



## LEADING IN TIMES OF COMPLEXITY AND UNCERTAINTY

By Vishal Maharaj & Brenda Tsvetu



INVESTORS  
IN PEOPLE

*Enabling Skills Development in the Banking and Alternative Banking Sector*

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# LEADING IN TIMES OF COMPLEXITY AND UNCERTAINTY

## TOPIC:

What leadership principles are fundamental for organisations to thrive in complex and uncertain environments?

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## 1. ABSTRACT

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*...“change is the only constant in life”...*

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The African banking environment is characterised by uncertainty, technological disruption and numerous complexities. The quote by Greek philosopher, Heraclitus, “change is the only constant in life” has never been more relevant in banking. The term VUCA (Volatility, Uncertainty, Complexity and Ambiguity) is used to characterise these environments and we will explore the term further in this paper.

The major banks in South Africa embarked on expansion initiatives into the rest of Africa, in search of new markets and new revenue streams. This added additional layers of complexity into these organisations in the form of increased diversity of cultures, economies and political landscapes. The foreign operating conditions also exposed the banks to competition from non-bank organisations such as telecommunication companies, microlenders and even retailers that the banks historically never had to consider as competition.

Uncertainty and complexity is a global status quo and is certainly not unique to Africa, and yet there are organisations that have withstood the test of time. The question then becomes, what leadership approaches are fundamental for organisations to thrive in the new norms of uncertainty and complexity? In a fast-moving world how do leaders balance the need to react fast versus the discipline required to respond appropriately? How does an organisation maintain its identity in a fast-changing world? And to what extent does an organisation allow the external environment to influence its identity?

Innovation has become a buzz word world over and is arguably fundamental for an organisation's survival in a VUCA world. Whether it is creating innovative products and solutions to disrupt the market or innovating around back office processes to achieve operating efficiencies, few organisations can survive without innovation. The question then becomes how do 21<sup>st</sup> century leaders create environments that foster and encourage innovation in their organisations? Innovation comes with risk of failure. How do leaders manage this risk? And how do organisations balance creativity with discipline?

The objective of this paper is to make recommendations to the 4 major banks in South Africa to equip them as they navigate through these fast changing, complex environments.

**The paper is structured in answering the following questions:**

- What does VUCA mean in the African context?
- What leadership principles are fundamental for organisations to thrive in complex and uncertain environments?
- What are the fundamental leadership approaches an organisation must adopt to excel at innovation?

Recommendations were made based on literature review and a survey conducted on leaders from 5 organisations identified from Egypt, Morocco and Angola. The paper ends by examining three organisations in Africa that have thrived in VUCA environments.

## 2. INTRODUCTION

The financial crises of 2008-2009 brought about heightened scrutiny on the banking sector worldwide. South African banks were not immune to this and the South African Reserve Bank followed suit by increasing regulatory requirements on the banking sector locally. The increase in regulatory requirements and scrutiny tightened barriers to entry in the banking industry and somewhat protected the major players from competition.

However, technological advancements continue to evolve at a fast pace bringing with them new, non-traditional entrants in the market. The major players now face competition from new entrants that enjoy the advantage of lower cost bases, allowing them greater flexibility and agility to adapt to changing environments. The banking sector in South Africa has adapted to change by using digital innovation to introduce simpler, cheaper and more efficient ways of banking. The industry has gradually shifted focus from the traditional “brick and mortar” channels of delivering banking services to digital channels.

To further protect and diversify earnings, the major banks in South Africa embarked on expansion initiatives into the rest of Africa, in search of new markets and new revenue

streams. This added additional layers of complexity into these businesses in the form of increase in diversity of cultures, economies and political landscapes. The African banking context also introduces competition from non-traditional entrants in the market such as telecommunication companies, microlenders and even retailers, who have found a niche in financial markets and are fast taking market share from traditional banks. With this new complexity at play, the need to constantly stay ahead of the market is heightened as the banks are now competing in multiple and diverse economies and cultures in the African continent.

This paper is a product of the Africa Expansion Programme, which involved the practical immersion into the culture and operating environments of four different countries in Africa, namely South Africa, Egypt, Morocco and Angola with the aim of creating a high-level talent pool of individuals who can head the establishment of a new bank in Africa and enable the transfer of knowledge and skills. Leveraging on lessons learnt during the programme, the paper aims to explore the fundamental leadership approaches required for organisations to thrive in uncertain and complex environments.

## 3. WHAT DOES VUCA MEAN IN THE AFRICAN CONTEXT?

Complex environments are characterised by rapid and unpredictable changes. They present problems that are unlike those in more stable markets and are usually rumor rich and information poor. (*Ganson, 2013*).

The term VUCA, which stands for Volatility, Uncertainty, Complexity and Ambiguity describes the world as we know it today. It is characterised by fluctuations in industry, the inability to confidently predict the future, numerous factors that make it difficult to analyze the environment and lack of clarity which further complicates decision making.

**In the context of Africa (*Ganson, 2013*), complexity and uncertainty are characterised by:**

- Socio-economic challenges, such as high unemployment rates, low levels of literacy, labor unrest and high levels of inequality.
- Socio-political challenges, such as ethnic and religious tensions.
- Governance and justice related challenges, such as corruption and lack of a functioning legal system.
- Security challenges, such as armed conflict and political instability.

Volatility in the African context is characterised by currency volatility, high inflation rates, and vulnerability to fluctuations in international commodity prices and unpredictable political environments.

Technology disruption adds ambiguity to this picture. In Africa, technology is transforming the economic landscape. On the positive, it brings with it new target markets and unprecedented consumer choice. Africa has seen 344% growth in mobile phone usage between 2007 to 2016, compared to 107% growth in mobile usage in the rest of the world. (*PWC, Disrupting Africa: Riding the wave of the digital revolution, 2016*) On the negative, in the context of banking, it brings about new entrants in the market that can offer innovative products, with further

reach at cheaper costs. One of these is mobile money solutions being offered by telecommunication companies.

Within the diversity of Africa, one will learn that each country poses its own unique set of VUCA characteristics. Table 1 displays examples of some of the VUCA characteristics based on our learnings from South Africa, Egypt, Morocco and Angola from a banking perspective. The picture painted in Table 1 focuses on just 4 of the 54 countries in Africa but already demonstrates varying characteristics typical of a VUCA world. Given the expansion goals of the 4 major banks in South Africa in search of diversified earning streams, the topic of Leadership in a VUCA world becomes critical to succeed in the African context.

**Table 1: Examples of VUCA characteristics of Africa**

SOUTH AFRICA	EGYPT	MOROCCO	ANGOLA
<b>Volatility, Uncertainty</b> South Africa is characterised by high poverty, inequality, and unemployment linked to South Africa's history of exclusion entrenched in land, capital, labor and product markets, despite progress made since the dawn of democracy in 1994.	<b>Volatility, Uncertainty</b> Egypt experienced civil unrest in 2011 which resulted in the overthrowing of the sitting president. Since this revolution, although now recovering, the economy of Egypt experienced a downward trajectory in the five years following the revolution.	<b>Volatility, Uncertainty</b> Agriculture accounts for 40 to 45% of source of employment to the Moroccan population. This causes volatility in the economy as a large part of income is depended on the weather (i.e. rainfall).	<b>Volatility, Uncertainty</b> The Angolan economy is heavily dependent on oil production causing the economy to be vulnerable to fluctuations in international oil prices. Angola's economy is also characterised by high inflation rates and currency devaluation.
<b>Complexity</b> South Africa is rich in cultural diversity, with 35 indigenous languages spoken in the country and eleven of which are official languages.	<b>Complexity</b> Egypt is characterised by a large informal sector, making up approximately 50% of Gross Domestic Product. Egypt has a low level of financial inclusion with only a third of the adult population having a bank account.	<b>Complexity</b> Morocco has one of the highest mobile penetrations in Africa, at 127% in 2017.  The fintech sector is growing at a fast rate in Morocco posing a threat to the traditional banking industry.	<b>Complexity</b> Angola is characterised by high inequality and unemployment rates, and this poses potential for social tensions in the country.
<b>Ambiguity, Uncertainty</b> Digital disruption in banking is evidenced by new digital players in the market challenging the status quo.	<b>Ambiguity, Uncertainty</b> Digital disruption is evident in the Egypt banking sector with growth in the financial technology (fintech) sector more than doubling in the five years to 2017.	<b>Ambiguity, Uncertainty</b> Morocco is a blend of cultures with Arab, Berber, European and African influences all being part of the country's heritage.	<b>Ambiguity, Uncertainty</b> The Central Bank of Angola is reviewing banking regulation on capital requirements and banking fees which has introduced uncertainty in the banking industry.

## 4. WHAT LEADERSHIP PRINCIPLES ARE FUNDAMENTAL FOR ORGANISATIONS TO THRIVE IN COMPLEX AND UNCERTAIN ENVIRONMENTS?

Social psychology research indicates that at times of uncertainty most people look to authority figures and peers for direction; in organisations this plays out through becoming fanatical about competitor analysis for cues on how to proceed. There is a belief that leading in a fast world requires fast decisions and fast actions; but it is also understood that there is a difference between reacting versus responding to a situation. Reacting is instant and is driven by beliefs, biases and prejudices of the unconscious mind. Responding is a slower process driven by thoughtful consideration of information both from the unconscious and conscious minds. (James, 2016) In a fast-moving world how do leaders balance the need to react fast versus the discipline required to respond appropriately?

Organisations can easily become embroiled in the frenzy of trying to maintain relevance in a fast-changing world and can very easily lose identity and purpose in the process. Large budgets are dedicated to research and development in pursuit of creating the next product or service that will disrupt the market, but to what end can this be maintained without completely changing the identity of the organisation? How can an organisation achieve balance between continuity and change, and maintain its identity while remaining relevant in the market in operates? To what extent can an organisation and its leaders allow the external environment to influence who they are?

### Literature Review

Through literature review, we identified 5 leadership principles that are fundamental for organisations to thrive in complexity and uncertainty and we discuss them below.

#### 1. Clarity

Clarity is defined as the ability to see through messes and contradictions to a future that others cannot yet see. In times of VUCA it is very possible to lose clarity. (Johansen, 2012) In search of clarity, a leader relies

heavily on empirical evidence to shape their decisions. (Collins & Hansen, 2011) in their book *Great by Choice*, found that successful companies made big bets and took dramatic action where they needed to, but when they did, they had a much deeper empirical foundation for their decisions and actions, which gave them well-founded confidence and bounded their risks.

#### 2. Discipline

(Collins & Hansen, 2011) found that the best performing leaders were not more risk taking, more visionary, and more creative than their peers, rather they were more disciplined, more empirical, and more paranoid.

Taking adequate time to rigorously analyze and deliberate on a decision, considering the worst-case scenario, downside risk and assessing the availability of contingencies produced a better outcome for successful companies. Constantly asking the question, 'what if' was key to gaining a comprehensive understanding of what was at stake.

In certain cases, time taken to make a key decision was just 7 days, making the emphasis not on the absolute time taken, but emphasizing the need to take a deliberate approach in formulating a smart and rigorous strategy.

Following the belief that leading in a fast world always requires "fast decisions" and "fast action", is a good way to get killed. It was found that successful companies did not have a greater bias for speed than their competitors. Again, taking sufficient time, whether short or long, to make rigorous, calculated and deliberate decisions produces better outcomes than rushing a decision. (Collins & Hansen, 2011)

#### 3. Consistency

Successful companies changed less in reaction to a radically changing world than their competitors. (Collins & Hansen, 2011) Contrary to the belief that change is hard, there was more evidence of radical change in the less successful companies than in the successful

companies. It was found that, far more difficult than implementing change is figuring out what works, understanding why it works, grasping when to change and when not to change. According to the findings, it is possible to develop specific, concrete practices that can stand the test of time, and endure for decades. These practices in the successful companies were found to be specific, methodical and consistent. It is important to continually challenge and question these practices and it is equally important to allow for fundamental change but the fact that the environment is characterised by fast and dramatic change does not mean that leaders should inflict radical change upon their organisations.

#### 4. Dilemma flipping

During the process of putting together viable strategies, organisations are usually faced with dilemmas that are unsolvable, recurrent, complex, messy, threatening, confusing and puzzling. In fact, in the VUCA world there may be more than two ideas that all hold some validity. Defining strategy is no longer a straightforward exercise where cause and effect can be logically predicted. (Johansen, 2012) offers a practical approach to managing dilemmas. Dilemma flipping is defined as the ability to turn dilemmas into advantages and opportunities. It is reframing an unsolvable challenge as an opportunity.

As banks seek to expand into other territories, one of the dilemmas experienced in business is balancing global scale and local customization, on the one hand products and services need to be scalable in order to be on a growth path in terms of efficiency and return on investment, on the other hand consumers desire products and services that feel local and personalized. Leaders that exhibit dilemma flipping will find an opportunity in this tension to explore new models of markets, perhaps they will tap the market power of the diaspora or engage with the maker movement to offer products and services that are designed to be redesigned.

#### 5. Purpose

The question then becomes, what stands the test of time? Products and services must constantly be adapted to changing customer needs, changing markets and times, and it is easy for an organisation to lose its identity and focus through all this.

Organisations must start framing their identities more around their core purpose rather than their products and services. It is becoming more important to define an organisation based on what it stands for instead of what it makes because what it makes is going to become outdated faster as the world changes as a faster rate. (Collins, 1997). Understanding what an organisation stands for is a powerful guide in setting boundaries and deciding what to do and what not to do. It is important to distinguish between core values and practices. Core values should not change and yet practices can change with the change in time and environment.

#### Survey Results

A survey was conducted on leaders of 5 organisations from Egypt, Morocco and Angola and the following results were observed:

##### 1. Clarity

It was found that leaders relied heavily on empirical evidence from within the organisation and outside the organisation to make decisions before making decisions. It was generally agreed that a fast-moving world required fast decisioning making but acting without an adequate empirical basis would not result in the best outcome.

##### 2. Discipline

The leaders did however feel that speed to market was important. There was a belief that to outperform their peers, leaders needed to be high risk takers, more visionary and more creative than their peers. Taking too much time to come to a decision could cost an organisation the first mover advantage. The leaders that took the survey were weary of wasting too much time in over analyzing resulting in analysis paralysis.

##### 3. Consistency

It was found that understanding what works and what does not work was key in identifying what needed to change in an organisation. Careful consideration needed to be made before making radical changes in an organisation. Leaders under review did not change their strategies as often as they changed their methods of achieving strategy.

#### 4. Dilemma flipping

It was widely agreed that to excel leaders needed to be able to see through dilemmas to find opportunities. Dilemma flipping was agreed to be a skill that required innovation and creativity in leaders. Leaders needed to maintain positiveness in challenging times to find opportunity in dilemmas.

#### 5. Purpose

It was widely agreed that maintaining an organisational purpose was key in long term sustainability and growth. Purpose underpinned the existence of the organisation. It was also noted that organisational purpose is embodied in its vision and mission statements. It was also agreed that maintaining an organisational identity allowed organisations to draw boundaries around what they were willing and not willing to explore.

## 5. WHAT ARE THE FUNDAMENTAL LEADERSHIP APPROACHES AN ORGANISATION MUST ADOPT TO EXCEL AT INNOVATION?

VUCA is both an outcome of disruptive innovation and a driver of it. Innovation plays a key role in positioning an organisation ahead of its competition. A culture of innovation in an organisation allows a firm to adapt to a fast VUCA world, as well as be a driver of innovation in its industry by introducing new competitive products in the market. Innovative products are important engines of economic growth.

Innovation does not only apply to products and services, innovation can play a key part in streamlining operations in an organisation, and thus increasing operating efficiencies and improving customer experience. Innovation can be applied to how a firm responds to a regulatory environment, allowing it to adhere to regulation while keeping ahead in the market.

Innovation by itself turns out not to be the trump card in a chaotic and uncertain world. Innovation can be fueled with hype and a fear of missing out and therefore what is more important for leadership is the ability to scale innovation, and to balance innovation with discipline. *(Collins & Hansen, 2011).*

In this section we explore the fundamental leadership approaches that organisations must adopt to excel at innovation.

#### Literature Review

Through literature review, we identified the following leadership principles as fundamental for organisations to excel at innovation.

##### 1. Setting risk taking parameters.

*(Ashkenas, 2016)*, discusses the importance of helping teams take smarter risks to increase innovation. He highlights the importance of a risk-taking culture in organisations in order to encourage innovation. Risk averse organisations are usually a hindrance for innovation and in contrast, an innovation culture is built through a tolerance for risk taking and learning from periodic failure.

He further discusses the need to distinguish the areas where risk is encouraged, and where it is not, and this should be clearly and publicly defined in an organisation. One example is making a clear distinction between execution risk and discovery risk. Execution risk describes the risk of negatively affecting customer commitments and financial results, and discovery risk describes the risk involved in developing new solutions to customer problems. In this example there would be a low tolerance on execution risk on a higher tolerance on discovery risk. Setting these risk parameters would therefore provide clarity and a safe zone for teams within an organisation to play in and innovate.



### 2. Reducing risk and increasing success through experimentation.

(Collins & Hansen, 2011) affirms that great companies are innovative, but not just for the sake of being innovative. He references Apple, recognised as a truly innovative company by most; Apple does not release new products to the market every other week. Rather they experiment, gather empirical evidence, assess viability of the experiment and only if there is promising feedback, continue pursuing the innovation. This is evidence-based innovation that (Collins & Hansen, 2011) refers to as Empirical Creativity.

(Johansen, 2012) describes this approach as one that involves a quick cycle of innovation and refinement. It is vital to be able to create early versions of innovations, getting them on the table quickly to see if they will work. Rapid prototyping is a practical way to tap into the maker instinct to organize an ongoing process of innovation. The big challenge is to accept failures as important ingredients to success and learn from them.

Many leaders do not like failure of any kind but in a VUCA world leaders will have to embrace failure and turn it into opportunity for learning.

### 3. Remaining relevant through deliberately and constantly seeking new opportunities to learning.

As leaders climb the corporate ladder there is a risk that they may get more and more insulated from what really is going on within the internal and external organisational environments. To counter this effect, leaders need to step outside their protective roles and step into very different experiences from which they can learn. Innovation thrives in a culture of constant learning.

Immersive learning is an effective tool for delivering meaningful learning experiences. Immersive learning allows a leader to learn in a first-person way by immersing themselves into unfamiliar environments and situations. There are different ways in which leaders can use immersive learning:

- (Johansen, 2012) proposes that variants of simulation and gaming, are low risk options of immersive learning and a practical way for leaders to experience the future

before it happens. Growing up as a gamer can be very helpful since serious gamers have the chance to immerse themselves in dilemmas and learn advanced social networking skills. Gaming and simulation are low risk high return learning mediums if used in a constructive manner. They provide mind expansion and leadership development skills. (Steinkuehler & Chmiel, 2006) studied the world of warcraft players and found that they were developing scientific habits of mind whilst dilemma engaging and social networking.

- Another method recommended by (Johansen, 2012) is adhoc immersive experiences where the goal is to help someone see the world from another's point of view. Adhoc immersive experiences are similar to simulations but are much less ambitious since no imaginary world is created. An example could be actors playing out how customers may react. Anne Lilly Kone, consumer insights leader from Procter & Gamble says immersion experiences build muscle, they give leaders a chance to learn and experiment in realistic but not real settings. CEO's immersion experiences with customers is yet another example, things are changing so fast that leaders need to immerse themselves in the customer moments of truth frequently to grasp the points of views of the people most important to them.
- Immersive learning can also be achieved by leaders simply making themselves accessible to the rest of the staff in the organisation. Exposing oneself to all levels of the organisation, including exposing oneself to customers, suppliers, peers and competitors allows the leader to always be up to date with their environment.
- The comfort zone is the great enemy to creativity and learning; moving beyond it leaders must possess the desire to learn, and this requires a willingness to become vulnerable. The comfort zone is important, because it gives one a place to return to, to reflect and make sense of things, as a safe haven. Yet, to get to know the unknown leaders have to leave the comfort zone and discover the learning zone. Only in the learning zone can one grow and learn, live out curiosity and make new discoveries, and thus slowly expand the comfort zone.

### 4. Creating a strategy for engagement and exploration.

When situations are tense, with differences stark and communications broken down, leaders must be able to bring people together. This polarization often plays out between industry law makers and regulators versus innovators and business executives. Polarization also often occurs within the organisation amongst business executives themselves.

Extreme positions and polarized opinions are common in the banking environments. Differences arise within the Africa context where regulators hold the view that banks make too much profit at the detriment of the public, and regulation around banking fees and interest charges are passed based on this view. Engaging with those that are obsessed with certainty is difficult indeed. Constructive depolarization, according to (Johansen, 2012), is a skill that all leaders need to redirect the energy of conflict and bring stakeholders towards constructive engagement and dialogue. Constructive depolarization is defined as an attempt to redirect polarization into dialogue.

### **Some practical interventions to constructive polarization are:**

#### **• Reverse mentoring.**

Reverse mentoring is a simple but powerful intervention for crossing the polarities caused by generational gaps within the organisation. Many innovative organisations already have reverse mentoring programs and they are of great benefit. Young scientists mentor senior executives with no science knowledge or background. Young Facebook users mentor their baby boomer managers in social networking and the benefits thereof. Mentors have traditionally been experienced, often older people that which show the ropes to often inexperienced, younger people. In situations where young people are often more experienced than older people the process is reversed. Leaders should look for such opportunities. (Johansen, 2012).

#### **• Role reversal.**

Role reversal has always been a basic technique for conflict resolution. The idea is to try to see the world from the other side of an issue. Constructive depolarization starts with the ability to listen deeply and to engage with people on all sides of the conflict. Leaders need to empathize with others that come from very different points of view. Creating constructive ways to move forward is much more difficult to sustain. Leaders will need to calm tension and move through the conflict.

## **Survey Results**

**The following observations were made from the survey conducted on the leaders of 5 organisations from Egypt, Morocco and Angola:**

### **1. Setting risk taking parameters:**

The leaders that responded to the survey agreed that a risk averse culture is not conducive to fostering a culture that encourages innovation. However, they all agreed that risk parameters, or boundaries must be set upfront to ensure that everyone is clear about areas where they can take risk, and areas where risk cannot be taken. Practically risk is managed by taking innovations through rigorous approval processes before implementation.

### **2. Reducing risk and increasing success through experimentation.**

We received mixed responses in this regard. 50% of the respondents agreed that they manage innovation risk through small implementations and 50% alluded to implementing innovations at one go.

### **3. Remaining relevant through deliberately and constantly seeking new opportunities to learning.**

Respondents alluded that they constantly seek immersive learning opportunities with customers, suppliers and other stakeholders in the ecosystem to prevent themselves from becoming insulated with what is going on around them. One respondent added that they encourage entrepreneurial mindsets within their teams which allows for continuous exploration of ideas.

### **4. Creating a strategy for engagement and exploration.**

Respondents agreed that they play a big role in conflict management within the organisation and their industries. Leaders alluded to engaging in reverse mentorship in some form or another as a form of skills transfer within their organisations.

## 6. THREE ORGANISATIONS THAT HAVE THRIVED IN COMPLEXITY AND UNCERTAINTY

### 6.1. The story of Ibnsina Pharma

During our visit to Egypt we were fortunate to visit Ibnsina Pharma (*Ibnsina*). Ibnsina is Egypt's fastest growing company in pharmaceutical distribution and third-party logistics. (*Ibnsina Pharma, 2015*). Ibnsina was established in 2001 and has since established itself as the second largest in its market with a market share of 20% as at September 2018, up from a market share of 10% in 2011. (*Beltone Financial, 2019*).

Ibnsina supplies pharmaceuticals and cosmetics to more than 35 000 private and public-sector customers, including retail chains, independent pharmacies, wholesalers and institutional providers. Ibnsina relies on a highly efficient supply chain management system to deliver over 375 000 orders each month. (*Ibnsina Pharma, 2015*).

#### The VUCA environment

Since its establishment in 2001, Ibnsina has survived changes in the economic environment such as the tightening of legislation around pharmaceutical distribution and reviewed licensing requirements in the industry.

The pharmaceutical distribution market in Egypt is also characterised by intensifying competition from other market leaders and price reductions in pharmaceutical products. (*Beltone Financial, 2019*). This has put pressure on margins making it difficult to achieve growth targets in the industry.

#### The response to VUCA

Ibnsina responded to these VUCA dynamics by applying innovation to building an efficient business model by creating operational efficiency driven by best-in-class supply chain processes. (*Ibnsina Pharma, 2015*). During its turnaround phase in 2006 to 2008, Ibnsina focused on optimizing cost structures, and during its expansion phase in 2009 to 2012, the focus was on standardizing operating processes. In 2018, Ibnsina invested in a new warehouse managing system to help unify and integrate its business processes across its operations. With this warehouse management system Ibnsina expects to produce more robust and consistent monthly sales

forecasting and replenishment planning cycle. This will give Ibnsina greater visibility and speed of information sharing across its supplier chain and allowing for better decision making. (*Infor, 2018*).

In addition, Ibnsina used innovation to capture market share through implementing value-base differentiation strategies & launch of new revenue streams focusing on enhancing margins. An example of this is the provision of marketing solutions to its suppliers. They assist their suppliers to manage their brands and promote their products using dynamic advertising tools to design and execute innovative marketing campaigns. Ibnsina has also expanded its portfolio in recent years by becoming an official importer of various pharmaceutical and medical devices. (*Ibnsina Pharma, 2015*). Ibnsina was a pioneer in introducing value added services for its customers including tele sales, same-day-delivery and creative commercial activities, in addition to third party logistics services for its suppliers including; warehousing, transportation, data analytics, packaging and relabeling, and quarantine inspections. (*Ibnsina Pharma, 2015*).

#### Leadership learnings

- The journey towards building the optimal business model took Ibnsina 12 years from 2006 to 2018. Ibnsina applied an experimentation approach to their journey by breaking down their implementation period into 3 stages:
  - the turnaround phase which lasted 2 years;
  - the expansion phase which lasted 3 years; and
  - the growth phase.

The Ibnsina leadership had clearly defined goals upfront and understood what they wanted to achieve, but they realised that to succeed they would need to apply discipline to innovation and test and implement one stage at a time. They appreciated the complexity of the business model they were trying to build, and they knew they could not rush it. In a fast-changing world, they decided they were not going to react fast, they took a long-term approach and this approach paid off.

- Ibsina's vision was to become the leading regional healthcare supply chain business that aims to enhance people's quality of life. Ibsina's client offering has evolved over the years as they diversify their revenue streams, but their mission has not changed. The organisations' core has not changed. Ibsina began as purely distributing pharmaceutical products, to offering warehousing, packaging, printing and marketing services to their customers, and yet their organisational identity has remained unchanged. Ibsina demonstrated the ability to balance continuity and change at the same time.

### 6.2. The story of Attijariwafa Bank

Attijariwafa bank (the bank) is a leading financial services provider in North, West and Central Africa. It is the largest bank in Morocco and the 7th in Africa by total assets. The bank operates in 26 countries, 15 countries in Africa, 8 countries in Europe, 2 countries in Asia, and 1 country in North America. In Africa, the bank operates in Morocco, Egypt, Tunisia, Mauritania, Senegal, Burkina-Faso, Ivory Coast, Mali, Togo, Niger, Benin, Congo, Gabon, Cameroon and Libya. (*Attijariwafa Bank, n.d.*)

Attijariwafa was created in 2004, through the merger of two long established Moroccan banks, Banque Commerciale du Maroc; founded in 1911; and Wafabank; founded in 1904. (*Attijariwafa Bank, n.d.*)

#### The VUCA environment

The fintech industry in Morocco and in Africa as a whole is growing aggressively. FinTech's are filling the gaps in the market that the traditional banks have failed to fill but at the same time they are taking traditional bank's market share. With mobile penetration being highest in Morocco, this provides a healthy ground for Fintech's to succeed and brings about new entrants in the market that can offer innovative products, with further reach at cheaper costs.

#### Responses to VUCA

The banks in Morocco have embraced the concept of collaborating with start-ups and FinTech's in implementing innovative solutions to close the gaps in the banking market. Attijariwafa is an example of this with the launch of the "Yellow Challenge," a scouting program

for innovative start-ups and very small enterprises that have the capacity to disrupt the ecosystem. (*Attijariwafa Bank Management Report, 2017*).

In 2017, Wafacash, a subsidiary of Attijariwafa, partnered with WorldRemit, a digital money transfer service to offer instant money transfers across West and Central Africa. This service allows WorldRemit customers in over 50 countries to transfer money as easily as sending an instant message, using the app or website. According to WorldRemit, its digital, mobile-first model significantly improves security and compliance standards. Senders no longer need to visit a traditional bricks and mortar agent to send money to their loved ones across the African region. This also contributes to financial inclusion across the region. (*IT News Africa, 2017*).

#### Leadership Learnings

Attijariwafa has taken on partnering model with FinTech's instead of viewing them as competition. This approach allows for the bank to leverage off the strengths of the Fintech's and the agility that their models give them. This also allows the bank to innovate without taking on the full risk of innovation. Attijariwafa's leaders were disciplined enough to accept that they could not compete with the Fintech's and resolved to collaboration instead of competition to achieve a common goal.

### 6.3. The story of Ethiopian Airlines

Ethiopian Airlines (*Ethiopian*) was founded in 1945, and 7 decades later, it is Africa's leading airline. Ethiopian created a missing link through its vast African network to 55 cities and more than 100 international passenger and cargo destinations. Ethiopian has achieved average growth of 25% per annum in the past seven years. (*Ethiopian Airlines, 2018*). For five consecutive years, Ethiopian has remained the most profitable carrier in Africa and there are indications it will continue to lead in the continent in the foreseeable future and remain one of the best in the world. (*AllAfrica, 2017*).

Ethiopian is the national airline of Ethiopia, and although it is wholly owned by the Ethiopian government, it operates as a fully autonomous airline.



### The VUCA environment

Ethiopian operates in an environment with its fair share of VUCA, Ethiopia as a country is characterised by political and social unrests. Although Ethiopia is one of the fastest growing economies in Africa, it is one of the poorest with a per capital Gross Domestic Product of USD 783 in 2017. (*The World Bank, 2019*). Inflation, rising foreign exchange rate and forex shortage are also characteristic of Ethiopia's economic challenges. (*Allafrica, 2018*).

### Responses to VUCA

Ethiopian Airlines has embraced innovation as part of its strategy to remain relevant and to grow in its industry. Ethiopian has been introducing new aviation technology and systems, with many firsts in the history of African aviation as an aircraft technology leader. (*Ethiopian Airlines, 2018*).

In 2018 Ethiopian partnered with Sabre Corporation, a global travel industry technology provider in launching its industry-first Digital Airline Commercial Platform. The Digital Airline Commercial Platform is the industry's only platform to enable complete digital transformation through intelligent retailing that includes dynamic pricing capabilities, a flexible and open Application

Programming Interface (API) hub, an ultra-fast shopping engine and a mobile-first, consumer-grade workspace for airport agents. This platform is expected to allow airlines to differentiate themselves while enhancing customer experience. (*Africa Business Communities, 2018*).

### Leadership Learnings

Ethiopian airlines has its own Aviation Academy where both technical and leadership training programs are conducted. Ethiopian recognised that to remain relevant as an organisation their leadership need to be constantly exposed to different learning scenarios. Ethiopian Aviation Academy develops interactive and engaging e-learning courseware for all the aviation disciplines to foster leadership skills to Ethiopian's employees. The leadership training offered at the Aviation Academy is aimed at equipping leaders on finding solutions to unforeseen circumstances that could arise within the job. They mold the learner's thought process and teach them professional and acceptable ways of responding towards different issues. They build leaders ready for crisis management and equip them to face critical situations with a global vision. Training also includes dealing with different cultures and nationalities. (*Mohammed & Niphadkar, 2017*).

## 7. CONCLUSIONS

Based on literature review and the survey conducted, we conclude that leaders need to be disciplined in their response to change to guard against knee-jerk reactions. We conclude that leaders need to rely upon direct observation, practical experimentations, engaging directly with evidence rather than relying upon opinion, whim, conventional wisdom, authority, or untested ideas. In a fast-moving world, leaders can get easily blurred with the latest trends and what competitors are doing. We appreciate that speed to market is vital, and that a fast world requires fast decision making, however having an empirical foundation enables high performing companies to make bold, creative moves and bound their risk, through discipline, establishing the cadence to immerse themselves first before making big bets.

We found that setting clear boundaries well ahead of time allows a leader and an organisation to know what they have appetite to do and what they do not have appetite to do. We also explored the importance of organisational identity, which allows an organisation to live beyond multiple leaders and attracts leaders that are aligned to its purpose. We found that there is a strong emphasis on purpose. Purpose is linked to identity and acts as the anchor that provides stability in the midst of a raging storm. An organization's values are birthed from its purpose and these values should withstand the test of time. In times of constant change and uncertainty it is fundamental for the leader to be clear on what should be changed and what should not be changed.

We appreciate that a culture of innovation in an organisation allows a firm to adapt to a fast VUCA world, but innovation introduces new complexities for leaders. We conclude that to manage this complexity, leaders need to set risk taking parameters. We found that rapid prototyping in the form of implementing innovation in

small steps reduces the risk of failure. We also found the importance of continuous learning for leaders and the ability to manage conflict through engagement and exploration. We highlighted the advantages of reverse mentorship and immersion learning.

## 8. RECOMMENDATIONS

**Based on our learnings, our recommendations to the 4 banks in South Africa are:**

- To achieve clarity, and to survive in a fast-moving world a leader must have access to numerous sources of information from within and outside the organisation. “You cannot lead if you do not read” is a quotation from TD Jakes and is relevant in the information age we live in today. In addition, the flow of information in an organisation must not be restricted and information must be able to flow in both directions up and down the organisational structure.
- We appreciate that being first to market and making fast decisions is key to remaining relevant. However, a leader must be able to move fast with discipline. Discipline can be achieved by leveraging on different areas of expertise available to leaders and bringing these great minds together in exploring the next move. Discipline also means that the leader does not react to external forces but takes sufficient time and consideration to respond appropriately.
- A leader must set boundaries, in a fast-moving world, leaders can get easily blurred with the latest trends and with what competitors are doing. Setting clear boundaries well ahead of time allows a leader and an organisation to know what they have appetite to do and what they do not have appetite to do.
- An organisations’ existence must be based on a core purpose, and the core purpose is linked to its values. An identity allows an organisation to live beyond multiple leaders and attracts leaders that are aligned to its purpose. A leader must ensure an organisation can outlive him by ensuring that the organisation has a solid identity of its own that does not get influenced by changes in the external environment.

**For innovation to thrive in an organisation, leaders must create a culture that fosters and cultivates innovation in the organisation. This can be done through:**

- Setting risk appetite parameters in the organisation, that must be well communicated and understood. Organisations should foster a culture that allows for mistakes to be made and learnings to be taken from the mistakes. Practically, innovation risk is managed through taking innovations through rigorous approval processes before implementation. However, setting risk parameters and articulating them up front creates safe zones and gives confidence to those that would not usually present their ideas for fear of failure.
- Immersive learning is an effective tool for delivering meaningful learning experiences. Organisations have started using methods such as simulations and gaming to expose their leaders to imaginary situations that mirror real life conditions. Immersive learning can simply take the form of regular engagement with employees throughout the organisation to understand their daily experiences or putting oneself in the shoes of a customer to understand the real customer needs.
- In practice, innovation is common in front line, IT or product development departments; back office support departments such as finance, risk and compliance, human resources, rarely use innovation to improve their processes. An innovative culture must permeate the organisation as a whole, and not leave out certain functions. In this case, innovation can be used to achieve organisational efficiencies throughout the organisation.

With these principles, leaders will be well equipped to navigate the world we live in today, a world characterised by volatility, uncertainty, complexity and ambiguity.



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