



# The Agile Company

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# Management models - differences

The Agile Company gives priority to:

- Customer focus over shareholders' short-term return
- Adaptivity over formal planning
- Trust in people over detailed monitoring
- Intrinsic motivation over extrinsic (e.g. cash bonuses)

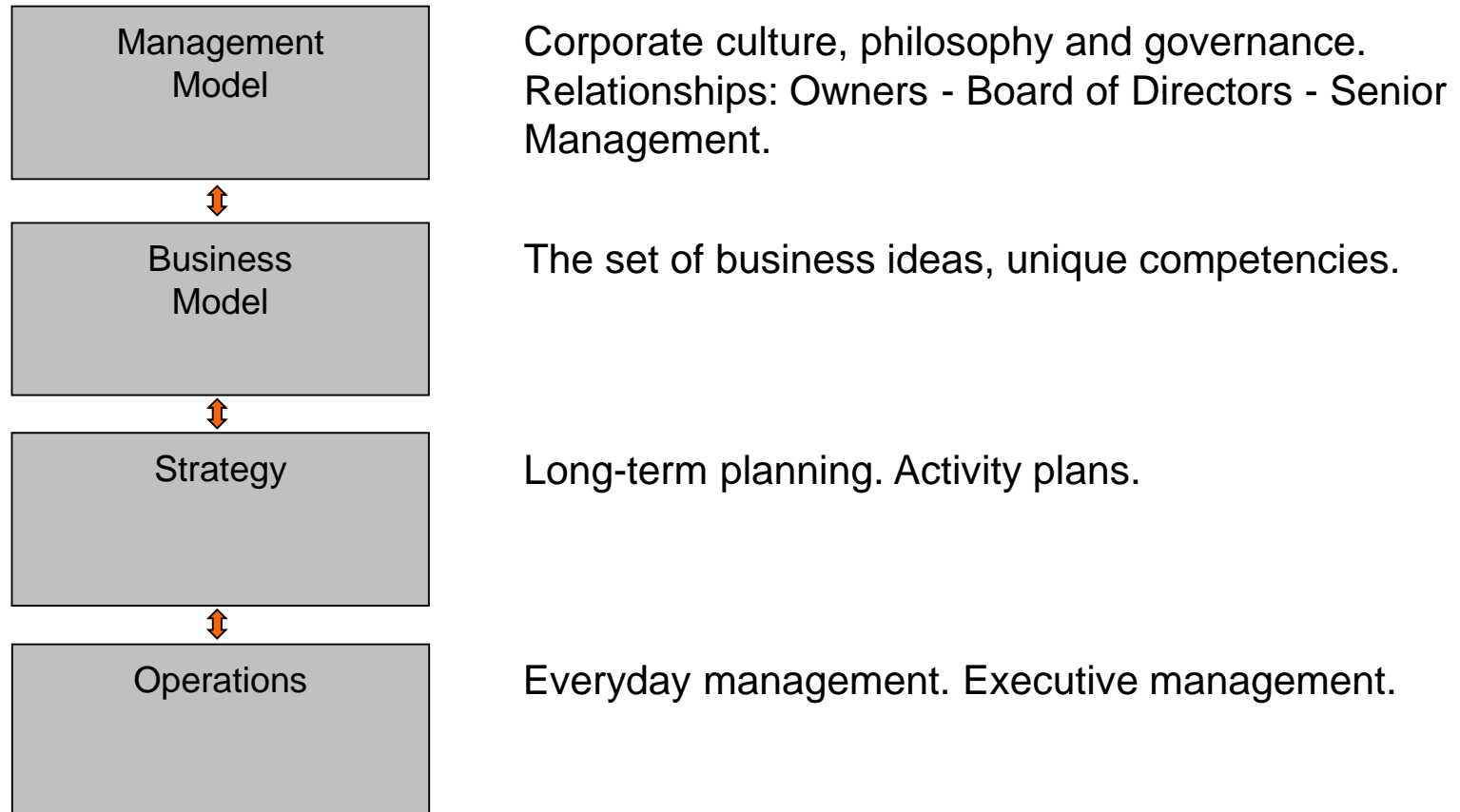
# Business Card



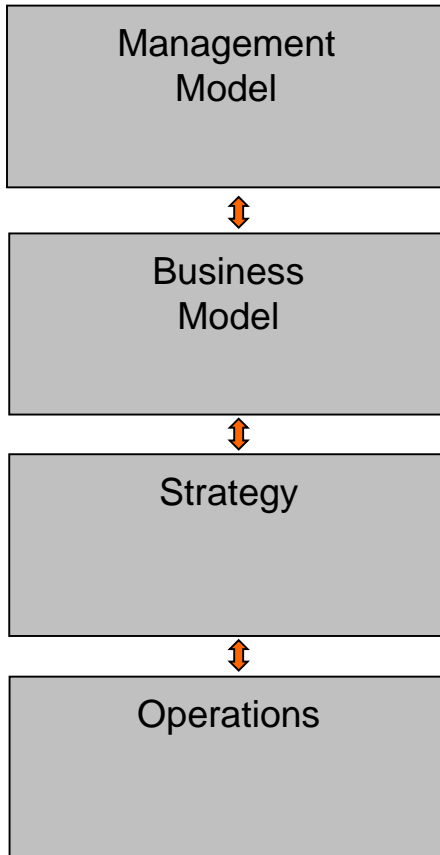
CFO among equity analysts

- 45 years in the banking industry. 35 in Handelsbanken – Head of Credit 1998-2000, CFO 2001-2006.
- Senior Advisor to Oliver Wyman 2008-2011. Board member at SBAB 2009-2011. Chairman at Blomsterfonden 2010-.
- Head of Group Finance and Senior Advisor to Group Management at Swedbank 2011-2014.
- Banking has a semi-public character, has dwelled with heavy regulation, deregulation, and now re-regulation. The industry serves several stakeholders, is part of the service sector, where human resources is a core success factor, acts typically on buyers' markets, is challenged by digitalisation.
- All but leadership and corporate culture can be purchased for money.

# Finance and Business Control reflects the company's Management Model



# Critical to sustainability: Coherence.



## Taylorism

Rules, process control and efficiency, central decisions and short term targets

Top-down planning process, inside-out perspective, command and control

Hierarchy with multiple layers, pushing products, hero leadership

Meeting set targets, functional (matrix) hierarchy

## Agilia

Autonomy, empowerment, effectiveness and long term goals

Adaptive to market changes, agile, flexible, enabling self-management, transparency

Flat network organization, sales based on pull, serving leadership

Meeting customer needs, no budgets, multi-functional teams

# The Agile Company

## **Mechanistic**

Shareholder-value focused. Sub-optimization. Quarterly results/earnings management.

Visions, strategies, rolling forecasts, budgets. Performance contracts.

Detailed instructions and control. Regulations. The Audit Society. Gaming.

Agency theory. Extrinsic motivation. Bonus systems.

## **Agile**

Customer oriented. Stakeholder model. Long-term view on operations.

Decentralized corporate culture. Relative targets. Benchmarking.

Trust. First-line quality. Loyalty.

Intrinsic motivation. Autonomy, mastery, purpose.

# Moving from waterfalls to adaptability

## Away from:

- Detailed instructions
- Strategy enforcement
- Mass marketing
- Bureaucracy
- Product push
- Budgets and forecasts
- Fixed targets

## ...towards:

- Self-managing networks
- Adaptivity
- Local initiatives
- Entrepreneurial leadership
- Customer pull
- Benchmarking
- Relative targets

**Sustainable performance  
through agility**

# In Handelsbanken, the branch is the bank

- The branch is responsible for all customers
- Each branch makes its own activity plan
- The branch manager decides the number of staff she needs, competence profiles, which customers to actively approach, product offerings, and pricing.



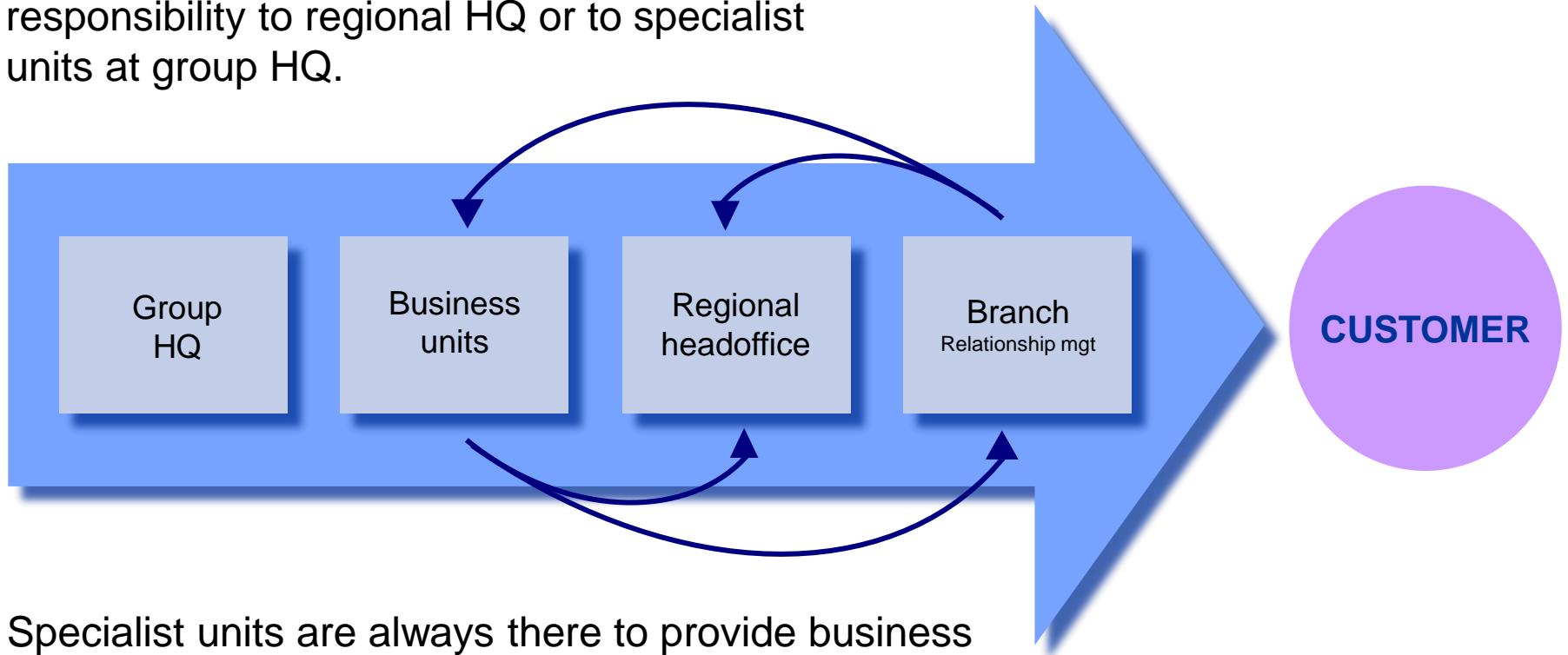
Each branch a profit center, full-scale performance measuring. Benchmarking. Remuneration individual, and based on actual competence and performance.

*Being an SHB branch manager is like a franchise, but you don't risk your own money.*



# The branch is the bank (**Handelsbanken**)

The branch can always delegate business responsibility to regional HQ or to specialist units at group HQ.



Specialist units are always there to provide business support to regional banks and local branches.

# What needs to be centralized?

Only that which provenly works better if coordinated:

- Strong corporate culture
- Group-spanning risk management
- Joint performance measurement system
- Strategic investments

# The budget – an unnecessary evil

- Better to know where you are than to guess about the future.
- Budgeting is costly and time consuming, and it fosters bureaucracy.
- Budgeting means gaming.
- Budgets tend to hamper flexibility and adaptability.
- Actuals exceeding budget might be not good enough, anyway. Actuals that come in below budget, don't necessarily reflect a bad job done.
- Benchmarking against competition, based on actuals, gives the true picture of performance and competitiveness.

# Budgeting – or adaptivity

Either you strive to satisfy your customers' needs, or to reach your budget or rolling forecast.

*England expects that every man will do his duty.* Lord Horatio Nelson, October 21st, 1805

Relative targets, examples;

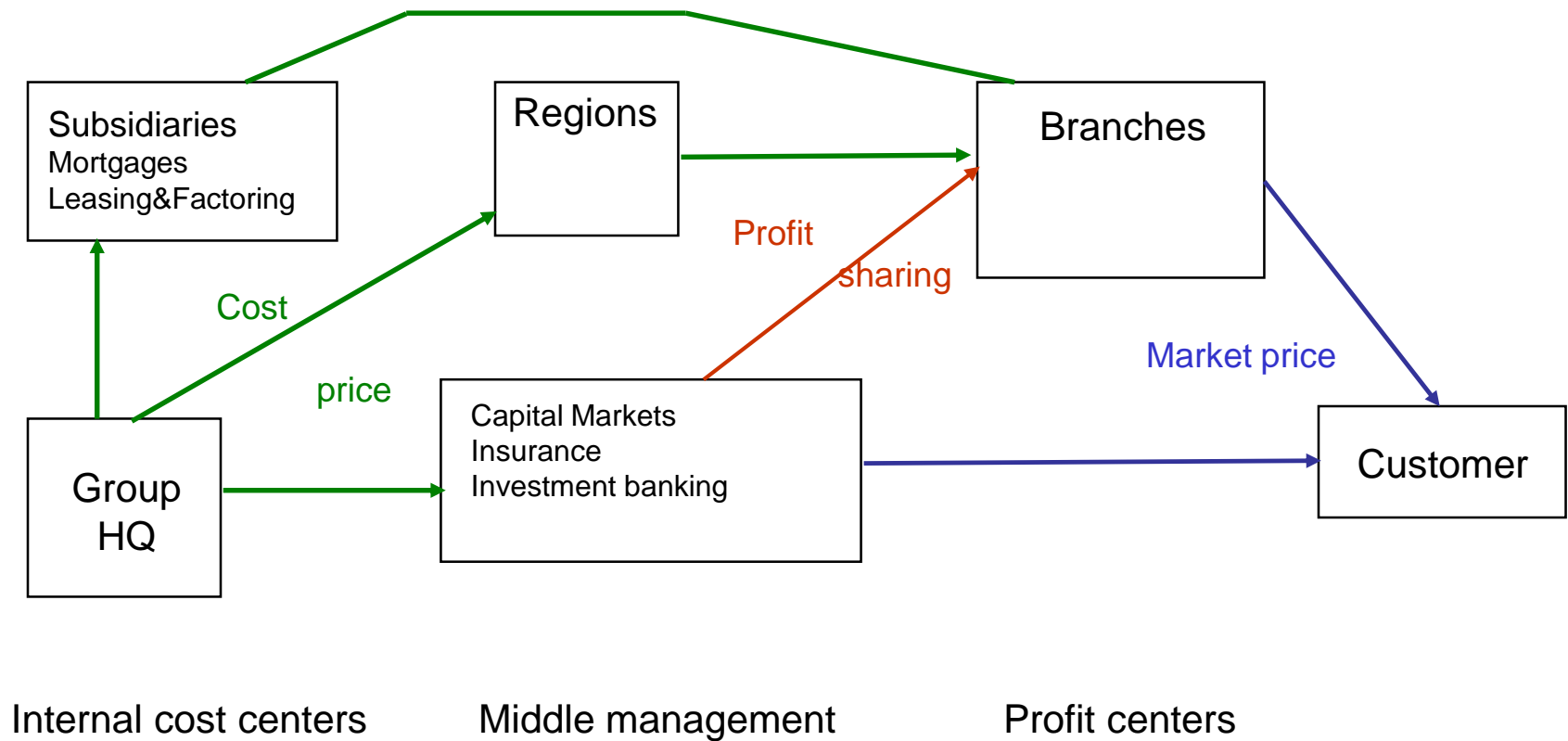
We aim at having the most satisfied customers

Our risk-adjusted return on equity should be higher than comparable peers'

This business area wants to be among top-three in the league table

We strive to climb at least five steps in the internal performance table

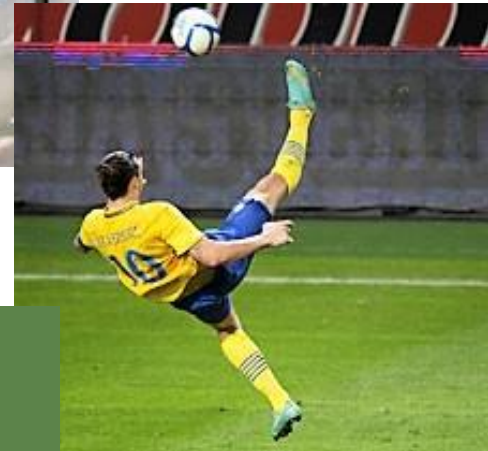
# The internal market



# Intrinsic motivation...

...is driven by:

- Autonomy
- Mastery
- Purpose



# 5% theory, 95% follow-through

- Corporate governance. Leadership. Psychology.
- *Handelsbanken, South East Airlines, Toyota, Aldi, Ahlsell, Equinor (former Statoil)...*
- First revolution. Then evolution.
- The challenge in a consequent implementation.
- Why so many fail.

# Why do companies fail to be agile?

- Power shift against, or at least beyond, expectations.
- Not a *Waterfall Process*.
- Regulation.
- Cost control habits.
- Micro management.
- Budget gaming is fun – to some.
- Trustworthy forecasts are expected by investors.



# Adaptivity & Agility



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