

## Introduction

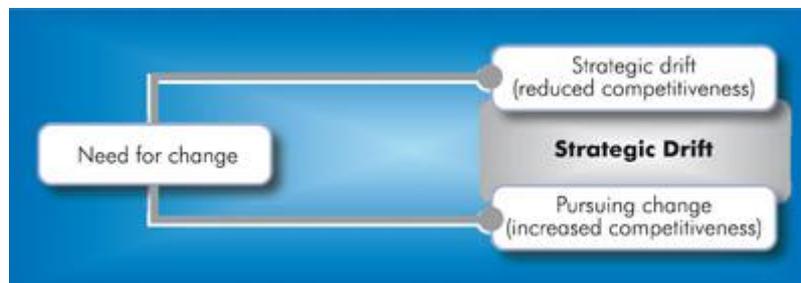
With the changing expectations of customers, organisations constantly need to adapt to remain competitive. When faced with such pressures for change, managers may look for situations which are familiar to them. This may involve improving the ways in which they operate, but only little by little. This is called incremental change. The danger is that improving little by little might not be enough. They need to adapt to all of the bigger changes in the environment of that business as well. If they don't, what happens is strategic drift.



## Strategic drift

When an organisation experiences strategic drift, it does not make strong and radical decisions to deal adequately with all of the changes in its business environment. To avoid strategic drift, managers within organisations have to embrace change fully. This means building a responsive organisation.

## AEGON UK



This case study focuses upon AEGON in the UK, part of the AEGON Group, one of the world's largest life insurance and pensions companies. AEGON owns pensions, life insurance, asset management and adviser businesses in the UK. The case study illustrates the success that embracing and pursuing change has brought to AEGON in the UK. It is helping AEGON move towards its goal of becoming 'the best long-term savings and protection business within the UK'.

The AEGON Group has 27,000 employees and over 25 million customers worldwide. Its major markets are in the USA and Netherlands. Since 1994, the UK has become another major and increasingly important market. In 1994 AEGON bought a large stake in Scottish Equitable. Scottish Equitable was a strong brand with a heritage that went back to the 1830s. Since then AEGON's UK business has grown both organically and by acquiring other businesses.

As most of the acquired companies kept their existing identities, awareness of AEGON in the UK remained relatively low. AEGON realised that such low levels of awareness could impact on its ability to achieve its ambitions. Therefore, it needed to combine the global strength of its parent with the experience and reputation of the domestic company brands, like Scottish Equitable, that made up AEGON in the UK.

## External factors influencing change



One of the main challenges for decision-makers is to understand the environment in which they are operating. They can then identify key issues which they need to respond to. Understanding these key issues improves decision-taking and reduces uncertainty. Few industries have experienced as many changes in their external environment in recent years as financial services.

Thinking ahead and saving for retirement is a concept that is sometimes difficult for people to understand. In the UK, life expectancy has risen in recent years so people can expect to be retired for longer. In many instances, individuals have not planned properly for retirement and there

may be a shortfall in the amount of money available. There is also a drive by the government to reduce dependency on the State in old age. Added to this many companies have introduced new, less expensive pension schemes or insisted on employee pension contributions where they did not in the past. These factors mean people have to make decisions to invest properly at an earlier stage of their working lives. Investing in the future helps people to prepare in advance for old age. The benefits of such an investment are only realised years later.

## **The industry**

The life insurance and pensions industry, in which AEGON operates, has had a poor reputation in recent years. Some organisations have been accused of 'mis-selling' by not providing consumers with the best product for their needs. To prevent similar situations arising in the future, the Financial Services Authority (FSA) has put significant amounts of regulation on the industry.

Financial services products are often difficult to understand. People do not always feel equipped to choose between the range of financial products and services and are not sure where to seek support and advice. In addition, falling values on the Stock Exchange have affected the investment return on some products, such as mortgage endowments. For some people this means that the product they bought has not delivered the financial return they expected. All this has created uncertainty in the financial services industry.

The industry has also been characterised by intense competition. AEGON is in competition with organisations which sell directly to consumers and which are better known in the UK. AEGON distributes its products and services to customers mainly through financial advisers. AEGON, as a reputable company, has had to address and overcome these industry-wide problems to remain competitive.

## **Reasons for change**

AEGON had historically been successful but government-imposed price controls had reduced profitability. Compared to its competitors, AEGON was not well known by consumers. It had developed good products and services and had a good reputation with distributors, particularly in the area of pensions which were a key strength of Scottish Equitable. However, it was not as well recognised in areas other than pensions. Often these other areas, such as offshore investment products, were more profitable. If consumers are to invest in a product long term, they need to know more about the organisation they are dealing with. They need to recognise the brand and understand more about the brand values that it represents. As AEGON traded under a number of brand names it was not always easy for financial advisers and consumers to recognise the breadth and depth of the company in the UK.



## **How to move forward?**

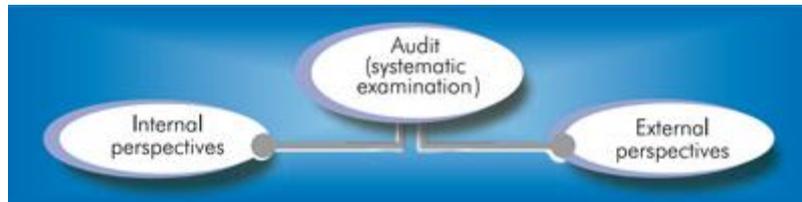
With a new Chief Executive (CEO) in place, AEGON underwent a discovery phase. The purpose of this was to find out what it had to do to meet the CEO's goal. This goal was to build 'the best long-term savings and protection business in the UK'. This time of discovery focused on three key questions:

1. What do we stand for in the UK?
2. What do we want to stand for in the UK?
3. What should we be doing about it?

## **Brand audit**

To answer these questions AEGON undertook a brand audit. This audit looked at two aspects:

- the company internally
- how the organisation was positioned externally.



The purpose of the audit was to find out more information about the organisation. This helped AEGON to provide a more informed approach to the decisions that were needed to start the process of change. The audit showed that AEGON was solidly placed within the market. Its staff were known for their considerable expertise, innovation and clarity of communication. The external audit also helped to discover where AEGON was positioned in relation to its competitors. People who were aware of AEGON saw it as being a refreshing and different organisation. However, there was evidence that people were confused about the breadth of what AEGON did because it traded under a number of different company brands.

### Creating a new culture is a key part of the change process

Culture refers to the personality and attitude of an organisation. It also includes the shared beliefs, values and behaviour of the employees. These determine the ways in which the organisation and its people make decisions and solve problems. The goal of AEGON's CEO helped to provide a vision for change. Financial objectives were important as the path for future developments depended upon these. It was also important to create more clarity about who AEGON was. With limited awareness of AEGON in the UK, it was important to explain what it had to offer, how big the organisation was within the UK and how strong it was globally. At the heart of this strategy was the need to:



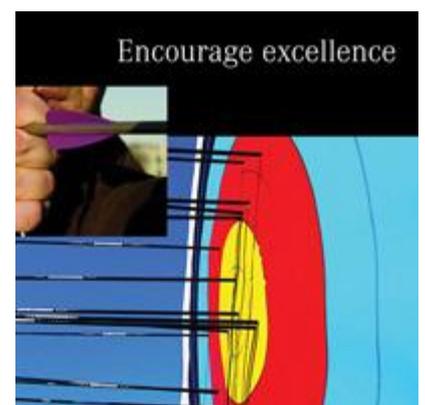
- a) simplify financial services and provide more customer focus. It was important that consumers understood more precisely what they were buying, as well as the benefits and services they received
- b) develop the workforce. The objective was to develop the skills needed within the business to help it change. AEGON also created opportunities for progression from one job to another in a way that provided individuals with a coherent career path.
- c) create a more distinct presence within the marketplace. This involved refreshing the AEGON brand in a way that made it more distinctive from its competitors and more attractive to customers.

### A behaviour framework

In order to help embed this culture, AEGON developed a behaviour framework to support its brand values. This was designed to influence how people at all levels within the organisation could work and make decisions. These behaviours emphasise the values of the organisation. They have helped to build AEGON's culture and have also influenced its performance. AEGON also introduced a Management Development Programme, supported by a leading Management College.

The eight behaviours are:

- Think customer
- Embrace change
- Encourage excellence
- Act with integrity
- Decisive action
- Work together
- Learn and grow
- Relate and communicate.



'Think customer' is about 'ensuring that the customer's needs are at the heart of our business, informing actions, decisions and behaviours'. For senior managers this means keeping the customer's experience at

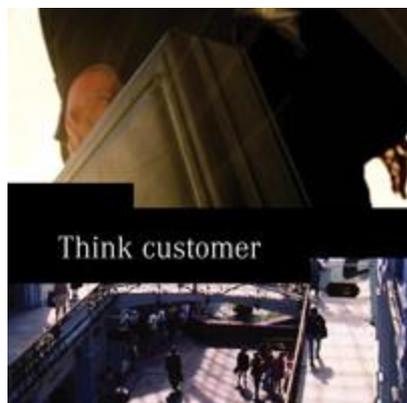
the heart of what AEGON does. Other managers and professionals are encouraged to *'innovate with your customers in mind'*. All staff are encouraged to keep to commitments made to customers by doing *'what you say you will, when you say you will'*.

## Implementing the change

Before the change consumers were confused about who AEGON was, what it did and how it fitted together. The audit had shown that global scale was important but so was local expertise. In the past, the AEGON brand had not been heavily promoted alongside Scottish Equitable or the other brands that it traded under. The brand strategy helped to reposition the brand within the industry. Now the association with AEGON is much stronger. For example, Scottish Equitable is now AEGON Scottish Equitable - reflecting both local knowledge and global power. All the brands now carry a new common look which is refreshing and different. This, along with the values and behaviours, is helping to make the brand 'refreshingly different'.



## Impacts of the change



The changes affected the organisation both internally and externally. Within the organisation, they influenced not only how people behaved but also how they communicated. The organisation has become more focused on the customer. The emphasis is on making information clearer for the customer to understand and the company easier to do business with. To help embed the values and behaviours, AEGON established a new relationship with Shirley Robertson, the famous yachtswoman and the only British female athlete to have won gold medals at consecutive Olympic Games. By associating AEGON with an individual who embodies similar values, it was able to bring the values and behaviours to life for staff. However, AEGON had to develop the brand and its reputation. It did

this in a number of ways:

- External promotional campaigns emphasised the relationship between Scottish Equitable and AEGON. This helped to reinforce the local knowledge and the global power of AEGON in the UK.
- The CEO talked to the media about the need for change. The refreshing of the brand internally and externally resulted in strong positive feedback.
- AEGON has launched new and innovative products. For example, the 5 for Life annuity has helped to change the way in which consumers can look at their retirement income. It provides more certainty about levels of income for the consumer, with AEGON providing the levels of return promised and being responsible for any risks associated with doing so.

Today the AEGON brand has a position from which it is influencing the financial services industry. It has posted record results with significant growth in underlying earnings. It has also increased its new business across a mix of profitable products and services, reflecting its continued strength.

## Conclusion

Change is continuous. The process of change is a journey. External factors will always be there to influence business organisations. AEGON responded to these factors by simplifying, clarifying and strengthening its brand in the UK. As organisations change, their patterns of behaviour and business culture develop. For AEGON, this is a cycle in which the business uses its knowledge to learn from its experiences. This has helped AEGON as an organisation to move positively towards achieving its full potential and to remain competitive in an increasingly difficult market.

