Andrew Rutsch explains how Italian banking group UniCredit turned to strategic leadership and new ways of working in a bid to drive organisational growth

Strategic Leadership and New Ways of Working to Drive Growth – the UniCredit Approach

"The current economic situation continues to pose new challenges for the banking sector. It must remake itself into a driver of the real economy – and it must be able to meet the needs of society while maintaining sustainable operations

In today's fast-paced environment, organisations and even whole industries are challenged with seismic shifts. Companies such as Kodak, Merrill Lynch and General Motors, once industry icons, are now bankrupt, acquired or stumbling.

Against this background, the recent EFMD CLIP Sharing Best Practice Workshop hosted by Italian banking group UniCredit in Turin, Italy, in March at its inspirational UniManagement corporate learning center showcased a variety of approaches and practices that drive development outcomes.

A larger theme emerged during the day-long workshop: the role and impact of strategic leadership and new ways of working in the pursuit of organisational growth. Put more concretely, this focused on how UniCredit's senior management engages organisational members and clients around shared goals and needs to drive collective development and performance.

Banking is not anymore what it used to be

The banking sector has undergone substantial changes accelerated by the financial and economic crisis of recent years – and is expected to continue doing so. In particular, a number of drivers have affected banking:

- increasingly strict regulations by governments and transnational bodies
- greater competition through globalising banks that drive market consolidation
- socio-demographic changes through the arrival of Generation Y with its new values
- new technologies that are reshaping how organisations are steered and operated

For example, the World Retail Banking Report 2014 by Capgemini and Efma found (for the first time in three years) a decline in customer experience. This was particularly true among Generation Y members, who comprise up to a third of the population in many markets, who value technology and who represent the largest user base of social media. It is a wakeup call for banks to rethink how they use technology in building a personalised customer relationship.

Given these market shifts, banks have to adapt their value chains to increase their responsiveness. They are reworking services, channels and systems to increase interaction with all value chain partners from suppliers and customers to media and regulatory bodies. Against this background, MIT's Principal Research Scientist, Andy McAfee, believes that "we haven't seen anything yet" and that the impact of digital technology will be transformational.

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UniCredit responded through a decisive strategy

What actions did UniCredit take to address these issues? In 2010, it shifted its focus to its core business, commercial banking, and thus anticipated a trend gradually spreading across the industry. It has realised its strategy through a set of concerted measures:

- strategically aligned operations by newly defined customer segments and reinforced regional management around one profit & loss per country;
- Strengthened relationships with family and business customers and introduced an integrated service model across a wide range of channels
- Simplified its organisation to drive operational efficiency and faster decisions and enhanced its governance to better respond to regulatory changes

UniCredit has performed remarkably well in this troubled macroeconomic setting. Today, it is a rock-solid commercial bank with a European network across 17 countries, over 8,900 branches and more than 147,000 employees. In 2013, it posted an operating income of €23,973 million and disposed of a number of legacies such as loan loss provisions, allowing it to focus on increasing its business and profitability.

Driving the real economy requires leading and collaborating differently

The current economic situation continues to pose new challenges for the banking sector. It must remake itself into a driver of the real economy – and it must be able to meet the needs of society while maintaining sustainable operations.

In response UniCredit is setting itself ambitious goals for the future, in particular to become the top-rated bank in Europe for quality of service by leading the industry in areas such as multichannel offerings, particularly in digital banking.

It believes that realising its goals requires a long-term, multi-stakeholder approach to every area of its activity:

- commercial banking – by improving its business model and competencies in order to work more closely with customers and meet their needs more effectively
- corporate citizenship – by using its expertise to nurture the economic participation of all people and conserve natural resources
- philanthropic initiatives – by supporting programmes that go beyond a bank's traditional scope and respond to basic social needs, especially in times of crisis

Such an approach depends on a cultural shift how internal and external key stakeholders are engaged in creating outcomes beyond the firm's bottom-line. Here, the management of risk is a critical cornerstone. It improves collaboration within the organisation to drive behaviours in line with the needs and objectives of the Group and its customers.

Case in point: P Squared, a new way of leading and working

To reinforce this change in business strategy and practice, UniCredit's leadership and its UniManagement team have created amongst a series of measures an innovative practice: P Squared (P^2) so called because of its focus on "performance and people".

P^2 is a facilitated process (see Figures 1 and 2 page 63) that brings managers and staff together to align and work on improving client-oriented capabilities and performance. It leverages the strategic focus and support of senior management in conjunction with the power of peer-to-peer exchange across entities in solving real-time issues of professionals in the field. It has been featured in a case study of Harvard's Learning Innovations Laboratory (LILA).

This approach is grounded in the observations of an anthropologist who had been brought in to the firm. She found that many managers at UniCredit believed their role was to solve problems; they were not equipped to guide their people's development and performance improvement. In addition, she noted that "learning" was perceived by them to be not very appealing and language such as "performance gaps" and "competencies" created defensive behaviours and undermined people's confidence in challenging themselves and trying new things.

Despite initial scepticism, those employees involved reported that sharing and feedback strengthened their level of competence, confidence and performance and enhanced collaboration. Also, a control group study has shown material impact on business metrics such as sales of personal loans, cross-selling or investments from customer portfolios during the pilot phase with 450 people involved in more than 30 districts in Italy (Simioni 2013).

P^2 is an encouraging practice that taps into the critical, often tacit knowledge held in different parts of the organization. Managers become direction setters and facilitators of collaboration that gets problems solved. It thus shows attributes of recent research into "Deliberately Developmental Organizations" (Kegan, Lahey, Fleming & Miller 2014) and reinforces the firm's change process: from micro behaviours to the deeper cultural change.

Creating first results: Internal and external impact

This change in strategy, leadership approach and ways of collaborating across organisational levels and boundaries has led to some initial impacts:

Internal impact

- A 30% leaner bank, simplified operational procedures and more decision-making powers devolved to country operations
- A greater authority for front-line bankers in dealing directly with clients
- A shifting culture that more actively engages employees and drives sound behaviours in creating shared value for the Group and clients

External impact:

- Clients are able to access bank services through a larger number of channels and benefit from expanded advisory tools and services
- UniCredit was recognised in 2013 through seven financial innovation awards and a special recognition as the "Innovative Broker of the Year"
- Customer satisfaction is rising to levels not seen since before the crisis, even in Italy where considerable difficulties had to be addressed.

> *Despite initial scepticism, those employees involved reported that sharing and feedback strengthened their level of competence, confidence and performance and enhanced collaboration*

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A control group study has shown material impact on business metrics such as sales of personal loans, cross-selling or investments from customer portfolios during the pilot phase with 450 people involved in more than 30 districts in Italy

30%

Internal impacts included a 30% leaner bank, simplified operational procedures and more decision-making powers devolved to country operations

Going forward – strategic leadership and collaboration that drive real outcomes

The UniCredit approach illustrates the importance of getting the big picture as well as the social process right. (The social process is what drives – or all too often resists - firm renewal and performance.) In other words, a change in strategy expected to shift the enterprise needs to be orchestrated and supported by focused leadership practices that systematically drive outcome-based collaboration across the internal and external value chain.

Fundamentally, this discussion points to managerial assumptions about how people and organisations develop and perform. Traditional practice is based on an individualistic paradigm rooted in scientific management. This has led to traditional top-down approaches that view people as resources, as human and intellectual capital that can be bought or built.

More recent innovative approaches are based on a socio-cultural perspective, which moves the attention from the individual to collective activity as the unit of analysis and recognises that people are impacted by - but can also influence - social systems and practices (Wortham 2003). This gives rise to a larger view that also considers relationships between people and systems from a social capital perspective.

Hence, in an increasingly more social, collaborative and transparent environment, the move to a more strategic approach to leadership, collaboration and growth is inevitable. It aligns the hard side of business strategy with the minds, hearts and actions of organisational leaders, members and external stakeholders in tackling shared needs and objectives.

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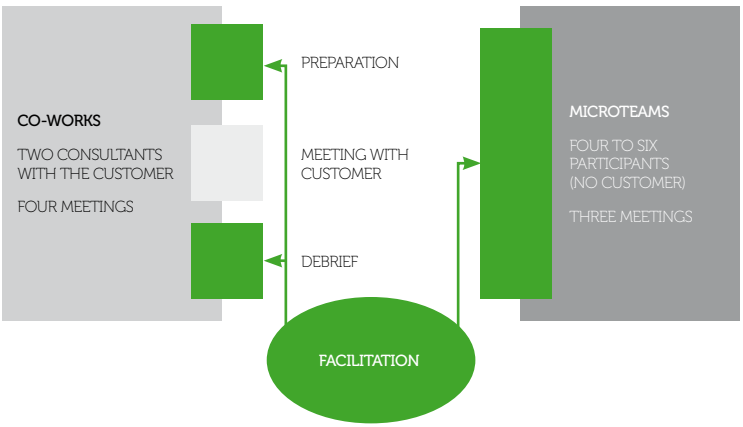
FIGURE 1:
TOOLS – CO-WORKS, MICROTEAMS AND FACILITATION

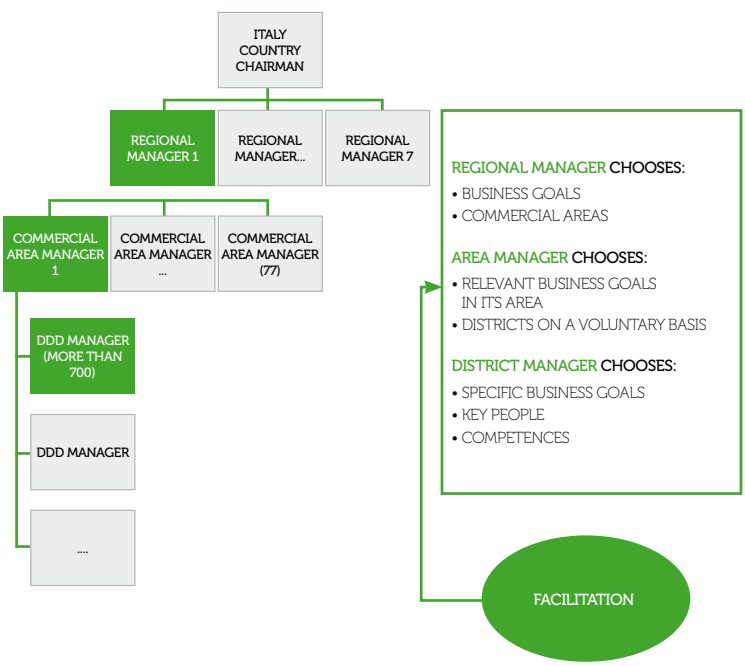


Preparation: *The managerial chain (Figure 2) is involved to define the business goals and focus of the intervention. Two people are paired to form a Co-works team and prepare a meeting with a customer. For this, they consult and exchange with a Microteam of colleagues around their problem statement and solution approach to increase their performance.*

Meeting with customer: *The Co-works team runs the meeting with the customer. This setting provides rich ground to test proven practices and experiment with new behaviours in order to gain first-hand experience and responses from the client around their performance.*

Debrief: *The "reflection" phase reinforces the role of giving and receiving feedback between the Co-works and Microteam. It allows looking back at the initial problem statement and solution, how they brought it to life and the impact on the client.*

FIGURE 2:
SETUP PHASE – INVOLVING THE MANAGERIAL LAYERS



ABOUT THE AUTHOR

Andrew Rutsch is a consultant to Capgemini University and following an Executive Doctorate on "Strategic Leadership, Collaboration and Growth of Knowledge-Based Organisations" at the University of Pennsylvania in the US. He is co-founder and -facilitator of the EFMD Learning Business Partner Special Interest Group and author of several publications on enterprise learning and growth.