

CIBP SPRINT

CO-CREATING VALUABLE
CONTENT AND INSIGHTS
FOR OUR MEMBERS

LEADING IN AN UNCERTAIN FUTURE
From Chaos to Strategy Implementation



Index

Introduction

Short and long-term impacts on Coop Banks

Learning from COVID-19 Crisis

Conclusion and Outlook

References

Executive Summary

As of October 2020, COVID-19 cases have exceeded 40 million and the crisis is still ongoing worldwide. This report aims to help cooperative banks leaders understand COVID-19 situation and how it may evolve, and to support them to act rapidly so they take care of their stakeholders.

We start by providing some clarity into the massive challenges that leaders face today, and how they usually react in times of crisis. Based on a McKinsey & Company report, we then draw the attention to the biggest insights that are shaping the Next Normal. To illustrate the pandemic impact on cooperative banks, we invited some CIBP members to share their best strategies and practices to address COVID-19 challenges. Furthermore, we explored the potential long-term impacts on cooperating banks.

Finally we bring a perspective on how organizations could rethink, redesign their processes and empower their talent so that they increase their responsiveness to customer's changing needs. Key actions are: rethink ways of working, redesign decision-making and execution, and empowerment of people.

The report serves the purpose to reflect on how financial coop institutions can better address COVID-19 challenges they are currently facing, and adapt to the new circumstances. We hope SPRINT studies instigate you to reach out to CIBP for more insights and connections, making our community stronger and more innovative.



How can CIBP leverage a coordinated way for meaningful and collaborative food for thought on innovation within its community?

Taking on this challenge CIBP team designed a solution: the SPRINT

The SPRINT is an opportunity to connect and engage specialists and seniors in an international approach to innovation and technology. This is a collaboration from inside and outside CIBP members to generate knowledge, tools, and experiences to be used by all members. Based on a methodology of innovation sprints, our focus is to

produce relevant material from within the community to serve real challenges.

How does this work?

After selecting a theme of innovation and technology that has multiple implications in banking and financial services, in coop models or product trends, the SPRINT team will deep dive into the matter with data and

cases, share some report drafts to encourage CIBP members to share their own experience and finally producing an insightful and practical report.

The success of a SPRINT lies in the engagement of our community. Reach out to the CIBP team for co-creating the next one.



Introduction

Leading in a Crisis

Leading in an uncertain future, fast-paced crisis means making oneself available for empathetic leadership. Combining the ability to be in somebody else's shoes with brilliant thinking, is what can give leaders a compass to navigate us forward. Besides that, it takes a strong willpower and unique kind of leadership to fight against human nature giving into fear and start procrastinating.

In an exponential crisis such as this pandemic, each additional day of delay adds greater devastation than the last. Instead of delaying decisions waiting for a well documented report in order to have more clarity, leaders need to make decisions without all the information they would like to have.

Due to the novelty of such a global crisis, challenges emerging along the way are inevitable, and so leaders'

responsiveness is crucial. It takes wisdom to stay focused toward problem-solving instead of spending energy looking for where to put the blame on.

In short, leaders must constantly update their understanding of the context, and adapt promptly their strategies as new information emerges, while empowering the right people to speed up decision-making and execution of processes.



“Traditional boundaries, traditional gates are removed... Silos, approval times, budgets, number of people who had to sign off on something, those sorts of things. Reducing tyrannies of distance, email chains. Having people co-located, physically or electronically is really important.”

Ricardo Vargas, Senior Partner & Managing Director, consulting (© 2018 Brightline Initiative in collaboration with Quartz Insights)

Power forces that are shaping the economy

Lockdowns have accelerated digital adoption, which is changing completely consumers’ behaviors and consumption patterns. According to McKinsey Company Global Health and Crisis Response Report, most first-time customers (~86%) are satisfied/very satisfied with digital adoption and majority (~75%) plan to continue using digital post-COVID, and so are B2B

decision makers that believe digital sales interactions will be twice more important than traditional interactions.

At the same time, most companies achieved a successful transition to remote work. However, in order to be sustainable remote work mindset needs to be rewired and supported with processes of reskilling.





Successful organizations will increase their resilience by adapting their workforce and their business partners.

Two other power forces are shaping the Next Normal: political pressure for new regulations and legislation to favor and “protect” domestic economic activity; and evolution of the virus without a clear and tangible solution in sight.





Short and long-term impacts on coop banks

COVID-19 has impacted Cooperative Banks in a similar ways, forcing them to:

1. Transition their workforce to remote working;
2. Accelerate drastically the digitalization of operational processes and digital commercialization of new products and services;
3. Reinforce their culture of cooperative values.

“I would estimate that COVID-19 accelerated our digital transformations for internal processes by 3-4 years.”

Horst Weichselbaumer-Lenck, Chief Digital Officer/Chief Information Officer
Volksbank Wien AG (Austria).

There are some exceptions like Banco Coopcentral from Colombia. Indeed Coopcentral had activated its Crisis Management and Business Continuity plan before the pandemic, mainly for natural disasters or emergencies.

Therefore their digital transformation was already exploring new scenarios of potential crises and ready to be put in place early 2020. Before COVID-19, they had already 40% of their operational processes digitalized and Mr Ronny Ramirez, Vice-President of Operations and Technology, mentioned they expect to reach 100% by the end of 2020. Due to the fact that Colombians have in their DNA adaptation mechanisms, even in times of peace and calmness, it made it quite easy to navigate the transition in this period of crisis.



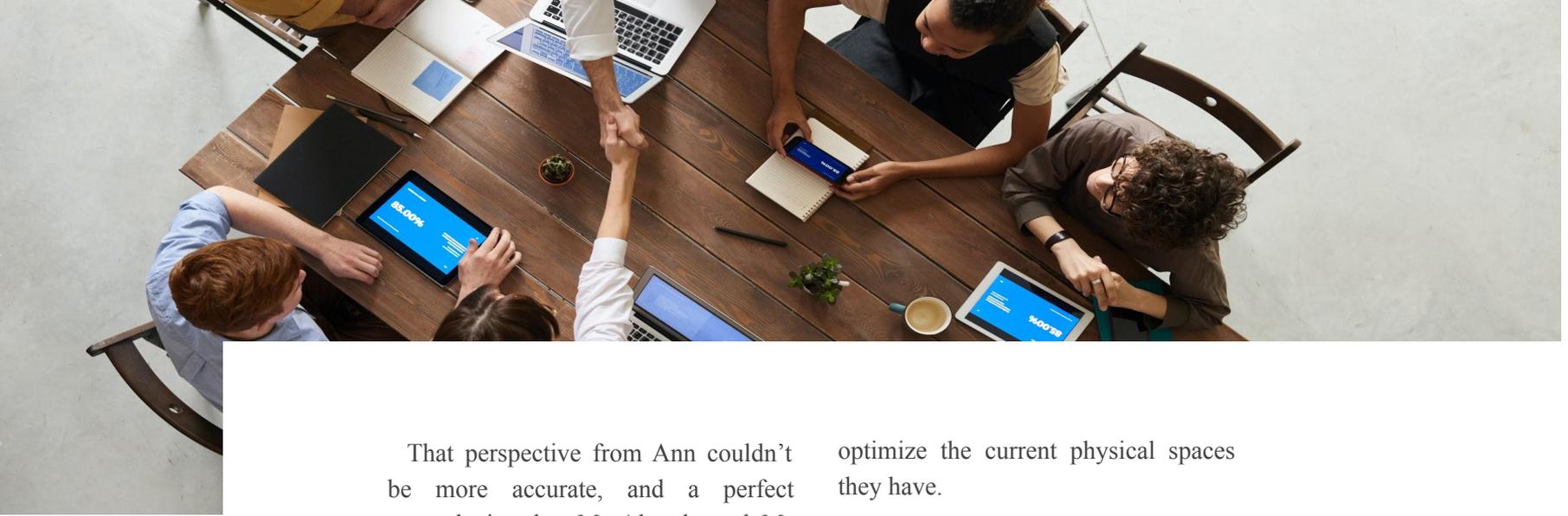
Fortunately, even though some cooperative banks didn't have anyone working remotely nor that many digital processes in place, all CIBP members were able to successfully move to remote working while guaranteeing their proximity with their customers. It was difficult to keep the pace of change, nevertheless there are plenty of examples of reinforcement of solidarity: Coopeuch from Chile for example, anticipated the payments of the profits to their associates because they knew that money would make a

difference for them. This fast-moving pace of digital transformation increases the vulnerability to cyber attacks, which makes it extremely important to take precautions and if needed subcontract strong partners in cybersecurity.

Simultaneously, each crisis also creates plenty of opportunities. All these changes force us to get out of our comfort zone. They also can shows us new possibilities. This new context made DZ BANK AG (Germany) start

a revision about **the current room concept**, rethinking their real needs for space and workplace design. Ann Breault, Head of Operational Risk from Desjardins (Canada), says that *“more people will work from home on any given day therefore the office spaces will more likely be used for collaborative work and less for individual work. This will likely modify our usage of office space, possibly reduce the amount of square footage required and change the layout of remaining office space.”*





That perspective from Ann couldn't be more accurate, and a perfect example is what Mr Almada and Mr Rubens from Sicoob (Brazil), Chief Executive Officer and Chief Risk Officer respectively, gave us in our interview. They gave a step back with their decision of investing in a new physical space much bigger of 9.000 square meters because they realized they didn't need since they could

optimize the current physical spaces they have.

“We have no idea about the roadmap regarding COVID-19, after all the “new normal” will be different. In the meantime, we listen, we adapt and we improve our digital tools both for employees and for clients.”

Alain Declercq, President of
Banque CPH (Belgium)



Learning from COVID-19 crisis

There is a study from Brightline Initiative called Learning from Crisis Mode that shows when you are facing a crisis event, many of your prejudices practically dissolve when you face a much bigger problem.

Before, you worry about your silo, doing your part, and suddenly a storm comes and your part becomes irrelevant because the whole is threatened.

Ricardo Vargas, Executive Director of Brightline Initiative, has directed dozens of projects across industries and continents, managing more than \$20 billion in global initiatives over the past 25 years. Currently, he directs the Brightline Initiative, and in his point of view when you take a closer look into the organizations that outperformed during the current pandemic, there are three main patterns that you will find:

1. The most successful organizations already had adaptation mechanisms in their DNA.

In other words, companies that have already developed new processes for different scenarios in times of peace, not crisis, suffer much less today. A classic example are schools: all schools suffered, but some less than others. Universities in England suffer less because in general the education model





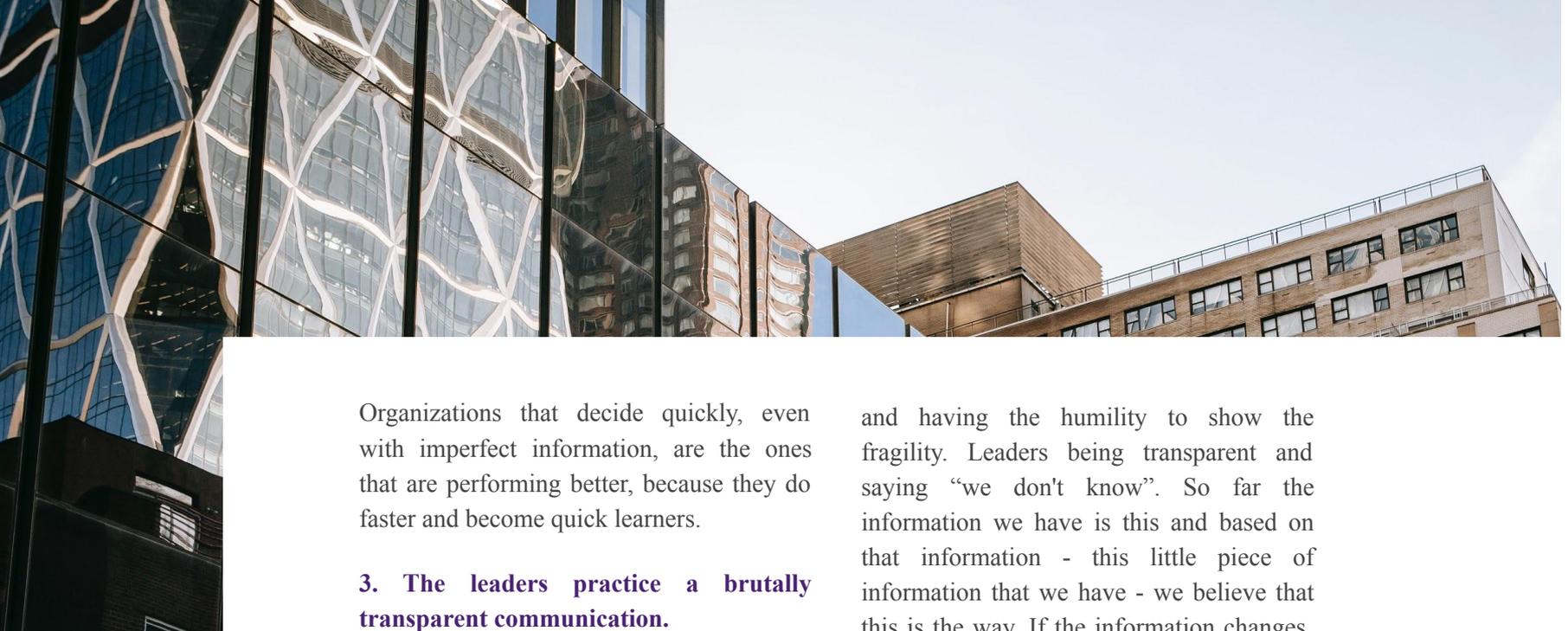
does not require physical presence, they have mechanisms that allow them to participate in their courses in a virtual / online way. When there was a need to change they didn't need to create anything, they already had that ability and knowledge. The organizations that suffered the least are those that already had practice in planning new scenarios and implement them.

2. They have the ability to make quick decisions

The companies that handled the crisis better were the ones who made decisions faster, even if they were not necessarily perfect decisions.

Most leaders from successful companies thought something like: *“It is better for me to make a decision, even if it is not final, rather than*

waiting for a perfect moment that does not exist”. One example is the decision of sending people home for 15 days, they didn't know if it would be only for 15 days, they didn't know what should be the next step, however it gave 15 more days to think about it. About 8 months have passed and no one has found a solution yet. Wanting to analyze exhaustively all possible scenarios, all plans ready for all scenarios is something impossible.



Organizations that decide quickly, even with imperfect information, are the ones that are performing better, because they do faster and become quick learners.

3. The leaders practice a brutally transparent communication.

In a context of crisis, the companies that did better in the crisis were the ones using a radical transparency in their management

and having the humility to show the fragility. Leaders being transparent and saying “we don't know”. So far the information we have is this and based on that information - this little piece of information that we have - we believe that this is the way. If the information changes, the path may change. This level of transparency boosts employee engagement and commitment.



A perspective view of a long, brightly lit hallway with a grid floor. The floor is composed of many small, colorful rectangular tiles in shades of blue, green, yellow, and red. The walls are white, and a large window is visible at the end of the hallway. The lighting is bright and even, creating a clean and modern atmosphere.

Conclusion and outlook

Conclusion and outlook

In short, to go from chaos to strategy implementation in an uncertain future is all about speed and adaptation. Speed because it may not be affordable to wait and as past crisis shows us, the ones that outperform are those who innovate fast, make bold moves and rapidly readjust their route; adaptation because structural changes are happening and the most adaptable will be the most resilient.

Rethink ways of working

- Explore possibilities on how you can make decisions 10 times faster,
- Explore the possibility of setting up a hybrid-remote working model.

Redesign decision-making and execution

- Capture what made you faster in crisis mode and understand how many layers of approval you could remove from the process,
- Train and equip cross-functional agile teams.

Empowerment of people

- Train leaders to adaptive leadership so they can lead change, Inspire your teams to feel owners of the business as a whole, cultivating a teamwork mindset.



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CIBP Members

Banco Cooperativo Coopcentral

Coopeuch

Volksbank Wien AG

SICOOB

ÖGV - Österreichischer Genossenschaftsverband

BPCE - Banque Populaire and Caisse d'Épargne

FNBP - Fédération Nationale des Banques Populaires

Banco Credicoop Cooperativo Limitado

BCP - Banque Centrale Populaire du Maroc

BVR - Bundesverband der Deutschen Volksbanken und Raiffeisenbanken

DZ BANK AG

Banque CPH

Desjardins Group

SPRINT Team

08 Conscious Innovation



