Case Study: A High Performance Bank

a. The honeymoon phase

HP Bank came into being as a result of a series of acquisitions in the 1990s. In the process, it inherited four fund management businesses, which were welded together and headed by a dynamic buccaneering CEO, John Smith.

He had strong aversion to processes and controls; he saw them as *'traffic lights'*: things that slow you down. Instead, he chose a values-based approach that relied on all managers to exercise an unusual degree of common sense, in line with what Generation Y demanded. He also believed that HR should be a line function. HR was conspicuous by its absence in embedding the new values; largely because of the legacy of distrust arising from previous attempts to reshape the bank's culture.

He wanted minimum bureaucracy and maximum accountability in the new culture that he was trying to shape for the disparate businesses. With the help of his senior team, he crafted these values, communicated them extensively to the rest of the business. His guiding motto was *'less rules, more judgement, more accountability'*.

For example, instead of waiting for annual appraisals, he wanted his managers to give real time feed-back. From his long experience, he had concluded that fund management is a people business *par excellence*: one in which bureaucracy that stifles enterprise and initiative is a kiss of death. His vision of a vibrant business, based on creativity and enterprise, resonated with the gut instincts of all his colleagues.

But it inadvertently marginalised HR to recruitment, pay and ration issues, in line with the practices across the bank, where all support functions were neither seen nor heard. Remember, this was the City in the halcyon Nineties.

Despite all these changes and a raging bull market, John's business was underperforming badly. So, he called in a famous firm of consultants who concluded that the business was sub scale: it lacked the critical mass. It also lacked expertise in global equities space. It recommended that another acquisition can kill these two birds with a single stone. John's proposal for an acquisition was quickly approved by the board of HP Bank and he quickly bagged his target.

Yet, four years later, the same board decided to put the business up for sale. So, what went wrong?

b. The law of unintended consequences

Before the latest merger, the fixed income business was headed by a telegenic articulate woman named Maureen in her late thirties. She had worked with John, off and on, for seventeen years. She had never had a formal performance appraisal. Nor was she going to appraise anyone under the new culture. She believed that walk-the-talk real time feedback was the best way of promoting right behaviours amongst a growing army of high potential money managers.

Every year, she had a generous bonus pot allocated to her and she distributed it as she saw fit (remember: she had been a close ally of John for years). The performance of her team was average and John wanted to retain the team since he felt that when the equities markets take a tumble, investors would switch quickly into bonds and other fixed income products. Retention bonuses were all too common in order to prevent the talent drain.

In retrospect, he was dead right about the product switch. But there was one thing he never dreamt would happen.

The latest merger brought with it an excellent fixed income team with an outstanding head with a very good track record and high name recognition in the market place. The integration team chose him to head the new combined fixed income division.

At the time this decision was made, Maureen was on a month long maternity leave. John thought about informing her of this decision but thought he would rather do that in person when Maureen returned to work two weeks later.

c. The nightmare phase

Upon reading the press announcement that somebody had been chosen for the new role, enraged Maureen stormed into John's office. Shocked by her outburst, he was speechless: all he could say was 'the best person has got the job'. She demanded to see the evidence used in deciding who the best person was. None was available.

She quickly proceeded to a top drawer law firm, who went on to compile a charge sheet 28 pages long. The main one was that she never had oral or written feedback on her performance; or any guidance on how to improve it.

In any event, the lawyers argued that she was led to assume that she *was* a star performer, since she had been awarded the top quartile bonus as well as pay rises for the previous five years consecutively. Besides, she was the only female on the Executive Committee, as well as one of the eight highest ranking females across the bank with a headcount of over 60k. Her lawyers filed the papers with an employment tribunal under the category of sexual discrimination, meriting uncapped settlement.

Via a PR firm, her lawyers also put her in touch with tabloids that promptly splashed her pictures on their front pages. In one of them, she appeared holding her three month old baby. She was an instant hit with radio and TV shows. She was calm, cogent, rational and convincing. This media war went on for nine months.

The CEO of HP Bank became very concerned at the growing media intrusion. So he initiated a long traffic of emails to find out what was going on. His concern stemmed from the revelation that 64% of his workforce comprised women, yet only 6% of them were in managerial posts. Bank's trade unions used this case as an opportunity to highlight unenlightened HR policies at the Bank.

As in all large organisations, finger pointing became common. The Bank CEO decided that too much was at stake here. In one email he decreed that *"this case has to be won at any cost"*.

A battery of lawyers was brought in and the tribunal hearing date was delayed in order to give them time to prepare.

The date was set some 18 months after the event. In the run-up period, John was spending around 66% of his time on preparing for the case. Business performance had plummeted but he was able to blame it on the bear market. His relationship with the bank CEO had deteriorated in the environment of mutual recriminations. His health was failing; he was drinking heavily.

A week before the tribunal hearing, Maureen's lawyers discovered that the group CEO had been personally involved in planning the tribunal submission which John was to make. So, they requested that he should appear as one of the key witnesses to answer questions on Bank's overall policy on gender and race.

This was the tipping point.

Questions:

- What should HR have done when John launched his initiative on a values-based culture?
- What do you think was the outcome of the case?