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NatWest Group | IMD

Inside NatWest Group's 'Experimentation' Mindset

NatWest Group - formerly RBS recapitalised in the 2008 financial crisis - turned to experimentation to help with a renewed focus on growth. Here's how they did it.

Try, fail, learn, repeat. Experimentation is foundational to the archetypal SaaS startup disruptor.

Exploring new ideas, investing in innovation, and constantly running trials of new products or services in a hopeful and continuous quest to better meet customer needs and stand out from the competition is the lifeblood of software-based challenger businesses.

Move fast and break things. This is how the 'Magnificent 7' - the US technology mega-caps powering the world economy - came to be.

However, the situation is usually quite different in legacy organisations that continued to grow until the financial crisis. Legacy systems and thinking, entrenched processes, and hierarchical leadership structures do not best serve today's operating environment of global geopolitical and economic uncertainty and fast-shifting consumer behaviours. It has never been more critical for large corporates to be as nimble and quick-footed as the founders looking to steal their lunch.

But how can a business with a workforce of tens of thousands rapidly become a future-oriented, data-driven machine able to pursue emerging opportunities to drive a focus on customer satisfaction? That's challenging enough, especially as the business in question is a nearly 300-year-old former banking titan, the NatWest Group, previously the Royal Bank of Scotland (RBS).

By 2022, more than a decade after the crisis, assets under management had shrunk to £720 billion, the firm was behind the digital curve, and employees were still grappling with NatWest's fall from grace. By that time, the executive committee had laid out a new vision to return the bank to profit, private ownership, and to becoming a powerful force in financial services.

To achieve this, the ExCo set out four strategic priorities:

- Digital transformation
- Being simple to deal with, powered by innovation and partnerships
- Sharpened capital allocation
- Supporting customers at every stage of their lives

It was a start in the bank's transformation journey. But the ExCo were in consensus that they would need support to realise the changes in mindset, behaviours and focus required throughout the workforce to achieve the desired shift to growth.

Choosing IMD – The Value of a Provocative Sparring Partner

Out of three other providers, NatWest chose IMD's proposal to host an initial four face-to-face retreats. Impressed by IMD's willingness to challenge them to be bolder in their vision to enable their organisational engine to move beyond what their competitors may be thinking and doing. The ExCo embraced the IMD approach.

"Out of all the providers pitching for the programme, IMD was bold to challenge us. This led to a constructive dialogue that helped us to identify the true challenges facing NatWest," said Jen Tippin, NatWest Group Chief Operating Officer.

NatWest's ExCo was inspired by how companies in other sectors, such as automotive and consumer goods, had successfully surfed from one 'S' curve to another in the face of disruption. They understood that jumping the S-curve would be difficult unless they freed themselves from real and perceived structural blockers. To do that would mean relying heavily on the bank's next-level leaders.

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To that effect, NatWest asked IMD to create a programme for the One Bank Leadership Team (OBLT), a multi-cohort, three-phase blended learning initiative that first took place in 2023 and was renewed in 2024. The ambition was to bring the 160-member 'next level' leader group to the centre of the change process, so that they would amplify the ExCo learnings from the IMD retreats and swiftly drive real change in the bank.

Sponsorship = Success

Four ExCo members sponsored the programme, co-creating the design and delivery of each phase with IMD to ensure success.

With the new connections across OBLT members and the ExCo, these NatWest leaders helped to shape the strategy and set the culture at the bank, which in turn, delivered excellent 2024 results: Return on tangible equity (RoTE) above 17.5%, income excluding notable items of £14.6 billion, increased operating profit before tax of £6.2 billion, and 500,000 new NatWest customers. The close collaboration between IMD, the ExCo sponsors, and NatWest's Culture and Capability team helped to address the difficulties inherent in designing an intervention with an exceptionally ambitious agenda for such a large group of leaders and with limited contact time.

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The ExCo introduced the OBLT programme in mid-March 2023 during NatWest's annual meeting for its top 160+ leaders. It outlined the external and internal challenges facing the bank and shared how its own development journey had widened the ExCo's perspective, created a common language, and enriched the way NatWest did business.

Micro-experimentation a 'Trojan Horse' for Cultural Change

In the first time IMD has deployed this methodology for an organisational intervention of this scale, the NatWest L&D programme was built around the concept of micro-experimentation. This decision was motivated by the recognition that behavioural change is crucial to drive and embed cultural change.

Micro-experimentation follows a cycle. After defining a testable hypothesis, leaders design, refine and run iterative experiments to gather, analyse and draw insights and conclusions that substantiate decisions based on current data.

The cycle develops the required capabilities for a learning organisation, such as clear focus on key objectives, generation of valid data and cross-organisation collaboration.

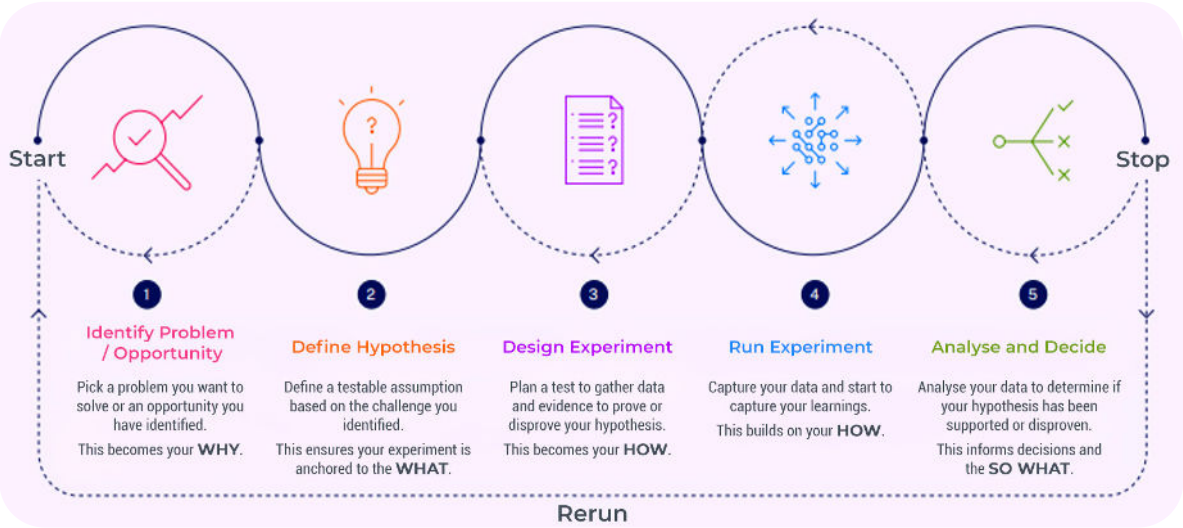

Figure 7: The micro-experimentation cycle

In the kick-off phase of the NatWest IMD L&D programme, which lasted about two months, participants were encouraged to start experimenting on real issues in their own setting, ensuring relevance and a direct link to their work reality. They could, for example, introduce a new behaviour in their team meetings and test adoption over a period of time, or create the conditions to test an idea, like a pop-up 'Ideas Wall' to provide input on a specific issue.

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In the third phase, the 'driving forward' phase, the focus was on embedding experimentation more firmly into the organisation, supported by internal specialists and technological platforms used to capture details of the experiments, their successes, and failures. During this time, the relationships and psychological safety established during phase two, when participants and the ExCo met for three days in 40-member cohorts at IMD's Lausanne campus, helped to provide the support for experimentation and innovation, with leaders empowered to fail, as long as they learned from it.

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Profound Impact

A subsequent survey of the 160-strong leadership group shows the profound impact of the OBLT programme back at work, outperforming IMD impact targets on every measure, the most powerful element of the OBLT programme being the increased alignment across the group on the mission and the firm's ambition. 84% sometimes, often or always experimented, while 93% ran experiments that led to tangible changes implemented in the bank. Just months after its introduction, the NatWest ExCo was reporting an evident transformation in its decision-making approach. "Where is the data to support this?" became a constant refrain in discussions.

The creation of an online Experimentation Hub for all employees offering the tools and frameworks to turn ideas into action helped to embed the mindset shift further down the organisation, helping NatWest to unchain the rest of its workforce from the firm's legacy of control and risk aversion to one of curiosity, innovative thinking and collaboration, using data to drive decision-making.

NatWest has described experimentation as a 'Trojan horse' for culture change and the new organisational mindset as a platform for growth.

Key Takeaways

To become a future-ready bank, the key for NatWest was to change the behaviours of its 'next level' leaders, empowering them to collaborate and experiment without fear of failure.

IMD challenged NatWest to be bold in its approach to transformation, helping the bank to create a One Bank Leadership Team (OBLT) learning programme to cascade learnings down the bank's workforce, create stronger relationships and embed cultural change.

Visible guidance and sponsorship from ExCo is critical to energise and excite 'next level' leaders, and the wider workforce is vital for the long-term success of a project or strategy.

Micro-experimentation to address real-world issues is critical for any business to thrive, but in big organisations employing thousands and thousands of people, tools, frameworks, and the right leadership behaviours are necessary for this way of operating