was established. At this stage the HR function within the Corporate Centre did not have the skills to deliver a change project of this type so the team was specially recruited from the top internal and external experts available to ensure successful world class delivery.

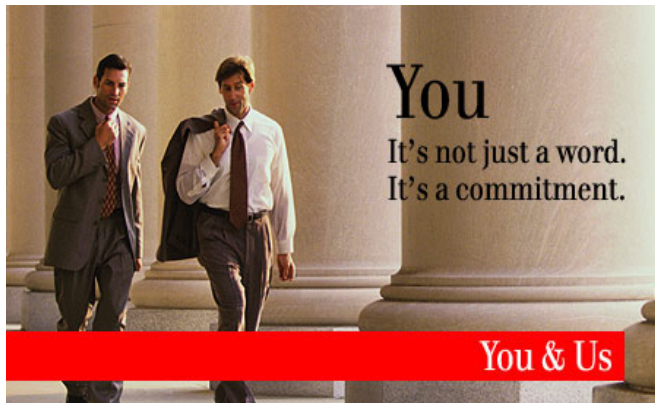
This small team reported into the CEO, Peter Wuffli, not HR. This direct link gave it instant “business credibility” that an HR based team might not have had. The teams objective was to deliver talent and leadership development and support to top management groups becoming more entrepreneurial so they could improve their performance and that of their business and then leverage this to enhance the performance of everyone else to maximise bottom line.

The core Leadership Institute/Academy team was a group of only 6 people initially, 2 in USA and 4 in Europe, all with substantial experience of organisational change, development and all capable of interacting at the highest level within the organisation. This level of gravitas was vital to ensure that the first impressions of business leaders were positive to allow the team the opportunity get sufficient face to face time with the divisional CEOs, top management and teams to create an effective working relationship. However we had no mandate on behalf of the CEO to demand any part of the business implement the plans we developed. We had to gain their commitment by setting out a clear business case and benefit to ensure that agreement to implement led to real change not just words. To be successful the team had to be entrepreneurial and proactively engage senior leaders globally in the new agenda.

Having considered a range of options for the strategy and implementation with the CEO the most effective was likely to be a combination of development, assessment and support to key groups plus unusually, for an HR team, targeted communication activity to support and embed the implementation. This would all be publicly led by example by the Group Executive Board (GEB) headed by the CEO and then facilitated by The Leadership Academy.

The key requirement was to have the right people in the right place at the right time with the right skills and motivation. So the critical new components required were : a consistent global performance management system for everyone, available online, the identification





of key roles in the organisation to enable risk minimisation through succession plans, the identification of individuals to fill those roles through accurate performance and potential measurement, the development of those people through a small suite of business focussed development experiences and the creation of a leadership network and community. All the above were designed to deliver the

alignment of the leadership group to the new strategy and culture to achieve the UBS vision for 2010. So this was no short term plan but a long term strategy.

All of the initiatives had to be acceptable to all the different business divisions who, driven by their differing business models, adopted substantially varied approaches to development and decisions making. Further the initiatives had to deliver benefit to each individual division as well as to the rest of the bank to gain their buy in. This cultural landscape was also overlaid by national cultures of either the location or the key stakeholder personally which impacted on the strategies used to achieve approval and implementation. The ability to tailor to local needs yet retain a consistent global approach would be critical.

The existing development landscape was made up of a patchwork of unaligned legacy initiatives created mainly by reactive delivery of HR product driven by ad hoc requests different business areas or individuals.

But pure HR activity was not enough, the communication element was essential to deliver the change. The requirements of the strategy decided by the CEO and GEB were fed into all aspects of the implementation using key messages. Through all activity, eg mentoring, coaching, assessment, development programmes and communication / networking/ strategy events these messages were used consistently to confirm what was required in terms of both delivery and behaviour. This also underpinned the establishment of a “moral compass” for the organisation. Further it was also reflected in the use of the same branding strategy both internally and externally, “UBS - You and Us” that continues even today.

The global performance management system was initiated in 2002 after considerable work as the first key step together with the identification of the key roles in the organisation. At the same time the first development programmes run at group level were created. Called the Global Leadership Experiences, (GLE) these did not focus on the traditional functional areas, but on key organisational requirements reflected by the objectives set by the Group Executive Board. They were - Understanding and aligning the whole organisation (GLE1), excellent customer service (GLE2) and world class leadership (GLE3). So only these three programmes were delivered to keep the focus on critical deliverables.





The faculty for the programmes were selected from the higher levels of senior management, ensuring the content and discussion was totally business focussed and top level external speakers on a 75/25 ratio of internal to external. The senior management who acted as faculty were supported in their development and presenters and facilitators by the team. They had to run and facilitate a discussion session as part of their contribution that was generally equal in time

to any presentation they gave. This ensured high interaction levels and improved their own skills in working with groups that many then leveraged in their own business areas.

Participants were invited to attend by nomination from the CEO of their business division and then formally invited by the Group CEO to ensure that attendance was seen as a reward and something to aspire to. They were specifically drawn from different parts of the organisation and geographies, creating real working partnerships that subsequently delivered new initiatives, solved problems and added to the bottom line. This activity was driven by developing the idea of Entrepreneurial Leadership where individual leaders were asked to think of their business areas as their own “business” and to take an entrepreneurial approach to improving efficiency, increasing revenue, improving customer focus and managing risk. The latter caused some concern with senior management as with specific regulatory requirements around financial activities globally this new entrepreneurial spirit could not be allowed to conflict with those requirements. However a strong focus on being “entrepreneurial” as a leader was encouraged in all other ways of working and produced significant benefits and identification of new opportunities to do new business or do existing activities better.

This was supported by an innovation group in the Institute/ Academy that facilitated the development of new business initiatives suggested during brainstorming at the development programmes. When appropriate the team also delivered strategic consultancy or facilitation support for top management teams, eg during strategy development days, to further embed the key objectives and help improve their performance.

Entrepreneurial leadership was taken very seriously, such that senior leaders were appraised on it via a 360 feedback and compensated not just on their areas performance but that of the whole Group. They were also measured against other key criteria that were designed to drive behaviour to that desired aligning with the development and communication activity. These were : Being an Effective Ambassador for the firm, Impact on aligning cross Group activity





and Being a role model for integrity and partnership working. Even with good financial performance failure to meet these requirements would seriously hinder advancement to the highest levels.

New mentoring programmes were a key component in the transition. Unusually these started at the top of UBS initially and cascaded down rather than starting at lower levels. The Group Executive Board

mentored the Group Managing Board (60) and these in turn mentored the banks Key Position Holders (140). This was done cross business to enhance not only performance but also strategic understanding. Feedback from participants indicated that within 4 months of starting the vast majority of mentees said the programme met their expectations and 65% identified a specific personal or business benefit that they quoted which resulted directly from the programme.

As more of the strategy rolled out into 2003 the Institute/Academy team expanded, but only with the highest quality candidates who would deliver world class work and maintain the team brand were recruited.

In addition a new assessment system to identify future leaders was a key element in the success. The first step was to identify those who had performed well over the past 2 years, linked to the performance data from the appraisal. Then a set of “potential” criteria were developed that had to be capable of being used effectively by a line manager to identify those with potential reasonably accurately within 20 minutes. After working with a number of global experts 5 criteria were identified and fed into a number of simple behavioural questions for line managers to use. This set of questions was then used consistently across the bank enabling the identification of those with potential. In this way those demonstrating both performance and potential were identified.

Those identified and prioritised by their business were then classified into two groups based on experience. The most experienced, the Advanced Career Group were then developed via a new single global High Potential programme, (Advanced Leadership Experience – ALE). This reflected the key senior management programmes themes, understanding the organisation, excellent client service and excellent leadership. Supported by pre course self – assessment activity and the delivery of a business focussed project that solved a real business issue. Post course support by line manager coaching and having a senior mentor from another part of the business. 50% of those on the programme were promoted or took on



additional responsibilities within 6 months.

The other group, Early Career Group, were developed by the individual Business divisions own programmes that mirrored the content of ALE but with a higher local rather than strategic content. This enabled an integrated system of mutually supportive development programmes covering the individuals over a five to six year period of their careers each of which would build on the last and develop for the next programme. In this way a clear development value chain was created for both individual and organisation that any employee could enter at any point if their performance and potential enabled this.

Linked into this new approach was a strong focus on excellent client service enabled by entrepreneurial leadership – to support this the new GLE II programme was designed to develop this capability in an entrepreneurial way. In addition a central group was set up to co-ordinate the relationships with key clients globally in 2004. This entrepreneurial approach helped leaders to find more flexible and innovative ways to meet the needs of clients. Key in this were both current and future leaders. However developing new initiatives would take time and many leaders had insufficient available time to do so. In response the Leadership Institute set up an Innovation Unit that took on the administrative and co-ordination role in developing such initiatives and helping the initiators structure them for presentation to top management.

These took both initiatives developed on the GLE programmes and those developed outside to a point that they could be adopted and run through the approval systems to the Group Executive Board. These initiatives saved the bank significant costs, time to market, or created new revenue streams.

To support Entrepreneurial Leadership this a more entrepreneurial approach from HR was required. This was termed “Entrepreneurial HR” and was a reflection of the whole entrepreneurial ethos of the UBS Leadership Academy its inception in 2002. This approach had been highly successful in enabling and engaging the delivery of the Academy agenda since 2002 so it was developed into a simple approach that allowed HR to do the same and match the entrepreneurial leaders in their business. This took the form of the Academy helping HR functions to develop build deeper understanding of their business areas and get “closer” to deliver better service. It also included developing understanding of the support available to them across the organisation so that HR teams could become true proactive strategic advisors to their business colleagues.

To build on and grow the morale and inspiration in the bank each year 2 major global communication and alignment events were organised for the top 500 (Strategic Leadership Conference – SLC) and the top 80 (Annual Strategic Forum – ASF). These acted as vital leverage points events which included discussion, debate, planning, networking, cross business area motivational and



team building activities, all again focused on the new way of doing things.

Substantial resources were used to gain impact - for example in 2005 UBS ran one of the largest corporate leadership events ever held, see photo above. The top 500 from across the globe came to Montreux to meet, plan the delivery of the corporate objectives of the bank, network and for 1 day were taken high up into the Swiss Alps to develop mutual trust. This was via a multi team task championship spread over a



large area of the mountainside competed for by cross Business division teams. The sight of the CEO of the global investment bank trying to build a coracle out of plastic sheets and pipe to row over a lake was an inspiration for all.

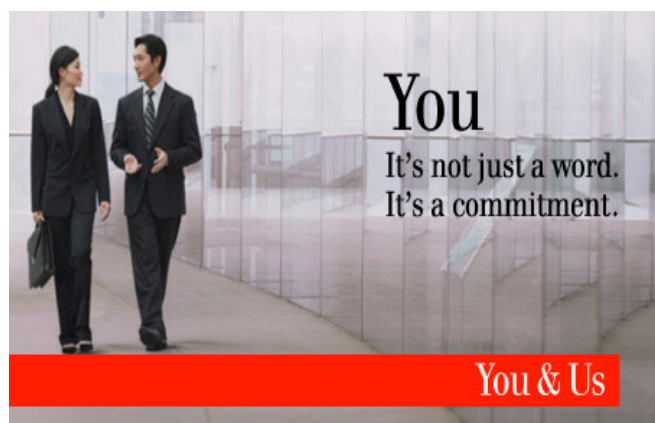
The organisation of the event had taken over a year, involved over 200 support staff together with support from Swiss Army & Airforce. Tons of materials had to be moved into the mountains for the competition and also a marquee built for the final nights dinner for 500 on the steep mountain side, see photo. To have the full

impact that encouraged behavioural change it was critical to make all the events so memorable that people would talk about them for years after and use the contacts they made to leverage business or problem solve across the bank.

One of the key gaps that was restricting both the performance and development of the High Potential group was the skills of line managers to develop this group on the job. Further there were a number of line managers that did not view such activity as their day to day responsibility. To address this problem the CEO, Peter Wuffli at the SLC in 2005 in Montreux made a clear statement “ I want to make it clear that you, as line managers are the key identifiers, developers, motivators and retainers of talent in the bank. HR is only there to support you in this. This is a responsibility you cannot abrogate.”

This was part of a line manager “engagement” strategy to get line managers to have both the desire and capability to take on this role. This worked to deliver improved capability and change line managers “costs benefit” analysis of spending time

becoming good leaders. This was done by identifying lever points that would encourage a change in line manager behaviour, the sending of agreed messages down the line to encourage the change from Group CEO, division CEOs and line managers, proactive HR support with tools and templates that made implementation quick simple and effective, stronger weighting of development in the appraisal and other influencing levers. This again



reinforced the internal use of the external branding “You and Us” - as applied to You the employee and Us the rest of UBS.



Thus from the individuals perspective every contact from the organisation encouraged and motivated them to change behaviour in a specific way. This consistent experience was vital to align the senior management to the new strategy and culture.

By 2005 it became clear that the top 500 had started to deliver the new strategy and cultural change. Below that level the talent and leadership activity was the responsibility of individual business divisions. Here there was still a patchwork that missed the chance to leverage world class activity across the whole organisation and meant those entering the top 500 group had substantially different development experiences to that point.

The Leadership Institute / Academy then worked with the business division talent and leadership teams and top management to identify gaps, see where world class activity could be leveraged from one area to another, ensure alignment with business objectives and create new global network groups, eg on innovation and client service.

This was an effective way to deliver a consistent process across the whole organisation, develop more people more effectively, align their effort to business objectives and to do so at minimal cost. This also brought more alignment across HR sub functions, eg, working with compensation and benefits to use development, compensation, benefits and recognition in an integrated way to maximise the performance of key individuals.

It was also clear from analysis that to deliver maximum bottom line benefit everyone in the organisation had to be developed to the full not just High Potentials and Senior Management. Line managers were encouraged to develop everyone on a day to day basis.

It became clear that one issue was that many line managers even if they had the desire to develop their people from the engagement strategy did not have the capability so a core leadership and management skills programme as instituted linking into existing offerings by business divisions. The key component was the ability to have effective discussions about performance and development between line manager and employee and then the delivery of agreed plans.

By 2005 UBS was producing 14% more revenue than its main competitor with a 10% smaller wage bill. The UBS Leadership Academy created a benchmark centre of excellence driven by business need that delivered simple and effective solutions quickly. It used a world class global team that gained initial credibility and then subsequently worked in the closest possible partnership with both HR and the business to achieve a common aim – maximising the performance of the Group as a whole.

The strategic UBS alignment project, was a great success; it is now a Harvard Business School Case study, “ UBS: Towards the Integrated Firm” parts of the talent and leadership activity won awards, including some of the Corporate University awards for excellence 2005/6/7 and UBS was awarded the title of Best Organisation for Leaders in Europe 2005 and was in the top 10 in 2007.

The overall strategy and key components used UBS are still as valid and relevant today they were in 2006, maybe more so, given the alignment, performance and efficiency the downturn demands and the need to position talent and leadership for the upturn. Entrepreneurial Leadership and Entrepreneurial HR are key in ensuring that management works as an aligned and motivated team that seek to identify talent for the future and maximise the performance of everyone to deliver operational objectives is the key to success, survival and future growth.

Key lessons from the UBS Case Study

1. Having CEO support can speed things up but it doesn't mean success is assured or that people will do what they say.
2. Culture is driven by business model and associated time taken to build client relationships more than nationality, although nationality influences the style of delivery – build an Entrepreneurial Leadership culture.
3. If you can't convey the key benefits of what you propose in under 3 minutes then don't bother going to the meeting.
4. Always check with the business what it wants - many HR departments aren't always as knowledgeable or popular as they think they are – use Entrepreneurial HR.
5. Beware the “not made here” resistance to even good ideas, rebrand if required. Get people to think it was their idea in the first place.
6. Commitment is demonstrated by actions not words
7. Peer pressure, or the fear of being let out of the “club”, can work better than presenting logical business benefits
8. There are more cultural differences than you think between nationalities, its just that despite many being small, they can be very annoying to others. Get people to talk and understand each other better.
9. Organisational benefit only motivates those at the top, for everyone else there needs to be a personal benefit as well to get buy in.
10. Never miss a chance to meet people from another part of the organisation, discuss issues and build your network.
11. Be an entrepreneurial leader at all times.