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FNB CODEFEST: FOSTERING corporate INNOVATION THROUGH IN-HOUSE HACKATHONS

Jeff Yu-Jen Chen and [Caren Scheepers](https://iveypubs.my.salesforce.com/003A000001CqpVS) wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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First National Bank (FNB)[[1]](#footnote-1) was part of the FirstRand Group (FirstRand), which also included Wesbank, Rand Merchant Bank (RMB), and Ashburton. In March 2015, a group of likeminded FNB intrapreneurs and Peter Alkema, chief information officer (CIO) of Business Banking at FNB, started an internal hackathon event known as codeFest. The very first FNB codeFest event was a humble start—less than 100 developers gathered for 24 hours to work on the latest technology, most of which was not sponsored by business, and thus did not make it to live production. The event gradually flourished into a noteworthy initiative within the organization. Not only had the event received the active support from Jacques Celliers, the chief executive officer (CEO) appointed in 2014; but Roger Jardine, the FirstRand chairman appointed in 2018, had also been praising the importance of the event and declared that codeFest was a key element in the group’s innovation program.

FirstRand’s owner-manager culture meant that “intrapreneurship” was encouraged; employees were encouraged to think like entrepreneurs while running and improving the company’s operations, products and services. The owner-manager culture also meant that an event like codeFest was destined to become well-established, but it took hard work to mobilize a team, get it off the ground, and position it for long-term success. CodeFest had started as an internal hackathon but had evolved into a week-long coding and innovation extravaganza where business and information technology (IT) worked closely to solve strategic problems. On Friday, May 18, 2018, Alkema was about to attend the very first meeting held by the codeFest 2019 organizing committee as a guest in preparation for the upcoming codeFest event in April 2019. What should he advise the committee to ensure that his peers would experience a greater success even without his direct involvement?

BACKGROUND

FNB was one of the so-called “Big Four” banks that dominated the industry in South Africa. FNB’s financial results were positive for the year ended June 2018. The organization had grown its pre-tax profits 15 per cent, from R18.6 billion[[2]](#footnote-2) (about US$1.39 billion) in 2017 to R21.4 billion (about US$1.60 billion). It had achieved a return on equity of 40.7 per cent, up from 36.9 per cent in the previous year.[[3]](#footnote-3) FirstRand’s dedication to its corporate innovation was also recognized within the industry. FNB was voted Most Innovative African Bank at the 2016 and 2017 African FinTech Awards[[4]](#footnote-4) and named Best Digital Bank in South Africa in the Columinate 2018 SITEisfaction report.[[5]](#footnote-5)

Under the leadership of Michael Jordaan, chief executive officer (CEO) from 2004 to 2013, the bank had devoted substantial effort to elevating its corporate innovation. Jordaan’s successor and the current CEO, Jacques Celliers, retained the enthusiasm for innovation-driven growth. To cultivate intrapreneurship, he hosted innovation competitions, inviting employees to conceptualize and implement the most innovative idea during the course of a year. The competition leveraged private open innovation principles by tapping into employees’ enthusiasm, expertise, and tactic knowledge. Between 2004 and 2018, prize money awarded to winners of this corporate innovation initiative totalled R54.5 million[[6]](#footnote-6) (about US$4.06 million).

Celliers explained that FNB’s centre of gravity had shifted in recent years, so that its entire purpose was the digital platform.[[7]](#footnote-7) He believed that the bank’s 180-year legacy and large scale had been an advantage in competing for tech-savvy customers against new arrivals intending to upend the banking sector.[[8]](#footnote-8) Despite firmly acknowledging that the journey of corporate innovation had to be deeply rooted in enhancing customer-centricity and delivering world-class customer experience, FNB also appreciated the pivotal role of intrapreneurial employees. Evidence of a commitment to this belief was Celliers awarding of R10.5 million (US$0.78 million) to the bank’s most innovative employees in November 2017.[[9]](#footnote-9) Jordaan himself had highlighted on numerous occasions that “recognising employees who have done good work, especially in front of their peers, was important.”[[10]](#footnote-10)

Celliers’ headline contribution to FNB’s strategic innovation came in March 2015, with his endorsement of an open innovation initiative in the form of a collaborative hackathon. Branded “codeFest,” the initiative brought together coders, analysts, executives, and a variety of other experts at FNB. The one-day event took workers out of their ordinary work environments to gather and develop digital solutions to enhance the competitiveness of the business.[[11]](#footnote-11)

CodeFEST: CREATINg the RIGHT Environment to Attract INtrApreneurs

Alkema was part of FirstRand’s IT leadership team and he helped to nurture codeFest from its inception.[[12]](#footnote-12) The committee members for the codeFest events typically consisted of FirstRand employees with diverse backgrounds of different seniority. The members were connected by the common desire of making a meaningful difference in the organization, and the diversity allowed the committee to come up with innovate solutions and find resources to overcome hurdles.

Alkema’s challenge was not to recreate the traditional hackathon,[[13]](#footnote-13) but to construct a novel setting where like-minded individuals could gather and develop something that other divisions of FirstRand could adapt, working with what had started as a potential idea specific to FNB. He believed that inclusivity would produce the best results, knowing that ideas flourished when they were shared and became richer as more contributions were made. His vision was not a think tank, but a platform to develop tangible, workable solutions through a process of sharing, challenging, and championing multiple contributions for the ultimate purpose of improving the business in a meaningful way. Success would require that each team undertake its own tasks, but in an atmosphere of enterprise thinking, and that synergies between teams be fostered, which required an agile mindset. Alkema knew the hackathon had to be a structured, inclusive, and well-managed event that, at the same time, allowed stakeholders a certain level of autonomy for co-creation.

For the inaugural codeFest in 2015, Alkema had been well aware that he was testing the waters with an unproven model in South Africa. He admitted this meant relying heavily on his instinct, which suggested that the success of the event rested on its ability to catch the attention and spark the enthusiasm of developers. As with any potential disruption, this demanded moving quickly. In particular, he wanted as short a time as possible between announcing the event and putting it on.

Corporate innovation through agility without chaos

Alkema’s “just do it, don’t wait” mindset was tested by the need to secure management buy-in to a project that in many ways challenged the traditional rhythms of banking. In any corporate environment—and particularly in the retail banking sector—structure, common repetitive tasks, and consistency were keystones of a smooth and efficient operation. The speed and unpredictability of an agile venture would need to operate within a broader framework that provided management with guardrails. The upshot was that agility was already happening in different pockets within FNB; therefore these stakeholders would be fairly accustomed to the agile style of a hackathon event. In the case of codeFest, Alkema embraced the principles of agile manifesto[[14]](#footnote-14) and ensured the organizing team was able to respond to change, rather than following a plan.[[15]](#footnote-15) The organizing team for codeFest was in fact a group of like-minded volunteers. Each member of this self-organizing team was empowered to exercise a certain degree of freedom to ensure their tasks could be executed in a timely fashion and were of good quality.

One challenge of the codeFest project where Alkema felt well versed was assembling the right project team to make it happen. As always, he applied the adage that “if you want to go fast, go alone; if you want to go far, go together.” His intention for any event or business was “to have people around you who are far brighter than you are,” which informed the sourcing of talent from various divisions and fields across the FNB group. Alkema first had to sell the vision to them and then empower them. He feared the possibility of the team losing excitement, as the many cogs of a large corporate machine often turned slower than one would like. To ensure the team could execute the vision effectively without losing momentum, he encouraged all team members to exercise effective communication and empathy as well as to celebrate small successes and envision the overall impact of their mission.

Getting codeFest off the ground

Alkema wanted agility front and centre, but within well-managed, co-located development parameters. He believed that the agile principles adopted by codeFest included (1) an organized approach to working, (2) IT technique, (3) the integration of ideas and technology platforms, and (4) the co-location of multi-functional technological experts. Moreover, he understood that the event had to be fun and exciting in order to create a memorable experience for all participants, so that they could become the agents to attract more stakeholders in the years to come. Furthermore, the logistics had to be painless for the participants.

Beyond his organizing team, Alkema wanted codeFest to be a multi-dimensional collaboration. Irrespective of gender, race, age, job function, and seniority, the event aimed to encourage a diverse group of intrapreneurs to self-assemble into agile teams. The codeFest organizing team leveraged both formal and informal organization elements to advertise codeFest. The team had to think carefully about which channels to use in order to communicate the right message to the desired audience efficiently to attract participation and support. CodeFest had to be cool, sharp, edgy, and slick, attracting technological experts to a tech-savvy environment while staying true to the corporate image of FNB. Word of mouth was identified as essential, both in its traditional form and its modern, electronic incarnation of social media. Word of mouth was always an important channel through which to attract the right people, as were its electronic counterpart, social media, and the traditional corporate communication channels. Concerted effort was also invested to educate senior managers and executives concerning both the potential impact of this initiative and the importance of their involvement and support. Alkema pointed out, “The art-of-possibility was essentially the underpinning motto of codeFest. The initiative would only be able to accomplish the seemingly impossible goals if more people appreciated and envisioned the possibility this initiative could create.”

Like-minded participants were encouraged to self-organize into project teams and were registered on the codeFest portal. Just over a month prior to the main event, instructions were given to all project teams, and team representatives were invited to pitch their ideas on “Day 0” to a group of panel members consisting predominantly of FNB executives. The collective institutional knowledge on the panel was to ensure that the goals of the intrapreneurial ideas were aligned with the corporate objectives and that the targeted outcomes could effectively address the “jobs to be done” for the FNB customer. Panellists were requested to be constructive and open-minded. Participants were informed that the objectives of “Day 0” were to assist them in strengthening their business cases and to explore collaboration with other, similar initiatives in FNB and leverage expertise from other FNB employees who were previously unknown to them.

Leveraging both formal and informal organization elements

Formal organization elements started with securing the buy-in of management, which was followed by discussions with the procurement departments of FNB’s current top suppliers. Alkema’s team invited these parties to participate in codeFest. Given the audience, it was critical to have the latest thinking and technology available. These relationships were highly formalized, involving negotiations on duties and responsibilities as well as other legal necessities such as non-disclosure agreements and devices for managing other potential risks.

The event itself would need largely to be separated from this level of formality. CodeFest’s success rested on a high degree of informality—even quirkiness and edginess. It had to not only accommodate but also inspire the creativity and enthusiasm of intrapreneurs from across FirstRand, largely—but by no means exclusively—with IT professionals. In addition to being a platform to enable nascent ideas to become minimum viable products, codeFest was designed to become a symbol to all employees of the bank’s belief in exploring the “art of possibility.”

Aneesa Razak, chief operating officer of FNB Cash Investments, emphasized the importance of the output from codeFest being more than just technologically impressive—it also had to have commercial impact in line with the bank’s goals and strategies. Between business employees and the technology employees, it was a collaborative effort. The effort on the part of both the business and the employees was equal, and the bank was amazed to see what codeFest had achieved.

From its origins in 2015 as a one-day event, codeFest had grown to cover six days, plus Day 0 before the event proper. Participants were judged on seven criteria: (1) excellence, (2) efficiency, (3) usefulness, (4) usability, (5) novelty, (6) collaboration, and (7) relevance. After building their solutions during an intensive day-and-night prototyping phase, all participants were given the opportunity to vote on the prototypes. This was intended to allow them to share not just knowledge, but also spirit and enthusiasm for innovation. The top six teams were adjudicated by a panel consisting of executives championing the business areas most relevant to the solutions, as well as a handful of leading industry thinkers. The top project teams were also nominated for FNB’s in-house innovation competition.[[16]](#footnote-16)

Although successful participants would likely see career and financial reward as an outcome, codeFest itself did not provide monetary incentives to participants. Alkema knew that other sources of motivation would attract the attention and efforts of the right people. The sense of making a meaningful contribution to the organization and the stimulation of working on a challenge with like-minded colleagues was enough reward for many. Throughout the event, Alkema and his team were present on the floor of the conference hall, engaging with teams, offering suggestions, and recognizing the hard work. On occasions, including some evenings, Celliers also dropped in to greet the participants personally and showcased some of the prototypes to his executive team and family members. This personal touch from the CEO was well received.

A strong marker of success for codeFest was that more than 65 per cent of the concepts were adopted by executives for further development. Some of the teams remained involved throughout the end-to-end innovation pipeline. Stacey-Lee Bolon, Innovations manager of FNB Business Banking, highlighted why codeFest was a winning formula to her: She felt that codeFest had served as a vital component of FNB’s internal Innovations program. The platform offered FNB the opportunity to further inspire a culture of innovation in its talent and to continue pioneering innovation within financial services. Bolon explained, “CodeFest allowed for innovative ideas to be realised through collaboration of our top technologists by working together in a creative and unique environment to prototype disruptive FinTech and test implementation appetite within the organization.”

From a single-day event with 100 participants, codeFest had grown by 2016 to boast over 250 participants (many of whom had taken annual leave to be there) in a six-day extravaganza of agility and innovation. Alkema understood that one implication of the longer format was the need for new ways to nourish energy levels, especially during the late-night sessions. The team addressed this with the injection of a number of innovative ideas. Apart from endless coffee, delicious meals, healthy snacks, and junk food, pop-up fun competitions, silent disco, comedian shows, mid-night massages, and surprise visits by celebrities and executives were among some of the elements that aimed at lifting the spirits of participants.

Mia Cloete, who was serving as sales analyst for FNB Cash Investments when she participated in the 2016 codeFest, shared Alkema’s sentiment about speed, and extended her excitement to codeFest’s networking capacity. She led an innovation project that she wanted to move forward faster, and it helped to do so at a codeFest marathon. CodeFest not only gave participants 24 hours of focused planning and 48 hours of uninterrupted programming time, but also exposed the project to key business stakeholders for further implementation afterwards. Cloete also highlighted that the surprise elements introduced during codeFest definitely assisted her and her project team in maintaining positivity during those highly intense days.

Self-disruption: Why organizations were urged to make the effort

“Disrupt or be disrupted” had sounded like something of a vague threat just a few years ago. Today, it was rightly an everyday part of the business lexicon, and a clear and present danger for organizations unprepared or unwilling to self-disrupt regularly. However, self-disruption for its own sake was wasteful at best and destructive at worst. Bolon pointed out, “Large organisations require mechanisms to attract, inspire and retain top talent by allowing them the opportunity to showcase their disruptive tech ideas and position themselves to better deliver disruptive, industry-leading, customer-centric products and services.” Of course, investigating and critiquing were early steps. The pain point was often in refining and implementing ideas that brought disruption. It was not uncommon for disruptive thinking to be limited to pockets of an organization, unable to spread enough to gain traction.

Alkema cited Eastman Kodak Company as an iconic example of a business that had found itself unable to self-disrupt and had paid the price. It lacked the stakeholder support it needed to change at the high pace required with the advent of digital cameras and social media. By 2012, the one-time giant of photography—eponymous with its product in the same way Kleenex, Hoover, and Google were with theirs—was bankrupt, disrupted by digital cameras and the likes of Instagram. The solution to this, according to Alkema, was to investigate disruptive innovation from both sides, that is, as both the disruptor and the disrupted. Large, highly structured multinationals could struggle here with their potential inability to be agile while maintaining the structural integrity of the business. Alkema highlighted that inherent in this solution was the ability to be self-critical and to evaluate the business through the eyes of outside stakeholders. How did your client see you? Did the service you offered look good to your IT staff but leave your client base confused? Would a more user-friendly and agile competitor persuade your customers that its offering was simpler, more efficient, and better value? On the topic of disruption, Lezanne Human, CEO of FNB Cash Investments, stated, “What we were doing at codeFest was absolutely at the core of what we wanted to do as a business and should be doing as a business. In fact, I would love us to do this on a daily basis—get all our techie teams like this together the whole time.”

Cloete had little doubt that codeFest had succeeded in converting disruptive intention into disruptive action: A key metric that she believed made codeFest 2016 successful was the fact that the winning project was implemented in the bank afterwards. It was inspirational to see that the team followed through on something that had started so small. CodeFest also drove the adoption of innovative thinking among attendees—whether they were participants or just day visitors—and this sparked new solutions in other parts of the business.

Alkema advocated the belief that successful banks of today and tomorrow operated as inherently disruptive companies: asset-light, combining micro services into a larger platform, and constantly evaluating how they delivered their services to their customers. While hugely proud of codeFest as a platform for disruption, he was under no illusion that it was sufficient as the totality of FNB’s disruptive energies. He argued that at the board level, the company should be strategic in cannibalizing parts of its business for the sake of progress, and that all the way from the C-suite to junior staff, an environment that encouraged collaborative intrapreneurship was a foundation for disruption.

GOING FORWARD

Alkema suggested that all South African companies encourage their staff to exercise critical thinking and question the status quo. Leaders should motivate their organizations to constantly ponder questions such as, “In three to five years from now, what will the business landscape look like and what will customers demand?”; “How can my organization maximize its competitiveness with minimal effort and reduced risks?”; and “Who should we collaborate with to get there?”

These efforts required full cognizance of the challenge of turning peripheral innovation into core innovation. Essential to moving innovation from the edges to the heart of the organization was staff training. Traditionally conducted in the form of rote learning, unlocking the true value of innovation required company-wide training that coaxed staff out of their daily routines and demonstrated the capacity for technology and disruption to change the game for customers.

CodeFest enabled like-minded employees to envision the art of possibility and to translate concepts into business reality; however, without integrating codeFest with complementary interventions to catalyze sustainable and systemic self-disruption, the impact would be stifled. In order for more operating units from FirstRand to buy into codeFest, the 2019 had to combine multiple tools, continuing and building on the agile philosophy. The momentum of advocacy could be driven by leveraging prior codeFest attendees to advocate the vision to their peers, forging more and stronger partnerships with senior executives across FirstRand, and heeding lessons learned from prior years to improve weaker components of the event. As Alkema sat with the organizing committee, he wondered what features of codeFest he should encourage the committee to make improvements on and what improvements. What novelties could be introduced to take the event to the next level?

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2. R = ZAR = South African rand; R1 = US$0.07883 on June 1, 2018. [↑](#footnote-ref-2)
3. Staff Writer, “FirstRand Boosts Profits as FNB Passes 8.1 Million Customers,” Business Tech, September 6, 2018, accessed July 31 2019, <https://businesstech.co.za/news/general/269679/firstrand-boosts-profits-as-fnb-passes-8-1-million-customers/>. [↑](#footnote-ref-3)
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7. Jan Cronje, “FNB CEO: It’s Not About the Tech, Its [sic] About Hearts and Minds,” fin24, March 7, 2018, accessed July 31 2019, www.fin24.com/Companies/Financial-Services/fnb-ceo-its-not-about-the-tech-its-about-hearts-and-minds-20180307. [↑](#footnote-ref-7)
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9. “[FNB Awards R10.5 Million to Employees at FNB Innovators Awards](http://www.itnewsafrica.com/2017/11/fnb-awards-r10-5-million-to-employees-at-fnb-innovators-awards/),” IT News Africa, November 29, 2017, accessed July 31 2019, [www.itnewsafrica.com/2017/11/fnb-awards-r10-5-million-to-employees-at-fnb-innovators-awards/](http://www.itnewsafrica.com/2017/11/fnb-awards-r10-5-million-to-employees-at-fnb-innovators-awards/). [↑](#footnote-ref-9)
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