Application for the EFMD Excellence in Practice Award 2015

Delivering one of the biggest industrial transformations in UK history

Royal Mail Group in partnership with Saïd Business School, University of Oxford
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Executive Summary

In 2013 the UK’s designated universal postal service provider, Royal Mail, was floated on the London Stock Exchange. Its market capitalisation was £3.3bn with more than 99 per cent of its approximately 149,000 UK employees holding shares in the company.

In preparation for this move, the Group had already embarked on one of the largest organisational change programmes in Europe. The aim was to ensure Royal Mail Group was equipped to compete in an increasingly competitive marketplace with the organisational agility to respond to evolving markets and customer needs.

In 2011, Oxford University’s Saïd Business School was selected to work on the design and delivery of a strategic leadership programme targeted at senior leaders who play a significant role in leading and shaping the Royal Mail Group business. The partnership was extended in 2014 to encompass a second, inter-connected programme for senior managers.

Over the last three years, over 500 senior leaders and managers have engaged in an intensive and sustained learning journey, and several hundred more will participate in the next two years.

The scale of this L&D initiative has been unprecedented within Royal Mail and has resulted in tangible impact, both on business results, and on the culture and agility of the organisation.

Performance has improved 35% across 13 key competencies. This in turn has translated into a buoyant, newly privatised company which reported a six per cent increase in adjusted operating profit before transformation costs for the 2014-15 financial year.

The revitalised organisation continues to build its leadership capability in an intensely competitive market. As a vital pillar of the UK economy, the success of Royal Mail Group has significant economic, societal and political impact.
Leading a privatised organisation, in a challenging and competitive market, will be at the heart of our work over the coming years. Ensuring our most capable people are in our most critical roles is essential to this. The programme will support and enable participants to be effective change agents to meet these challenges.

Moya Greene, CEO, Royal Mail Group
About the Partners

**Royal Mail Group** is one of the UK's largest companies, employing more than 160,000 people across the Group. The business has a 500 year history, dating back to Henry VIII who ordered the creation of the first national postal service in 1516.

Royal Mail is the UK’s sole provider of the Universal Service. It is the only company with the capability to deliver a ‘one-price-goes-anywhere’, six-days-a-week service on a range of letters and parcels to more than 29 million addresses across the UK.

In 2013, the state-owned company was privatised and over 700,000 members of the public bought shares.

**Oxford University’s Saïd Business School** blends the best of new and old as a vibrant and innovative business school deeply embedded in an 800 year old world-class university.

Saïd Business School educates people for successful business careers, and as a community seeks to tackle world-scale problems. The School delivers cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society.
1: The Challenge

External context: competing in a disrupted market

Prior to privatisation, the challenges facing Royal Mail were significant. Developments in digital technologies had already begun to send shockwaves through the postal sector and the UK, like many other countries, was experiencing an ongoing decline in letter volumes. Further challenges to Royal Mail’s traditional model were introduced by the de-regulation of the postal services market in 2000, which allowed new competitors to enter. At one point, the business was losing over £1 million a day.

Whilst disruptive technologies are still on the increase, e-commerce has at the same time opened up new opportunities in the growing market for parcel delivery. However, competition is intensifying, price pressure is increasing and substitute technologies continue to pose a significant threat.

Against this background, Royal Mail has a clear vision: to be recognised as the most successful delivery company in the UK and across Europe.

Internal context: managing the “most ambitious privatisation” in decades

In the run-up to privatisation, Royal Mail Group (RMG) began one of the biggest transformational programmes in the UK’s recent history, investing billions in reforming its technology, services and management.

This culminated in the appointment of CEO Moya Greene in 2010, responsible for building a new organisation fit for the challenges of today.

In 2013, the UK Government announced its decision to float Royal Mail on the London Stock Exchange. The Guardian newspaper described it as “the most ambitious privatisation since British Gas in 1986.”

Managing the transformation, against the backdrop of a fiercely competitive market, is an ongoing process that will continue for the coming years.

The leadership team bears a weighty responsibility for the success of a company that, as an employer, taxpayer and procurer, is the sixth largest contributor to the UK economy.

The capability to lead a transformation of unprecedented scale

Initial analysis established that “RMG has an under-developed senior management population. Operational management approaches that have served well for many decades need to change to meet new challenges. There is a lack of commercial orientation and a particular need to strengthen change management capability. Staff engagement is poor compared to comparators.”

The scale, complexity and pace of transformation demanded new leadership capability. RMG saw the need to develop leaders who could drive the transition from a public sector entity to a dynamic FTSE 100 market leader.
Forging a partnership to support the corporate strategy

In 2011, Saïd Business School was selected to work in partnership on the design and delivery of the Executive Leadership Development Programme (ELDP), aimed at RMG’s top leadership cadre.

RMG extended its partnership with Saïd Business School through the creation of a second programme, the Management Acceleration Programme (MAP), aimed at high-potential middle managers.

These inter-connected programmes are designed to help the organisation develop the leadership capability to deliver the corporate strategy, which calls for the maintenance of market-leading positions and the targeting of new opportunities for growth.

So far over 500 leaders have been through the programmes in just three years. This investment is helping RMG to fulfil its vision of being the best delivery company in the UK and across Europe.

The L&D initiative is owned by the board and led by the Group HR Director. CEO Moya Greene is actively involved and members of the Board act as internal faculty on the programmes, providing varied perspectives on finance, operations and strategy.

Formulating the business challenge

A thorough diagnosis and development process was undertaken, involving close collaboration between RMG’s Executive Board, Learning & Development experts, target participants, and Oxford’s faculty.

The partners worked together to define the ‘old’ culture that the company needed to move away from, and the desired ‘new’ culture that would allow RMG to succeed as a privatised company (Figure 1).

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Figure 1
The Transition from Public to Private
The desired impact

The ELDP and MAP programmes were designed to align closely with the new strategic imperatives of the company. The intention was that participants would develop a deeper understanding of the critical role they play as change agents in RMG’s increasingly complex business environment, an enhanced ability to implement the Group’s strategy and drive the change process – both individually and through teams.

The programmes were designed to build strong networks, supporting a more collaborative culture, and ensuring consistency in execution across different functions and business areas, laying strong foundations for value-creation and the agility to respond to evolving customer needs.

“The continued transformation of our company will require not only effective decision making but the increasing ability to manage complex change. These programmes are designed to provide leaders with the tools and knowledge to implement our strategies and drive the changes that are needed at the pace required, as well as realise their own leadership potential and harness it for the competitive advantage of Royal Mail Group.”

Moya Greene, CEO, Royal Mail Group
2: The Commitment

The leadership development contract was awarded to Oxford on the basis of the business school’s constructive approach, robust quality assurance elements and extensive experience with complex change processes. Particularly attractive to RMG was the ability to benefit from the broader academic and business gravitas of the University of Oxford, with its world-class research and alumni network. Subsequently Oxford also won the Management Acceleration Programme (MAP) contract.

Analysing the required changes

For each programme, Oxford’s Programme Directors, Marc Thompson, Sue Dopson and Kathryn Bishop, undertook a detailed discovery process, during which they interviewed board members, talked in depth with potential participants and their line-managers, and visited operating units to gain an understanding of the issues they faced on the ground.

The picture that emerged was of an organisation that had a strong operational focus and a well-developed culture, but which would benefit from learning that focused on the leadership of change, and the ability to manage complexity in fast-moving markets.

The discovery process informed the content of the strategic themes (Figure 2) around which the programme would be structured.

“Oxford provides our flagship programmes. This is our main investment in leadership development. It is critical to our success.”

Donna McGrath, Executive Development Manager, Royal Mail Group
Bringing everyone on board

“RMG is a very receptive, open company. The top team bring high energy and huge commitment to the process,” says Programme Director Marc Thompson. “From the outset, they brokered internal relationships and provided key insights into the organisation’s dynamics. They also identified and convinced key people from the company who proved to be influential speakers at each of the modules.”

The demands of the programmes were significant – people were being asked to take weeks out of their working lives. The team had to convince programme participants that this level of leadership education required a much more intensive commitment than the more technical training they were accustomed to.

Given the strategic importance of the initiative, RMG’s board gave its full backing, and supported Oxford’s suggested use of Action Learning Groups as a way of developing leadership skills, cross-business knowledge integration and network building. These proved to be a highly-valued part of the programme.

However, it was also important to find ways to adjust and improve. For example, the programme initially ran as 4 x 3 day modules, but Oxford subsequently proposed a revised format of 3 x 4 day modules. Participants found the new format much easier to fit into their schedules.

Building critical mass

The scale of participation on these programmes over a sustained timeframe has enabled hundreds of leaders to share in the experience, develop a common language, and establish networks across the business.

The length of the commitment also allows for continual improvement, as cohort after cohort provides new input, accumulating knowledge within the organisation, and generating new ideas and data for faculty to respond to.
3: The Learning & Development Initiative

The design philosophy: adaptability and practicality

The programmes are currently structured around 3 x 4 day residential modules, allowing participants to immerse themselves in the full Oxford University experience, including the traditional College dinners.

Key design elements include:

- Action Learning Set groups which provide a space for participants to experiment with new leadership approaches and learn the art of asking questions and listening, two simple but often neglected aspects of leading in an adaptive way
- Strategic conversations with senior executives on each module which help break down the ‘us’ and ‘them’ mentally that exists within management in hierarchical businesses and create a sense of shared ownership over organisational challenges
- The use of poetry, a Shakespeare play, and other aesthetic devices which open up deeper insights for participants on what leadership means for them personally and for the people they lead
- Simulations, games and role-plays deployed to bring the full individual into the learning experience and develop collaborative working, innovation and fun in the learning journey
- Participants keep a learning diary and are asked each day to reflect upon how this learning will be translated into new actions when they returned to work.

Participants gain deep understanding of their own leadership style, and have the opportunity to practice conversation and communication skills, including how to debate and engage in reflective and generative dialogue, how to practice the art of listening, self-expression and facilitating the contributions of others in a spirit of mutual respect and tolerance.

Case studies help to build an external perspective by looking at the privatisation journeys taken by other organisations. Market and financial drivers are explored in depth. Participants are shown how to deal with complexity and how to respond to ‘wicked’ problems that are difficult or impossible to solve.

They develop fluency with the strategy formulation process and debate specific strategic issues relating to RMG.

There is a strong emphasis on value creation. Participants explore options for growth, such as JVs and acquisitions, and examine emerging technologies that could open up new opportunities.
EXECUTIVE LEADERSHIP DEVELOPMENT PROGRAMME: LEARNING JOURNEY

ACTION LEARNING SETS MEET 4 TIMES

PRE PROGRAMME
- Talent Q
- Dimensions and 360
- Coaching session
- Meeting with the manager
- Personal development plan
- Programme intranet and reading materials

MODULE 1: STRATEGIC LEADER
Topics covered include:
- Community building
- Strategic thinking
- Strategic alignment
- Leading change
- Strategic conversation
- Action learning

MODULE 2: VALUE CREATING LEADER
Topics covered include:
- Financial value creation
- Strategic marketing and service design
- Market-based operations strategy
- Customer-focused organisation
- Working with data

MODULE 3: CHANGE LEADER
Topics covered include:
- Understanding assumptions about change
- Unions and change
- Leader as change agent
- Strategic conversation
- Programme review

RMG INITIATIVES:
- Balanced scorecard
- Leadership behaviours
- Employee engagement process
- Values

Figure 3a
A rich variety of learning methods

Participants come from very diverse backgrounds. Some have MBAs and others left school at 16, starting out as postal workers before rising through the ranks to manage large departments. This requires a variety of learning methods to cater for the breadth of needs.

Those with no formal qualifications can find the prospect of coming to Oxford University rather daunting. The design incorporates a range of techniques to put them at ease. For example people can choose their own creative ‘ice-breakers’ such as a quiz or pantomime to spice up the daily learning review. This creates a fun atmosphere and a sense of camaraderie.

The overall company culture is very practical and the programme has been carefully designed with this in mind – the focus is on ‘learning by doing’. The proportion of classroom lectures is kept relatively low. Faculty members prefer to acknowledge and draw out the value of delegates’ own experience, and stimulate conversations around this.

“It was fantastic! The lecturers are extremely talented, building stories as the day progresses, keeping us fully engaged. ‘Normal’ lectures just wouldn’t have had the same impact.”

Sally-Ann James
MAP 2014
Follow-up

Follow-up is a critical part of the learning architecture. The first Alumni Event took place in July 2013, when almost 100 alumni re-convened in Oxford for additional learning. They took part in a debate in the Oxford Union, followed by interactive sessions on innovation, culminating in ‘Dragons’ Den’ presentations to a panel of Royal Mail Group executives.

“The alumni event was a particularly useful and enjoyable way of connecting with people from other cohorts. The ‘you shop, we deliver’ idea my group presented to senior Royal Mail executives during the Dragon’s Den session has since been developed with some major UK stores” commented alumnus David Cunnington.

Networking

The programmes foster a company-wide collaborative culture, stimulated by the extensive networking that takes place during and between modules, where participants form new relationships with colleagues and deepen existing ones.

Senior leaders, many of whom are also programme alumni, attend modules as speakers. This is a powerful motivating force, as it provides a platform for formal discussions about RMG strategy as well as more informal conversation.

Oxford has also helped RMG set up an initiative that enables ELDP alumni to mentor participants on the MAP programme.

![Diagram of learning journey](image)

**Figure 4**
Different elements of the learning journey
Selection criteria

As well as selecting leaders with significant levels of operational and business responsibility, the team works hard to identify up and coming potential, often from quite far down the managerial hierarchy.

One of the defining targets of the programmes was to make the gender balance of those participating, be more reflective of society. As a result 44% of the participants on the ELDP are women, in a company that is 86% male.

Progress indicators and learning measurement

Each participant completes a 360 feedback questionnaire before and after the programme, which forms a benchmark against which learning is measured.

After the programme, all participants also complete a survey in which they provide qualitative and quantitative progress indicators, including cost and time savings achieved.

A balanced scorecard is used to set targets against specific commercial and operational goals.


4: The Impact

Performance improvement at the group level

In May 2014, an independent analysis was carried out to track performance improvements along the specified development criteria. It compared data from before the programme with data collected one year later. The sample included 61 executives who had participated on the ELDP.

The group showed a statistically significant improvement of 35% across all competencies (Figure 5).

Reflecting on the impact, RMG’s Head of Learning and Development, Jane Smith, says:

“A key part of the design is to stimulate cross-boundary activity in the company, helping leaders to see the organisation from different perspectives. There have been many eye-opening conversations during the programme. The programmes have helped people to consider things from the point of view of other departments. One of biggest impacts has been the social networks of 25-50 people that were created on each cohort, totalling over 500 to-date.

Thanks to the good gender balance, there have been more interesting conversations, and a raft of new opportunities for women in the company. We have had overwhelmingly positive feedback and seen so many examples of people having personal epiphanies about their lives and how they approach work. People say it’s one of the best things we have ever done.”
What change looks like at the individual level

“It has transformed my decision-making capability
Oxford gave me the confidence to take time to reflect and avoid making rash decisions, even if people are putting me under pressure.

What really rammed this home was one of the exercises, where we were shown a racing car with a list of technical faults. We had to decide whether it should be allowed to race.

We were under a lot of time pressure. After a heated debate we decided the car should race.

The tutors then revealed the truth: the facts they had given us to work with came from the Challenger shuttle disaster. They showed us a video of the Challenger ground crew before it exploded – their thought process was eerily similar to ours.

We were shocked to the core.
I now get better results by thinking things through and involving more stakeholders.”

Sally-Ann James,
Business Manager, East Operations

“My department has generated a £3 million benefit per year as a direct result
Oxford demystified complexity, and that is helping us to become more profitable.

The common language across the company is very powerful. You hear people saying things like, “this is a wicked problem, so we need to be asking different questions.”

This helped me tackle the modernisation effort. Oxford gave me the structure to develop a sound business case for the biggest processing plant in RMG, which I pitched directly to the CEO – I had never pitched at that level before. When the project was greenlighted, the skills learnt at Oxford helped me deliver the project on time and on budget.

I have also been working closely with at least 10 people I met on the programme – we are developing new opportunities as a result.”

David Cunnington,
International Operations Director
“Oxford has sharpened the way we share commercially sensitive information

The programme helped me understand the impact of privatisation on how we need to operate. For example, how sharing commercial information about big deals may affect our share price. I have engaged my team to share this mindset.

I use frameworks from Oxford in our sales academy programme, which is helping commercialise our sales force.

There is high trust between cohort members. This means we can make big decisions faster.

The coaching at Oxford was incredibly powerful. It enabled me to engage the full support of my boss to apply for a Non-Executive role with the National Health Service. This develops my leadership skills and highlights opportunities in a key sector.”

Pauline Vickers,
Head of Sales Operations

“A key breakthrough has been the ability to deal with ambiguity

I’m a very logical person, but Oxford showed me that you can’t always reach a logical conclusion. They brought this to life by throwing a jar of macaroni onto a map to illustrate the randomness of data patterns!

My presentation style changed completely after Oxford. I am now known as ‘the man with the jigsaw’ because I recently took a jigsaw puzzle to a meeting and tried to get people to work out what the picture was from the individual pieces. It was a metaphor for the fact that we all understood our own jobs but didn’t appreciate the bigger goal. The message fundamentally sank in. I would never have taken such an approach before Oxford.

I am now coaching and mentoring others on the programme, which helps develop my network, creating powerful links with other parts of the business.

It is the best learning intervention that RMG has ever had.”

Richard Moor,
Head of Delivery Revisions
“It has helped me gain the confidence of my team
I had only been here for three months, and found the people very different to what I was used to.
I was brought in as the commercial lead for the expansion of Parcelforce Worldwide. We aimed to double the business, and I needed my team to believe in it, quickly.
The psychometric tests showed me where I needed to adjust to the culture. It helped me open up, form relationships, and trust more. It gave me a framework for conversations to illustrate the commercial reality of great customer service which would be key to a successful expansion.
The programme took away the mist. It made it easier for us to work together across the wider Group, and made me more empathetic about their challenges. The incredible ‘wicked challenges’ session helped us roll-out a complex project in an industry rampant with wicked problems. We did it!
The programme is really helping to break down barriers.”
Helen Wylde,
Director of Sales & Marketing, Parcelforce

“My new network helped us win a significant government contract
Through the MAP I met my colleague Michael Irwin who showed me how RMG’s Bids and Tenders team could support pitch activities.
When were given just six weeks to respond to a complex tender for the Gov.UK verify programme, Michael allocated resources straight away. Due to the size of the organisation, at times it has previously taken this long to secure the correct resources.
We were therefore able to meet the tight deadline and win the contract. This is a whole new area of the business. It’s a huge platform for growth.
I have four or five additional ideas in the pipeline and will use contacts in the group to help with this.”
Tony Lamb,
Head of Data Development
Conclusion

In May 2014, RMG reported an adjusted Group operating profit before transformation costs of £729 million for the 2013-14 financial year. In the following year, it reported a six per cent increase in adjusted operating profit before transformation costs on an underlying basis, to £740 million in 2014-15. UK parcel revenue grew one per cent and volumes increased by three per cent in a competitive market in the same period. RMG’s profits have seen a sustained increase since the L&D initiative began (Figure 5).

The Telegraph newspaper said Royal Mail's results for the 2014-15 financial year “has beaten City expectations to report a rise in annual operating profits in the fiercely competitive UK postal and parcel delivery market.”

The additive effect of 500 leaders and managers cascading valuable knowledge across the whole organisation has had a clear positive impact.

The benefits are felt not only by RMG’s employees and their families, but also by the more than 29 million households who depend on its services, the 700,000 members of the public who invested their savings in the company, and all the political stakeholders who believed that RMG had what it takes to succeed on the open market.