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**UBS: A 'real world' example  
of Mach 1 and Mach 2  
delivering individual and  
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Having looked at the journey through **Mach 1** to **Mach 2** for both individual leaders and organisations, now is a good time to pull all of this together to see what happened when a real organisation in the real world went on that journey. Before that it's worth explaining why case studies can bring real value. People often dismiss case studies as being irrelevant to them, saying things like:

1. I work in a different sector or type of business
2. The case is in the past not the present
3. The problems we have aren't exactly the same as I have
4. After this happened longer term things went wrong
5. I'm not at strategic leadership level so I can't use any of this.

In reality, case studies have relevance to everyone in some way, shape or form, and so they have significant value. Why? Because organisations are organisations, they have to deliver certain outcomes with limited resources and they use people to deliver products or services to other people. In this respect there is always the potential for any case study, if you have an open mind, to give you ideas that may be of value to yourself or your organisation.

If the case study is from a different sector from your own organisation, the specific implementation of actions may not be possible, but the core principles are still valid. The fact that it's in the past is a fact – all case studies are in the past – but organisations and people still tend to respond in the same way to certain actions.

Many people see symptoms of problems in their organisations and identify those as the problems, but miss the underlying cause. In a very many cases the underlying problem is the fact that leadership is not as good as it should be, and the impact of this is reflected widely around the organisation.

Case studies reflect changes over a period in time, that performance improved, and that this route to success is still valid. For example, Kodak was a leading edge and inspiring organisation in many ways. The fact that it subsequently became inflexible and had financial problems doesn't detract from the excellence of some of their earlier activities.

No matter where you are in the organisation you can always learn from the experience of others – that's why having a mentor is so good – and case studies let you see the successes and failures of others so that you can learn from them without having to go through the experience, and in the case of failure, the pain. In every case study you are likely to find something that is both relevant and transferable.

This case study is based on UBS, the global bank, from 2002 to 2006. It reflects how success can be delivered in a very wide set of environments. Within UBS were and are a number of very different businesses that have both transactional, that is price-based, and relationship-based interactions with customers. The centres of the businesses operate in US, Europe and Asia, and the different businesses have both customer facing and support function staff across the globe. Thus under the umbrella of UBS are a wide range of different experiences, cultures, perspectives and organisational imperatives that reflect many varied working situations. This is similar to many global organisations.

## UBS BACKGROUND

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Key points (as at 31/12/2004)

1. 67,424 employees
2. International bank with offices in over 50 countries
3. Main hubs in New York, London, Zurich, Asia
4. Five different business divisions, four of them global
5. Each division with several sub-divisions doing very varied work
6. Transactional and relationship-based business models and cultures.

## UBS CASE STUDY

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### Aligning a complex global organisation to a new strategy and culture to deliver world-class customer service using Mach 1 and Mach 2 leadership

Irrespective of the problems in the financial services sector from 2008, the ability to improve the performance of people via leadership in UBS between 2002 and 2006 has proven the value of good leadership activity to organisational performance and bottom line benefits.

UBS was created from a series of global mergers and acquisitions in the late 1990s and early 2000s. This gave the bank substantial potential to develop into a top global institution by leveraging the skills and experience of all the constituent organisations. Given the many cultures and groups in the bank by 2002, the corporate objective was

clear: to create 'One UBS' to enable seamless delivery of a full range of world-class services to customers globally, and maximise profit by so doing. This was aimed at attracting high value customers to the bank and at the same time enabling them to use as many services as possible across the world from wealth management and investment banks to asset management for both their personal and professional needs.

Alignment, consistency and world-class quality had to be delivered in everything the business did. To create 'One UBS', the top 500 leaders of the bank had to be aligned to the new organisational strategy, to make their own business area world class, that is, **Mach 1**, and to build a new local culture. They would then work in partnership with colleagues to do the same for the whole group via **Mach 2** leadership. This would be delivered simultaneously in five different divisions through 64,000 people across 50 countries. So the supporting leadership activity also had to meet a world-class benchmark: in effect that of **Mach 2** leadership. Although I had not developed the terms '**Mach 1**' and '**Mach 2**' leadership at this point, this was the leadership and performance level aimed for and achieved.

Essentially this is what any organisation has to do for both its client or customer base and its staff, but as the scale, complexity, geographic and cultural spread increases the difficulty increases and the chances of success decrease. In the case of UBS, failure was not an option, given the critical business need to deliver competitive advantage and create a world-class global bank. In reality this potential could not be achieved without aligned world-class leadership activity taking the constituent parts of the bank, and then the bank as a whole through **Mach 1** to **Mach 2**.

To be successfully implemented, the desire and capability within the senior management cadre to move into a new world and a new way of thinking had to be found. The existing complex and unaligned legacy HR system was not capable of doing this, the leadership development was not sufficiently effective and the focus was on narrow operational objectives.

The new leadership strategy had to be focused on maximising business benefits, developing capability, enhancing motivation, now **Mach 1** – then aligning effort and building networks that focused on what really delivered benefit to the bank – and not just the delivery of a range of products, now **Mach 2**. The value chain had to be created by starting from the customers' needs and thus the business need, and working back to quick and simple interventions that, when aligned and integrated, would deliver the required outcomes effectively.

So in 2002, driven by the traditional financial services desire to minimise support function costs, maximise business focus and keep it simple, the UBS Leadership Academy was established. At this stage the HR function within the corporate centre did not have the skills to deliver a change project of this type. So to ensure successful world-class delivery of **Mach 1** and **Mach 2**, the team was specially recruited from the best internal and external experts available.

This small team reported not to HR but to Peter Wuffli, the CEO. This direct link gave it the instant business credibility that an HR-based team might not have had. The team's objective was to deliver leadership and performance development and support to top management groups so they could improve their performance and that of their business: **Mach 1**; and then leverage this to enhance the performance of the whole bank to maximise the bottom line: **Mach 2**.

The core Leadership Academy team was initially a group of just six people, two in the US and four in Europe, all with substantial experience of organisational change and development, and all capable of interacting at the highest level within the organisation. This level of gravitas was vital to ensure that the first impressions of business leaders were positive, which would allow the team the opportunity to get sufficient face-to-face contact with the divisional CEOs, top management and teams to create an effective working relationship.

However, they had no mandate from the CEO to demand that any part of the company implement the plans they developed. They had to gain their commitment by setting out a clear business case and assure staff that agreeing to implement any plans would lead to real change and not just words.

Having considered a range of options with the CEO for the strategy and implementation, it was decided that the most effective was likely to be a combination of development, assessment and support to key groups plus, unusually for an HR team, targeted communication activity to support and embed the implementation. This would all be publicly led by example by the Group Executive Board (GEB) headed by the CEO and then facilitated by the Leadership Academy.

For **Mach 1** the key requirement was to have the right people in the right place at the right time with the right skills and motivation. So the critical new components required were:

1. A consistent global performance management system for everyone, available online
2. The identification of key roles in the organisation to enable risk minimisation through succession plans
3. The identification of individuals to fill those roles through accurate performance and potential measurement
4. The development of those people through a small suite of business-focused development experiences
5. The creation of a leadership network and community.

All the above were designed to deliver the alignment of the leadership group to the new strategy and culture to achieve the UBS vision for 2010. So this was no short-term plan, but a long-term strategy. Once enough people had achieved **Mach 1** then this

would be expanded and taken up a gear to **Mach 2** by driving aligned collaboration across the bank.

All of the initiatives had to be acceptable to all the different business divisions which, driven by their differing business models, adopted substantially varied approaches to development and decision-making. Essentially this was primarily driven by transactional behaviour if the business was based on product, price and speed of delivery, or relationship-based behaviour if the business was driven by client relationships, quality and length of relationship. Thus the relationship-based clients would be more amenable to taking time out to explore, develop and try out options, whereas the transactional-based clients wanted a more defined and simple option that delivered benefit very quickly.

The initiatives had to bring benefits for each individual division as well as to the rest of the bank to gain their buy-in, but the anticipated speed of delivery reflected the transactional versus relationship cultures. This cultural landscape was also overlaid by national cultures of either the location or the key stakeholder personally, which impacted on the strategies used to achieve approval and implementation. The ability to tailor to local needs yet retain a consistent global approach would be critical.

The existing development landscape was a patchwork of unaligned legacy initiatives created mainly by reactive delivery of HR product in turn driven by *ad hoc* requests from different business areas or individuals. Needless to say, this was not conducive to the co-ordination required to deliver what was, in effect, **Mach 1** and **Mach 2** across the organisation.

But pure leadership development activity was not enough to achieve **Mach 1** effort across the bank; the communication element was also essential to deliver the change. The requirements of the strategy decided by the CEO and GEB were fed into all aspects of the implementation using key messages. Through all the activity, for example mentoring, coaching, assessment, development programmes and communication/networking/strategy events, these messages were used consistently to confirm what was required in terms of both delivery and behaviour. This also underpinned the establishment of a ‘moral compass’ for the organisation. Furthermore it was also reflected in the use of the same branding strategy both internally and externally, ‘UBS – You and Us’ that was used from 2003 to 2010.

After a considerable amount of work the global performance management system was initiated in 2002 as the first key step together with the identification of the key roles in the organisation. At the same time the first development programmes run at group level were created. Called the Global Leadership Experiences (GLE), these did not focus on the traditional functional areas but on key organisational requirements for **Mach 1** and **Mach 2**, as reflected by the objectives set by the GEB. These were:

1. Understanding and aligning the whole organisation (GLE1)
2. Excellent customer service (GLE2)

### 3. World-class leadership (GLE3)

To keep the focus on critical deliverables only these three programmes were delivered. It was decided that it was viable to introduce **Mach 1** and **Mach 2** type concepts at the same time for senior leaders when brought together from across the globe for mutual development and to initiate collaboration. This speeded up the process by giving those attending a plan for both.

The programme faculty was selected from the higher levels of senior management, ensuring that the content and discussion was completely business-focused and they co-delivered with top-level external speakers on a 75/25 ratio of internal to external.

The team supported the senior management, teaching on programmes in their development as ‘presenters’ to deliver presentation content well, and ‘facilitators’ to get a group to discuss key issues and challenges, and then develop ideas to implement to deliver success. They had to run and facilitate a discussion session as part of their contribution at least as long in duration to the presentation they held. This ensured high interaction levels and improved their own skills in working with groups that many then leveraged in their own business areas. All the content of the programmes focused everyone on the business drivers and actions of **Mach 1** and **Mach 2**.

Participants were invited to attend by nomination from the CEO of their business division, and then formally invited by the group CEO to ensure that attendance was seen as a reward and something to aspire to. They were specifically drawn from different parts of the organisation and locations, creating real working partnerships that subsequently delivered new initiatives, solved problems and added to the bottom line.

To turn **Mach 1** and especially **Mach 2** into reality and prove its value, an academy innovation group facilitated the development of new business initiatives suggested during brainstorming on the programmes. When appropriate, the team also delivered strategic consultancy or facilitation support for top management teams, for example during strategy development days, to further embed the key objectives and help improve their performance.

New mentoring programmes were also a key component in the transition. Unusually, these started at the top of UBS and cascaded down, rather than starting at lower levels. The GEB (12 top leaders) mentored some of the Group Managing Board (60 leaders) and these in turn mentored some of the bank’s key position holders (140 leaders). This was done across the business to enhance not only performance but also strategic understanding and spread and embed the principles of **Mach 1** and **Mach 2**. Feedback from participants indicated that within four months of starting, the programme met the expectations of the vast majority of mentees, and 65% identified a specific personal or business benefit, which resulted directly from the programme.

As more of the strategy rolled out into 2003, the Leadership Institute team expanded, but only the highest quality candidates who would deliver world-class work and maintain the team brand were recruited.

Another key element in the success was a new assessment system to identify future leaders – another group to take up the ideas of **Mach 1** and **Mach 2** and to champion them across the organisation as well as using them themselves.

The first step was to identify those who had performed well over the past two years, linked to the performance data from their appraisals. Then a set of criteria was developed to identify those with potential. This had to be capable of being used reasonably accurately by a line manager within twenty minutes. After working with a number of global experts, five criteria were identified and fed into a number of simple behavioural questions for line managers to use. This set of questions was then used consistently across the bank, enabling the identification of those demonstrating high potential in addition to the already identified high performance. These are the criteria covered in Chapter 4 on page 136.

Those identified and prioritised by their business were then classified into two groups based on experience. The most experienced, the Advanced Career Group, were then developed via a new single global high potential programme, the Advanced Leadership Experience (ALE). This reflected the key senior management programme themes: understanding the organisation, excellent client service, and excellent leadership. Pre-course self-assessment and the delivery of a business-focused project that solved a real business issue supported this.

Post-course support consisted of coaching from a line manager and having a senior mentor from another part of the business. Fifty per cent of those on the programme were promoted or took on additional responsibilities within six months. During this time the principles of **Mach 1** and **Mach 2** were again discussed and implemented as part of the process.

The Early Career Group was developed by the individual business divisions' own programmes that mirrored the content of ALE but with a higher divisional rather than group content. This enabled an integrated system of mutually supportive development programmes covering the individuals over a five to six year period of their careers, each of which would build on the previous one and develop it for the next programme. In this way a clear development value chain was created for both individual and organisation that any employee could enter at any point if their performance and potential indicated that they would benefit.

Each year two major communication and alignment events were organised: a strategic leadership conference (SLC) for the top 500, and an annual strategic forum (ASF) for the top 80. These events acted as vital leverage and included discussion, debate, planning, networking, cross-business area motivational and team-building activities. These again were all focused on the new way of doing things, regularly discussing and developing ways in which **Mach 1** and **Mach 2** ideas could drive better customer service and make the bank more profitable. Creating an aligned community of effort and collaboration was indeed achieved although at that time I didn't think of it in those terms.

Very substantial time and resources were employed to ensure the impact of **Mach 1** and **Mach 2** thinking and implementation, for example in 2005, UBS ran one of the largest corporate leadership events ever held. The top 500 from across the globe came to Montreux in Switzerland to meet, spend two days planning the delivery of the corporate objectives of the bank, to network and develop mutual trust: and to consolidate relationships and build more across senior leadership. On the third day they were taken high up into the Swiss Alps for a cross-business teams competition across multiple team tasks over a large area of the mountainside. The sight of the CEO of a global investment bank trying to build a coracle out of plastic sheets and piping to row over a lake was an inspiration for all. The event ended with a display of Swiss alphorns and flag wavers, then dinner in a marquee on the mountainside with an inspiring speech by the CEO followed by fireworks. The objective of the event was get the top 500 thinking and acting as one group and inspired by such memorable events to go back and inspire their teams.

One thing that was restricting the adoption of **Mach 1** and then **Mach 2**, and primarily the performance and development of the high potential group, was the skills of line managers to develop this group on the job. There were a number of line managers that did not view such activity as their day-to-day responsibility, contrary to **Mach 1** principles. To address this problem, CEO Peter Wuffli made a strong statement at the 2005 SLC in Montreux: ‘I want to make it clear that you, as line managers, are the key identifiers, developers, motivators and retainers of talent in the bank. HR is only there to support you in this. This is a responsibility you cannot abrogate.’

This was part of an engagement strategy to instil in line managers both the desire and capability to take on this role, and thus make at least **Mach 1** happen more widely. This worked to improve capability and change line managers’ cost-benefit analysis of spending time becoming good leaders. It was achieved by identifying lever points that would encourage a change in line manager behaviour, including:

1. Sending agreed messages down the line to encourage the change from Group CEO, division CEOs and line managers
2. Proactive HR support with tools and templates that made implementation quick, simple and effective
3. Stronger weighting of development in the appraisal and other influencing levers.
4. This reinforced the internal use of the external branding ‘You and Us’, as applied to *you*, the employee and *us*, the rest of UBS.

Thus from the individual’s perspective every contact from the organisation encouraged and motivated them to change behaviour in a specific way – to get to **Mach 1** and then onto **Mach 2** performance. This consistent experience was vital to align firstly the senior management and then all leaders to the new strategy and culture.

By 2005 it became clear that the top 500 had started to deliver the new strategy and cultural change. Most had approached **Mach 1** and a good percentage were getting to

**Mach 2.** Below that level the leadership activity was the responsibility of individual business divisions. There were still patches that missed the chance to leverage world-class **Mach 1** and **Mach 2** activity across the whole organisation, which meant that those entering the top 500 group had substantially different development experiences up to that point and were not aligned to the new way of thinking.

The Leadership Institute then worked with the business division, HR teams and top management to identify gaps and see where world-class activity could be leveraged from one area to another, ensure alignment with business objectives and create new global network groups, for example on innovation and client service. This showed that collaboration was to everyone's benefit, thus also spreading both **Mach 1** and **Mach 2** type activity in a natural and organic way to where it was needed, and indeed welcomed. That then demonstrated the benefits, further encouraging more people to look for opportunities to collaborate.

This was an effective way to deliver a consistent **Mach 1** and **Mach 2** process across the whole organisation, develop more people more effectively, align their effort to business objectives and to do so at minimal cost. This also brought more alignment across HR sub-functions, for example using development, compensation, benefits and recognition in an integrated way to maximise the performance of key individuals.

It was also clear from analysis that to deliver maximum bottom line benefit, everyone in the organisation had to be developed to the full and not just the high potential group and senior management. Line managers were encouraged to develop everyone on a day-to-day basis – a critical part of **Mach 1**.

It became clear that many line managers, even if they had the desire to develop their people, did not have the capability to do it, so a core leadership and management skills programme was instituted. This linked to existing offerings by business divisions to cover at least the **Mach 1** elements at lower levels. The key component was the ability to have effective discussions about the organisation's strategy, the individual's performance and the development between line manager and employee, and then the delivery of agreed plans. These are some of the key **Mach 1** elements set out in Chapter 2.

The UBS Leadership Institute had created a benchmark centre of excellence driven by business need that delivered simple and effective solutions quickly. It used a world-class global team that gained initial credibility and then subsequently worked in the closest possible partnership with both HR and the business to achieve a common aim – maximising the performance of the group.

This strategic alignment, leadership and performance initiative was a great success. The significant improvements in the bank's profitability, brand value and other measures are set out here:

**Changes 2002 – 2004\***

Operating profit	+235%
Basic earnings per share	+266%
Return on equity	+286%
Market capitalisation	+130%
Headcount (total employees)	–3%
Distribution per share (pay out to shareholders)	+50%

(\*Source: UBS documents via HBS UBS Towards the Integrated Firm)

**Other example changes:**

Increase in brand value +51% 2004 – 2007 (Interbrand Top 100 brand rankings)

Increase in Human Capital Return on Investment ( $\{\text{profit} + \text{wages costs}/\text{wage costs}\}$ )  
2002 – start of 2007 +24% (UBS Corporate Social Responsibility Report 2007)

Rising from seventh to fourth place in global investment banking fees from 2002 to 2003, an increase of 33% (Bloomberg 1/3/2004 reference Freeman & Co, New York data)

Top Global Private Bank 2003 – 2007 (Euromoney)

Euromoney Awards for Excellence 2003 – World's Best Bank (Euromoney)

Investment Dealers' Digest 2003 – Bank of the Year (IDD)

Best Company for Leaders Europe 2005 and in the top ten in 2007 (Hewitt)

These are just a selection but the bank also achieved improved rankings and many first places in specific areas of financial activity over the years 2002 – 2006.

What UBS achieved is now a Harvard Business School case study<sup>1</sup>: *UBS: Towards the Integrated Firm*.

**UBS – THE RESURGENCE**

In the run up to the financial crisis, and despite the fact that the vast majority of UBS employees observed the firm's principles of excellence, responsible relationships and high ethical standards developed through the work set out in the case study, a handful of employees did not. The way the bank was structured at the time also meant that the behaviour of a few individuals had serious consequences and counteracted the integrity and professional work done by the vast majority. Furthermore, there were some strategic decisions taken at that time that turned out to have been based on erroneous assumptions related to risk ratings, revenues and incomplete communication and understanding. Thus, even despite UBS's achievements between 2002 and 2006 the firm, like its competitors, suffered during the financial crisis. This demonstrates the

importance of **everyone** being held to the values of an organisation, not only by their leaders but also by their peers and others.

By 2014, and under the leadership of Sergio P. Ermotti, UBS had strengthened its position significantly and regained its momentum. In 2013, the firm implemented a global initiative to strengthen its risk culture, building on its strategic pillars of capital strength, efficiency and effectiveness, and risk management – and its principles of excellence, client focus and sustainable performance. The firm began a programme to raise awareness and embed the highest standards of behaviour demanded from its employees at every level. Reflecting the importance of this, it incorporated assessment of an individual's adherence to these standards of behaviour in its performance measurement and compensation framework. These high standards of behaviour and principles align to, and focus on, key elements I have suggested are critical to success through people.

UBS put these principles and standards of behaviour into action in key areas via its strategy:

- Focusing its efforts on areas in which the bank excels and high growth regions and markets
- Further reducing risks – now the strongest capitalised bank in its peer group
- Accelerating a group-wide efficiency programme to deliver cost savings
- Investing in initiatives to support growth and improved client service across all businesses.

This combination of a clear strategy combined with engaged and focused staff – **Mach 1** and **Mach 2** leadership – will potentially see UBS reinvigorated and resume its position as one of the pre-eminent global banks.

## WIDER PERSPECTIVES FROM THE UBS CASE

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The overall strategy and key components to drive **Mach 1** and **Mach 2** used at UBS are still as valid and relevant today for any organisation as they were in 2006, maybe even more so, given the alignment, performance and efficiency the tough economic climate demands and the need to position leadership for the future. The key to success, survival and future growth is ensuring that all leaders maximise their own and their team's performance (**Mach 1**), then get the whole organisation to work as an aligned and motivated team (**Mach 2**).

This success can be replicated by any organisation with the foresight and determination to be the best by using the strategies set out in this book. The true value of the UBS experience did not become apparent to me until a few years later when I had worked with other organisations. I saw that what UBS achieved was a road map for success in aligning effort onto critical deliverables, and more recently the way we had built an aligned community of effort and collaboration.

Elements of this approach have been successfully used in organisations as diverse as the UK National Health Service, the Red Cross, top international law firms, those running transport systems, international banks, logistics providers, and many others across the world from the US and Europe to India, China and Asia. It worked at UBS and it works elsewhere for one simple reason: it inspires people because it allows them to achieve what they really want from their job while delivering what the organisation and its customers need to the highest quality levels – a genuine aligned community of effort and collaboration.

## KEY LESSONS FROM THE UBS CASE STUDY

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- Even if you get the CEO's support for **Mach 2** that doesn't mean everyone will come on board – everyone needs a reason to engage. **Mach 2** must be seen as a strategic objective driven by the senior leaders.
- Response to **Mach 1** and **Mach 2** is driven by the current culture, which is in turn often driven by whether the business is transaction or relationship based – you need to create a compelling new culture for all to aspire to.
- For the transactional people – if you can't convey the key benefits of what you propose in less than three minutes don't bother going to the meeting.
- Always align the benefits of **Mach 1** and **Mach 2** to your organisation's key deliverables and stress the need for collaboration from everyone. This is key for HR if involved in 'facilitating' the delivery.
- Beware the 'not made here' resistance to even good ideas; rebrand if required. Get people to think it was their idea in the first place.
- Use every available opportunity to get the same consistent, simple message across about what people have to do and why – and do so relentlessly.
- Commitment is demonstrated by actions not words. People get selective amnesia about what they agreed to in meetings – hold them to account.
- For some people, emotional factors, for example peer pressure or the fear of being let out of the 'club', can work better than presenting logical business benefits. Remember the balance of emotion and logic.
- With global implementation there are more cultural differences than you think; they may be small, but they can be very annoying to others. Get people to talk and understand each other better. Again collaboration is key.
- Never miss a chance to get people from one part of the organisation to meet people from another, discuss what they are trying to achieve, how they can help each other, get better and inspire others.
- You are trying to build an aligned community of effort and collaboration at all levels and across the organisation – in other words truly build 'one organisation'.