

Promsvyazbank (PSB) & the University of Chicago Booth School of Business

A stepping stone towards a new leadership style

Promsvyazbank (PSB) only opened its first branch in 1996 but by 2011 it was the third-largest privately owned bank in Russia. But PSB wanted more – to capture market share and become the largest privately owned bank.

Not such an easy task when the bank found itself overstretched due to the global financial crisis. The defining moment came in 2011 when the CEO decided that the best way to achieve their ambitious goal was to improve competitiveness by changing mind-sets and organisational culture.

A need to address a mix of challenges

PSB, like many banks in many countries, faced difficulties following the crisis, including issues of liquidity and capital limits. But there were some extra challenges in PSB's drive for expansion. Two banks dominated the Russian home market – state-owned Sberbank and multinational Raiffeisen had a market share between them of 75%. It was time to ask what PSB needed to do to move from being a successful start-up to a competitive, mature but still agile organisation.

Although there was plenty of technical knowledge at PSB, the bank had grown much more complex. And rapid growth can cause fragmentation. A reconsideration of the bank's businesses and strategy was needed. Across the organisation, different people defined and communicated corporate aims in different ways. Improving customers' experience was an acknowledged need. The existing approaches to managing the business and the people were not generating sufficient profitable growth.

A partner keen to understand the bank and its people

The newly established Corporate University took on board the task of translating the business imperatives into a coherent learning initiative. The choice of



partnering with the University of Chicago Booth School of Business went beyond the school's international reputation and permanent presence in Europe. Both Chicago Booth and PSB executives thrive in open, rigorous and thoughtful inquiry to challenge assumptions and test and refine ideas. Chicago Booth's commitment to insight and inquiry matched PSB's desire to create an environment of debate and collaboration amongst its leadership teams.

Chicago faculty approached the programme with a keen interest to understand the bank's people and culture: was there a distinctive Russian leadership style? A different way of managing people? What they found was that – like many organisations – PSB needed to understand the role of leaders in driving and managing change, communicate strategic priorities clearly, build ownership and accountability and move from a top-down approach towards collaboration and openness. What was perhaps different was the need to harness the existing dialogues constructively and work with PSB executives to grow their confidence in making choices between the many trade-offs they were facing in a rapidly changing business environment.



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The CEO, board members and a selected group of top team executives attend the two programmes



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PSB employees have been exposed to the programme's ideas through sharing knowledge and insights

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An initiative based on commitment and engagement

The decision was taken to set up a two-tier, modular programme of executive development, known as “New EXperience Time”, or “NEXT”. The eight-strong team of Executive Board members and CEO would take part in a Strategic Team programme in parallel with a Top Team programme aimed at a target group of 400 department heads and top managers leading businesses, functions and regions. These were the people at PSB who would develop the corporate culture and play a leading role in major changes.

Competition was fierce for places on this high-visibility initiative – in all, only 78 employees were selected for the two successive Top Team cohorts. Besides having a strong business track record that demonstrated their leadership potential, successful candidates had to evaluate the issues facing PSB in a written summary and explain what they could add to the programme. The personal financial contribution they had to make to the programme's costs only strengthened their commitment to learn and succeed.

Two programmes anchored to PSB's realities

The Strategic Team programme was kicked off at Chicago Booth's London campus in January 2012. The first Top Team programme started two months later, establishing a basis for live, real-time projects.

The Strategic Team focused on setting the strategic direction and identifying leadership and organisational capabilities needed for long-term goals. As the Strategic Team continued to look at how to make change happen in PSB, Chicago Booth followed up with individual feedback, suggesting behaviours for improved effectiveness. At the same time the Top Team programme undertook five four-day modules and delved into how to harness the organisational and individual capabilities to implement the strategy.

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Given the amplitude and complexity of the two programmes and their objectives, PSB was keen to make sure that the substantial investment of resources would produce tangible results. Success in meeting expectations depended very much on the trust built up between the partners. A dedicated Chicago Booth team worked with the Board – as programme sponsors – throughout the delivery of the NEXT initiative. Lively discussions enabled fine-tuning to achieve the results the bank wanted.

Some approaches inevitably worked better than others. For example, role-play set up for practising interpersonal influence and collaborative negotiating skills proved frustrating – it is not easy to provide feedback when using different languages and relying on translators. By contrast, using the first Top Team cohort as mentors to the second cohort worked particularly well. The new entries came to the programme with a better understanding of their learning objectives – and their mentors could practise active listening, giving feedback and communication and influencing skills.

Three months into the programme, for example, this exchange of views resulted in a strategic planning workshop in Moscow to establish common ground on PSB's strategic priorities. This 'real-life, real-time' learning opportunity gave top team participants their first opportunity to share their opinions directly with the strategic team and set the tone for the new leadership style. And translating the new core corporate strategy and corporate wide goals into franchise strategies for each business line was central to communicating to the rest of the organisation just how those goals were to be achieved.



The main aim of New EXperience Time was to improve competitiveness by changing organisational culture



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Three strategic projects were developed and implemented during the programmes





Two programmes with impact

The main aim of New EXperience Time was to improve competitiveness by changing organisational culture. And results are encouraging – in 2013, operating profit in departments led by NEXT graduates grew by 16%. These graduates are also outperforming other managers on all aspects of the bank's new competency framework – including the PSB was 56% – markedly higher than the 50% average for Russian banks. People are more productive when they feel engaged and motivated at work and the bank has an ambitious 65% employee engagement target for 2014. In an industry where staff loyalty is low, it is significant that staff turnover has fallen substantially and is particularly low in departments led by NEXT graduates.

As PSB moves forward, more of the cross-functional, bank-wide projects identified during NEXT are being completed within individual business lines. Three formed the agenda for a Bank Innovation Forum in November 2013: client focus; "One PSB"; and delegating and taking responsibility.



13%

Employee engagement grew by 13% during the first year of the programmes. This put PSB above the 50% average for Russian banks



Leadership development is a continuing process and behaviour shifts – individual or organisational – do not happen quickly

A new leadership style has emerged

PSB's Strategic Team set the tone for a new leadership style through their deep involvement in NEXT. The initiative highlighted the need for those at the top to spend more time managing people and helped create a new culture that encourages contribution, collaboration and initiative-taking. It has also developed a common platform and body of knowledge to support profitable growth, enhancement of the customer experience and brand recognition. But leadership development is a continuing process and behaviour shifts – individual or organisational – do not happen overnight. As the transformation of PSB moves on to the next stage, the aim is to continue to stimulate further change, moving from a collection of businesses to a single bank – the new PSB.

