

John Deffenbaugh blog – Magic Moment

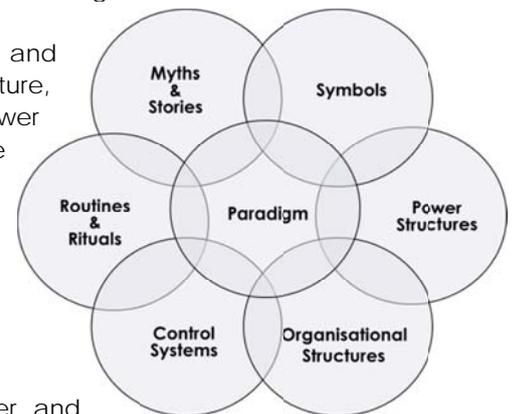
Libor has been out of the news recently. Libor stands for London Interbank Offered Rate. Barclays was fined £290m for rigging Libor. When the RBS fine is announced, the pundits will no doubt comment on how much the public as shareholders will be paying.

The point about Libor is not what it does, but rather the credibility behind it. Or not. It's about 'the way things are done around here', the **culture** of the banks that operate Libor. And the way things are done around the banks appears not to be what we as both customers and shareholders (through our pension funds) expect.

When I walked along the road many years ago with a dollar cheque in my hand, I had a choice of three banks at the corner: Clydesdale, Bank of Scotland and Royal Bank of Scotland. Clydesdale didn't have much of a ring to it, so the choice was between the other two. Of these, one was just a plain old Bank, but the other was a Royal one. Guess which I went for. RBS is now is pretty far removed from the branch that my manager Mr Gracie ran those years ago, when he could authorise my bridging loan over the phone.

We've only seen the tip of the iceberg around Libor. The same could be said for Francis. There are two business models that Top Leaders can use to chart their way through the changes ahead.

First is the **culture web**. This was developed by Gerry Johnson, and comprises a number of elements that make up an organisation's culture, as illustrated opposite. Some of these elements are 'hard', eg power structures, organisational structures, control systems, while others are 'softer', eg routines and rituals, myths and stories, symbols. Collectively they comprise the organisation **paradigm**, the set of beliefs and assumptions through which we interpret the world around us and our new experiences.



To understand your organisation's culture, ask yourself questions like:

- To what extent does your structure really devolve power and support risk taking?
- How do you react when things go wrong, or right?
- What is your approach to controlling performance and monitoring results?
- How do you communicate your leadership and what you are seeking to achieve?
- What symbols represent what you stand for?

Think about the London 2012 volunteers, the Games Makers. They really did make the games. The culture we all experienced was of a service culture that was a paradigm shift from what we often experience in the UK. Ok, they started with a blank sheet of paper, so the culture could be moulded from the start. It's much more difficult to change one, but not impossible. This is the challenge that Barclays, RBS and other banks will have. It's the challenge that Top Leaders will have post-Francis.

Second, therefore, is the **Tipping Point**. This draws on Malcolm Gladwell's work and his book of the same name (there is also the work of Kim and Mauborgne on what they call 'tipping point leadership'). Gladwell describes the tipping point as "**That magic moment when an idea, trend or social behaviour crosses a threshold, tips and spreads like wildfire**". The tipping point in Iraq came in 2007 when insurgent attacks began to reduce. The 'surge' in troop numbers is credited with playing a part, along with other factors like buying off tribal elders, progressing elections, making political commitment and the like. No two situations are the same. In Libya it came with the no fly zone. We have yet to see it in Syria; it may well be when Russia and China look over the horizon.

Many suspect that Libor is the tipping point for banking – to change the culture of service, pay, performance, accountability. Of course there will be many other factors that contribute to it, but the Bob Diamonds of this world appear to have had their day in the sun.

As a Top Leader, what do you make of the impact of Francis? Many observers believe that it will represent the tipping point for the NHS, but we'll now have to wait til January to find out. We can also reel off many other factors that will play into this, but rather than beating themselves up post-Francis, maybe Top Leaders should embrace it as a 'magic moment'.

John Deffenbaugh

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