



Today, tomorrow, together.

Member of the  **BARCLAYS** Group

CASE STUDY 2011

Culture Development Plan and
Communications, Barclays Bank acquisition
of majority Stake in Absa, Johannesburg,
Republic of South Africa

Introduction

In conjunction with Carolyn Taylor, Principal of *Walking the Talk*, Steve Lennon of Arup worked with a joint Barclays/Absa client team to establish the leadership and cultural conditions for success of this transaction. This was the largest single investment ever made by Barclays outside the UK, and the largest direct foreign investment ever made in the Republic of South Africa, at almost £3 billion for Barclays to acquire up to a 60% stake in Absa.

Our role was to help Barclays make the critical connections to be built into the fabric of Absa, as a new member of the Barclays Group. These connections could not be constructed of strategy, policy, procedures and technology alone. They had to be stronger, human connections that would open the doors of emotion, attitude and understanding of Barclays/Absa people and stakeholders.

Neither the South African Government nor Absa Board would tolerate Barclays simply reducing costs through consolidating operations and improving productivity, without delivering improved access to savings and credit for the nation. Barclays and Absa needed to show they had the potential to create a pan-African banking powerhouse that transcends the boundaries of individual nations and provides South Africa with access to the rest of the world – for capital and careers.

This task required decisive and enlightened leadership. It demanded a culture that fosters high performance, collaboration, risk mastery, and deep empathy with the customer – as human beings, not just with their financial position. The organisations structure and systems must reinforce and support this culture, and be tailored to suit the diversity of the combined operations. Each step of the integration process had to be constantly explained by a compelling story as to why Barclays and Absa are doing all this, and what it means for everyone involved.

THE JOURNEY ITSELF

Key services provided:

1. Culture Development Plan
2. Coaching for the joint M&A integration team
3. Cultural Diagnostic Report
4. Creation of a high-level Journey Map and supporting integration story
5. Development of a program of coaching and training interventions for business leaders

Due to the foresight and cultural sensitivity of leaders in both organizations, we started work early. Even before legal close of the deal (which took place on July 27, 2005), the new Absa Executive team were well placed to deal with the challenges ahead.

Our work included the following components:

- Design of an integrated approach to leadership and cultural alignment, documented in a comprehensive Culture Development Plan, agreed with the Barclays and Absa Executive
- Coaching for the joint integration team and key business leaders of Barclays & Absa, providing guidance to help them rapidly bridge their differences in perspective, attitude and experience
- A Cultural Diagnostic Report, based on a series of qualitative interviews across Barclays (in the UK and Africa) and Absa, which examined the behaviours, symbols and systems that deliver the messages as to what each organization truly values. Our detailed recommendations formed the basis for a decisive, co-ordinated response to capture the opportunities and mitigate the risks involved.
- Creation of a high-level Journey Map, which charted the required milestones over the next two years, illustrating cultural signposts, and showing the planned interventions to support people along the way
- Based on the personal experiences of the joint team, and our dialogue with leaders, we crafted the Barclays-Absa Integration Story, which provided a guiding context for everyone involved in the integration work-streams
- A program of coaching and training interventions was designed and produced, which helped the integration teams to engage in a constructive and respectful way with the leaders of the business

The focus of our work was to ensure the legacy of the first 100 days of integration activity was a positive, intelligent and encouraging first impression that captured the hearts and minds of everyone involved - not just the synergy benefits. In a remarkable exception to our collective M&A experience, on Day 1 of this deal Barclays and Absa leaders knew exactly

what they needed to do to leverage culture as a driver of success, rather than discover significant cultural differences as a frustrating reality much further down the road.

Results achieved



“The level of change — and risk — in the integration of a transaction of this kind should not be underestimated. One reason for its success so far is that Barclays has treated Absa with sensitivity and has gained confidence in the local group. There was some concern internally at the beginning that the group may have become regulated from London, but that was unfounded. Absa is still overseen by local regulators and has retained its own brand and identity and its local listing”

“Because the two groups had complementary businesses, there was little fear of job losses. The positions of senior management were clarified at an early stage, helping ensure the full buy-in of management and staff. Without that things could have turned out very differently”

Louis Van Zeuner, Deputy CEO

“The match between Absa and Barclays does seem made in heaven. Not only did Absa benefit massively on the corporate banking side, Barclays” return on investment exceeded its wildest estimates [...] its dividend of R4,30 means it has received a return of 41,3% in its first year.” **(Carte, 2007)**

“Barclays, the third-biggest British bank, posted record annual pre-tax profits of £5.28-billion (€7.72-billion, \$9.19-billion) on Tuesday, as its acquisition of Absa in South Africa last year boosted performance.” **(Jackson, 2006)**

THE key success factor

- Cultural differences had the potential to derail the successful integration. Both Absa and Barclays realised this in the planning phase of the transaction and relevant actions were taken.
- In South Africa the culture is still forming, due to the effect of the new democracy. It is therefore not really possible to talk about a South African culture. The Barclays culture has been fairly well developed over a number of decades, but is totally different from that in Absa. Facilitators were appointed to help with the cultural integration of the two entities.
- The fact that possible cultural differences were identified very early in process, allowing for the required steps to be taken, was one of the main contributors to success of the transaction.

Source: Wilco de Villiers, University of Stellenbosch, December 2008

“Critical Success Factors in Mergers with particular reference to the Barclays/Absa acquisition”