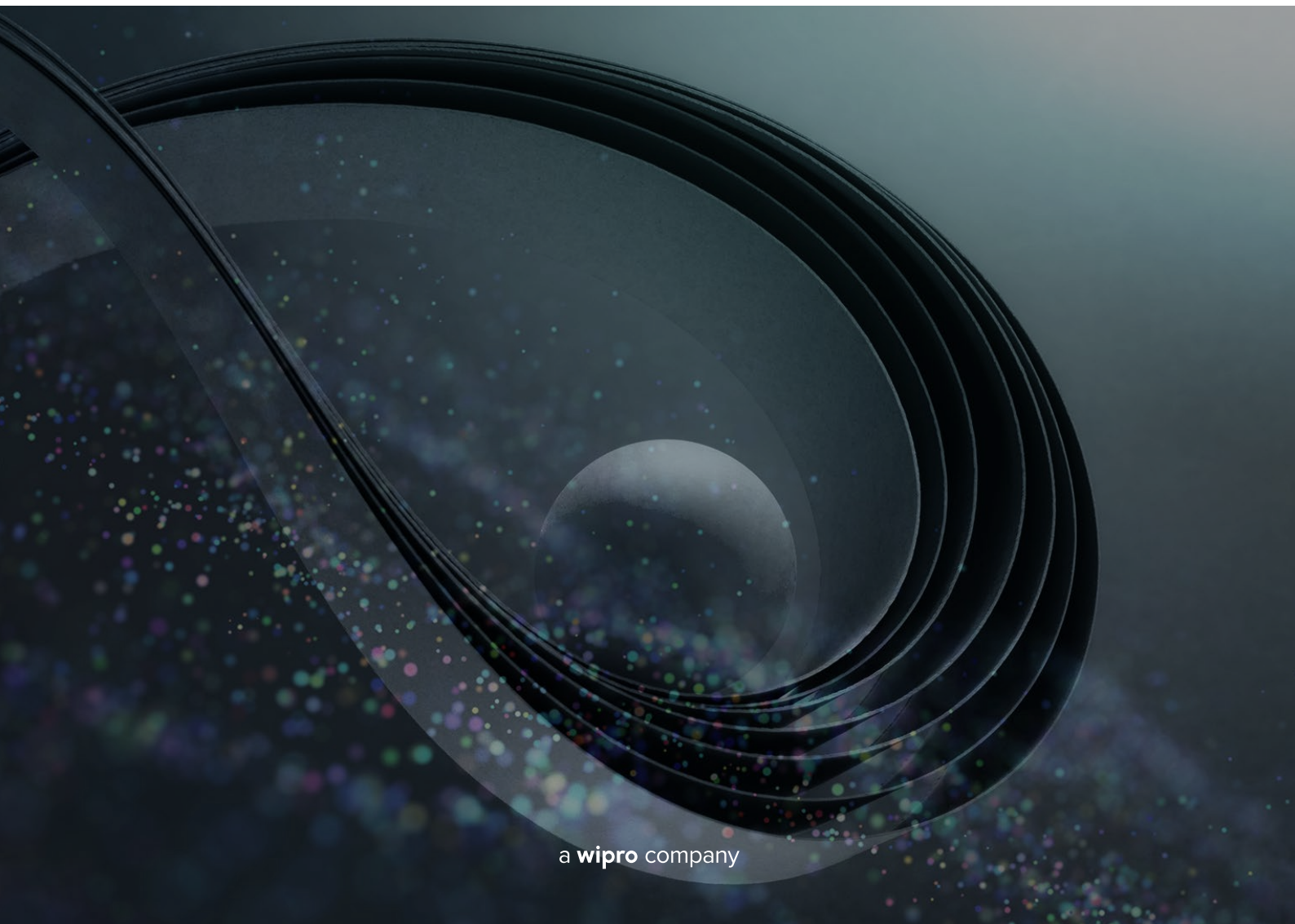


CAPCO

BEHAVIOURAL SCIENCE & BUSINESS TRANSFORMATION

PUTTING PEOPLE AT THE HEART OF SUCCESSFUL CHANGE



a wipro company

INTRODUCTION

Changing the way we work is not easy. Subconsciously, we prefer to maintain the status quo because novelty can feel like a risk or an unnecessary time investment. However, a better understanding of Behavioural Science can help make change transformations more palatable and successful.

As a multidisciplinary science that leverages Neuroscience, Psychology, Economics and Sociology concepts, Behavioural Science explores how and why people make the decisions that lead them to act in a certain way.

When delivering change transformations for our clients, we have identified three main types of challenge to overcome – namely, methodology, tooling and people. On their own, traditional ‘methodologies or tooling solutions’ will not suffice in addressing the root causes underpinning people related challenges such as lack of purpose or motivation, a silo mentality, or fear of change.

Behavioural Science offers ‘people solutions’ that can improve enterprise performance and employee wellbeing. To achieve such improvements, change transformation initiatives should not only focus on new delivery methodologies and technologies, but also adopt a mindset that aligns to the organisation’s values and vision. These might include customer focus, empathy, collaboration, innovation, knowledge, and continuous improvement.

This mindset, and the behaviours that spin off it, should be embedded quickly and permanently into an organisation’s DNA. To do this, it is essential to anticipate change barriers and identify employees’ ‘motivation levers’. This is where Behavioural Science can leverage neurocognitive and affective mechanisms that drive human behaviour.

These Behavioural Science applications empower us to approach change management not as a methodology but rather as an adaptive process that encompasses emotional management and continuous learning.

Below are six lessons we have learned from our experiences applying Behavioural Science to overcome challenges in change transformation in the financial services sector. They are grouped within four change levers: purpose, motivation, training, and leadership.

A. PURPOSE

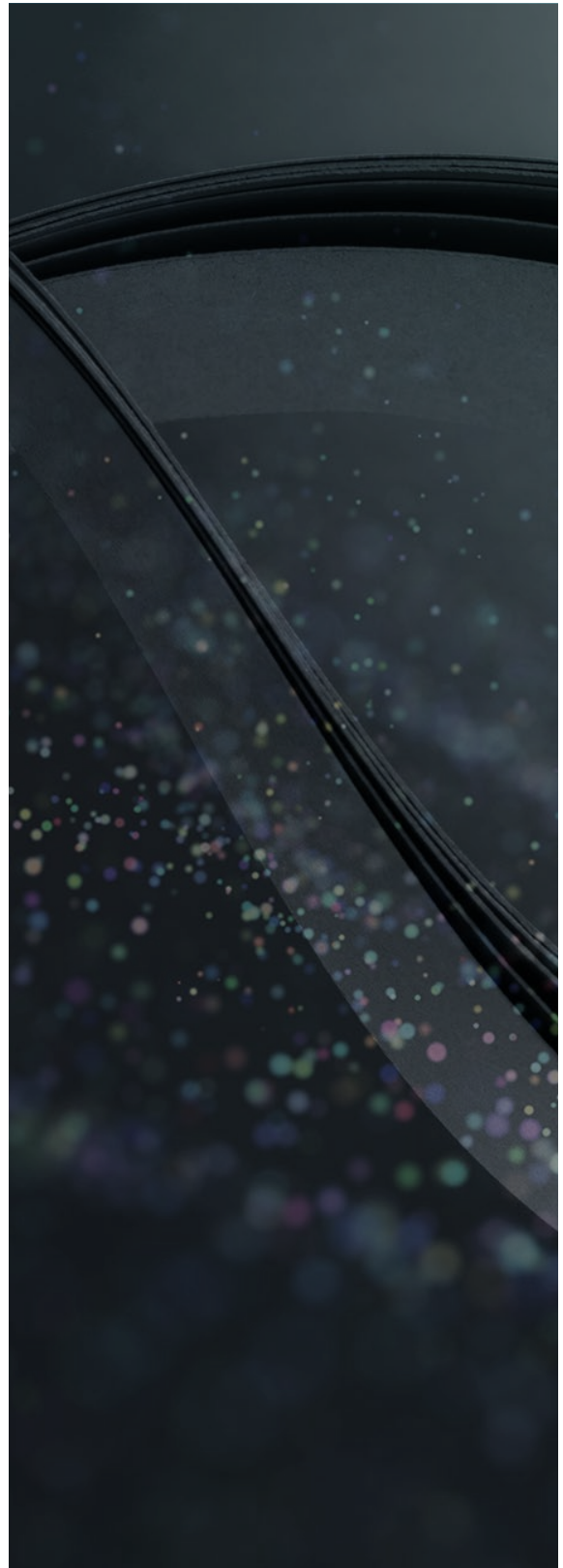
Lesson #1: Communicate the vision of why transformation is necessary to instil a sense of purpose

Humans strive for purpose as it represents one of the key elements of happiness. Humans need to understand the ‘why?’ to motivate them to move forward. To drive change, we need to understand where we are going and be inspired by the target destination. If the promised future is not appealing, it won’t inspire change. To accomplish this, change initiatives should clearly state the benefits that they will deliver. Therefore, change programme goals should aim to successfully deliver the desired vision. For example, improve customer interface, reduce employee attrition, reduce time to market. This creates a positive work environment, a sense of common purpose and clarity. Additionally, the vision needs to be realistic if it is to be credible – employees will be more convinced to engage with a transformation programme if they believe it will deliver what it is promised.

Lesson #2: Embed psychological safety to create a virtuous cycle to enhance risk management

It is essential to establish psychological safety at work when implementing change transformations. When challenging the status quo, our brain will either engage or disengage based on whether the environment is nurturing (psychologically safe) or threatening (psychologically dangerous). The former will yield purpose and engagement, allowing change to thrive. The second provokes disengagement and a barrier to change.

To create a safe environment, employees must feel reassured, listened to, and able to speak up without fear of repercussions. This creates a virtuous cycle where they feel empowered to make decisions, collaborate, learn from mistakes, and actively innovate. Trust is a key enabler and flows from leaders listening and addressing their employees’ concerns promptly. Additionally, a positive work environment encourages reflection, autonomy, and creativity. This positive dynamic allows early and effective escalation of risks and issues and hence increases the likelihood of a timely resolution/mitigation. Additionally, engaged employees report reduced operational and conduct risks, continuous improvement of controls and therefore reduced costs to the organisation.



B. MOTIVATION

Lesson #3: Address cognitive biases via behavioural nudges to reduce the perception of risk

To adapt current ways of working to new organisational structures, roles, processes, or tools, we need to anchor them to new behaviours. Even if change is desired, people tend to prefer things to stay the same or to evolve as little as possible. This is due to status quo bias, a cognitive bias which causes us to see change initially as a risk or potential loss.

Our brain can overcome such bias when change is presented as a novelty and approached with curiosity. Nudging and gamification can be used to instil such motivation, and should be embedded into the implementation to positively influence cognitive biases and help employees transition more easily from intention into action. Additionally, this will bridge the gap between the perceived risk and the actual risk. When the perceived risk is higher than the actual risk, bridging this gap will motivate employees to embrace change.

Lesson #4: Praise the right behaviours to reinforce and sustain those traits among employees

Neuroscience defines motivation as the delivery of a desired reward which stimulates certain behaviours. Neurons emit more dopamine when a reward is expected, and less when the stimulus predicts no rewards. Humans have evolved over centuries to prioritise instant gratification. Therefore, to motivate employees at work, communicating just the long-term benefits of a change initiative won't drive motivation now.

Instead, setting clear short-term objectives and regularly giving positive feedback provides more instant gratification and hence motivation for employees. Positive social feedback combines verbal and non-verbal signals. Both can be equally motivating, and hence a key consideration in the context of remote or hybrid working.

C. TRAINING

Lesson #5: Practice makes perfect – a one-off theoretical training won't embed key knowledge

Regularly repeating key tasks is as important as attention and mental effort when it comes to retaining and retrieving knowledge. Until knowledge is applied, it only resides temporarily in our memory. The repeated application of acquired knowledge will strengthen the neural connections and allow the new behaviours to be stored permanently

in the long-term memory. Only then can the new ways of working become 'automatic' (unconscious competence).

To integrate a new routine, some studies suggest our brain needs 21 days of practice and repetition. Encouraging immediate implementation and guiding employees in the deployment of new ways of working over this period allows new behaviours to be anchored in our long-term memory and become second nature.

D. LEADERSHIP

Lesson #6: Leaders need to model the change to help others visualise the future

Sometimes resistance to change is triggered by a perceived lack of clarity. Employees can't visualize the new path ahead, so it falls to leaders or other role models to show them the way. Neuroscience explains how our brains respond to this scenario. When we observe someone doing something, our brain activates 'mirror neurons'. These cells generate an emotional response that – when positively solicited

– prompt a desire to change. For example, a smiling or enthusiastic personality who embodies a new behaviour will unconsciously inspire the individuals around him/her and replicate this state.

Leaders, managers and change ambassadors must act as guides who facilitate and embody change, adopting the required behaviours – collaborate, listen, speak up, innovate, nurture, support, challenge – and visibly champion them. This will be key to develop, transition, and maintain support for the transformation across the entire organization.

CONCLUSION

Applying Behavioural Science to change transformations allows us to understand our brain's cognitive processing of new information, bringing a new perspective to change management, allowing companies to optimise employee engagement, performance and wellbeing for the duration of the firm's collective journey.

At Capco we enable holistic optimisation of change transformations by providing people solutions in addition to proven methodology and tooling solutions. We prioritise people by putting them at the front and centre of how we design, implement, and embed transformations. We use Behavioural Science to understand the change barriers and drivers that lead people to act in a certain way to enhance delivery and reduce risk. We can help co-design your firm's end to end holistic optimisation strategy. To learn more, please contact us.

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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