|  |  |  |
| --- | --- | --- |
| Publishing-Logo |  |  |

9B21C015

NEDBANK Group: LEADERSHIP AND ADAPTIVE SPACE FOR DIGITAL INNOVATION

Caren Scheepers, Jill Bogie, and Michael Arena 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.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com. Our goal is to publish materials of the highest quality; submit any errata to publishcases@ivey.ca. i1v2e5y5pubs

Copyright © 2021, Ivey Business School Foundation Version: 2021-04-08

On December 2, 2019, Brinsley du Plessis, executive of business and retail banking at Nedbank Group (Nedbank), made his way from the Nedbank branch at the Gautrain station to the financial services group’s head office in Sandton, South Africa. He reflected on the digitization progress at the Nedbank branch and the drive toward innovation that had brought the project to fruition. He was considering the dilemma of how to influence the way digital innovation was integrated into the redesigning of processes to support the bank’s new strategic direction. He also wondered how he might influence a larger part of the business to embrace design thinking.

Du Plessis was on his way to meet with Deborah Fenton, head of business analysts in the business banking unit, to discuss the lessons learned from their design thinking project. They had both been summoned to present their ideas at a business banking executive committee meeting to demonstrate how their initiatives supported Nedbank’s strategic direction. Du Plessis was aware that the executive committee had been looking for innovation and digital solutions to support new ways of work, and his team had developed some great ideas. Would his presentation be well received by the committee? Would the committee agree to invest capital in these ideas to move the bank forward on its digital strategy?

Nedbank Group

Background

Nedbank, one of South Africa’s four largest banks, was a leading financial services company offering wholesale and retail banking services. It operated primarily in South Africa but also had businesses and offices in eight other African countries in southern and east Africa. Its investment and alliance with Ecobank Transnational Inc. gave Nedbank access to the largest banking network in Africa, with 2,000 branches in 39 countries. In fiscal year 2019, Nedbank reported headline earnings of US$893 million (R12.506 billion),[[1]](#footnote-1) total assets of over $78.5 billion (R1 trillion), and a return on equity of 15 per cent. It had 7.8 million customers and over 29,000 employees (see Exhibit 1).[[2]](#footnote-2)

Strategy: Innovation, Technology, and Doing Good

One of the five strategic focus areas for Nedbank was “delivering innovative market-leading customer experiences” to exceed expectations and drive revenue growth.[[3]](#footnote-3)4 This strategy leveraged technology, but also focused on using financial expertise to do good—the bank’s stated purpose. This strategy enabled Nedbank to become more focused on client service, taking an agile approach and leveraging digital technology to create digital channels and digital solutions for service delivery.

This was a major transformation for Nedbank, aimed at staying relevant in a transforming society. The context within which the bank was embedded was extraordinarily complex. The renewed purpose came at a time that was not only a key period in the bank’s history, but also a time of poor financial results, a weak economy, and pivotal change for the history of South Africa. The transformation required delivery of value to multiple stakeholders including staff, clients, shareholders, society, and the environment. It also required strong leadership—not only to adapt to the current context, but also to identify new opportunities and contribute more broadly to South Africa, economically, socially, and environmentally.

New Leadership Capabilities to Execute the Desired Transformations

Another priority was to develop new leadership skills. The core leadership capabilities were client-centred innovation, design thinking, and leading complex change. The chief executive officer and executive committee of Nedbank were highly involved in this process and participated in master classes of 200 people at a time to build these capabilities. Master classes exposed large numbers of people to world-class thinking. Leadership labs were created to tackle real business problems so that at the end of the lab, there would be an action plan.

After working for 30 years at the bank, du Plessis had recently reached a milestone in his career. He started at the Nedbank Sea Point branch in 1990 and worked his way up the corporate ladder from there. During his time at the bank, he had experienced several phases of transformation as well as change resilience. Fenton had looked to du Plessis and his unique style of managing his teams. She shared what was for her the most important example of du Plessis’s leadership:

We were fighting so hard to bring the vendor on board and to do the proof of concept; [yet], every step of the way, even though we had done all the work and were ready to roll out, we kept getting pushback the whole time from [the other business unit, involved with compliance] and about the process that we had supposed to adhere to...] Eventually I just went to du Plessis one day and said, “I can’t go any further.” And he said, “But that’s fine, we will sort it out; I will go talk to the people.”

While Fenton’s team had hit obstacles, du Plessis, drawing on his vast experience at the bank, knew how to navigate the traditional organization and was able to influence and unblock barriers. Du Plessis could play a bridging role between the intention of what Fenton had been trying to achieve and the people in the bank who had to implement her team’s innovative ideas. He just knew how to formulate the team’s ideas so that it would be accepted by the line managers who ultimately had to implement the ideas.

Fenton referred to this role of du Plessis as knowing “how to get ideas to land well” with the recipients in order to accomplish the team’s goals. It was only after leaving du Plessis’s area and joining another business unit that Fenton became aware of the importance of the role that du Plessis played. It was interesting to Fenton that, within the same environment, there had been du Plessis’s style of leading and in other departments within the same bank, there had been totally different ways of leading. She explained that it was like “there was a different colour of bank across the passage.”

Co-creating an Adaptive Space

In May 2018, Fenton attended a two-day workshop led by Mary Uhl-Bien at the University of Pretoria’s Gordon Institute of Business Science. It was during this workshop that Fenton came to realize how much du Plessis had been able to accomplish with the innovation team. Uhl-Bien explained complexity science and how organizations such as General Motors Company (GM) enhanced innovation by purposefully educating their leadership in how to enable innovation. Fenton remembered sitting in the workshop and realizing that the behaviour of her own boss at the time, Du Plessis, was comparable to what Uhl-Bien was recommending as a process for enabling innovation. Fenton thought that du Plessis was someone who was already playing the bridging role between innovation and operations to enable innovation.

Uhl-Bien explained the theory of adaptive space and how it resembled a network. In the areas connecting the different network spaces, individuals may act in a bridging role, as a node in the network. They were described as the “grey dots” in the network, and their interactions could open opportunities for innovative ideas (see Exhibit 2). Uhl-Bien had published articles with Michael Arena, GM’s chief talent officer and author of the book *Adaptive Space: How GM and Other Companies Are Positively Disrupting Themselves and Transforming into Agile Organizations*.[[4]](#footnote-4) Uhl-Bien and Arena described an adaptive space as the area between the entrepreneurial or innovative side of the business and the operations side of the business.

Fenton realized that du Plessis was creating an adaptive space for her team to apply design thinking and then acting as the bridge or connection between the design team and the operations side of the business. Du Plessis had taken the operations side of the business on a journey of the design thinking process by enabling Fenton’s team to slow down and go through the iterative process of testing their hypotheses and generating supporting data.

Fenton explained how the concept of the grey dot applied to du Plessis. At the time, in 2017, du Plessis was the executive head of innovation and operational processes for business banking; he managed the project office with process engineers and had operations oversight. Du Plessis managed a functional unit that processed customer requests, established requests, and processed applications. Those teams conducted servicing, maintenance, and processing of those requests, and they supported both the business managers (BMs) and the credit managers in the decentralized client service teams within the regions. The business banking matrix structure had three functional lines of sales, credit, and operations, with direct reporting at the regional level and indirect reporting to the central functions.

Staff turnover among the approximately 400 salespeople in business banking was about 30 per cent. The ability to analyze the client’s business, identify unique needs, and offer suitable solutions was scarce in the market, and it caused huge operational issues because the salespeople had to know about all 100 business banking products. Fenton and her team’s research showed, however, that people could actually only remember around eight products. The reward system or scorecard in place also required these salespeople to achieve targets. Salespeople had to function like business owners who advised their customers by offering solutions to assist in growing their businesses. With the high turnover and the need to have sound relationships with their customers, it was difficult for the salespeople to perform at a high level right away. The question was how Fenton and her team could apply design thinking principles to assist young recruits in getting up to speed. The team considered developing digital means and technology to support the sales teams. The salespeople were supported by about 48 specialist bankers who had knowledge about niche products.

Fenton’s research had revealed that clients wanted the salespeople to have a general understanding of the client’s business and Nedbank’s products so that the salesperson could have a meaningful conversation with the client around solutions. Fenton and her team then partnered with a financial technology (fintech) company, which developed an artificial intelligence (AI) tool based on the concept of a cube: a multisided solution. The tool was a type of matrix that took the salesperson along a certain path and in this way guided the conversation based on the needs of the client. The tool provided options for what the salesperson wanted to discuss, and it allowed the salesperson to access specific information and offer alternatives and future potential prospects. Given what a client’s needs were, the tool then predicted what the salesperson could offer the client going forward.

The BMs were interviewed to understand how they analyzed a client’s needs, found a solution to those needs, and sold the solution to the client. These BMs provided input to program the AI tool with specific scenarios that they experienced in practice. The involvement of the BMs was a key success factor in the project. The digital tool was like a living intellectual property database, with questions similar to what the BM would ask a client. It could keep record of conversations with clients so that when there was turnover, the information on the client would be available. While Nedbank generally preferred to build offerings itself rather than use an external fintech company, in this specific project, Fenton and her team contracted the fintech company and involved behaviour economists in developing the tool. The project required funding to conduct the proof of concept, after which the project team would acquire licences for 200 people.

The project was to be piloted with about 15 people to test whether or not, in the end, the tool assisted in recommending the most appropriate products to increase sales. However, Fenton and her team were met with resistance because the pilot would test the tool but not necessarily show a return on Nedbank’s investment. Nedbank’s technology division was also skeptical about running the pilot. Nonetheless, the team considered the pilot to be a worthwhile investment prior to rolling out the solution. Du Plessis supported the Fenton’s team in testing their hypothesis, and he convinced their executive team to support the project.

Du Plessis applied the principles of design thinking, which was originally developed by David Kelley, founder of IDEO. Design thinking represented a human-centred design methodology.[[5]](#footnote-5) Du Plessis believed in empathizing with the teams who focused on bringing innovative solutions and was passionate about creating the environment in which the teams could apply the design thinking principle of “test and learn,” or celebrating failures, adjusting their approach based on what the data revealed. For example, when the tool was loaded onto an iPad, the salespeople struggled with the technology and felt that they were losing eye contact with their clients. Some salespeople who were uncomfortable with the technology were only able to type with one finger and worried that doing so did not appear professional. The team then conducted a continuous improvement process and modified the solution to serve as a tool for preparing for client discussions rather than as a technology that was used during client meetings. The salespeople could input client information, and the tool would then guide them toward specific needs of the client.

Fenton’s team had to be adaptable and learn to fix and improve their offering. However, they experienced resistance from Nedbank’s technology vendor management areas since Fenton’s team had apparently not adhered to specific security protocols. The team was threatened with warnings, even though they had not intended to break any rules or policies. Fenton and her team were surprised that it was such a big issue since they had not actually used client data. Faced with such resistance, the team reached an insurmountable obstacle and could not go any further.

This is where du Plessis’s ability to navigate internally across the bank assisted the team. Fenton informed him of the problem, and he took it upon himself to assist the team by representing the team at various risk governance forums and procurement forums and explaining what the team had intended. When Fenton’s team had initiated the vendor relationship, du Plessis had actually discussed the project with the appropriate people and had received consent to move ahead. It seems people had forgotten that the project had been discussed—an incident du Plessis referred to as “corporate amnesia.” He sourced the minutes of meetings and, on behalf of the team, sorted things out. He was, in effect, a sponsor, supporting and protecting the team against corporate resistance from other parts of the business.

Du Plessis learned that he had to align business with the design thinking approach up front, long before arriving at the deliverable end of the project. He also learned to trust the process and allow the team to test their hypotheses and use data to support or refute hypotheses before exercising judgment. Fenton and her team’s project first went through a back-and-forth process to refine the solution and then went through the formal procurement process and offered various vendors the opportunity to send in their proposals. The business had to ensure that the vendor that actually won the tender would be able to offer support for the whole bank and had the best technology available to integrate with the bank’s existing systems and processes.

Fenton’s team proved that the solution was indeed addressing the need and that it would support the business as an enterprise solution to 200 business banking salespeople. Other business units, such as corporate and retail banking, also required this solution. The project demonstrated the importance of the role of the sponsor in supporting innovative undertakings from initial ideas through to their actual implementation.

Innovation from the bottom up

Du Plessis had gained insight into how to enable innovation (see Exhibit 3):

When there is hierarchy, there is bureaucracy. And if you have that in place, then you stifle ideation and innovation. Strategic positionings are often not obvious and finding them requires creativity and insight. Now, innovation, in my view, is kind of [asking,] how are you going to do things differently and better than one’s rivals. Known as strategic positioning, it means performing different activities from rivals’ or performing similar activities in different ways. So, take how McDonald’s sells burgers and how RocoMamas looked to find a creative way to “woo” customers in the same market.

Du Plessis used the metaphor of kicking a ball uphill to explain how to deal with bureaucracy:

And all that we are doing in a hierarchical organization is turning the triangle upside down to allow information [to] flow easily to leaders. Because I am a firm believer that it is hard to kick a ball uphill; likewise, it’s hard for staff to get their voices (information flow) to move uphill, up the hierarchy. So, your teams that are in “the know” and have knowledge about what is really happening on the ground—all the different points of view, the challenge, etcetera—they are dealing with things that are material at [the] resource level every single day, not the executives.

Since it was so difficult for teams on the ground to get their voices heard, du Plessis ensured that information was flowing easily to the decision-makers. He endeavoured to remove the bureaucracy and hierarchy to turn the triangle upside down because it was easier to kick a ball downhill. Du Plessis also used humour to bring his point across, such as the following hippo metaphor, which he learned at a leadership program at INSEAD:

In any organization or environment, you have always reported to somebody that has been, what I call, “the hippo”—the highly paid person’s opinion, “the boss.” So, the boss will say, “We want you to do *x* in terms of strategy or tactic, you know, and I think we should do it like this.” And what happens? Everybody is “Yes, that’s a great idea, sir!” And that is the worst idea actually.

Instead, du Plessis would inform his teams about the strategy—what he would call “the river to cross.” He would give the guidelines and then the “clever people” would figure out how to cross the river and would come back with options and ideas and then make decisions. Du Plessis learned this concept through Spotify’s agile model and through learning over the years that leaders needed to spend 20 per cent of their time telling and 80 per cent of their time asking how to solve an issue. The 20 per cent related to telling people which rivers to cross and which options, as presented by the teams, would be taken.[[6]](#footnote-6)

Moving forward

Du Plessis considered whether his team had done enough in pushing the boundaries on new ideas. Were the ideas clearly focused on future client needs and how might he influence the way digital innovation was integrated into the redesigning of processes?

EXHIBIT 1: Key facts about Nedbank Group AS OF DecEMBER 31, 2019

* Market capitalization: R107 billion
* Total assets: R1.1 trillion
* Assets under management: R331 billion
* Headline earnings: R12,506 million
* Outlets: 692 (including African regions)
* ATMs: 4,398 (including African regions)
* Employees: 29,403
* Clients: 7.8 million (including African regions)
* Digitally active clients: 1.8 million
* Country presence: 39 branches in Africa through alliance with Ecobank Transnational Inc.
* BBBEE contributor status: Level 1
* MSCI ESG rating: AA

Note: R = South African rand; US$1 = R 14.5698 on December 2, 2019; ATM = automated teller machine; BBBEE = Government of South Africa’s Broad Based Black Economic Empowerment rating; MSCI ESG = a financial services organization providing an index based on ratings and analysis of a company’s environmental, social, and governance-related business practices.

Source: “Group Overview,” Nedbank Group, accessed October 30, 2020, https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/Group-overview.html.

EXHIBIT 2: ARENA AND UHL-BIEN’S THEORY ON ADAPTIVE SPACE

**Operational Leadership**

**Entrepreneurial Leadership**

**Enabling Leadership**

**Entrepreneurial System**

**Operational System**

**Adaptive**

**Space**

Source: Created by the authors based on Michael J. Arena and Mary Uhl-Bien, “Complexity Leadership Theory: Shifting from Human Capital to Social Capital,” *People & Strategy* 39*,* no. 2 (Spring 2016): 22–27*.*

EXHIBIT 3: The INNOVATION PROCESS WITH CONTEXTUAL LEADERSHIP

**2017**

**2018**

**2019**

**2020**

**Progress of Idea from Innovation to Operation**

Start of idea:

Address a

business

problem

Build solution, contract financial technology

company

Interact with client

Design solution

Resistance from risk and compliance

Hitting the brick wall

Receiving pushback

Create climate for innovation

Assist in selecting solution

Recognize by inviting to committee meeting

Support team when stressed

Actively network and influence

Redesigning, tweaking

Follow procurement processes

Sell ideas into the business

Apologize and explain

Secure budget for proof of concept

Formulate proof of concept

Design scaling solution

**INNOVATION**

Implement solution across the bank

Promote new way of working

Link with other systems

**OPERATION**

Source: Compiled by the authors based on interview data.

1. All dollar amounts are in US dollars; R = South African rand; US$1 = R14.5698 on December 2, 2019. [↑](#footnote-ref-1)
2. “Group Overview,” Nedbank Group, accessed October 30, 2020, https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/Group-overview.html. [↑](#footnote-ref-2)
3. 4 “Strategic Focus Areas,” Nedbank Group, accessed October 30, 2020, https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/vision--values-and-strategy/Strategic-focus-areas.html. [↑](#footnote-ref-3)
4. Michael J. Arena, *Adaptive Space: How GM and Other Companies Are Positively Disrupting Themselves and Transforming into Agile Organizations* (New York, NY: McGraw-Hill Education, 2018) 3-16. [↑](#footnote-ref-4)
5. Kelley founded IDEO in 1978 to unlock creative confidence. “Hello, I’m David Kelley,” IDEO, accessed October 30, 2020, https://www.ideo.com/people/david-kelley. [↑](#footnote-ref-5)
6. “Spotify Engineering Culture (by Henrik Kniberg),” YouTube video, 13:12, posted by “Andreas Tjernsli,” February 27, 2017, accessed July 30, 2019, https://youtu.be/4GK1NDTWbkY. [↑](#footnote-ref-6)