

# **Reorganization in a Canadian Financial Institution: Keys to a Lasting Transformation**

By

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## Introduction

As the number one financial co-op group in Canada and ninth largest in the world, Desjardins Group is a consolidation of savings co-operatives and credit unions established in 1900 by Alphonse Desjardins in Lévis, Quebec. In 2014, Desjardins Group had six million members, including 400,000 companies. Its 5,000 elected executives and 45,000 employees collectively manage \$210 million in assets.

Desjardins Group's mission is to contribute to the economic and social well-being of individuals and communities within its field of expertise. Examples include:

- Developing a secure, profitable, integrated and co-operative financial services network owned and administered by members.
- Developing a network of complementary financial enterprises, also controlled by members, offering competitive returns.
- Promoting sound values with regard to democracy, savings and solidarity.
- Promoting individual and collective responsibility, especially among members, managers and employees.

Over the past few years, a wide-ranging transformation plan was set in motion throughout the Group. The goal was to ensure the company's longevity and development, while increasing its cohesiveness and responsiveness. The Group needed this transformation to continue innovating to meet the needs of its members and their communities. The plan included a new organizational structure designed to bring management closer to its network of branches and – ultimately – its members.

In this context, several changes are being implemented within the network's branches.

To demonstrate his strong commitment to accelerating change and quickly achieving the expected benefits, the Senior Vice-President, Branch Network and Individual Services, made an announcement at the end of 2013. It was decided that the teams responsible for developing branch-level solutions would be merged with the group in charge of their implementation. This would create a new unit called Business Solutions Development & Implementation, bringing everyone together under one Vice-President, rather than three.

This transformation was aimed at creating the necessary levers to produce tangible results in terms of productivity, sales and customer service. The ultimate goal was to facilitate the implementation of the "branch of the future" by adopting a multichannel client relationship approach. Another objective was to reduce the number of intermediaries in order to let branches provide a genuine end-to-end offering.

In this context, Ms. Nathalie Larue called on external change management professionals to accompany her throughout the process.

As a vice-president leading over 400 employees and responsible for transforming 350 branches and over 800 service centres, Ms. Larue has seen her share of challenges. Because this mission would affect her entire team, Ms. Larue knew she had an important role to play in order to properly inspire her troops. Her decision to seek help from change management professionals to accompany her in every phase of the transformation, from design to implementation, would ensure a good start.

This paper shares the lessons learned during an implementation process involving a complete overhaul of an existing organizational model. The design phase lasted from February to May 2014, while the implementation took place from June 2014 to Q1 2015.

## Key Issues

The scope of this transformation brought up several issues. The main ones are summarized below.

### *Issue 1*

#### **Changing the way we do business within our branches, breaking down silos, and bringing the new unit's cross-functionality to life in order to quickly generate the expected benefits**

The transformation required more than just rearranging the organizational structure and reviewing existing processes or sharing new roles and responsibilities. A genuine cultural shift was required. The service offering and its delivery model needed to condition the structure of the VP unit, rather than the other way around. This also had to be achieved with three teams from three different VP units, which quickly had to learn to work together. This meant breaking down silos, eliminating duplications and bridging gaps between disparate teams – each with its own methods and culture. The trick was to get them to understand each other's mission, to cooperate and trust each other, and above all, to understand the need to act horizontally (rather than in vertical silos). This was required to create meaning and accelerate the transformation for the network of branches.

### *Issue 2*

#### **Consolidating the new management team and ensuring buy-in from managers and employees**

The management team was brand new, bringing together people from different organizational branches for the first time. To encourage cohesion, it was important to involve them in defining the new organizational model through various meetings that served as team-building activities. And because employee buy-in was also a key ingredient to success, it was important to keep people informed of the project's progress. The proposed method was based on having managers actively participate in the process to increase synergy among management committee members.

For a transformation of this nature involving a complete overhaul of the VP unit, everything must be called into question.

It's important to keep in mind that organizational transformation always creates certain suspicions among employees and managers, especially in terms of whether their positions will be abolished. The challenge lies in keeping everyone mobilized and having them participate in discussions around the transformation's goal.

### *Issue 3*

#### **Allowing the Vice-President to position herself among her new team**

Given her new position, it was crucial for the Vice-President to firmly position herself among her new management team. This included remaining in charge of the transformation that would bear her imprint, in terms of decision-making and communications. Her consulting

team provided support for the proposed procedures and key milestones. The thought process and adopted strategy, however, would have to be the VP's alone.

## Solutions

### *Solution 1*

#### **Mobilizing managers and employees by ensuring participation**

Successful transformations are directly linked to early mobilization and participation from the troops – all the troops, meaning managers as well as employees. And when we say early, we mean from the very start of the process. It is precisely this type of collaboration that generates the most concrete and convincing results.

This transformation project confirmed that mobilization and participation yield powerful results. As key elements of getting clients to take ownership of a solution, they have had a significant impact on reducing resistance to change, while accentuating the benefits. Over time, we noticed greater ownership of the solution by the entire organization, and consequently greater longevity for the new structure.

From the start, the team worked to determine who the real clients were for this new VP unit, map out the value chain, and identify possible synergies. This was achieved by alternating between individual interviews and management team workshops.

This exercise was carried out with the Vice-President and her team. Because the analysis called for probable job reductions, general managers began contributing to the thought process, even knowing that they could possibly lose their positions. Despite this, they engaged in the process as objectively as

possible to find an optimal solution. It's worth mentioning that throughout this exercise, the Vice-President was as transparent as possible with her team. Everyone knew what to expect, and concerns were dealt with as they surfaced. As a result, a spirit of mutual trust was established.

In every step of the planning phase, managers were involved via individual interviews and workshops. Facilitation tools, key messages and gaming techniques were also used in the workshops, resulting in strong team building.

To prepare these meetings and tools, in-house Human Resources and Communications teams were also involved. This would help ensure internal support to the Vice-President once the external consultants had completed their mandate.

When the time came to announce the new organizational and procedural changes, employees were informed before the official mechanisms were set in motion. Their reaction was quite positive, because they felt management was putting its trust in them. First-level managers were not taken off guard, so they had time to buy into the coming changes, and were able to adequately support their employees when announcements were made.

As a result, news did not catch anyone off guard and no one questioned the upcoming changes, even though they were quite substantial. Everyone understood the need for change, which helped facilitate implementation.

The role of the consultants was to accompany the Vice-President, rather than do the job for her. As a result, the Vice-President was directly associated with the project, in which she invested considerable time and energy (about 30 to 40% of her time).

As desired, the Vice-President remained fully in charge of the project, mobilizing her team and involving her managers in the process. The consulting team provided the support required to orchestrate and guide the process, proving to be a major factor in the transformation's success. Meanwhile, internal HR and Communications advisers were reassured, respected and involved, thus making them part of the solution.

## *Solution 2*

### **Storytelling**

How do you ensure that the reasons behind the transformation are well understood – and accepted – by all managers and employees? How do you get the buy-in of individuals whose own positions may be jeopardized by the project?

Facilitating change requires a solid business case, as well as a clear and consistent message that is easy to understand and communicate.

To establish our new VP unit and new organizational model, we developed an initial story around 5 key questions:

- What problem do we need to solve? What do we want to accomplish together, and what changes are required? – The vision
- Why is the new VP unit being created? – The business case
- Why now? – The sense of urgency
- What are the expected benefits? What will people be saying about our VP unit in two years? – The business objectives
- How are we going to define our new model? – The roadmap

### ***Employee Testimonial to Her Vice-President and Her Direct Boss, Following the Reorganization Announcement***

*A Concrete Demonstration of the Effectiveness of a Mobilization and Participation Approach*

*“Hello to both of you.*

*We are experiencing great change these days with the reorganization of your VP unit. In my case, my team was particularly affected. I'm now on my own, separated from my former team. In addition to losing my colleagues, I'll now be reporting to someone else and losing a general manager that I liked very much. I've been through the entire range of emotions, even though I've lived through my share of reorganizations in the past 10 years.*

*I wanted to take a few minutes to express to you how delicately and respectfully this reorganization took place. We were contacted prior to the conference involving the entire VP unit in order to have the new structure explained to us, and the managers made sure to contact me personally and listen to my concerns, despite the fact that they too were going through major personal change. I give the management team lots of credit for making us feel close to them, and I want to thank them for it.*

*You can count on my commitment and my trust to make this shining new VP unit a success!”*

To better explain the change, significant time was invested in developing a transformation “story” based on business indicators and the Senior VP’s key issues. A first step to creating the story was giving a voice to general branch managers and customers, using their feedback to fuel the thought process while also relying on factual market data.

In the end, this story described the *raison d’être* of the transformation, from the need for change to how it would materialize. It served as a common thread throughout the process and was enhanced as we went along.

We worked with the management team to come up with answers to these questions, and then write up key messages to make the story permanent.

Each presentation and each event linked to the transformation was an opportunity to nourish our story and, obviously, to make it evolve as we went along. It was the managers themselves – and not the communications team – who communicated the reorganization’s purpose as their work and involvement progressed. Exposing them to a regular flow of communications facilitated their approval of the ongoing transformation.

Ultimately, the managers understood the reasons behind the transformation, and most of all, they were equipped to pass that story on to their own employees.

The value chain that was subsequently presented also helped in supporting the story.

### Solution 3

#### Establishing a value chain to create an end-to-end value proposal for clients

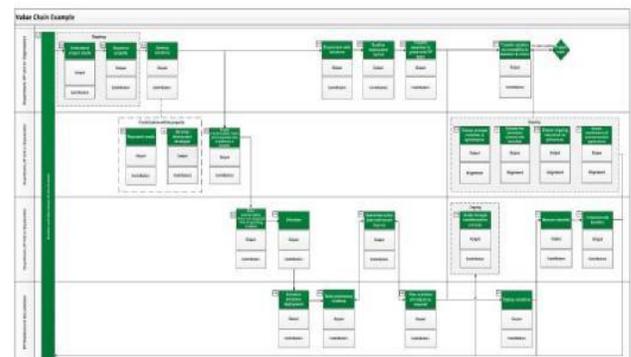
In most reorganization efforts, positions and functions are maintained, but organized differently. Boxes are juggled and switched around, often for the sake of the individuals

involved rather than in response to actual needs. The assumption is that the new structure will gradually take root by itself.

But how can you adopt an innovative reorganization approach in a way that brings to life the cross-functionalities that support the service offering of this new VP unit? And above all, how can you reorganize in a way that focuses solely on activities that add value for clients (including activities aimed at accelerating the transformation of a network of branches)?

Our answer: by building a VP unit structure based on the value it wishes to bring to its clients. This strategy is particularly useful to illustrate and bring to life the cross-functionality of the new VP unit, as well as to break down silos. However, this value is built throughout what we call the value chain, meaning the value added at each phase of the service development process. In other words, it is the sum total of all the major step-by-step actions executed by managers and employees alike.

The process is rather simple: you have to work with managers to identify the different steps that go into delivering your service. Then, you have to make sure each of those steps actually adds value to the service – and eliminate all the steps that do not.



**Figure 1 - The value chain maps the main activities (horizontally) and interfaces (vertically) between the four directions in the overall process of defining and implementing business solutions.**

At the end of the exercise, we had to remove certain activities from some teams' service offering, since they were no longer relevant to the value that the VP unit wanted to offer its clients. By illustrating the issue in this way, and discussing it with managers, the synergy recommendations came spontaneously, which made buy-in much easier.

From that point on, we had an excellent foundation from which to build the optimal organizational structure – one in which each step in the value chain would become a component with clearly identified added value. This was supported by guiding principles that were discussed and then justified by the issues that needed to be resolved and the objectives of the new team.

This approach focuses primarily on the value of each client-related activity, along with the roles, responsibilities and operational methods to put

in place. Discussions focused on alignments rather than on the various boxes in the organizational chart. It is not so much about changing structures (which, in the end, are just levers), but more about developing ways for people to work together.

Throughout this project, this tool was used time and again to structure our thinking and guide every stakeholder – from managers to employees – through a process of evolution. In a sense, the value chain became the backbone of the transformation.

Once the value chain was properly defined and understood by general managers, serious gaming allowed us to build different value-chain iterations with managers.

Roundtables were set up to document the processes, procedures and alignments required for certain value-chain activities.

Today, we can confirm that every manager within this VP unit, as well as most employees, are able to describe, without hesitation, the overall flow of activities in their unit and the teams that are responsible for them. Thus everyone understands the value chain and brings it to life.

## Conclusion

We leave the reader with four key learnings:

- The value contributing to change depends on the active and early participation of managers and employees in the development of the transformation's vision.
- The strategy of communicating through storytelling can be remarkably effective in terms of mobilizing resources.
- Illustrating and bringing to life the cross-functionality of an organization or entity, while highlighting the value chain, accelerates the breaking down of silos. It also focuses the thought process for both clients and service offerings, facilitating the achievement of business objectives and the appropriation of new processes on the part of managers.
- Working in tandem with change management professionals, both at the design and the implementation stages, enables empowerment of the project manager and facilitates the buy-in and involvement of all stakeholders.

This operation's success confirms the crucial importance of developing a real strategy aimed at having stakeholders adopt and own the solution – regardless of the desired transformation.

By encouraging active participation from employees and managers, the project was completed without major turbulence, despite the scope and intensity of the required change, and even the many risks involved.

In the end, the mobilization rate increased by 13%\*, and the operational budget was greatly reduced.

\* Survey performed throughout the organization by AON-Hewitt.