



MAKE THINGS HAPPEN

The Role of Strategy, Culture and Leadership in the Nedbank Turnaround – The Tom Boardman Story

Table of Contents

Executive Summary.....	3
It all Starts with a Vision, driven by Strategy	4
Corporate Culture and Values.....	5
Transformation	6
Leadership.....	8
Measurement and Tracking.....	9
When it’s all Said and Done	10
Annexure 1: Dagwood 2004	11
Annexure 2: Nedbank Staff Survey	12
Annexure 3: Nedbank Transformation – Employment Equity.....	13
Annexure 4: Entropy Improvement.....	14
Annexure 5: Improvement in Business Ratios	15

Executive Summary

When Tom Boardman was announced as the Chief Executive Officer (CEO) of Nedbank in late 2003, the bank was about to go on to record full year results of Headline Earnings down 98% (to R55m), and a Return on Equity (ROE) of 0.4%. Nedbank's Market Capitalisation was the lowest of the 'Big Four', and on a downward trajectory in direct contrast to the competitors' upward trajectory, at R17bn. Their parent company Old Mutual plc would have to inject R2bn of secondary capital to keep it afloat, and R5.2bn primary capital had to be raised through a rights issue. Coupled with the poor financial view, market sentiment of the appointment of the CEO whose job it was to lead Nedbank out of these troubled times was negative, and a day after the announcement Nedbank's share price tumbled 6%. At the same time, Nedbank was in the midst of the complicated merger with BOE, which involved not only aligning people, culture, and values, but was becoming more costly the longer it took to implement, and thus real 'savings' were not being immediately realized.

It was immediately clear that a lot of hard work would be required in order to turnaround one of South Africa's oldest and traditionally 'aspirational' banks. Everything from the way it did business (corporate strategy and operations), to the way that the employees functioned (corporate culture), to the way it ensured successful implementation, execution and attainment of goals and objectives (corporate leadership) had to be reviewed and reinvented.

It all Starts with a Vision, driven by Strategy

'To become Southern Africa's most highly rated and respected bank ... by our staff, clients, shareholders, regulators and communities.' - Tom Boardman, 2004.

The vision of an organization gives it direction. This is enabled and underpinned by its corporate strategy and values. In the absence of a vision, an organization has no direction.

'If you don't know where you are going then any road will take you there.' – Cheshire Cat, Alice in Wonderland

Strategically, Tom realized that there were a number of pressing and immediate issues that had to be dealt with quickly in order to fully carry out his vision. To address these pressing concerns, Tom launched the 'Journey Back to the Top' initiative, underpinned by a three year planning process. This was meant to provide focus to these and other key initiatives aimed at the turnaround of Nedbank, and ensured that each responsible business division, as well as Tom, would be actively tracked and measured against these items.

At the same time, in 2004, Tom personally led the Strategy, Values and Brand (SVB) workshops. These were held for the top senior leadership in Nedbank to brainstorm the strategic direction, corporate aspirations, key focus areas, and core values. A number of these workshops were held to constantly evolve and improve these aspects. The summaries of the discussions from every workshop, together with amendments to the group strategy, values and brand, were consolidated into one document, which was presented to, and approved by, the Nedbank Group Executive Committee. The result was a finalized group strategy and clear direction for the Nedbank Group brand campaign and values - the 'Dagwood'.

10 Steps for shifting an Organization

1. Develop a vision, mission, strategy and operating plan
2. Set high expectations with specific goals and objectives
3. Build trust
4. Define person's and group's goals, responsibilities and job content
5. Agree on measures for people to track how they are doing
6. Give frequent feedback and relate to plans
7. Continuously update people on external situation
8. Recognize and praise success and progress
9. Reward success and the desired behaviour
10. Celebrate success together and share setbacks

Global research has shown that highly successful companies often use a single concept that focuses all the efforts in their organizations. Powerful single concepts are built on three pillars: what the organization is passionate about, what sets the organization apart from competitors and what drives the organization's economic engine. Tom believed that Nedbank could be the best at understanding their clients' needs and that they could deliver value propositions that would meet these specific needs better than any other bank in Southern Africa. He believed that being more client-driven would set Nedbank apart from the rest and would be a cornerstone in the 'journey back to the top'.

Furthermore, and in line with the strategy of becoming a more client-driven organization and to remove the silo mentality from the business, the frontline business model had to be reviewed. As a result, the existing retail and operations business structures were reviewed and a new business model was introduced with the aim of unifying the business, which in turn would support a more client-centric approach. The review was based on feedback received from all Nedbank employees, and by evaluating best practice in other international markets. This is aligned to the maxim of *'the wisdom of many is better than the wisdom of few.'*

Corporate Culture and Values

'The culture of an organization or any group of individuals is a reflection of the values, beliefs and behaviours of leaders of the group.' - Richard Barrett.

The breaking down of silo behaviour within Nedbank was another one of the key challenges. To encourage unity one set of values were developed - values that were shared by staff in all the clusters and divisions, and that were also in line with the values of the broader Old Mutual group. Four values which aligned to the greater Old Mutual group, and which were adapted for Nedbank, were chosen, as well as a fifth which was chosen specifically in order to create a sense of uniqueness and relevance to Nedbank. All staff was invited for their input in selecting the fifth value as this represented buy-in into the shifting of the corporate culture which was a prerequisite for the turnaround. Being People-

'The excellent companies developed cultures that incorporated the values and practices of their great leaders, and those shared values can be seen to survive for decades.' – Tom Peters

'Organizational transformation begins with personal transformation of the leaders. Organizations do not transform; people do.' – Richard Barrett

Centered was eventually selected, to go along with Integrity, Respect, Accountability, and Pushing Beyond Boundaries. In order to create a 'High Performing Culture' it was critical these values were adopted, accepted and lived by all employees, and be seen to exist within top leadership.

Another key concept as a result of the SVB workshops was 'Deep Green'. This idea was about a composite culture, encompassing the vision, and driven by a depth of aspirations, values, and focus areas ('Deep'), built around the brand imaging of Nedbank ('Green'). It represented the feeling that the senior leadership team at the time of the SVB workshops felt best summarized the Nedbank that they had planned to see, and would work towards.

To enable Deep Green, the 'Leading For Deep Green' (L4DG) programme was constituted. This encompassed employee and team mastery and effectiveness, while also focusing on community involvement and staff volunteerism. One of the workstreams that was constituted was a combined leadership and strategy process. It was a unique process that had been developed for Nedbank by the Centre for Conscious Leadership (CCL), a team of organisational psychologists. The process was built on the latest thinking in leadership development. The key aspects of this was to be aware of oneself in terms of ones personality, leadership style, and on the impact and influence on others, and how Nedbank could harness the synergy of differences and leverage our insight to build a sustainable future for Nedbank. To date 162 teams and 1,969 staff members have gone on the programme, and it is continually being enhanced to ensure an effective working corporate culture and values.

Deep Green' Aspirations

- 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

Transformation

Another area where much change occurred and excelled under the leadership of Tom is that of Transformation. He saw that Nedbank, as a leading banking group, had an 'opportunity to effect and influence transformation at a number of levels – not

'It is our responsibility to break down barriers of division and create a country where there will be neither Whites nor Blacks, just South Africans, free and united in diversity.'
– Oliver Tambo

only internally but also in the markets that we serve, among our corporate clients, in capital formation projects, and in all out business interactions.'

Transformation is not just a numbers game, where it looks like it's all about employment equity targets and black economic empowerment. This checklist mindset can diminish the socio-economic actualities of what transformation is really about. It's about human rights, equality, justice, and dignity. It's about a belief in an abundant future for all.

The financial sector charter was one of the first movers in organizing business to setup a governing charter that would prioritize Black Economic Empowerment (BEE) within the sector and guide financial services institutions in its implementation. The Financial Sector Charter (FSC) was developed by the major players in the sector and brought into effect in January 2004. It sets out key strategic measures to promote BEE across the sector, together with targets for implementation. The Department of Trade and Industry (DTI) have since introduced the BEE Codes of Good Practice, which forms an addendum to the B-BBEE Act and provide a means of measuring BEE on the broad-based terms introduced with the Act. This marks a further step to motivate transformation in the private sector.

In all the measurement areas of Ownership, Management Control, Corporate Social Investment (CSI), Enterprise Development, Preferential Procurement, Skills Development and Employment Equity there has been a steady increase, and in some cases surpassing annual targets, since their introduction.

Nedbank's Transformation Truths

- 1.** It is the right thing to do. Transformation is a business imperative.
- 2.** Transformation affects every single area of our business.
- 3.** It is the responsibility of every person to make it happen.
- 4.** Trust and transparency is required. Everyone should be heard.
- 5.** Transformation at Nedbank must be unifying, fair and transparent.
- 6.** Transformation will have short-term cost with long-term benefit.
- 7.** Transformation targets will be embedded in our strategies and business plans through on-going consultation.
- 8.** We will pro-actively grow and develop our own talent pool.
- 9.** We will focus strongly on the support and empowerment of blacks, with particular emphasis on Africans, all women and all people with disabilities.
- 10.** Transformation is non-negotiable.

This is not only directly related to the leadership of Tom being an example of a positive role model in his belief of Transformation, but also in his ability to get comprehensive buy-in from all levels of employees to the merits and spirit of Transformation. Indeed, the success of the transformation of the employee composition of Nedbank contributes greatly to it being named as the third most empowered company in South Africa in 2008, and ahead of its other 'Big 4' competitors.

Leadership

In his book 'Let Africa Lead', Reuel Khoza refers to the Doughnut Leadership model. The highest level of attainment in this model is that of an organization which is led by a value-based leader. *'Guiding the 21st century business are value-based leaders who depend on experts to shape innovation and create networks of exchange. The implementers – no longer mere 'workers' – are those who share the vision and carry it into the workplace and the marketplace.'*

When Tom took over in late 2003, one of the more immediate organizational structure tasks was the reorganization and appointment of a new Executive Committee. This was coupled with a reorganization of the Nedbank divisions in order to align it to a synergistic client-driven business model. It was vital that he chose leaders that would not only be able to buy into his vision, but who would also be great leaders in their own right and be able to galvanize their employees in the achievement of the turnaround. Tom and his senior leadership had to be values-based and had to lead by example.

One of the key elements of Tom's first 'Five Point Plan' was that of improving transparency. This was not only related to transparency with regards to accounting policies and reporting, which was also important, but more so with regards to employee communications, specifically to the early days of the 'Journey to the Top'.

The Seven Keys to Business

1. **Trust your Subordinates:** You can't expect them to go all out for you if you don't trust them.
2. **Develop a Vision:** Contrary to some executive's suspicions, planning for the long term pays off. People want to follow someone who know where he or she is going
3. **Keep your Cool:** The best leaders show their mettle under fire
4. **Encourage Risk:** Nothing demoralizes the troops like knowing that the slightest failure could jeopardize their entire career
5. **Be an Expert:** From boardroom to mail room, everyone had better understand that you know what you are talking about
6. **Invite Dissent:** Your people aren't giving you their best or learning how to lead if they are afraid to speak up
7. **Simplify:** You need to see the big picture in order to set a course, communicate it, and maintain it. Keep the details at bay

A variety of mediums were utilized to ensure that all levels of employees were kept informed of strategic decisions being made which would undoubtedly affect morale and confidence. A key of this was the 'Talk to Tom' concept, a vehicle for employees to share with Tom their concerns, fears and suggestions. This ensured that he was in-touch with what all of the employees were feeling and thinking, but also more importantly, it opened the doors for employees to him and made him more accessible and the relationship more personal. All great leaders are great communicators.

Five Keys to Effective Leadership

1. A Leader Plans
2. A Leader has a Vision
3. A Leader Shares His or Her Vision
4. A Leader Takes Charge
5. A Leader Inspires Through Example

Measurement and Tracking

*'A strong culture is said to exist where staff respond to stimulus because of their **alignment** to organizational values. In such environments, strong cultures help firms operate like well-oiled machines, cruising along with outstanding execution and perhaps minor tweaking of existing procedures here and there.'* - Dean McFarlin.

It has been said that *'what cannot be measured, does not count'*. This is also applicable in the areas of cultural change, transformation, and staff morale. These dimensions in particular were carefully monitored and tracked on a monthly and annual basis by Nedbank. All of these dimensions have shown marked improvement, year on year.

In order to track alignment of employee's personal values versus current organizational culture values versus desired organizational culture values, Tom enlisted the help of Richard Barrett. In his annual Barrett Surveys, which have seen the number of respondents in 2005 increase from 1,827 (or 20% of employees) to 18,206 (or 63% of employees) in 2009, the number of matches of culture dimensions increased (between current culture to desired culture) steadily

'If you are losing good people, look to their immediate manager. Immediate manager is the reason people stay and thrive in an organization. And the reason why people leave. When people leave they take knowledge, experience and contacts with them, straight to the competition. People leave managers not companies.' – Marcus Buckingham

over the years, from 3 matches to 6 (out of the top 10 dimensions selected). This was indicative of an organizational culture shift in a positive direction, aligning what employees wanted to see from the organizations culture, to what it actually experienced of the organization.

Another important element of the Barrett Survey is that of the measurement of Entropy, which is a measurement of the degree of dysfunctionality within an organization's culture. A less than 10% value is a healthy functioning organization. The best employers have the lowest entropy, and the employers with the lowest entropy also have the highest financial returns (Hewitt Associates & Barrett Values Centre, 2008). In 2005 this value stood at 25%, which meant that there were significant problems requiring attention. In 2009 the value almost halved to 13%, which is indicative of an improvement in staff morale, and working towards the less than 10% value would result in healthy functioning of the organization.

The Nedbank Staff Survey (NSS) was another annual survey used to measure the staff morale of the organization. There are 12 dimensions measured, with an 'Overall' value also tracked which is a composite of all the dimensions. All of the dimensions showed major improvement since 2005, some as high as 38.7%, and overall the score improved by 26%. Staff morale had indeed turned for the better.

When it's all Said and Done

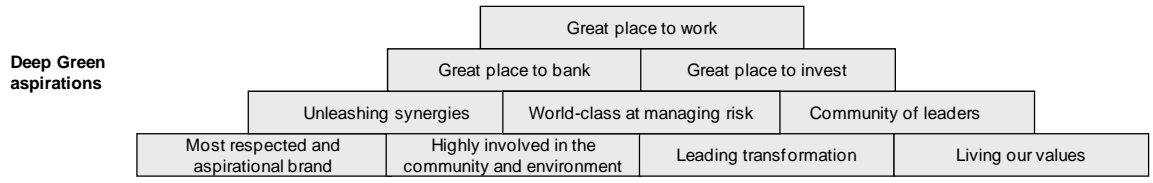
Tom Boardman's time at Nedbank can be described as one where success has been achieved in the face of extreme adversity. This adversity included negative market sentiment, low staff morale, a dysfunctional organizational culture, no clearly articulated vision and strategy, and a low confidence level in the senior leadership of Nedbank.

'There is no miracle moment. Incremental wins in a common direction will restore Nedbank to a highly rated & respected financial institution' –Tom Boardman, 2004

The effective turnaround of Nedbank happened as Tom had promised: at the end of the first cycle of the three year planning process. The 'hard' target measures of 20% ROE and 55% Cost-to-Income ratio were delivered and celebrated. But all of this would not have been possible without strong leadership, a determination and conviction to change the culture and values, and more importantly, to win the support and belief of not only the outside investor community, but of all employees.

Annexure 1: Dagwood 2004

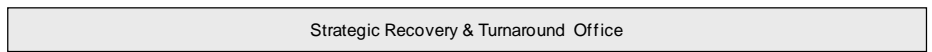
Vision To become Southern Africa's most highly rated and respected bank... = **DEEP GREEN**
 ...by our staff, clients, shareholders, regulators and communities.



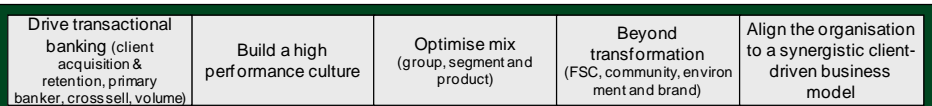
What makes us different & dictates our business model?



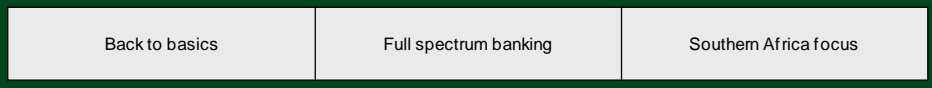
Making sure it happens



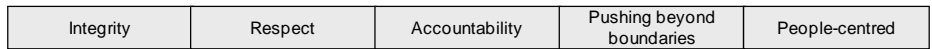
Strategic focus



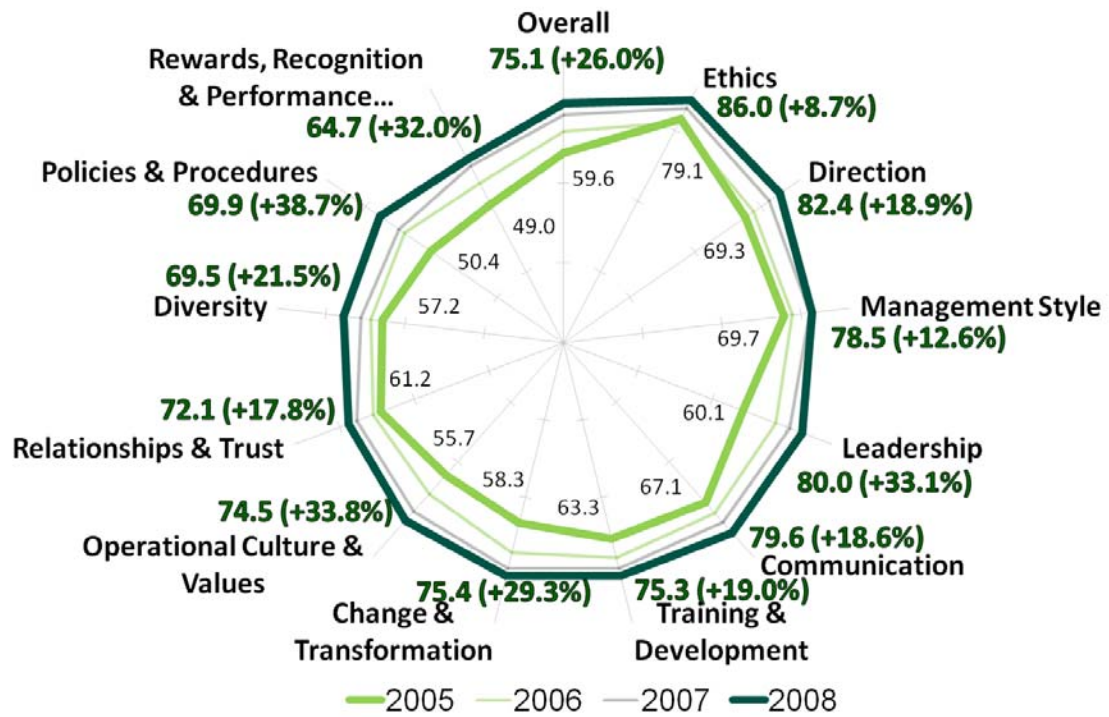
Scope of the game



Our values

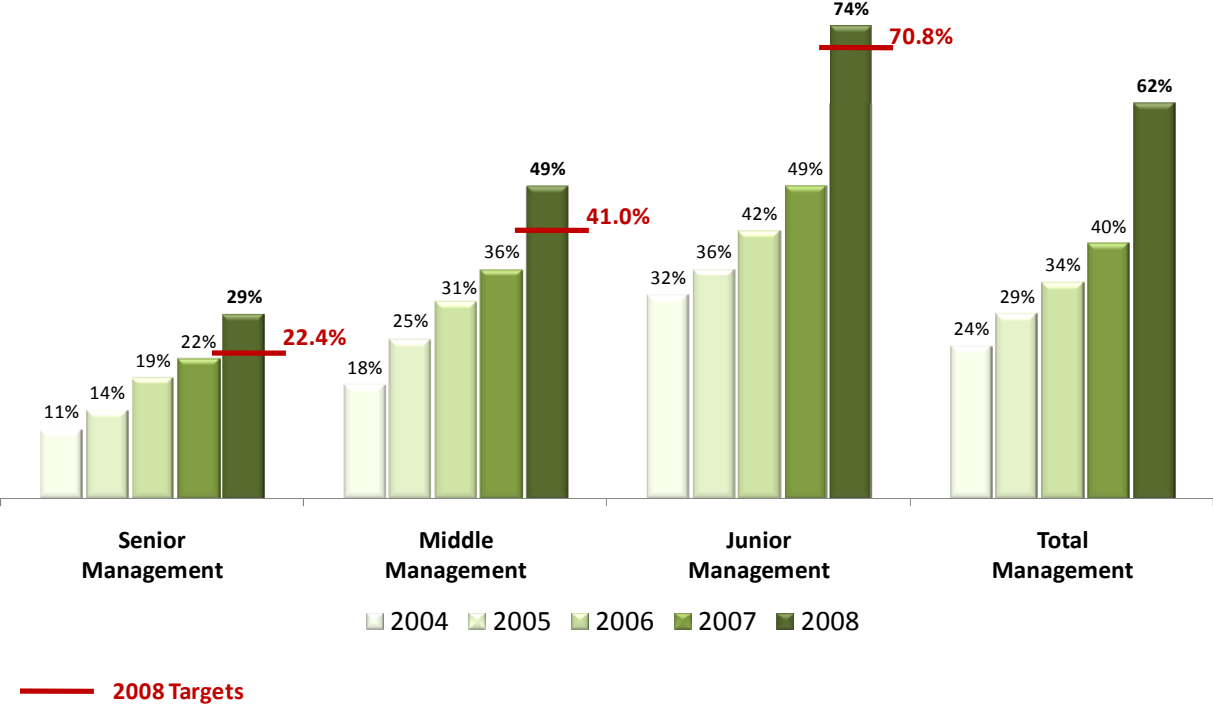


Annexure 2: Nedbank Staff Survey

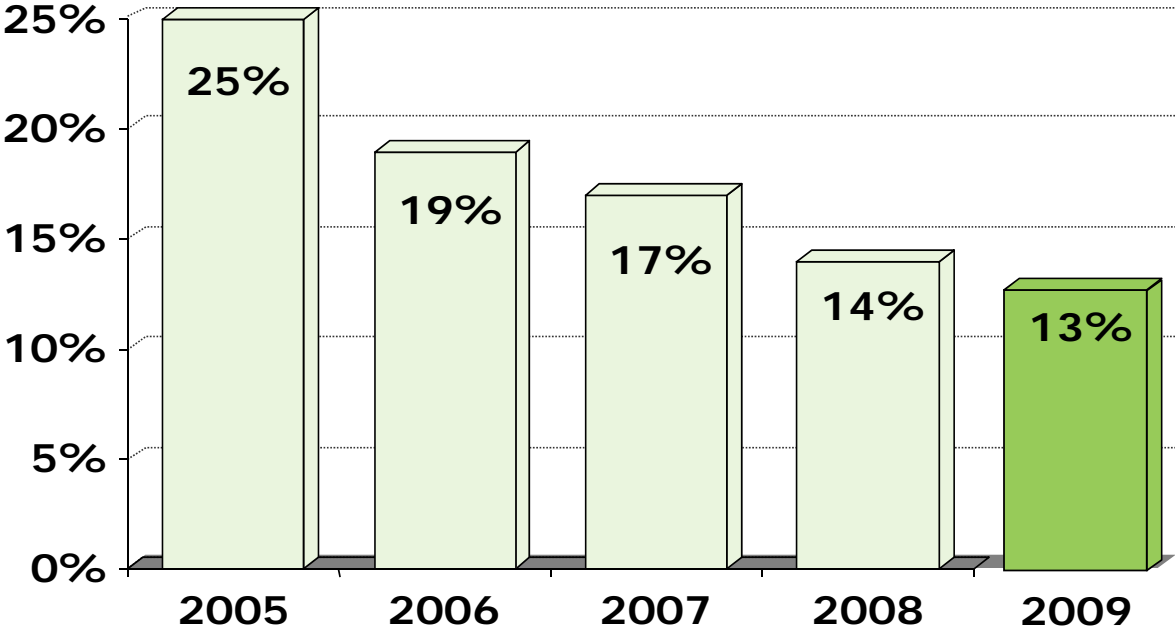


Annexure 3: Nedbank Transformation – Employment Equity

The increasing representivity of Black employees at Nedbank.



Annexure 4: Entropy Improvement



Entropy Risk Bands

- < 10% : Healthy functioning
- 10% - 19% : Some problems requiring careful monitoring
- 20% - 29% : Significant problems requiring attention
- 30% - 39% : Crisis situation requiring immediate change
- Above 40% : Impending risk of implosion, bankruptcy, or failure

Annexure 5: Improvement in Business Ratios

