

# HR strategy, culture and strategic change

## INTRODUCTION

HR strategy is very closely entwined with culture change. Indeed, HR strategy is one of the central vehicles for creating culture change. Before we get deeper into this issue with our fascinating case study of Champneys Health Resort, we will first take a quick look at a short case study of Tesco's culture change project some years ago.

## CULTURE CHANGE AT TESCO AND BP

### Case study: 'culture change' project at Tesco

Around the mid-/late 1990s, Tesco decided to consider embarking on a major culture change project to enhance its responsiveness throughout the organization. A consultant was called for discussion with senior HR staff and very senior line management. There was a great deal of enthusiasm for embarking on some culture change. However, the consultant suggested that if you looked at the actual value added by past culture change projects at major organizations, the results were somewhat patchy.

One of the main problems, he explained, was that 'culture change' was too nebulous an organizational intervention. Also, calling it 'culture change' tended to get middle-ranking managers' backs up immediately, making it very difficult – if not impossible – to get buy in (without virtually entirely changing the managers). His recommendations were to take something more tangible, whose benefits could be more clearly targeted – like 'customer service'. Having discussed this input, Tesco abandoned the 'culture change' label which incidentally had attracted a clutter of stakeholders in the project's stakeholder analysis grid (these are used extensively by Tesco).

So ‘customer service’ was born, which was a change programme of specific projects such as ‘One-in Front’ (flexible checkouts with faster queuing), behavioural training for staff, and rules of engagement for more open and effective meetings.

Looking back after the event, these combined initiatives probably helped Tesco to gain an incremental  $\frac{1}{2}$  per cent market share (the authors’ own estimate). Tesco then had around 15 per cent market share. If that incremental turnover were of the order of, say, £500 million, the incremental profit per annum (at a margin of around 5 per cent) was approximately £25 million per annum.

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The key lessons from the short case study on Tesco are as follows:

- HR strategic breakthroughs are often emergent, and then become deliberate
- Before they are rolled out, HR breakthroughs often need reformulating and simplifying (so they go through a further ‘emergent’ phase)
- Where they involve ‘softer’ issues like culture change, there is even more of a need to be specifically targeted, and as far as possible in economic value terms.

Picking up on the last point – economic value – whilst it is not an easy task even in the case of culture change, it is still possible to target the value of the change. For instance, in 1991, one year after BP had initiated its culture change ‘Project 1990’, a review of the economic value of culture change was aimed out. This was done by BP’s Central Culture Change team, with the aid of one of the authors. Initially it was very difficult to put a meaningful value on culture change, for BP had sought to shift the ‘values’ of its staff, and these were truly relatively intangible and not easily linked in a specific way to financial performance. (By ‘values’ we mean here ‘the deeply held attributes and tacit rules that influence behaviours’.)

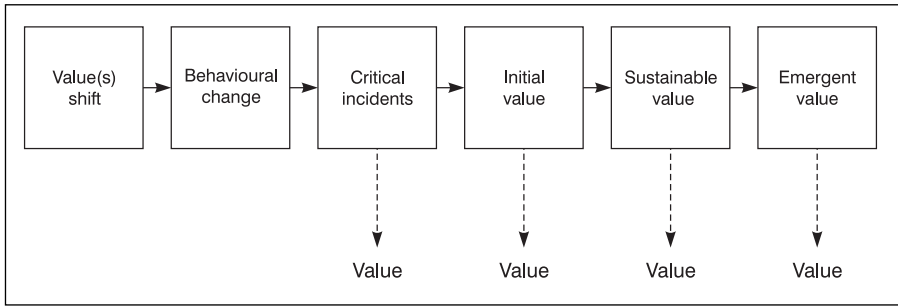
After 3 days of reflection, the answer dropped out as follows.

Whilst it was very difficult to define and observe incremental financial performance changes through shifting organizational values (which were themselves very difficult to measure), it *might* be possible to look at *changes in behaviour*. These changes in behaviour were a consequence of shift in values.

By looking in effect at a different phase in the causal chain, it suddenly became feasible to put an economic value on culture change. The next major insight (see Figure 8.1) was that to make the valuation task easier we should focus on identifying ‘critical incidents’ (an idea drawn from learning theory) – moments when value breakthroughs were created. Now these were indeed relatively easy to identify and to put a value on.

Very quickly the team drew up a flipchart list of easy-to-identify ‘stories’ of different manifestations of newer culture, and were able to say what they were worth. Even these early stories were worth over £50 million.

One particular later story was worth even more. Apparently there had been a technical/environmental problem at one of BP’s facilities. The tech-



**Figure 8.1**

Putting a value on culture change

nical team had (in BP's old culture style) come up with a gold-plated/bomb-proof solution that would cost many millions of pounds. However, when encouraged to challenge this more creatively and from a zero-based mind-set (i.e. how can we fix it for nothing/little?), the team came up with an alternative and solved the problem at a fraction of the previous cost.

In Figure 8.1 we see the logical chain as being: values shift, behavioural change, critical incidents. This leads to initial value added. A further two stages, which became apparent in the BP case, are those of 'sustainable value' and 'emergent value'.

The 'sustainable value' phase is often neglected. The culture change team (or equivalent) pack up and go home, or go off to new organizations; old behaviours then recur, and the incremental economic value diminishes. That is, of course, unless (a) there is further reinforcement of the change, and/or (b) the culture change is something that really feeds on the organization's natural agendas, as it did at Tesco – where staff *wanted* to produce world-class service, because *it made them feel better about themselves*.

Now whilst these things cannot easily be financially modelled with precision, we can get a grip on them by stretching our value-over-time curves (see Chapter 6) under different organizational scenarios/intervention scenarios.

Finally, 'emergent' value (our sixth stage) is perhaps even more interesting. The more effective interventions typically bring out from the organization its natural inclinations and energies (once called 'outerventions' – Grundy, 1993), and can generate considerable unexpected value.

Going back to BP, in the 1990s BP went from being 'Bloody Profitable' (a joke often told at the pre-project 1990 boozy BP lunches in city pubs) to not so profitable at all. The early 1990s recession hit BP very hard indeed, slashing its profits. However, BP management, now softened up by culture change and by structural change at Head Office (there was considerable downsizing, shift change and management process simplification), was then able to come through the recession in better shape than many other oil majors. This, and a number of well-timed and well-managed acquisitions (for example, Amoco), made BP Amoco the world's second biggest oil company

by 2002, and a very successful performer in terms of shareholder value creation.

Had BP *not* initiated and relatively effectively implemented Project 1990, it appears doubtful that:

- It would have so successfully weathered the difficult 1990–1993 recession, and it might even have lost its independence
- It would have built a world-class management capability that could then put it towards the top of the league (one of the authors was a manager at BP during 1980–82, some years earlier; it was his first management experience, and with little (then) to compare it with it felt very much like being in the second division whilst ensconced managers thought they were actually at the top of the premiership).

The lesson here is that we should look at emergent change from a number of perspectives:

1. What economic value might be lost over time through long-term decline, in the event that no intervention is made?
2. What new opportunities exist in the future that can only really be successfully exploited through having a new culture/capability?

Besides value creation, we must not forget the negative side to cultural change interventions. For example, they are costly in terms of organizational development/consultancy resources and in terms of management time. They may also require costly venues, overnight stays, etc. When you are dealing with a large population of managers, this can become a very expensive process.

Worse, there may be significant distraction costs – as managers are encouraged to think and behave in new ways, ongoing imperatives may be neglected. Certainly at Mercury Communications in the mid-1990s, its ‘Ignite’ programme clearly did not help maintain the management focus at a time of mounting organizational challenge and change.

This all leads to the conclusion that there is a need to draw up a kind of ‘culture change’ profit and loss account, so to speak, for the intervention.

Our BP case thus raised a number of interesting points:

1. To put a value on ‘culture change’ (or similar wide-ranging interventions), you need to go down the change process to look at the impact behavioural shifts have on specific incidents/events
2. In addition, there is harder-to-quantify value through the change’s sustainable effect, and through further value emerging later (using scenarios will help here)
3. The economic value of culture change might only be realized if inter-dependent initiatives are mounted – at BP, for example, these were:
  - Structure change

- A major downsizing
  - Management process re-engineering
  - The introduction of value-based-management (see Chapter 2) as an incisive/challenging management tool
  - An ongoing focus on 'the learning organization'
  - Changes in the pattern and style of career development at BP, which in the past had been very driven by the organization (people were posted hither and thither, rather than having shared ownership of their careers)
4. A 'profit and loss' account of major interventions like change management needs to be drawn up.

## CHAMPNEYS HEALTH RESORT

Having rehearsed some of the issues and processes of culture change with the Tesco and BP case studies, we will now look at a smaller-scale example of how HR strategy provided the vehicle for culture and strategic change at Champneys Health Resort. This case also illustrates how HR strategy can be turned into implementation. This case study is based on a documentary on BBC television in 1996 and also on interviews with the (then) Chief Executive of Champneys. This will help you to practise your skills as a strategic HR consultant.

The case study shows how the main ingredients of strategic change (including culture change) need to be interpreted. Figure 8.2 shows how strategic change is impacted by:

- Environment: the external market place
- Strategy: the company's competitive scope and positioning
- Culture: the underlying values, beliefs and attitudes that shape behaviour
- Leadership: the overall direction and inspiration within the company
- Agendas: the things that inspire people to act, or prevent them from acting
- Structure: how people are organized, and power is exercised
- Processes: how decisions are taken, managed, and monitored
- Careers: how managers get on in the company
- Legacy: the company's past successes, failures and resource base.

It also illustrates and introduces a new technique (more sophisticated than AID analysis) for appraising options; the need to project manage HR strategy implementation.

In the case study we will see that there is a two-way flow from competitive strategy to HR strategy, and back from the HR strategy into creating *new* competitive strategy.



**Figure 8.2**  
Strategic change –  
a model

## Background

Champneys Health Resort is located at Tring, in Hertfordshire (UK). Champneys is a select rural retreat for its members, who reside principally in and around the Home Counties. Traditionally it is a most exclusive retreat, charging near-Savoy prices for its luxurious and relatively exotic services in body and skin care generally.

However, by the recession of the 1990s Champneys was suffering considerably. Falling demand meant that its cash flow had deteriorated to the point where it experienced an annual cash deficit of £1 million. Its previous owners decided that enough was enough, and sold out to foreign investors.

In both business and organizational terms, Champneys was in the situation of a strategic turnaround. Its new investors therefore decided that a new breath of life was required to secure Champneys' future. The choice of a new leader was the first key strategic decision, as the particular appointment would shape how future strategy would both evolve and be implemented.

As Champneys had recently been acquired by a new owner, in effect this case study is also about acquisition integration. The integration of acquisitions is a key issue in HR strategy, particularly because it often entails changes in leadership, structure, skills and culture – and often also in operational processes. Many acquisitions are badly handled in the integration phase, primarily due to the lack of a robust HR strategy.

In late 1995, Savoy-trained Lord Thurso was recruited to spearhead Champneys' recovery, and as its integration manager. As its new Chief Executive, Lord Thurso set about formulating a turnaround plan that would secure Champneys a viable future. At this time Champneys also featured on a BBC2 production, *Trouble at the Top*. Some of Lord Thurso's comments

quoted here are taken from that television programme, and some from interviews with the authors.

Because Champneys prided itself on its exclusive customer service, this turnaround strategy needed to be managed with great sensitivity to the HR-related issues.

## Strategic diagnosis

In the tradition of turnaround specialists, Lord Thurso set himself a tight deadline to formulate and project manage his strategic turnaround plan. This was just 1 month. In the course of that month Lord Thurso was to spend the bulk of his time listening to Champneys' various stakeholders, particularly:

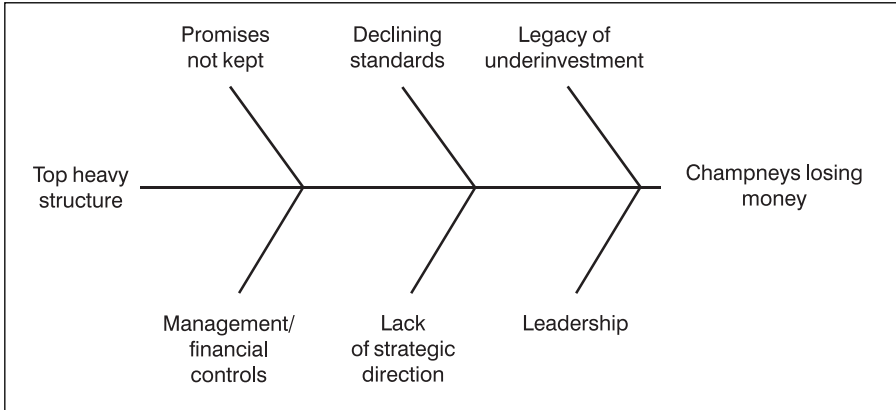
- Its members and its regular customers
- Its staff
- Its current managers.

A number of strategic projects were born out of Lord Thurso's strategic thinking, including HR-related strategic projects (asterisked):

- Sampling Champneys treatments (by Lord Thurso)
- Simplifying management processes
- Improving management reporting processes, and more commercial focus and style\*
- Management restructuring\*
- Management recruitment\*
- The communication plan\*
- The strategic vision\*
- Developing a business strategy\*
- Customer database
- Maintaining organizational morale\*
- Culture change\*
- Getting rid of the 'Health for Life' timeshare scheme
- Premises strategy
- The business case and its approval.

To start with, Lord Thurso, who weighed 16 stone when he took over Champneys, undertook to reduce this weight – coincidentally in parallel with what became Champneys' own corporate slimming exercise. Most important in those early days for Lord Thurso was sampling Champneys' exotic, health-generating treatments – this being his first project to help turn around the business. This was a very useful process in helping Lord Thurso to understand the organizations' current capabilities and weaknesses, and areas of opportunity to exploit its skills.

Lord Thurso's early diagnosis within the turnaround project indicated that



**Figure 8.3**  
Champneys fishbone

Champneys suffered from a number of underlying problems (see Figure 8.3), some of which were more business-focused and some HR-based. These included:

- A legacy of under-investment (and decay)
- A decline in standards generally
- An over-zealous attempt to market Champneys timeshares to customers outside Champneys' core customer base
- Promises made to members that could not be kept
- A top-heavy management structure
- Relatively poor (or inappropriate) management and financial controls
- A lack of sense of strategic direction generally.

Lord Thurso wisely negotiated a remuneration package that would not disadvantage him in recommending possibly unpalatable options – highlighting the linkages between strategic thinking and reward structure that must be an essential part of any effective HR strategy.

Reflecting on this situation in 2000, Lord Thurso elaborated:

There isn't any money and my job is to get the value out – bang, bang, bang. To take difficult decisions with easy. In a way, what I was doing was not far short of that. You arrive, the thing is absolutely bleeding to death and the shareholders are not going to be able to bale it out a great deal more, and you have to have a plan for dealing with an emergency situation. That's when you whip the patient into an ambulance and off to hospital. The thing was absolutely in the shit – that is a technical term.

To which his interviewer replied:



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Yes, it is a technical term – it stands for Strategic Health in Trouble.

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Lord Thurso continued:

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When I first started I had an option, which was to recommend closing the business down, and I would be paid, I would have a kind of parachute, so I was free to say: 'Look, I am sorry, I don't feel that the business is viable, the only way out is to chop it up and sell all the bits off ...

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On his first inspection of the property after taking over in 1995, Lord Thurso commented:

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It is clearly very tired. These rooms would have been considered five star when they were built, but clearly the expectations of five star has changed. It is bland, it is grey, it is a very dead, dull room, it has no colour and it has zero on the excitement scale.

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Champneys strategic positioning itself also seemed to be unclear, as was apparent from the organizational mind-set:

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I have asked the question of everybody, 'what are we selling?', and I get a lot of long-winded answers; the real answer is that no-one has thought about it.

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Interviewed on BBC2 in 1997, Lord Thurso reflected:

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And I had also decided – it was as plain as day as the previous strategy, there was this wonderful name '*Champneys*', which is true, it is the great opportunity. But what had been created in the past was the infrastructure for a £100 million company even though it was only a £10 million company.

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It had all these people here who were called brand managers. And none of them understood what a brand was. And that was the extraordinary thing. None of them understood the elementary concept of a brand being a promise made to customers that has values and a character. If you said to them, 'what does Champneys mean?', the answer was, they hadn't thought it through.

It would thus appear that the organizational mind-set that Champneys could expand easily, on the back of its brand and existing skills, had played a major role in taking the company to the edge. Framing the organizational mind-set appropriately is a key part of any HR strategy.

Many of these issues must have been apparent almost as soon as Lord Thurso drove up Champneys' drive. To diagnose HR issues it is often useful just to observe some of the initial cultural artefacts around the organization. For instance, as soon as he arrived he found a mass of memos from his managers. Lord Thurso commented:

There are piles and piles of paper. It is a fairly classic thing. There are too many managers sending memos to each other. And I am suspicious of any company that is capable of generating so much paper when they are told they are expecting a new Chief Executive.

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He continued:

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When I arrived here, there were huge reports on everything. I said to them, 'look I just don't read them. I don't mind reading a novel by Tolstoy or Dick Francis, but I am not going to read *that*!

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The following reveals Lord Thurso's quite different management style:

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I tend to communicate by getting up and sitting in someone's office. I loathe memos. In my last company I banned them completely for 2 months. I said 'the next person who writes a memo will be fired' – it was amazing, we didn't have a single memo written for 2 months. It was brilliant, people actually started talking to one another.

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The above thinking clearly flagged up two significant strategic projects – simplifying management processes and improving management reporting processes – in calculating a more commercially-focused mind-set.

At the same time, management lacked the fundamental information that it required:

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We do not have good financial information – in fact not only is it not good, it is actually awful. The management accounts that I have seen are mathematically correct, but they are not informative.

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These accounts gave Thurso some advanced knowledge that he might need to make some changes within the finance function:

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The management reports were gibberish. I asked simple questions – 'do you know what your cash flow is?' – and the guy couldn't tell me. . . . They didn't produce balance sheets. They produced huge, thick reports, full of graphs, trend analysis. But the one thing that they didn't do was to produce reports where you could find profit, where you could find cash flow. I said, we will really have to start from scratch.

I remember sitting on the lawn on holiday wearing my Panama hat and a tee-shirt and my kilt, and smoking a cigar, trying to read through 2 years of drivel, the management accounts . . . I can usually work things out, and I just couldn't make it work.

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However, instead of rolling out a turnaround plan straight away, Lord Thurso spent precious time soliciting the views of *all* its key stakeholders –

especially its disgruntled customers. This enabled him not only to be absolutely sure that his chosen path was the right one, but also that, in behavioural terms, it was owned.

This period of listening was primarily so that Lord Thurso could establish a rapport with his new staff and thus to provide a platform for influencing them effectively. To develop a set of externally or internally faced strategies requires as much attention to the people-related process as it does to the content. Indeed, the way in which the strategy process is conducted is frequently a key HR breakthrough.

In 1997, Lord Thurso said:

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To be honest, I had already made up my mind before I arrived here what I would do. I had actually decided before the day that I started that I was going to take a million pounds out of the costs.

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He continued, reflecting on the obvious sensitivity of the HR process:

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I wanted them to have thought that I had thought it through. They wouldn't have understood that I was capable of thinking it through very quickly, and that it was really clear what had to be done. It was really a very simple problem, and it needed some pretty straightforward solutions.

After I arrived, I said, 'I will have a month and I will take no decisions until the end of the month.' It was a good thing. I did fractionally amend certain decisions, but 90 per cent of it was exactly what I had thought previously.

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Lord Thurso realized intuitively that Champneys was in the kind of situation that could easily blow up if a number of stakeholders decided, rightly or wrongly, that he was 'the wrong man for the job'. Quite quickly Lord Thurso concluded from his own personal course of treatments that his operational staff were a real asset, to be retained, nurtured and grown. Indeed, this capability base provided the foundation of its future competitive strategy. According to Lord Thurso:

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The closer I get to the front line the better I find the troops are. And that is very pleasing, because if you have good officers and lousy soldiers you have got a lot of work to do, but if you have good soldiers and lousy officers, then you have to work to train or change the officers.

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In contrast, Lord Thurso found that the management he inherited was, although up to the task of managing in a more steady state environment, not really up to a turnaround. The top-heavy management structure was not only an expense that the business could not afford; it also impeded the recovery plan, inviting two further interrelated HR projects – *management restructuring and management recruitment*.

Lord Thurso reflected in late 1997 just how serious the problems at the old Head Office had become – and attributed this to organizational culture and mind-set:

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And there was a business over there that had been completely neglected at Head Office. There was a flipchart in every office, which to me was a symptom of this very introverted style – the moment anybody had a meeting, someone was on a flipchart. The whole thing was driven by the processes rather than by the objectives. If there were objectives, they were tacked onto the process.

People worked hard and interacted and interfaced, and essentially went around in circles. There was no questioning of ‘why are we here?’ or ‘what is the meaning of the universe?’

It was quite clear that I had to be very clear, that I had to make a very definitive statement that there was a complete change coming. It wasn’t quite as bloody as it looked, because I re-deployed quite a lot of the people I had here back into the units. That refocused them on where the action was.

I described it once as ‘this Head Office was once a great black hole which sucked energy out of the units. Things vanished into it never to be seen again’. Whereas my idea of a Head Office is that it should be a tiny, tiny star in the sky, twinkling light down, completely out of the way.

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The above suggests that a key HR strategy issue is often ‘how do management themselves add economic value to the business strategy?’ This question is much more direct, challenging and testing than simply asking ‘what roles are appropriate?’ To pull his commentary together let us return to Figure 8.2, which gave us a model for strategic change. Before Lord Thurso’s arrival, Champneys’ situation could be characterized as follows:

- Environment: recession had reduced volumes
- Strategy: it had also lost its focus, and was not delivering value for money to its target customers
- Leadership: this was in a state of drift
- Agendas: these were more personal than commercial
- Structure: this was very complex, bureaucratic and hierarchical
- Processes: these were very slow and rigid
- Careers: empire building
- Legacy: changing ownership, in the past involving private ownership (it was owned by the same family on two occasions), and ownership by two bigger groups.

Our verdict on this is that Champneys was in an advanced stage of ‘strategic drift’, where the organization was out of sync with its environment.

## Strategic options and vision

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As Lord Thurso said in 2000:

I think life is all about circles and not straight lines. You can jump onto the circle anywhere you like. Number one, it is having a vision – call it a vision, call it an objective, call it a goal, it is the idea of where you want to go. The beginning of strategic thinking is where you are working out the vision, then map out the ways in which you could deliver that, like policies you put in place. Overall, a series of moves in chess is a strategy. Each move is a tactic.

The leader has to ensure that there is a vision, that there is a clear idea. Whether the leader dreams that idea up himself, or whether that idea is produced by a process of consultation, it doesn't really matter. He then has to make sure that there is a strategy for prosecuting it.

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At this point it is worth doing an exercise to consider the possible strategic options facing Champneys. This can be done at three levels:

1. Options for competitive strategy
2. Options for organizational strategy
3. Options for the change process.

To help you to think about the first level, consider once again the lines of enquiry for the business, which might include:

- Which market sectors should Champneys be in?
- Where (geographic options)?
- Which customers should it target, and what areas of value creation?
- Are there different means of value delivery and resource bases?
- Are there alliance or acquisition possibilities?
- Might Champneys divest or outsource any activities?
- Given its capability base, what would the most 'natural' strategy be for Champneys (the 'natural' strategy test – i.e. what things would it be naturally very good at, and not bad at?). This final question is of most concern where HR strategy can shape competitive strategy proactively, rather than *vice versa*.

Here we see the need to be quite creative and fluid in strategic thinking about the organization and its vision. As Lord Thurso reflected in 2000:

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The guy at the top must always be mentally in the future.

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Figure 8.4 provides a technique that can be used not only for competitive strategy options but also for the organizational strategy options – the 'strategic option grid'. This displays a number of options against some generic criteria. The scores are normally:

- |     |                       |
|-----|-----------------------|
| ✓✓✓ | High attractiveness   |
| ✓✓  | Medium attractiveness |
| ✓   | Low attractiveness    |

(half scores are possible, too).

Options	Option 1	Option 2	Option 3	Option 4
Criteria				
Strategic attractiveness				
Financial attractiveness*				
Implementation difficulty				
Uncertainty and risk				
Stakeholder acceptability				

\* Benefits less costs, cash flows relative to investment

**Figure 8.4**  
Strategic option grid

When each box has been scored, each column is added up to give a total, which provides a rough prioritization on the basis of critical, first-cut thinking. A second cut is to look at how you might increase the scores with your ‘cunning plan’ (see Chapter 1). A third cut is to consider the potential impact of different scenarios on the scores – to perform resilience testing.

A quick further point is that the criteria ‘implementation difficulty’ and ‘uncertainty and risk’ are scored in reverse – that is, high difficulty is low attractiveness, and high uncertainty and risk is low attractiveness too.

The various criteria can be defined as follows:

- ‘Strategic attractiveness’ means positioning ourselves in growing, less competitive markets when we have real edge and many opportunities.
- ‘Financial attractiveness’ means benefits less costs (in cash flow terms ultimately) relative to investment (use value and cost drivers, and the value-over-time curve).
- ‘Implementation difficulty’ means the sum of difficulty over time to achieve the desired result (use force field analysis or difficulty over time curve).
- ‘Uncertainty and risk’ means the extent to which key assumptions are certain/uncertain (use the uncertainty grid).
- ‘Stakeholder acceptability’ means the buy-in of all the stakeholders, weighted for their degree of influence on the issue (use stakeholder analysis/agenda analysis).

### **Exercise: Champneys – options for competitive strategy**

Based on the case study so far:

1. What key strategic options can you think of for Champneys, based on what might be a most ‘natural’ strategy for the organization? (use the strategic option grid).
2. Can you think of any ways to increase the scores on the strategic option grid (through the ‘cunning plan’)?
3. How might these scores come down through an adverse scenario (resilience testing)?
4. Were Champneys to acquire some new skills, could this generate some further, interesting options for competitive strategy?

This kind of reflection needs to be done in some specially created thought or ‘helicopter’ space (and time). In 2000, Lord Thurso reflected:

The guy at the top is probably the only person spending his time thinking 6 to 9 months ahead of the business. The most important single thing is thinking ahead. . . . The first thing is, with door shut, with ‘phone switched off, gazing at this ceiling, running ‘what-ifs’ through my mind. . . .

Turning to organizational structure, assuming that you are going to reposition Champneys back to its traditional upmarket focus, what future organization would you ‘really, really want’ (the ‘Spice Girl’ strategy)?

### **Exercise: Champneys – options for organizational structure**

1. What key value-creating activities would you need in the future (say, over the next 3 years)?
2. What likely roles would be needed to deliver these value-creating activities?
3. How could you deliver these in the organization, with least resources?
4. What numbers of managers would this imply?
5. For one or more alternative organizational strategies, how do these appear on the strategic option grid?

## **The implementation process**

This posed a major dilemma for Lord Thurso – if he were to move very fast and introduce a new, slimmed-down management structure, the shock might topple the organization, undermining morale at the cutting edge of customer service. In such a situation there is probably no single ‘right answer’.

Arguably, by leaving the Champneys managers in suspense for 1 month, he prolonged the agony of uncertainty. On the other hand, by at least listening to them over this period he would have a better idea of who was and was not able to make the transition, and also how many, in simple financial terms, he could take with him.

In 1997 he commented:

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First of all I wanted a huge change, and I wanted that to sink in quickly. I wanted the troops, the army in the resort, to go, 'Hey this guy might know what he is talking about!'

I also felt that I only wanted to do it once. I wanted it to be viciously quick for two reasons; one was to make a point, and the other thing was to say to people 'that's it, it is done.' And that undoubtedly worked.

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Lord Thurso decided that above all, Champneys needed a new strategic vision.

### Strategic vision

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Lord Thurso's own vision for Champneys was profoundly simple. He preferred the idea of 'vision' to 'mission', principally because mission statements are harder to grasp, particularly in terms of the *behaviours* that are implied by them:

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If you cannot remember a mission statement (I cannot remember our old one), if you have to refer to something, that's wrong. To me, any mission statement which is 'we will have care for our customers, be nice to our staff, be nice to grey squirrels on Sundays', you know, you have gone to sleep.

It has got to be something that encapsulates the spirit. 'Nowhere else makes you feel this good' – yes, it is a spirit statement. That's why NASA's 'To get a man on the moon' makes sense. At Champneys it is: 'Nowhere else makes you feel this good' – and that should apply to the staff as well.

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Frequently 'mission' and 'values' are at the very heart of a company's HR strategies. However, this can easily result in an introverted and potentially static and rigid view of what should drive the organization.

Lord Thurso potentially faced major resistance to his plan, especially from his senior managers, who expressed their loyalty to their previous MD and to past strategy during the television documentary. In business terms there was little alternative but to reduce severely the number of his central management team. In the 1997 documentary, Lord Thurso addressed the team at a management meeting:

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Please view my arrival not as something disastrous but actually as an expression of support by our shareholders.



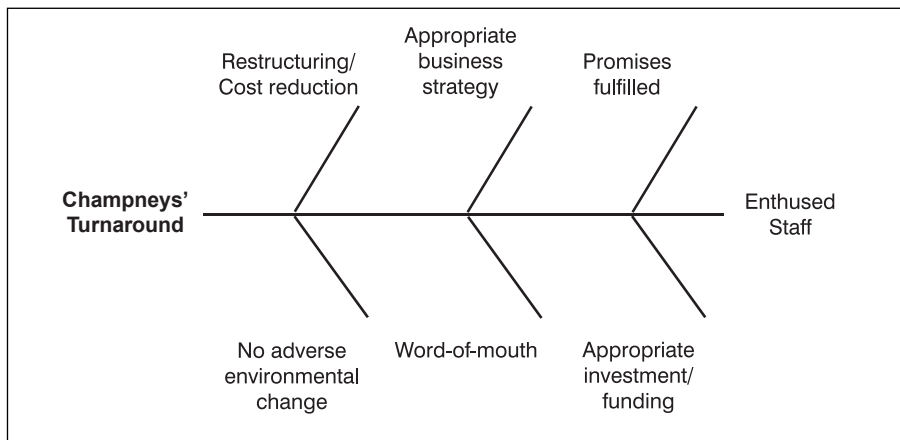
The problem in a nutshell is that we are losing money. You are all intelligent people, and therefore you will know that there will be a cost-cutting exercise. We have an expression in the fitness centre of ‘no pain, no gain’, but there will be pain.

We are, with the cost of Head Office, losing as a company approximately £1 million in cash terms per year. It is my intention and target that by the end of the next year we will be cash-breakeven. The direction I have decided to follow is to put Champneys absolutely and without doubt at the top of the tree.

He had decided to tell them collectively of his decision so that he delivered two clear and separate messages. The first message was that there was an impelling need to restructure and reduce the management resource. The second message was to specific individuals – that they were, or were not, to be members of the future team. Within the restructuring project there would be two sub-projects: diagnosing current skills, and defining the future skills needed to deliver the strategy. Indeed, besides developing an internal strategic vision for the organization, a further project was also required – developing a business strategy.

Figure 8.5 represents this strategic vision as a wishbone analysis. This analysis highlights the key factors that needed to line up to deliver the vision of Champneys’ financial turnaround – through ‘Nowhere else makes you feel this good’ – as being:

- Restructuring and cost reduction
- An appropriate business strategy
- Promises now fulfilled – through the exit from the ‘Health for Life’ timeshare scheme



**Figure 8.5**  
Champneys' wishbone

- A new management team
- Enthused staff
- Sufficient financial support for development
- Appropriate investment decisions
- The resumption of ‘word-of-mouth’ recommendation
- No major adverse environmental change.

Returning to Champneys’ change process, Lord Thurso had a number of options in communicating his strategy. One alternative would have been to speak to individuals separately, both to communicate the need for the change and to let them know whether or not they still had a job. This approach would have had the merit of removing the period of uncertainty whilst managers were concerned about their job security. However, it would also have meant that some managers would have heard about the organizational change sooner than the others.

These simple logistics highlight the HR-related implications of making a strategic change in an organization. Whichever way Lord Thurso played it, the effect on individuals’ feelings – perhaps of hurt and fear – might have ramifications in their future and also that of the remaining team. Thinking through options in this area is always of major importance when applying strategic thinking.

The impact of these redundancies was obviously severe for the managers. Champneys’ Property Manager, Willie Serplis, attempted to put a brave face on it as he came smiling to the television interview following his meeting with Lord Thurso. His smile quickly faded as he told us:

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Do you want to ask the question then ... ‘How are you?’ Not very happy. I just lost my job – it is better knowing, but what can I do? You want to be angry with someone or something, but it doesn’t make sense. You can dress it up in all the esoteric bullshit you know – downsizing, redundancy – but the reality is, through no fault of my own I have just been fired ...

---

Lord Thurso himself looked emotionally strained when he was asked how he felt about this part of the process:

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I would find it hard to sleep if I felt that anything I was doing was wrong in any way. I dislike doing it, but it is a necessary operation that has to be done on the company. All that one can do is to do it as humanely and professionally as one can.

Most of them have been angry because at the end of the day we all like to think that we have a value in an organization, and effectively when you are made redundant someone is saying that you don’t have a value in the organization. When I say that ‘it isn’t to do with your performance, it is entirely to do with the financial structure of the company’ it actually doesn’t help them very much.

---

HR strategy may thus have to deal with some very difficult and sensitive issues that have a major impact on the individuals involved, and on their lives. This underlines the need to bring in stakeholder analysis as much as possible when thinking about how to move HR strategy forward in a restructuring context.

It is easy to imagine the atmosphere within the management block at Champneys as the reality sank in that it was the end of an era. Those staying also realized that they would be expected to achieve a quantum shift in the level of effectiveness, if the business were to come back into profit.

(The above account highlights a further, short-term HR project: maintaining organizational morale.)

It was then Lord Thurso's turn to address his operational staff. He appeared to be in a lighter mood as he informed his staff not merely about the severity of the situation, but also of the fact that he was planning other job cuts. He continued:

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The last part of the strategy and the bit that does concern all of you is that New Court and the concept of a headquarters is going to be quite radically scaled down. There are 22 people sitting here, and we have probably half that as the number of places that I actually have available. You are intelligent and you will have worked this out. And therefore some people are going to have to be made redundant. . . . And I do recognize the pain that this will cause you. I am sorry that some of you will be going, but please understand that it is nothing to do with you and your capability. It is simply about how this business has been run over the past few years, and the requirement to put it on a proper cash footing.

Finally, I would like to give you a little thought. All my life I have been involved in giving first-class service to people, and I believe it is a wonderful thing to do. Be always ready to say 'yes' whenever a client or guest comes to see you and asks for something and you are tempted to say 'no'. Stop, think, and that will help us to create a level of service unheard of in this country.

It is a tremendous culture change.

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The above shows how the best HR strategies are essentially very simple – to deliver superior value required a flexible attitude amongst staff, which could be secured essentially through training and appropriate recruitment.

Besides dealing with internal stakeholders, Lord Thurso had to manage the expectations of the Champneys members, whose business was needed to secure a successful future. These members had been disappointed in the past by the previous management, who had perhaps set up expectations about improvements in standards that had not been (or could not be) delivered. Lord Thurso then decided to end the previous management's scheme for timesharing, not only by stopping the sales activities but also by buying-back the timeshares. Getting out of this business area proved to be one of the most difficult projects, because of stakeholder agendas.

Lord Thurso was quick to realize that ‘the Health for Life’ timeshare scheme needed to be halted:

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From what I have seen, the constant push–push–push on ‘Health for Life’ has given the wrong impression in the market-place. I think maybe we should cut that right back.

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Apparently this was an issue that emerged only during his fact finding. After being assured by his senior managers that there were no more burning issues to be brought to his attention (‘other than the cash flow’, said his finance director), he said in 2000 that he discovered that:

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Some of the key issues I did not realize until later. The fact that the timeshare was totally critical and I would need to do that was something which I didn’t realize. When I first got here one thought ‘yes, that’s a timeshare business, I will have to rev it up’.

---

The ‘Health for Life’ business is an example perhaps of where HR strategy was driven by structural issues:

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Once sales staff were deployed in numbers, they then had to stick with a business strategy that really was not working. Human momentum (and fear of losing one’s job) appeared to prevent a review of their strategy – so badly needed – from happening.

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To achieve these plans Lord Thurso needed to build the confidence of his investors – who might well have thought that a turnaround was possible *without* major investment. To build this confidence he needed to produce a robust business case, and to support this Lord Thurso realized that he would need to achieve a number of things:

1. The restructuring of management had to be implemented successfully
2. Better financial planning and control needed to be stabilized, with the help of the new Finance Director (who Lord Thurso had brought in)
3. His restructuring would need to have delivered the required cost savings
4. Although a gap still remained (to break even) with these cost savings, this gap would need to be closed by expanding revenues
5. To achieve this, the quality of service and standards generally at Champneys had to improve considerably – to the point where existing members felt a real difference, and new members were brought in.

The above implementation areas highlight how inextricably HR strategy is linked with both the competitive and financial strategies.

Although cost savings of half a million pounds per annum were achieved relatively quickly, it proved much harder to increase sales through improving customer confidence. However, within a year Champneys was managing to break even, and Lord Thurso was therefore able to then put into effect his

plan to obtain enough investment to reposition Champneys as an outstanding health resort.

The overseas investors were able to give Lord Thurso the vote of confidence he needed in order to move into stage two of the turnaround – a major upgrading programme, whose implementation became a further strategic project. At last all the planks of Lord Thurso’s future strategy were in place.

We have told the story of Champneys’ strategic turnaround, but mainly from the point of view of the business. However, if we look at this situation from a more behavioural point of view, we find that this dimension has perhaps even more importance than more tangible areas of change.

## Implementing the strategic breakthroughs

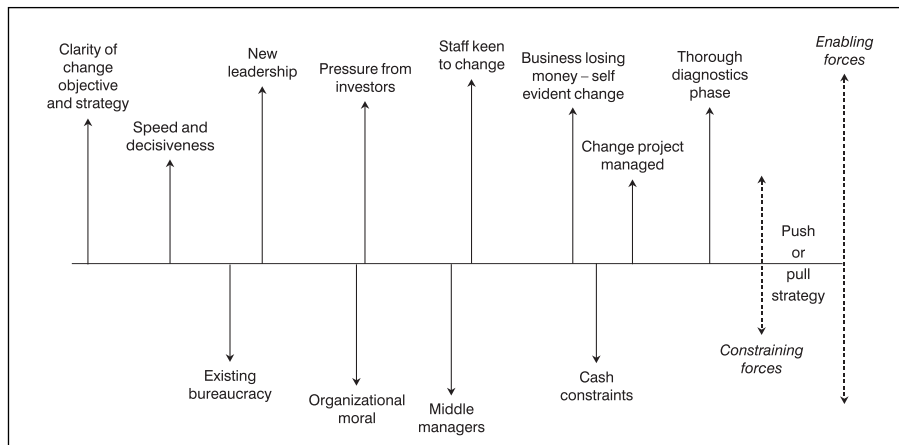
The key three strategic breakthroughs for Champneys comprised:

1. A new competitive strategy
2. An effective resource base
3. A responsive organization.

These will be fleshed out in a later section, which summarizes the key strategic projects.

The key forces enabling Champneys’ change programme included Lord Thurso’s leadership, the clarity of the strategy, and the support of lower-level operational staff. The most important forces were thus more behavioural in nature. These are represented in Figure 8.6, a force field analysis, and highlight that:

- Lord Thurso had introduced a number of key enablers into the strategic change through his own leadership, a new strategy, a thorough restructuring



**Figure 8.6**  
Champneys’ force field analysis

and, particularly, in making some fresh appointments (this was, in effect, a ‘cunning plan’).

- Whilst there were a number of constraining forces, these were overall weaker than the enabling forces. Even these, Lord Thurso managed to eradicate or mitigate with his cunning plan.

However, as stated previously, we always need to ask the question, ‘What is the One Big Thing we have forgotten?’ Probably the traditional culture of Champneys was the missing constraining force from the 1998 picture seen in Figure 8.6. This highlights the need always to take the HR strategy perspective, as otherwise a critical constraint on strategic change may well be missed.

Lord Thurso’s own larger-than-life character was a crucial ingredient in signalling that the changes necessary were very, very real. In 1997 he reflected on the progress of his customer service project, which was also closely linked to the ongoing project of culture change, which appeared to go through a number of future phases:

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But the key at the top should have a kind of evangelical fanaticism about what the strategy is. Unless you have this, you are not going to manage to convince people. For example, last year I called our plans ‘Going from Good to Great’. And we didn’t go from Good to Great, we got better. So I said ‘This is Good to Great’ part two. We could be back here next year doing part three or even part four. But one day we *will get there*, and I ain’t leaving here until we do.

I believe that all human beings are capable of change for the better. This may be an optimistic view. But I therefore start from the premise that it is better to work with people rather than change them. I find that the grass on the other side of the fence is not often greener.

When you are sorting out a business and getting the headcount right, yes, you have to cut to get it right. But some people would go in and say, ‘I can’t work with that General Manager’ and fire them and get another one. And then after 6 months you get another one. Personally I prefer to say ‘why is this not working? Let us look at it and actually help this person’. I find that you then get staff who are more loyal.

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However, this involves recognizing that the staff’s agendas may not be nicely aligned with the vision. HR strategy thus needs to drill down to agendas at the personal level. Lord Thurso went on to talk about the practicalities of achieving the necessary culture change – another key project – to shift old behaviour patterns radically:

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If I am honest with you I am only a small part of the way through. All the things, these wonderful things that managers do, that is all part of our game. But the guy at the bottom says ‘Sod you, I only have 40 hours to do my job’. What he is saying to you is, ‘if you want me to do this, give me a reason’.

And that guy at the bottom isn't going to say, 'wow, that guy at the top – he is a "zing", now I will suddenly smile at customers'. There has got to be something in it for him. And part of it is being controlled, led, cajoled, pushed into it. And a part of it is being rewarded, feeling nice, all of the rest of it. It is a huge culture change that virtually every company in this country needs to actually genuinely understand what a customer-orientated organization is. I have grave difficulty in thinking of a truly customer-orientated organization in the United Kingdom. I mean, there must be one somewhere.

The difficulty of achieving this in the UK context is highlighted by the authors' experience when visiting various Champneys sites over 1997–2002 to help benchmark HR service levels as part of this case study. They experienced:

- A rebuke for using a mobile telephone just to pull down messages (it was simply assumed that visitors would not use one)
- A treatments mix-up on timing (by the health farm), followed by being told that 'you have to pay anyway – you were late'
- A massage treatment inappropriately conducted.

Indeed, none of their visits had zero defects!

Again in 1997, Lord Thurso reflected on the need to take HR strategy a step at a time, recognizing that there would inevitably be a degree of incremental thinking and action at work:

You do have to have a strategy. You can fight battles without a strategy and have success, but it is a pretty haphazard thing. You have got to have a clear idea of where you are going, but equally you have to recognize that the achievement of the strategy will be a series of tactical steps.

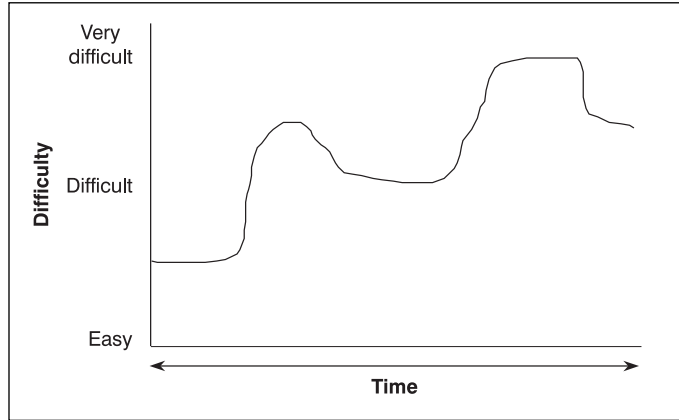
It is also necessary to look at how implementation difficulty changes over time. Initially Lord Thurso's turnaround project faced severe difficulties, but once the new structure was put in place and Lord Thurso's new vision for the organization had been unveiled, this difficulty was mitigated. Figure 8.7 gives us an illustrated view of this difficulty, over the period 1996–2000.

As time progressed this difficulty increased at certain periods as the organization found a new stability and sought to resist further changes. The difficulty was in turn reduced once Lord Thurso's programmes to improve customer service and to shift attitudes began to bite.

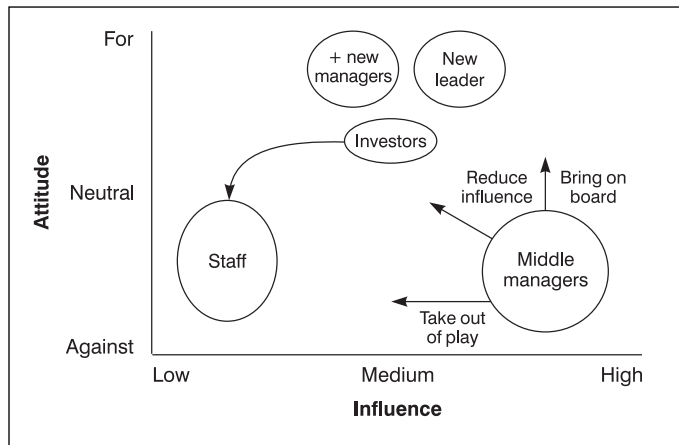
Looking now at the key stakeholders who had an influence on this strategic change, we see that:

- Before Lord Thurso unveiled his turnaround project, the balance of influence in the organization was against him (especially among the existing middle and senior managers)

**Figure 8.7**  
Champneys'  
difficulty-over-time  
curve



**Figure 8.8**  
Champneys'  
stakeholder  
analysis



- By introducing new stakeholders (including two new senior managers), exiting some old ones, and appealing directly to the staff, the balance of influence was reversed and moved in Lord Thurso's favour (see Figure 8.8).

Figure 8.8 shows an impressive turnaround in the balance of power within the organization – and again this was down to Lord Thurso's cunning plan.

To understand the influence patterns of these stakeholders, we must also bear in mind some additional factors:

- The agendas of stakeholders are not fixed but will change over time *vis-à-vis* the various HR strategy projects as new issues arise and as perceptions change within the organization.
- At any point in time agendas may be fluid and ambiguous, particularly at the start of the turnaround. Key stakeholders, particularly middle managers, *may not have any clear attitude at all*. Although they may have some case agendas (such as 'I want to hang onto my job'), these might



be very limited. And even here, core agendas might be conditional on Champneys being seen as a congenial atmosphere to work in, given its new leadership. Never assume therefore that the attitudes and underlying agendas of stakeholders are always givens.

- Individuals within one group will influence the agendas of others within the group. Through an informal network, opinion leaders will signal their approval or disapproval of particular actions.
- You may need to break down the project into a number of sub-projects, as stakeholder positions will vary according to what is being implemented. For instance, a stakeholder may approve of Lord Thurso's plans to renovate the buildings and of his plans to end the 'Health for Life' promotion, but be violently against running a smaller department.

Besides Lord Thurso's management of the key stakeholders, it is also worthwhile pausing to reflect for a moment on the impact of team roles and style – which has an impact on the extent to which a team can think and manage strategically.

Lord Thurso's own role came over very strongly as being that of coordinator (or 'Chairman'). He combined both plant and shaper characteristics in his visionary skills. He exuded personal charisma, and was able to carry a considerable number of stakeholders with him. His new General Manager appeared (in the TV programme) to be a shaper and completer–finisher. His new Finance Director appeared to be a very strong monitor–evaluator, and his existing Marketing Manager an implementer and team worker. So with even a small team base most of the roles appeared to be well covered, helping to provide a good behavioural base for future strategic thinking. (We will return to this in the case postscript, which is based on an interview with Lord Thurso in late 2000.)

## Summary of Champneys' strategic change projects

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Listing Champneys' strategic change projects according to the categories of 'strategic', 'operational' and 'organizational', they run as follows:

1. *Strategic projects – for a new strategy*
  - Business strategy
  - Marketing strategy, involving market research and brand strategy
  - Business case
  - Exit timesharing
2. *Operational and systems projects – for an effective resource base*
  - Sampling of services
  - Customer service improvement
  - Premises upgrade
  - Management process simplification
  - Management reporting
  - Customer database enhancement

3. *Organizational projects – for a responsive organization*

- Management re-structuring
- Management recruitment
- Maintaining staff morale
- Culture change
- Communication plan
- Organizational skills diagnosis.

These are inextricably linked in showing the need to manage HR strategy in effect as an ‘organization and people strategy’.

The strategic programmes described above also gain in attractiveness through being part of a set of aligned and mutually supportive projects that together (and not separately) add economic value (the ‘strategic project set’). They also gain through reduced implementation difficulty.

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### Key lessons

In summary, the key lessons on managing strategic change, and especially those that impact on people and behaviour specifically, are as follows:

- Stakeholder analysis is absolutely central to managing the various strategic HR projects effectively. Accordingly, sufficient strategic thinking time should be devoted to analysing the current and potentially future positions of stakeholders and their driving agendas.
- Leadership is crucial in a situation where stakeholders are likely actively to resist implementation efforts. This leadership requires a degree of evangelical enthusiasm, a great practical tenacity in implementing that vision, and a continual openness to the environment of strategic change through strategic thinking.
- Achieving headway depends on building a sufficient ‘stakeholder platform’ to leverage off. This involved (at Champneys) the key appointments of a new Finance Director and Property Manager, and winning over Champneys’ front-line staff.
- The difficulty-over-time of a strategic change or particular strategic project will vary over time. The shifts in difficulty need to be anticipated and managed rather than just coped with, which requires strategic thinking in order to sense the future.
- There are invariably more options that can be addressed through strategic thinking than most managers normally think about.

Champneys’ excellence in skills across a variety of treatments and customer services invites us to think about how, based on its competencies, it could develop the most ‘natural’ strategies. This follows on from the thinking (see Chapter 2) that organizational diagnosis can actually help to create new competitive strategies, rather than *vice versa*. However, we will next take a

look at competitive strategy options, and then at organization/HR strategy options.

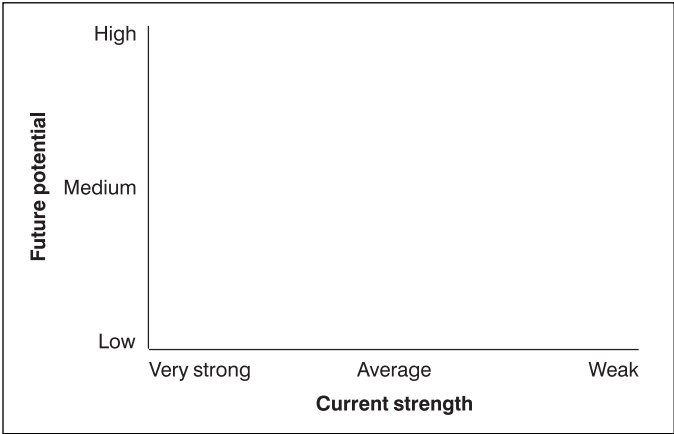
### Natural options for competitive strategy

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A considerable range of options has been suggested over the years by managers regarding what Champneys might have done (or might still do). These have included:

1. *Market sectors/segments*
  - The corporate market
  - The younger market
  - Professionals, generally
  - The 'mass' market (but not necessarily downmarket)
2. *Geography*
  - The US tourist market
  - The Middle-Eastern market
  - Continental Europe
  - Via franchise (on cruise liners)
3. *Customers*
  - The 'pamper yourself' customer
  - The stressed-out person
  - The exploratory, alternative treatments type
  - The health fanatic
  - Men (in their own right)
4. *Value creation*
  - More focus on guiding customers through treatments
  - Aftercare between visits, as part of a continual 'better life' process (e.g. through help-lines, home visits)
  - More focus on stress and lifestyle
  - Change of use to, for example, a management centre; an upmarket retreat; therapy for worn out rich people (including pop stars and football stars); the corporate market; younger, single professionals (and couples); US market (and tourism to the UK)
5. *Value delivery*
  - Franchising
  - Smaller Champneys centres (actually now implemented)
6. *Alliances*
  - With a food company, to market the Champneys brand (Champneys food is outstanding)
  - With a restaurant company (who might deliver food to Champneys' recipes)
  - With a cruise line or other upmarket leisure providers
7. *Acquisitions*
  - To acquire and develop a second site with a different catchment area (for example, in the North of England or in Scotland).

**Figure 8.9**  
Management  
strength versus  
potential (original  
grid by General  
Electric)



Options \ Criteria	Sell now	Sell 3 years	Up market	Extend segments
Strategic attractiveness	✓ ✓	✓ ✓	✓ 1/2	✓ ✓ ✓
Financial attractiveness	✓	✓ ✓ ✓	✓ 1/2	✓ ✓ ✓
Implementation difficulty	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
Uncertainty and risk	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ 1/2
Stakeholder acceptability	✓ 1/2	✓ ✓	✓ ✓ ✓	✓ 1/2
Score	10 1/2	13	12	11

**Figure 8.10**  
Champneys strategic option grid – competitive strategy

Figure 8.9 looks at some of these options on a notional capability grid. Here the vertical axis looks at *future* capability (to do a strategy naturally well), based on cunning skills-acquisition and judgement plans. The horizontal axis looks at *current* capability to do a strategy naturally really well. Again, this uses HR strategy to help to generate, screen and improve competitive strategy (rather than the other way around).

Interestingly, the most common ‘option’ the majority of students come up with is ‘to make Champneys more exclusive and to re-market it to its core

market', which is actually the option that Lord Thurso adopted (see Figure 8.10 for a completed, strategic option grid).

Most groups underestimate the cost of this strategy (Champneys invested around £6.75 million), and fail to think through the possibility of Champneys coming under greater competitive pressure. Also, Champneys' traditional positioning might (some day) not quite fit with customer demand. Perhaps Champneys might now consider a strategy that involves building new capabilities rather than focusing on existing strategies and national capability.

Some lines of enquiry may open up then peter out. For instance, in 2000 Lord Thurso reflected:

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For example, we looked at opening restaurants. Now I am not saying that we won't open restaurants, but I have put it to one side for a while. We happen to produce stunningly good food.

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Here we can perhaps only realistically consider these options on the basis of a more effective and visionary management team being in place, for example with acquisition/other skills. (So here HR strategy can enable competitive strategy).

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I have had conversations with a supermarket chain, but at the end of the day ... if you go to Birds Eye, for example, or Nestlé ... they very quickly say 'actually, we can invent a brand and in the short term your name, Champneys, won't help us'. It is an area which remains of interest to me.

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However, unless a strategy fits in naturally with the agendas, mind-set and 'strategic recipes' of the Chief Executive, it will probably not be pursued with tenacity. ('Strategic recipes' are the conscious and unconscious rules of what things 'work' or 'don't work' strategically within the mind of the Chief Executive and his management team. When a CEO appointment is made (as part of HR strategy), you are effectively committing to these recipes, and to a probably course of strategic action.)

The range of options that can be generated for Champneys underlines the need to think much more broadly about 'options', through strategic thinking, than is conventionally done. Each of these options can then be mixed with others through a mix-and-match process – for example, Champneys could hold alternative treatment sessions for professional, stressed-out people (with their partners) on one-day visits, delivered through an alliance with an upmarket hotel group.

## Organization/HR strategy options

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When doing the exercise on organizational strategy, no one has ever wanted to keep the organization much as it was. Invariably managers go for *at least* halving current numbers, and some take it down as far as six or even less.

Whilst Champneys delivers very high levels of service in comparison with other organizations, its value-creating activities are, if broken down, not unduly complex. Furthermore, apart from IT there is currently a relatively limited technology base to manage and develop.

The main roles that are often identified are:

- Managing Director, to provide leadership, strategic thinking and challenge
- A General Manager, to deliver day-to-day excellent service
- A Financial and Commercial Director
- A Marketing and Sales Manager, perhaps reporting to the Financial and Commercial Director
- An HR Manager.

Breaking this down into sub-options:

- The Finance Director might have been supplied for the first 9 months on a loan basis, to help sort Champneys out. Once Champneys became steady-state, a Financial Manager could suffice.
- The HR Manager's role might be part-time, subsumed into that of the General Manager and supported with some outside HR consultancy.

It would be crucial that the Financial and Commercial Director or the Marketing and Sales Manager had the competencies to develop the sales database.

Here we see conventional structure semi-dissolving into fluid, strategic projects, rather than making the assumption that for every value-creating activity there must be a role, that there must therefore be an incremental person, and that therefore there must be a cost.

Figure 8.11 gives some worked examples using the strategic option grid. Interestingly, minor versus major downsizing have the same scores – so you then have to stand back and say, ‘what are the most important/least important criteria in this case?’ Arguably these should (here) be ‘strategic’ and ‘financial’ attractiveness, making the major downsizing most attractive.

Once again, we would make the point that if future competencies were to be acquired, this would open up new options for competitive strategy –

### **Exercise: reflections on the Champneys' case**

1. What parallels are there (if any) between Champneys' organization and your own in terms of HR strategy issues (for example, in its strategic drift, its internal rigidities, and its focus on the internal environment over and above the outside world)?
2. What parallels are there between Champneys' strategic change process and the way change is managed in your own area?
3. Using the strategic option grid, either on your competitive strategy or for a variety of structure options, what does this tell you?

**Figure 8.11**  
Champneys'  
strategic option  
grid –  
organizational  
strategy

Options Criteria	Minor downsizing	Major downsizing
Strategic attractiveness	✓ ✓	✓ ✓ ✓
Financial attractiveness	✓ ✓	✓ ✓ ✓
Implementation difficulty	✓ ✓	✓
Uncertainty and risk	✓ ✓	✓ ✓
Stakeholder acceptability	✓ ✓	✓
Score	10	10

meaning that HR strategy can actually *create* competitive strategy, rather than *vice versa*.

## Case conclusion

The Champneys case study gives us a fascinating real-time account of how HR strategy is integral with culture and strategic change. It also highlights that there may be many options that can be created, even in an apparently tightly constrained situation. These options can then be manipulated by 'mix and match' to evolve even better, and potentially cunning, combination strategies.

The study also highlights the equal importance of thinking through cunning options for implementation.

Finally, the Champneys case underlined the need to create a joint sense of personal and business need to do strategic thinking. Lord Thurso's final reflection was:

There are very, very few people who just do that [think strategically] with no pressure at all. If you are comfortable, well paid, good job, and good prospects on the horizon, where the company's making money, unless someone says growth is necessary then you won't think about it.

*Case postscript*

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In 2001 Lord Thurso became a full time Member of Parliament, and opted to leave Champneys (with much sadness) to pursue a political career. The then Non-Executive Chairman of Champneys (since 1995) slipped into his role. In August 2002 the consortium that owned Champneys sold the business to the middle-market Purdew Health Farm Group, which owns Henlow Grange and Forest Mere – with a turnover of £45 million.

## CONCLUSION

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Key points from this chapter include the following:

- Culture change can be valued economically, but by focusing on critical breakthrough incidents, sustainable changes and emergent changes.
- Culture change can also be costly and distracting, destroying shareholder value.
- Strategic change often demands a complex set of external and internal breakthroughs – all of which need to be skilfully prioritised.
- Its value is inevitably part of a set alongside other interrelated initiatives.
- Fishbone analysis helps to diagnose the current situation very quickly and easily. This needs to be accompanied by active contact with customers, managers and staff in order to gain a clearer sense of what has gone wrong, and why.
- It will have more value if it appeals to the positive agendas that exist in the organization.
- Whilst there were a considerable number of strategic options for Champneys, it was probably even more important to apply strategic thinking to the implementation process than it was to identify the ‘perfect strategy’ (assuming of course that such a thing actually exists).
- The strategic option grid is a particularly useful method for evaluating difficult dilemmas over future structure.
- Organizational structure issues are perhaps best addressed through the idea of determining ‘what do we really, really want?’ rather than making incremental changes.
- It is imperative to have an overarching vision to guide strategic thinking about the implementation process.
- Strategic thoughts need (at some stage) to find a home in specific strategic projects.
- Strategic thinking needs to focus very much on finding the optimal communication plan (and style) for the strategy.
- Champneys could potentially have gone for a wider set of strategic options. Usually there are many possibilities, which need to be stored up as latent strategies for the future.
- Stakeholder agendas need skilful sensing through strategic thinking.