AGILE TRANSFORMATION OF RAIFFEISENBANK: CULTURE FIRST

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INTRODUCTION

This case study delves into the ambitious transformation journey of Raiffeisenbank, a prominent Russian subsidiary of Raiffeisen Bank International (RBI). Amidst intensifying competition from digital-first fintech disruptors and shifting customer expectations, the leadership team embarked on a comprehensive transformation in 2018. The goal was to modernize the bank's operations and culture, transitioning from a traditional, hierarchical structure to a more Agile, customer-centric model. Frameworks like Large-Scale Scrum (LeSS) were employed to drive innovation and enhance efficiency.

Raiffeisenbank holds significant strategic importance within the RBI group, contributing a substantial 35% of the group's total profits. Therefore, its success was crucial for the parent company's bottom line. The journey involved redefining business channels, fostering autonomy, and embedding servant leadership principles to create a culture of ownership and accountability.

Through this transformation, Raiffeisenbank not only enhanced its digital presence and operational agility but also positioned itself to withstand challenges like the COVID-19 pandemic. The case study explores the decisions, actions, and obstacles faced by the leadership team, providing valuable insights into the process of cultural and organizational reinvention in the face of digital disruption.

Furthermore, this analysis examines the enduring impacts of the transformation, including changes in organizational structure, customer engagement, financial performance, and the bank's ability to innovate in a highly competitive market. It underscores the pivotal role of leadership, the evolving vision of the bank, and the lessons learned in navigating such a fundamental shift.

TOPICS COVERED

Context of the Transformation

- Raiffeisenbank's role within the RBI group and its competitive landscape.
- The macroeconomic and technological trends driving the need for change.

Leadership Vision and Evolution

- Why the transformation was launched and how the vision adapted over time.
- The influence of digital disruptors on the bank's strategy.

Blueprint Development

- Selection of frameworks like Large-Scale Scrum (LeSS).
- Stakeholder involvement and decision-making processes.
- Financial planning and establishment of transformation rules.

Structural and Methodological Changes

- Introduction of cross-functional teams and new working methods.
- Changes to performance management systems.
- Efforts to bridge technical skills gaps through recruitment and training.

Drastic Implementation and Cultural Impact

- Leadership's bold approach to change management.
- Reactions from employees and handling cultural resistance.
- The role of servant leadership and the effects of autonomy on corporate culture.

Key Results of the Transformation

- Financial performance and digital adoption rates.
- Resilience during the COVID-19 pandemic.
- Progress toward the bank's vision and overall success of the transformation.

Role of the CEO

- The CEO's influence as a champion of change and guardian of transformation rules.

Future Challenges

- Risks of functional silos and maintaining cultural alignment.
- Sustaining agility and innovation in a dynamic environment.

These topics provide a comprehensive view of Raiffeisenbank's transformation journey, emphasizing strategic decision-making, cultural shifts, and operational redesign.

Context and Main Characters

- Introduction to the Case
- Macro Perspective: Industry Dynamics and Challenges
- Timeline of Transformation
- Raiffeisenbank's Impact on RBI
- Key Characters Driving the Change
- Insights into the Transformation Journey

Objective: Transform Raiffeisenbank, a critical subsidiary of Raiffeisen Bank International (RBI), into a fully digital and customer-focused organization.

Focus: Shift from a hierarchical structure to empowered, autonomous Agile teams using the Large-Scale Scrum (LeSS) framework.

Challenges:

- Competing with fintech disruptors like Tinkoff Bank.

- Overhauling IT infrastructure to enable faster product development and delivery.

- Aligning cultural transformation with operational agility.

Outcome: By 2019, Raiffeisenbank operated with a highly Agile structure, significantly improving customer experience and organizational flexibility.

Macro Perspective

The late 2010s saw unprecedented technological advancements and the rise of fintech disruptors, forcing traditional banks to adapt or risk irrelevance. Digital-first competitors were setting new standards in speed, customer experience, and innovation. Meanwhile, the COVID-19 pandemic accelerated the need for remote work capabilities and digital service delivery, making Agile practices indispensable.

For RBI, Raiffeisenbank was a jewel in the crown, contributing a remarkable 35% of group profits. Its transformation was not only a local strategic necessity but also a critical component of RBI's broader success in the competitive global banking sector.

Main Characters

- **Sergey Monin**: The visionary Chairman of Raiffeisenbank's Board since 2011, who championed the transformation. He emphasized ownership, decentralization, and cultural alignment, believing these to be the foundation of sustainable agility.

- **Roman Zilber**: The innovative Head of Retail Private Individuals and Small Enterprises Directorate, who was instrumental in embedding Agile values into retail operations.

- **Nikita Patrakhin**: As Head of Corporate and Investment Banking, he leveraged Agile to accelerate product innovation, exemplifying the organization's emergent strategies.

- **Nikita Shvetsov**: The IT leader who ensured that technological barriers were dismantled, enabling seamless collaboration between IT and business teams.

- **Vladimir Khimanych**: The HR leader tasked with aligning talent strategies to the Agile framework, driving recruitment, and fostering a culture of collaboration.

- **Georgy Konnov**: A Product Owner whose journey highlighted the challenges and rewards of managing in an Agile, customer-focused environment. His efforts exemplified the transformation's ethos.

Insights

Raiffeisenbank's journey is not limited to adopting Agile practices; it encompasses creating a culture of empowerment where every individual feels a sense of ownership over their work. The transformative process demands not only structural changes but also a willingness to abandon established practices, embrace innovative ideas, and persevere through obstacles such as resistance to change and talent shortages.

Why Transformation and Vision Evolution?

- Drivers for the Transformation
- The Competitive Landscape and Challenges
- The Leadership Team's Initial Vision
- How the Vision Evolved Over Time
- Impact on Business Channels
- Cultural Shift: From Hierarchies to Autonomy
- Insights

Why the Transformation Was Launched

Competitive Pressure:

- Digital-first competitors (e.g., Tinkoff Bank) were redefining customer expectations.
- Agile and faster innovation were critical to staying relevant.

Operational Challenges:

- Reliance on IT vendors slowed product development.
- Traditional hierarchies hindered responsiveness and flexibility.

Strategic Significance:

- Raiffeisenbank contributed **35% of RBI's profits**, making its success vital to the group.
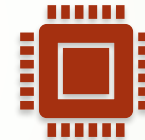
Evolution of the Vision

2018 – Initial Phase:

Modernize operations through Agile and reduce IT dependencies.

Build autonomous, cross-functional teams for faster product delivery.

2019 – Expansion:

Transition from operational upgrades to creating a fully digital customer experience.

Reallocated resources from branch networks to digital platforms.

2020 and Beyond:

Pandemic tested flexibility and resilience.

Remote banking initiatives like **Digital Cities** expanded reach into underserved regions.

Impact on Business Channels

Digital-First Approach: Mobile and online platforms became primary service channels, with branches playing a secondary role.

Faster Innovation: Agile enabled rapid product development and quick testing of new ideas.

Expanded Reach: Remote service initiatives allowed operations in regions without physical branches.

Impact on Organizational Culture

Decentralized Teams: Teams gained autonomy, breaking down silos between IT and business functions.

Leadership Shift: Adoption of **servant leadership** prioritized empowerment over control.

Cultural Resistance: High turnover helped align employees with Agile values.

Agile Mindset: Continuous improvement and adaptability became part of the culture.

Insights

Raiffeisenbank's transformation led to key outcomes, including a strengthened digital presence with mobile and online platforms as primary customer channels. Achieving a 70% online loan application rate by 2019, initiatives like the Digital Cities project expanded services to regions without branches. Agile practices enabled faster product rollouts and operational efficiency. Cultural shifts toward autonomy and servant leadership fostered innovation and accountability, attracting 30%-40% more customers while reducing its branch network by 30%. Lessons learned emphasized aligning cultural transformation with operational changes, balancing team autonomy, and investing in Agile talent. Prioritizing customer-centricity and embedding agility as a core strategy enabled Raiffeisenbank's growth and resilience in a competitive digital landscape.

Transformation Blueprint

Framework Selection: LeSS (Large Scale Scrum)

Stakeholder Involvement: Rejected authoritarian leadership and switched to service leadership

Financing the Transformation: Convincing the Vienna headquarters that radical change was necessary

Rules of the road: ADORE (Rules for ADaptive ORganization)

Framework: LeSS

The core idea was to bring together business experts and IT specialists with different profiles in joint cross-functional teams. This allowed each team to autonomously work with IT components instead of referring to a dedicated IT department.

LeSS/Scrum Standards and Expectations

Customer focused	Feature teams 9 instead of components	Single backlog for all feature teams within a product (for LeSS)	Reduce external dependency by insourcing components as well as functions

Stakeholder Involvement

Raiffeisenbank advocated for the switch from authoritarian management to service leadership to better serve the needs to key stakeholders (EX: Shareholders, Customers, and Employees)

- o Sergey Monin's reputation as a democratic leader prompted a more inclusive environment that put the stakeholder first

"in Sergey's nature — he believes that people need freedom and a productive working environment to do their best" - Roman Zilber

Financing the Transformation

- Funding the transformation was a notable obstacle in carrying out the transformation, with an **estimated increase in operating costs by as much as 20% per year**

- Despite this increase, Raiffeisenbank had shown steady growth over the past five years. Its revenues would help finance the changes and win approval from Vienna

Rules of the Road

ADORE (Rules for ADaptive ORganization) defines the core rules, structure and processes of our Agile Organization, which everyone involved can rely upon

Guide for Decision Making:

- **Target Setting:** Who is setting targets and weights for the team?

- **Performance review:** Who decides on team performance score?

- **Salary review:** Who makes decision on salary review?

- **Hiring/Firing:** Who makes a hiring/firing decision for technical roles?

- **Promotion:** Who makes decision on promotion?

- **Budgeting:** Who is responsible for budgeting?

Adjusting the Organizational Structure

Changing roles and introduction of cross-functional teams

How was teamwork organized?

How was the performance management system changed?

In addressing the skills gap, what type of training and why? Recruitment process changes

Introduction of Cross-Functional Teams

In order to smoothly introduce this transition, secondary executives selected by the board helped connect IT developers and business experts to form cross-functional teams

This was a whole new system that required employees of different departments to listen and collaborate on a daily basis

Their objective was to develop Agile products with key characteristics that were defined by the leadership team

1) customer willingness to pay; 2) significant dependency on IT components; 3) clear profit & loss; 4) a clear plan for the development of IT components of the product; 5) sufficient scale (large enough product); 6) fast development and time-to-market

Teamwork Structure

Product Owner (PO)

Defines product vision and strategy based on its value to the customer

Receives feedback from the end user of the product and shared it with the team

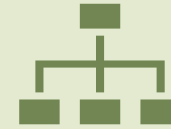Gives purpose to the team, manages the backlog, and defines a product budget

Technical Lead (TL)

The leader of IT expertise in the team

Helps navigate the bank's technological landscape to seamlessly integrate the product into existing IT architecture

Ensures compliance with technological standards and the stability of the development process

Scrum Master (SM)

The guardian of values

Responsible for spreading the values of Agile and Scrum, improving team efficiency, teaching the LeSS approach

Helping lead events such as daily scrum meetings or sprint retrospective

Performance Management System

The set of KPIs for the product teams included financial results, customer experience, customer growth and team engagement metrics:

1. Product financial (e.g. Decreasing of Available resources without Marketing costs etc.)

2. Customer Experience (e.g. Net Promoter Score)

3. Customer Growth (i.e. number of clients using the Product)

4. Engagement: PO, SM, TL have Team engagement as a target with no less than 10% weight

Skills Gap & Training

To address resistance, external coaches were invited to help the teams understand and accept these events and develop new skills

Communicating with clients, testing hypotheses, or sharing team feedback

As a way to bridge the gap and bring in experince, the HR team identified 40 key positions that served as "anchors" of the organizational structure

For these roles it recruited people with a strong reputation in the IT industry

The efforts to build a strong employer brand ultimately paid off. During the course of the Agile transformation, the number of IT specialists at Raiffeisenbank tripled

In 2019, they exceeded 1500 people. The bank was named 'best employer' in the bank sector by recruiting service HeadHunter

Why Did the Leadership Team Implement Drastic Changes?

- **Need for Strategic Change**: The bank needed to become more agile to adapt to digital disruption.

- **Reactions of Employees**: Resistance due to fear of losing control and job security.

- **Culture Shock**: Shift to a more agile, collaborative, and flexible way of working.

- **Role of Servant Leadership**: Leaders guided teams through change, focusing on support rather than control.

- **Impact of Autonomy**: Increased autonomy promoted innovation and faster decision-making.

Key Results of the Transformation

Vision Alignment: Focus on customer-centric, innovative, and agile practices.

Improved Financial Results: Streamlined operations and reduced costs.

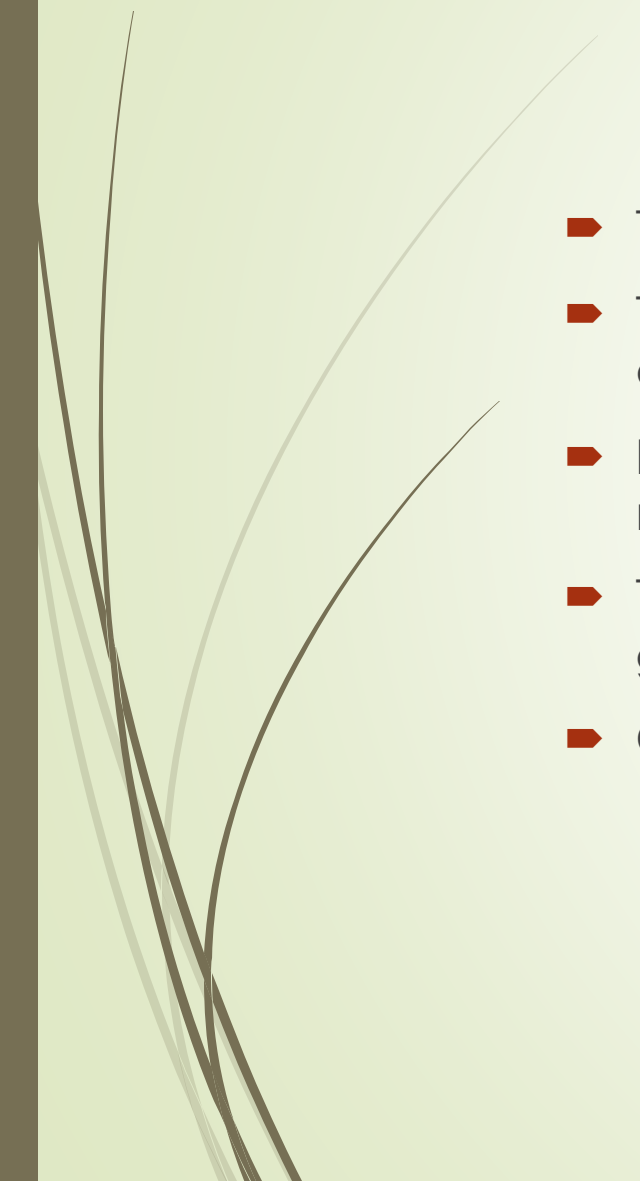**Increased Digital Service Utilization**: More customers using digital platforms for services.

Positioning for Covid-19 Impact: Digital transformation helped the bank navigate the pandemic smoothly.

Overall Success: Enhanced business resilience and improved performance.

What was the role of the CEO?

- The CEO is essentially serving as a guide, and a "guardian of the rules"

- They make sure that the teams stay true to their purpose, and that their actions align with the vision laid out at the start of the transformation

- If employees and teams stray from the path, then the CEO has to take the necessary actions to ensure everyone is on the right track again

- The CEO can do this by ensuring that they have a clear picture on what's going on and then think about what next steps will look like.

- Communicating with the different teams/orgs is necessary for this.

What Challenges might Leadership Face in the Future?

- Anticipating future challenges
- Ensuring teams/orgs have the right resources
- Communicating larger picture to teams
- Dealing with and preventing disunity within the teams

CONCLUSION

The transformation of Raiffeisenbank stands as a pivotal case study in how traditional banks can adapt to meet the demands of a digital-first, customer-centric world. Led by Sergey Monin and his team, the bank embarked on a daring journey to adopt Agile methodologies, decentralize decision-making, and embrace digital innovation. By transitioning from a rigid hierarchical structure to a more flexible, cross-functional team model, Raiffeisenbank not only enhanced operational efficiency but also accelerated its ability to swiftly respond to market demands and customer needs.

The leadership team's vision evolved from a narrow focus on operational efficiency to a comprehensive transformation that encompassed redefining organizational culture, shifting from rigid hierarchies to autonomous teams, and integrating servant leadership principles throughout the company. Although this transformation encountered resistance and a high turnover rate, it ultimately led to a more empowered workforce, a customer-first approach, and the ability to innovate at a faster pace.

Despite facing significant challenges, including resistance to change and a high turnover rate, Raiffeisenbank successfully aligned its operations with the evolving market expectations. Its digital services, streamlined processes, and increased emphasis on customer experience positioned the bank for resilience during the COVID-19 pandemic. The success of the transformation was evident in the bank's financial growth, with greater customer engagement and higher profitability.

However, the journey is far from complete. Raiffeisenbank must continue to refine its Agile practices, address potential silos, and ensure that its culture remains aligned with its new operational model. The lessons learned from this transformation, particularly regarding leadership, employee autonomy, and the paramount importance of customer-centricity, serve as valuable insights for other organizations navigating similar transitions in a rapidly evolving business landscape.