Building cultural capital the new frontier of competitive advantage
A Nedbank Case study
(August 2005-April 2010)
Prepared for professional presentation with permission from Tom Boardman
Nedbank’s Leading For Deep Green Journey

Building cultural capital through a large-scale integrated strategy and leadership development change journey

Learning’s from the coal-face

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Why is this case study of interest?

Directionally very positive impact on hard measures

Systemic whole-scale culture change

Integrates strategy, values-based leadership, culture and diversity

Initial 564 (54 teams), cascading to next 1400 (127 teams)

Board buy-in, CE Ownership & Group Exco Sponsorship

Aug 2005- January 2010

Impact:

An inside-out perspective of some big moments and high-level learnings
Identifying Nedbank’s desired future and what we need to do to get there

Milestone one:
Key Milestones along the Way

3
4
5

Translating Nedbank’s strategic future and values into day-to-day leadership behaviours

Milestone two:
Obtaining Executive / Board alignment, sponsorship and ownership

Milestone three:
On-going, measurement, learning and reflection to help us navigate the change

Milestone four:
Embedding the leadership behaviours through an integrated personal, team and leadership transformation process

Milestone five:
Positioning sustainability as a multi-dimensional on-going leadership task enabled through systemic awareness and alignment
Milestone One

Identifying Nedbank’s desired future & what we need to do to get there

Obtaining Executive / board alignment, sponsorship & ownership

Understanding the As-Is, To-Be and the Levers for Getting There

- Holistic understanding of the organisation is key in determining what levers to pull
- The wisdom of “what” resides in Nedbank
- Multiple entry points, no silver-bullet

Key Learnings

- Slowing down to build alignment around ‘what’ and ‘why’ within an integrated framework before focusing on ‘how’
- Positioning the change journey as “business as usual” rather than an add-on project
- Importance of managing multiple stakeholder expectations and relationships
Informed by Nedbank’s vision and values

To become Southern Africa’s most highly rated and respected bank…

…by our staff, clients, shareholders, regulators and communities.

= DEEP GREEN

Great place to work

Great place to bank          Great place to invest

Unleashing synergies       World-class at managing risk

Community of leaders

Most respected and aspirational brand

Highly involved in the community and environment

Leading transformation   Living our values

Great at listening, understanding clients’ needs and delivering

Our brand expression

Make Things Happen

Strategic focus areas

Grow our share of EP  Become client driven  Manage risk as an enabler  Enhance productivity and execution  Build a unique culture  Accelerate transformation  Lead as a corporate citizen

Scope of the game

A member of the Old Mutual Group  Full spectrum banking  Bank for all  Southern Africa focus, with selected offshore expansion

Our values

Integrity  Respect  Accountability  Pushing Beyond Boundaries  People-centered

Source: Group Strategy
Overarching Assumptions

- Successful organisations are vision-guided and values driven (Barrett)
- Organisations don’t transform – people do (Barrett)
- Organisational transformation starts with the personal transformation of the leaders (Barrett)
- The transformation of 2000 leaders can be the tipping point
- Measurement matters – what you can measure you can manage
- Cultural capital is the new frontier of competitive advantage
- Cultural capital is the outcome of everything we do, accelerated by prioritising 3 levers:
  - Strategy; Values-based leadership
  - Transformation (Diversity)

Overarching Change Methodology

Transforming the Individual

Transforming Intact, Natural Teams

- Personal Leadership
- Team Leadership

Transforming Organisational Culture

Transforming Inter-Team Relationship

- Strategic Context
- Communities of Leaders
- Lateral Leadership
So what is the business logic behind cultural capital as the new frontier for competitive advantage?

A four year study of 9-10 firms in each of 20 industries, carried out by Kotter and Heskett of Harvard Business School, found that firms with a strong adaptive culture based on shared values, outperformed firms with rigid or weak cultures by a significant margin.


Long lasting companies have a vision-guided, values-driven culture that gives guidance to all employees.

— Jim Collins and Jerry Porass, ‘Built to Last: Successful habits of visionary companies’, 1995
**Milestone Two**

Alignment, mobilisation & involvement of a community of 500 leaders in the design of our strategic future and the implications for leadership

<table>
<thead>
<tr>
<th>Strategy as a Process of Ever-Widening Conversations</th>
<th>Key Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Strategy is an iterative process of on-going conversations, alignment &amp; implementation</td>
<td></td>
</tr>
<tr>
<td>➢ Strategy is not limited to the domain of the Exec</td>
<td></td>
</tr>
<tr>
<td>➢ Acceptance is enabled if people feel they are part of the change journey</td>
<td></td>
</tr>
<tr>
<td>➢ Strategy is embedded through quality thinking, quality conversations &amp; values-based leadership</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Learnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ The participative process was key to mobilising the heads &amp; the hearts in Nedbank’s change journey</td>
</tr>
<tr>
<td>➢ Aligning &amp; integrating the strategy process into the planning/budgeting cycle was key to implementation</td>
</tr>
</tbody>
</table>
Milestone Three

Translating Nedbank’s strategic future and values into day-to-day leadership behaviours

Key Assumptions

- Inherent in the desired future are Nedbank-specific values-based leadership behaviours
- These values-based leadership behaviours are non-hierarchical

Key Learnings

- Participative, statistically sound development process enhanced the credibility of the “translator cog” (Multi-rator)
- Importance of a credible “translator cog” linking strategy, leadership and diversity

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Transforming Intact, Natural Teams

Working Clockwise within our Overarching Conceptual Framework

Overarching Change Methodology

- Transforming the Individual
  - Personal Leadership

- Transforming Organisational Culture
  - Communities of Leaders
  - Strategic Context

- Transforming Intact, Natural Teams
  - Team Leadership
  - Lateral Leadership

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Milestone Four

Embedding the leadership behaviours through an integrated personal, team and leadership transformation process

Key Assumptions

- Change begins with self awareness
- Integration with the business context will increase buy-in and engagement
- Learning is at the core of leadership
- Moving forward requires healing the past, surfacing & addressing the underlying issues

Key Learnings

- Entry & positioning is everything
- Balancing symmetry with uniqueness
- Integrated process accelerated learning
- Leader-led & small intact functional teams
Positioning sustainability as a multi-dimensional on-going leadership task enabled through systemic awareness and on-going alignment

Key Assumptions
- The organisation must be understood as a holistic, interconnected system
- Large-scale change is sustained when the entire organisational system aligns with and reinforces the change
- Systemic awareness and alignment is a key leadership capability and on-going task

Key Learnings
- A systemic feedback framework builds holistic understanding and highlights implications for sustainability
- A systemic feedback framework reinforces accountability for alignment at the right level
Our GPS

On-going measurement, learning and reflection to help us navigate the change

Key Assumptions

- Any intervention changes the system
- On-going reflection & learning ensures the continued relevance of the change journey
- Evaluation and measurement matter: what you can measure you can manage
- People are empowered through feedback

Key Learnings

- Tuning in and reflecting to the systems to allow emergence and responsiveness
- All hard impact measures are helpful in monitoring directional shifts
- Measurement adds credibility & rigour
Outcomes Attained to Date – a Selection of Immediate Impact Measures

What is Your Own Understanding of Nedbank’s Group Strategy Right Now?

Start of Session
- No understanding: 4%
- Vague Understanding: 22%
- General Understanding: 55%
- Comprehensive Understanding: 19%

After Session
- No understanding: 3%
- Vague Understanding: 38%
- General Understanding: 59%

Summary of Process Evaluation Feedback

- Facilitating Process: 93%
- Workshop Expectations Met: 89%
- Coaching Process: 87%
- Learning Objectives: 90%
- Overall Process: 89%

What is Your Current Degree of Personal Alignment to the Nedbank Group Strategy?

Start of Session
- Not aligned: 5%
- Somewhat aligned: 23%
- Aligned: 47%
- Full & Wholehearted Alignment: 25%

After Session
- Not aligned: 6%
- Somewhat aligned: 47%
- Aligned: 46%

Unintended Impacts

- Retention of key people & a sense of belonging during tough times
- Settled outstanding integration issues
- Embedded new structures, integration of new members and support leadership transitions
- Engaged tough non–performance issues
**Q1** How much has your understanding of what **is required from you as a leader** in Nedbank shifted since the beginning of the LFDG intervention?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly (76-100%)</td>
<td>41%</td>
</tr>
<tr>
<td>Quite a lot (51-75%)</td>
<td>50%</td>
</tr>
<tr>
<td>Partially (26-50%)</td>
<td>8%</td>
</tr>
<tr>
<td>Not at all / Very little (0-25%)</td>
<td>2%</td>
</tr>
</tbody>
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Measuring the pre-post shifts made through LFDG over a 4 year period for the leadership component

Q2 How much has your awareness of yourself as a leader changed since the beginning of the LFDG intervention?

- Significantly (76-100%): 48%
- Quite a lot (51-75%): 43%
- Partially (26-50%): 10%
- Not at all / Very little (0-25%): 1%
Q3 How much has your **awareness of your impact on others** changed since the beginning of the LFDG intervention?

- **Significantly (76-100%)**: 50%
- **Quite a lot (51-75%)**: 40%
- **Partially (26-50%)**: 9%
- **Not at all / Very little (0-25%)**: 1%
How much has your **willingness and ability to have courageous conversations as a team** improved since the beginning of the LFDG intervention?

- **Significantly (76-100%)**: 48%
- **Quite a lot (51-75%)**: 40%
- **Partially (26-50%)**: 12%
- **Not at all / Very little (0-25%)**: 0%
Q8 How much has your understanding of the dynamics of transformation and diversity changed since the beginning of the LFDG intervention?

- Significantly (76-100%) 38%
- Quite a lot (51-75%) 42%
- Partially (26-50%) 17%
- Not at all / Very little (0-25%) 3%
Directionally positive impact evident on organisation culture and climate: The Tipping Point

Comparative of Mean Scores for all Dimensions on Staff Survey (2005-2008)

* statistically significant shift since 2007
Note: 2005 (n=943); 2006 (n=3328); 2007 (n=3358); 2008 (n=5585)
Directionally positive impact evident on decreasing levels of cultural entropy

Entropy improvement is indicative of an improvement in staff morale. Working towards an entropy of <10% will result in healthy functioning of the organisation.

<table>
<thead>
<tr>
<th>Entropy Scores</th>
<th>Entropy Risk Bands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>&lt; 10%</td>
</tr>
<tr>
<td>25%</td>
<td>Healthy functioning</td>
</tr>
<tr>
<td>2006</td>
<td>10% – 19%</td>
</tr>
<tr>
<td>19%</td>
<td>Some problems requiring careful monitoring</td>
</tr>
<tr>
<td>2007</td>
<td>20% – 29%</td>
</tr>
<tr>
<td>17%</td>
<td>Significant problems requiring attention</td>
</tr>
<tr>
<td>2008</td>
<td>3%/ – 39%</td>
</tr>
<tr>
<td>14%</td>
<td>Crisis situation requiring immediate change</td>
</tr>
<tr>
<td>2009</td>
<td>Above 40%</td>
</tr>
<tr>
<td>13%</td>
<td>Impending risk of implosion, bankruptcy, or failure</td>
</tr>
</tbody>
</table>
Directionally positive impact evident on best employers
top ten culture values

Where Nedbank sits now relative to best employer benchmark

**Best employers values**

- Achievement
- Client satisfaction
- Brand image
- Accountability
- Being the best
- Continuous improvement
- Employee recognition
- Balance (home / work)
- Coaching / mentoring
- Teamwork

**Nedbank Values**

- Accountability
- Client driven
- Client satisfaction
- Cost-consciousness
- Community involvement
- Achievement
- Teamwork
- Employee recognition
- Being the best
- Performance driven
............ bearing in mind that a good dose of humility is needed in reflecting on the impact of this type of work as many things shift a system..............
.....when the world changed.........

US, UK and SA banks relative share prices: 2007 to date
so where is Nedbank now

what does this mean for the way forward
A strong culture is one of the core things that enable resilience though tough times.

Resilient values-based cultures become the glue that holds people together in times of transition and change – this is a key competitive advantage during tough times. – Richard Barrett

In particular:

Your ability to **attract and keep talented people**

Your ability to **build and sustain high-performance**

Your ability to **build resilience and adaptive capacity**
Leading at the edge of change is a matter of the head & the heart. It requires stamina, resilience, courage & openness to learning from all involved.

Unlocking personal potential does unlock organisational potential.

Partnership! Partnership! Partnership!

Positioning! Positioning! Positioning!

Sponsorship! Sponsorship! Sponsorship!
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