

Nubank: Keeping Customers Captivated and Employees Engaged

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Resumo

The case raises contemporary issues pertaining to growth challenges of the fintech startup Nubank. Based in São Paulo, Nubank has become one of the largest technology-based banks in Latin America. The case highlights how cumbersome bureaucracy in Brazilian banking led to the conception of a disruptive fintech startup with an entrepreneurial spirit. By leveraging technology, design, data science and effective customer service, the founders of Nubank geared up to counter the traditional offerings of Brazilian banks. The case showcases the founders' emphasis on the importance of culture, values and team spirit, which formed the genesis of their organizational DNA. As Nubank grew, the founders realized how an entrepreneurial approach to defining its core values and culture became the strategic differentiation for competitiveness compared with the hierarchical approach of the established banking sector. This case could be used in the MBA and Executive-level courses in Organizational Behavior, Human Resources Management as well as for specific theme-based discussions during Entrepreneurship courses. The case's main teaching objective is to evaluate the organizational challenges for startups facing rapid growth, such as how to recruit, to design, set up, and manage teams while maintaining their organizational culture and values, essential to their differentiation strategy.

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Abstract

The case raises contemporary issues pertaining to growth challenges of the fintech startup Nubank. Based in São Paulo, Nubank has become one of the largest technology-based banks in Latin America. The case highlights how cumbersome bureaucracy in Brazilian banking led to the conception of a disruptive fintech startup with an entrepreneurial spirit. By leveraging technology, design, data science and effective customer service, the founders of Nubank geared up to counter the traditional offerings of Brazilian banks. The case showcases the founders' emphasis on the importance of culture, values and team spirit, which formed the genesis of their organizational DNA. As Nubank grew, the founders realized how an entrepreneurial approach to defining its core values and culture became the strategic differentiation for competitiveness compared with the hierarchical approach of the established banking sector. This case could be used in the MBA and Executive-level courses in Organizational Behavior, Human Resources Management as well as for specific theme-based discussions during Entrepreneurship courses. The case's main teaching objective is to evaluate the organizational challenges for startups facing rapid growth, such as how to recruit, to design, set up, and manage teams while maintaining their organizational culture and values, essential to their differentiation strategy.

Key words: fintech; organizational culture; startup culture; rapid growth; Brazilian banking sector

The case

David Vélez was in the middle of a run in Ibirapuera, the urban park in São Paulo, when his Apple watch alerted him of a Slack message. Vélez stopped in his tracks, opened the company's internal messaging platform on his phone and quickly read through the message. It was from an employee who was concerned that Nubank's culture was being impacted by the significant amount of new hires for the customer service team. Vélez resumed his run and as he quickened his pace, pondered the best way for the company to scale sustainably amidst its hyper growth. How should they proceed without diminishing the customer experience or endangering the strong culture he had built with his two co-founders?

Nubank background

Vélez, the Colombian-born, Stanford graduate founded Nubank in 2013 as a fully mobile digital alternative to Brazil's sclerotic banking system. The disruptive fintech initially started as a credit card with no annual fees and atypical customer service, fully controlled by a mobile app. By early 2018, the company had become one of Brazil's first unicorns and counted nearly 4 million customers.

Brazil's banking sector

Since the early 2000s, Brazil's banking sector had followed a mostly upward trend in market concentration. By 2013, the top five banks controlled nearly 80% of the country's banking activity (World Bank, 2019).

These banks, Itaú Unibanco, Bradesco, Banco do Brasil, Banco Santander and Caixa Econômica Federal, offered credit cards that for the most part, differed very little from one another. Cardholders were subject to average interest rates of over 300% per year - among the world's highest - plus a variety of fees on services such as withdrawal, late penalties and annual subscription (BCB, 2019).

The Brazilian banking sector was also reputed to be one of the world's most bureaucratic. Customers often complained that any issue meant dealing with ineffective and frustrating call centers (common in most Brazilian companies – and beyond) and/or physically visiting their bank branch.

Despite these deterrents, Brazil, counted the highest-banked population in Latin America (over 60% in 2013) and was the leader in terms of strongest preference for paying by card (Statista, 2019).

David encounters Goliath

Into this scenario stepped David Vélez. Born in Medellín, Colombia, Velez grew up in Costa Rica. In 2001, he moved to the US to complete a BSc in Management Science and Engineering at Stanford University. After graduation, he worked in the finance sector for a few years, before returning to his alma mater for an MBA. He then joined the California-based venture capital group, Sequoia Capital and was tasked with starting operations for the company in Brazil.

Upon arrival, in 2012, he struggled to open a local bank account. The process took weeks, required a bewildering assortment of physical documents and repeated trips to the bank branch. “It made no sense to me that people were paying such high fees for such poor customer experience,” says Vélez. This unfortunate experience was the trigger for a more efficient and humane solution for everyday banking in Brazil.

A study of the market showed the proclivity of Brazilians for technology, and the relatively high smartphone penetration promised great opportunities for a fintech. With a digital model, simplified access and low-cost operations, Vélez believed he could attract the unbanked and/or people dissatisfied with traditional institutions.

Many believed that the barriers to enter the banking sector were too high and the dominant players would destroy him. However, Sequoia Capital gave him the benefit of the doubt and invested USD 2 million seed in the project, alongside Kaszek Ventures, a Latin American VC.

May 2013 saw Nubank's official founding, as well as the start date of the two co-founders Cristina Junqueira (Brazilian) and Edward Wible (American). The multicultural team set the tone for the years ahead of an international company.

Cristina Junqueira's personal aversion to Brazilian banks

Cristina Junqueira was all too familiar with the shortcomings of the banking sector. Prior to meeting Vélez, she had worked more than five years at Banco Itaú, which held the largest share of Brazil's credit card market. Her last role at the bank was managing a credit card project, where she was increasingly frustrated by the repeated rejection of her innovative ideas. Feeling

that her professional life lacked purpose, she decided to quit. One month after her departure she met someone else who wanted to challenge the status quo way and joined him on his mission.

California Street

The three business partners moved into their first office – a São Paulo house on the auspiciously named California street. Wible, the American co-founder and Chief Technology Officer, lived in the house, along with some other early employees.

Nubank's "raison d'être"

The three founders defined their company's vision early on, actually the same day that Wible landed in Brazil. "We had a few beers and then four or five hours later came up with the culture and goals we wanted," says Vélez. "This hasn't changed since then, and we don't want it to change in 10-20 years."

During that discussion, they defined the company's core purpose "to fight complexity to empower people" as a counter to the stifling conduct of many Brazilian institutions. By leveraging technology, design, data science and effective customer service, they wanted to improve the financial education of Brazilians and provide them with a means to make better choices.

They also agreed that the company should have a "Big Hairy Audacious Goal" (BHAG) – a bold objective that would keep pushing them forward. Since they wanted to go further than just impacting Brazil's ecosystem, they set the goal "to become the most influential financial services company in the world."

Many early employees, or *Nubankers*, left stable jobs to join the startup, whose purpose resonated with them. They wanted to help prove that it was possible to reinvent banking in Brazil.

Nubank's credit card – simple, cheap and convenient

Nubank's first product was a credit card with zero fees and more competitive interest rates than otherwise available. The accompanying app was designed to challenge the onerous processes of established Brazilian banks and enable customers to be as independent as possible, with swift access to a support team. For starters, the whole account opening process was digitalized, rendering physical documents and branch visits obsolete. Through the app's acquisition funnel, prospective customers inputted their information, snapped a selfie, and photographed their documents, all within minutes. Two to three weeks later, the card would be delivered to their doorstep.

Nubank released the credit card to the public in September 2014. The card was distinguished from the traditional banks' products by being virtually free and therefore a low-risk proposition to try out. Although there were no subscription or late fees, its revenue was generated mainly from interchange fees and interest revenue.

By the end of 2014, the California Street house was starting to feel small for Nubank's original 33 employees. In January 2015, the team moved to a 110-person capacity three-story office on a busy avenue in São Paulo. They painted apathetic-looking dinosaurs

dressed as bankers on one of the inside walls. A symbol of the traditional institutions and a reminder to Nubankers that they needed to differentiate themselves from the status quo.

Nubank's values

The company's core values were first discussed at the same time as the BHAG and core purpose were drafted. The founders considered the values crucial pillars of the company culture that would guide the employees and determine, ultimately, whether or not the company would accomplish its BHAG. (See *Exhibit 1*). Although all five values are important, two are worth highlighting here:

Value: We want customers to love us fanatically.

"Brazil doesn't have a strong culture of focusing on the customer before making decisions," says Nubank's Customer Relationship Leader. Nubank, however, aspired to change that approach by offering differentiated products and services that customers not just *like*, but, rather, "love fanatically". They wanted to truly build relationships with their customers.

Reinventing the customer service role

Most Brazilian banks and companies outsourced their customer service team, or at least allocated them to a different building. However, the Nubank founders thought it essential to keep the customer service team in-house, interacting directly with the other job families. This kept Nubank closer to the customer.

The profile and role of the Nubank customer service agent was also very different from the traditional market. By offering salaries higher than the average call center, combined with the same benefits as the rest of Nubank, the company attracted highly skilled staff, which even included some lawyers, architects and engineers. "In my group interview, there was a woman who actually had a background in customer service, and she didn't get hired," recalls one of the customer service representatives.

These customer service employees were called Xpeers as they were tasked with providing the best possible experience to customers. In addition to resolving customer queries, Xpeers worked on other projects, such as process creation and optimization, quality monitoring, fraud detection and product testing. Over time, some Xpeers transitioned to other job families.

Wowing the customer

Inspired by the Zappos shoe-store model of "wowing" customers, Xpeers were trained to treat every client interaction with customers as a moment to *wow* them with a unique experience. To support this mission, Nubank provided the customer service team a budget to send small gifts – or *Wows* – to customers.

In one well-known example a customer contacted Nubank after realizing her credit limit wouldn't cover her Uber ride back home. She informed the Xpeer that she had just gone for a pregnancy exam, to check-up on "Feijão" (Bean) the name she had given her baby, before finding out its sex. The Xpeer instantly granted the customer an emergency credit limit increase and she was able to call for a ride home. A few weeks later the woman received a *Wow* in the

mail: a handwritten letter from the same Xpeer, together with the children's book "Jack and the *Beanstalk*." The woman was so touched by the gesture that she decided to completely change career paths and applied to be a Nubank Xpeer. After joining, she devoted herself to helping other working mothers and led initiatives such as setting up a Nubank lactation room.

Customer top of mind for all

To nurture this customer-oriented culture, all new employees during their onboarding had to spend a few hours learning about the Xpeers' work and answering customers' questions. "The customer is at the heart of every product decision. It's a real value, not just something pinned to a wall," says one Product Manager.

The company also held an annual "Xpeer Experience" event, where Xpeers stopped working and participated in team-building activities and talks. During that time, the rest of the company, including the founders, would take over the Xpeers' duties and respond to customer calls, emails and chats. "Every year, during Xpeer Experience, we discover things we could do differently, or functionalities that we should implement that would improve the customer experience," says one of the engineers.

Value: We think and act like owners.

Given their limited resources and the huge task ahead of them, it was extremely important that Nubankers "think and act like owners," according to one senior leader. "When you have an owner mindset, you don't waste your time doing things that won't add value to the company."

Organizational structure

The company created an environment to give employees the autonomy and flexibility to exercise this value. The organizational structure was much flatter than traditional banks and more resembled a Silicon Valley start-up. When making decisions, data-driven solutions had more weight than the opinion of someone who would typically be at a higher level of a hierarchical structure. In the words of one of the management team members, "A strict hierarchy with top down management doesn't scale. Better to just hire really talented employees and create a strong culture with good incentives," says one Management Team Member.

Inspired by Spotify's framework, employees were allocated to multifunctional teams or "squads" to foster decentralized and efficient workflows. Composed of 10-50 employees from various job families, each squad was self-organizing and had their own objectives.

"If an Xpeer received a complaint from a customer about a bug in the app, they could instantly share the issue with the mobile engineer on their squad, who sat a table away. It would get fixed instantly," says Vélez.

"Just do it" mentality

From the outset, the founding team set the example for "acting like owners". Before hiring Xpeers, customers calling the customer service number, were redirected to Junqueira's personal cell phone. When she went into labor, she continued answering customer emails between contractions at the hospital.

This mentality of going beyond one's scope and doing whatever you believed was needed remained strong in the company's DNA. To get projects off the ground during the fintech's early years, Nubankers often had to teach themselves completely new skills. As one employee recalls, "You had Brand Managers – with no technical background - who had to learn some basic engineering so that their campaigns would get sent out. We didn't have enough engineers."

What's more, many initiatives that would usually have been implemented at the company-level, were happening organically within the teams. As one former Xpeer explains, "On each Squad, there were Xpeers in charge of recognition initiatives. The rewards varied from team to team, but it was something along the lines of a happy hour if we met our customer service goals."

Employees learned a wide range of abilities and were entrusted with a great deal of freedom, regardless of how junior they were. On the flip side, the resulting work environment could be ambiguous. "People would sometimes have no idea what they were meant to work on and there was limited support because no one had much experience managing teams," recounts an employee.

Rapid growth

Shortly after Nubank's credit card was launched, news of a free card with easy sign up started spreading rapidly through word of mouth, with little investment in marketing. "Credit cards are often boring products that are expensive to maintain. Ours has gone viral [on social media] and people love it - which is amazing, especially when compared with traditional banks, who spend millions in marketing strategies and have been around for a lot longer than us," says Junqueira.

"People don't usually recommend a credit card to their friends. I've never seen anything like this in the US," says an employee who used to work at an American Bank. On average, each customer would bring in 2.5 new customers per year. They did this for free.

As the customer base grew faster than expected, so did the team – especially the Xpeers who essentially increased linearly with the number of customers. "Various times we undershot our monthly growth projections and as a result didn't have enough Xpeers to tend to customers. We would order pizzas over lunch and all of the company would pitch in to help decrease the customer service backlog," says one employee.

The company initially expected to stay in the new building for a few years. However, within six months of moving from the house on California Street, it was already full and larger premises were sought. "People had to sit two to a desk, some people were working in the corridors, others in meeting rooms. It was nearly a health hazard," says Junqueira.

In January 2016, an expanded team of nearly 300 employees moved to a new, spacious, eight-story building.

Nubank's growth in 2016 continued to outpace expectations. "Everything happened faster than we had imagined: we thought we would reach one million customers in five years and that happened in two years," says Vélez.

The company's culture was also receiving more high-level recognition. It won one of the 2016 Best Companies to Work For awards by Great Places to Work Brazil. "The work environment is really inclusive, really pleasant. People want to stay at Nubank even after they're done," says Nubank's Ombudsman.

Nearing their BHAG

As Nubank became more and more popular, the traditional Brazilian banks started taking concerned notice of them. Nubank fans regularly posted on the social media pages of these banks (and other companies) asking them why they couldn't be more like Nubank. In fact, Nubank had an extremely high Net Promoter score (willingness of customers to recommend their products or services to others). It hovered around 85, whereas the average for Banks was between 10 and 30.

Brazilian Banks were obliged to adapt to the new reality. In an attempt to hinder Nubank's growth, some restricted their customers from auto-paying their Nubank credit card bills from their bank accounts. They also started becoming more digital, lowering or canceling fees and changing the way they interacted with their clients. Bradesco and Banco do Brasil, two of the traditional banks, launched their own online credit card, Digio, toward the end of 2016. Other fintechs also started appearing in the Brazilian ecosystem.

Rather than feeling threatened, Vélez saw this as a positive change. It meant they were getting closer to their BHAG of being the most influential financial services company in the world: "It is excellent to see that change in the incumbents. It's better for the customer." Some Nubankers were worried that competitors could wipe them out, but not Vélez: "We have a competitive advantage that none of them have: our culture".

Complexities stemming from growth

In the second half of 2017, Nubank launched various new products and features. They included a much-anticipated credit card rewards program, a virtual credit card and a free digital account that enabled users to transfer funds, pay bills and earn higher interest than the average savings account. The company was growing by about 10% per month, and by the end of the year it counted more than three million customers.

With the company's ever-growing popularity and greater product portfolio, operational complexity was increasing. "Tending to a thousand customers isn't the same as a couple of million," says Vélez.

In December 2017, Nubank opened its first international office in Berlin to tap into a greater tech talent pool, attract specialized engineers and help scale the business. At that time, the company employed more than 100 engineers, making it the second largest job family. They aimed to hire about 25 for their German hub.

The largest job family was the Xpeers, which was growing rapidly in response to greater customer demand and increased from 300 to over 550 in a matter of months. By February 2018, Xpeers accounted for over 60% of Nubank's employees. (*See Exhibit 2*) "My biggest concern at the moment is as much social as it is technical: the scalability of our interface with our customers (or "operations"). I think a lot about how we can maintain a phenomenal

customer experience while leveraging technology in the right way so that we scale efficiently (especially from a cultural perspective),” says Wible, Nubank's CTO.

In March 2018, Nubank's new valuation was greater than USD 1 billion making it officially a Unicorn company. “Since the beginning, growing the company was the objective,” says Vélez. “We've created a strong culture of growth and people have understood that. As long as the initial team has a clear vision of the company culture, it then becomes easier to transmit that to those that arrive afterwards.”

Compared with the traditional Brazilian banks, Nubank's culture had become an invaluable asset for the company's competitiveness. But as the organization neared 1,000 employees and opened offices abroad, the ability to sustain its fundamental culture may be Nubank's next major challenge to reach their Big Hairy Audacious Goal.

Teaching Notes

Case Synopsis

The case raises contemporary issues pertaining to growth challenges of the fintech startup Nubank. Based in São Paulo, Nubank has become one of the largest technology-based banks in Latin America. The case highlights how cumbersome bureaucracy in Brazilian banking led to the conception of a disruptive fintech startup with an entrepreneurial spirit. By leveraging technology, design, data science and effective customer service, the founders of Nubank geared up to counter the traditional offerings of Brazilian banks. The case showcases the founders' emphasis on the importance of culture, values and team spirit, which formed the genesis of their organizational DNA. As Nubank grew, the founders realized how an entrepreneurial approach to defining its core values and culture became the strategic differentiation for competitiveness compared with the hierarchical approach of the established banking sector.

Learning objectives

- To examine the challenges of working in startup and cross-functional teams.
- To analyze the importance of organizational values and culture as a strategic differentiation and competitive advantage.
- To evaluate the organizational challenges for startups facing rapid growth, such as how to recruit, to design, set up, and manage teams while maintaining their organizational culture and values, essential to their differentiation strategy.
- To introduce the concept of organizational culture, focusing on the process of culture change, along with the role of leaders and their teams in reinforcing or transforming culture.

Position in course

This case could be used in the MBA and Executive-level courses in Organizational Behavior, Human Resources Management as well as for specific theme-based discussions during Entrepreneurship courses.

Assignment questions:

1. How did Nubank become the disrupter in the Brazilian Banking Sector?
2. How was Nubank's product strategy different from its competitors?
3. What is the relevance of Nubank's values and culture in its competitive strategy?

Teaching plan

The teaching plan presented is ideal for a 90-minute class, however the instructor may vary the length of the discussion between 75-90 minutes depending on the level of the class and the discussion points chosen. The recommended time allocation for the class would be:

- 30% of the time in Introduction, class discussion and analysis of key themes emerging from the case
- 30% of the time in small group discussions (optional exercise) to deliberate on specific themes
- 20% of the time in class discussion as the groups share and present their insights
- 20% of the time to wrap-up the case with key learnings.

Discussion Points	Time (Minutes)
Introduction of Nubank	10
Inception of Culture and Values	25
How values and culture influence Nubank People, Product and Processes, (Group Discussion is Optional)	25
Growth challenges and its impact on Product, People, Processes	20
Conclusion (Group Discussion is Optional)	10

Analysis**Introduction + Story of Nubank (10 mins)**

Questions guiding the class discussions could be:

- Show video about Nubank's history: <https://youtu.be/PslySEBNkhs> (optional)
- What is Nubank? What led Nubank to become successful?
- Optional poll: Who would rather work at a startup or at a traditional multinational?
Who would you want to work at Nubank?
- What are interesting facts you observed about Nubank?

Nubank's growth story is exceptional especially when you consider that it has been considered a threat for traditional banks. One can essentially highlight that Nubank, since its inception, wanted to hack the culture for achieving competitiveness. Indeed, it is also backed up by their belief in using data, empowering teams and guided by the goal of customer satisfaction. By relying on a Silicon Valley type of culture contrary to the traditional hierarchal Brazilian banking culture, they were able to achieve the disruption in the Banking Sector.

Inception of Values and Culture at Nubank (25 min)

Questions guiding the class discussions could be:

- What do you think about Startups? Are they consciously or unconsciously focused on developing explicit values and culture?
- What were the key events which led to the creation of vision, values and culture at Nubank?
- How are they different from traditional or hierarchical banks?
- Show video about Nubank's values: <https://youtu.be/FT10ZoWJUaQ> (optional)

Organizational culture has long been recognized to be a potential powerful influence on organizational effectiveness and results. Strong organizational cultures may increase employees' commitment and engagement and, consequently, may lead to higher levels of productivity and profitability (Peters & Waterman, 1982). The adoption of High-Performance Work Practices (HPWP), which include a thorough selection process, the development of internal talent and performance and compensation management is, therefore, essential in order to promote the values and elicit the behaviors that will foster strong organizational cultures and leverage organizational outcomes (Huselid, 1995). However, in recent years, a specific kind of organizational culture has caught the attention of scholars and practitioners, the startup culture. Startups have become attractive employers, entailing that they can attract the best candidates (Universum, 2019).

However, as Gulati (2019, p.4) states, startups are different not because of their culture but because they have something else: "There is an intangible *something* in startups – an energy, a soul [...] as long as this spirit persists, engagement is high and startups remain agile and innovative, spurring growth". According to the author, three elements, when combined, create the startup soul and provide meaningful work and relationships for the employees. These elements are: a business intent that makes people believe that they could change peoples' lives, a close, personal bond to their customers, and an employee experience that is much more centered on creativity and autonomy than on the "fun T-shirts, pizza, free soda and family-like feel" (Gulati, p.5).

At Nubank, the vision "To fight complexity to empower people", along with the main objective of "To become the most influential financial services company in the world", which they called the BHAG (Big Hairy Audacious Goal) were translated into observable behaviors, such as: to be hungry and challenge the status quo, to think and act like owners, to pursue smart efficiency, to build strong diverse teams and to make customers love them fanatically. As the case reports, the founders created Nubank's culture from day one and this was reinforced on a day-to-day basis by the founders. For example, by routinely interacting with customers.

Impact of Value and Culture on Organizational Dimensions: Product, People, Processes (25 min)

Transition the discussion from the impact of organizational culture and values to Nubank's Product, People, Processes. Questions guiding the class discussions could be:

- How does Nubank's product offering differ from others?
- How were Nubank's values translated into work practices? What type of profile were they interested in attracting?

- What Human Resource Management practices supported Nubank's organizational culture and values?

To try and answer these questions, the following points could be brought into the discussion:

Nubank's unique value proposition to customers was centered around the values of i) challenging the status quo and, in that sense, they offered a consumer experience based on simplicity, zero fees and convenience, and ii) wowing the customer, in which each interaction was an opportunity to provide the customer with a unique experience. This was completely different than what traditional banks were offering at that time.

This consumer value proposition was translated into an Employee Value Proposition (EVP) which included higher than average salaries, attractive benefits, along with a challenging work environment and innovative work practices, such as a flat hierarchy, team autonomy, data-driven decision making, little formal structures and the opportunity to learn a wide range of skills. In this way, Nubank was able to attract a highly skilled workforce for its customer service department, which probably reduced recruiting costs (Berthon et al., 2005; Browne, 2012; Yates & Sejen, 2011) and enhanced employee retention (Kemelgor & Meek, 2008).

Nubank's organizational culture was reflected and reinforced by some high performance HRM practices such as:

- Onboarding: the assignment of a buddy to introduce each new hire to Nubank's 'way of doing things';
- Working in multifunctional teams or 'squads' which promoted decentralization and efficiency;
- Employees acted like owners, which meant they had to solve a variety of problems and thus, constant learning was encouraged;
- A focus on efficiency and little formal processes but always emphasizing the customer priority.

The decision to have an in-house customer service area derives and underscores the alignment of the strategic goal of providing a great customer experience and the implemented HRM practices, in a way that ensures Nubank's competitive advantage over its competitors (Boxall & Purcel, 2016).

However, even though all these factors may have helped attract highly skilled workers to the customer service area, some would transition to other job families:

- Should Nubank continue to pursue a strategy of attracting what could be overqualified employees to customer service, with the risk of them moving to other areas or other companies (potentially leading to a higher turnover than in the rest of the company)?
- Should recruitment be better aligned with the requirements of the Xpeer function in order to have a more stable group in the area? (Remember that this is a very strategic area for Nubank!)

Tackling Growth Challenges (20 min)

Instructors can move the discussion towards the internal and external forces which are compelling the changes at Nubank and how its management is acting on it. They can discuss growth at Nubank by drawing on the characteristics and challenges of High-Growth

Companies. They can then focus on how "Nubank's organizational values are reflected into Product, People, Processes" dimension. Additionally, they can also stimulate the discussion on the importance of values to create high customer satisfaction, engaged teams and employees.

Questions guiding the class discussions could be:

- What kind of challenges come with organizational growth?
- How does the growth influence the structure of the startup, does it impact the commitment of new employees?
- Do startups have experience in managing the recruitment and onboarding process during the growth stage?
- How can Nubank create a homogenous culture all across its offices?

As firms start growing, one of the biggest challenges is to preserve their values and culture and, the higher the growth rate, the more a firm risks losing the elements that forged its unique culture and soul. One of the first signs of a startup derailment is a sharp drop in employee satisfaction and, consequently, a higher turnover rate (Niu & Roberge, 2015). Besides, the very characteristics that foster rapid growth and render them so attractive to employees, namely, informal processes, flexibility, and an ad-hoc way of dealing with problems may be the factors that enhance complexity and endanger operational results.

Also, the firm may lack people with managerial experience and competencies and therefore, solutions to everyday problems become harder to find (Demir et al., 2017; Grainer, 1998). As Gulati & DeSantola (2016, p.3) mention, "startups grow so fast that it is difficult for them to correct course once they recognize missteps". In Nubank's case, the unexpected high growth rate posed real threats: the lack of physical space, which made them move to a building, but that even so became crowded again very soon; besides, the need to hire large numbers of Xpeers to deal with the increasing number of customer tickets may have had a negative impact on the quality of some processes, such as selection and onboarding.

Therefore, there is a clear need for change, to professionalize management. Sustainable growth will depend on the ability to ensure that the vision is being fulfilled with the support of management practices that employ the right people and provide them with the means to deal with complexity.

This entails the creation of a managerial structure with specialized areas and roles (functions) to help people find their right place in the organization. Another relevant issue pertains to planning and forecasting because as firms grow, there is an increasing need for plans and goals to orient action. Finally, formal processes must be put in place in order to ensure trust, fairness and transparency among employees (Grainer, 1998; Gulati & DeSantola, 2016).

However, all these changes may bring about a feeling of loss, especially among older employees, who resent, not only the new norms, but also the newcomers (Brito Jr., 2019). At Nubank, this is made clear as new hires were not perceived as being as committed to the company's values and that they did not work as hard as the older ones.

Conclusion & Wrap-up (10 min)

- Briefly share the kind of challenges Nubank might face in future.
- What can Nubank learn from multinational corporations and, conversely, what can multinationals learn from Nubank?

- Focus on the key takeaways: creating a strong culture and values, role of founders in creating customer and employee centric values.

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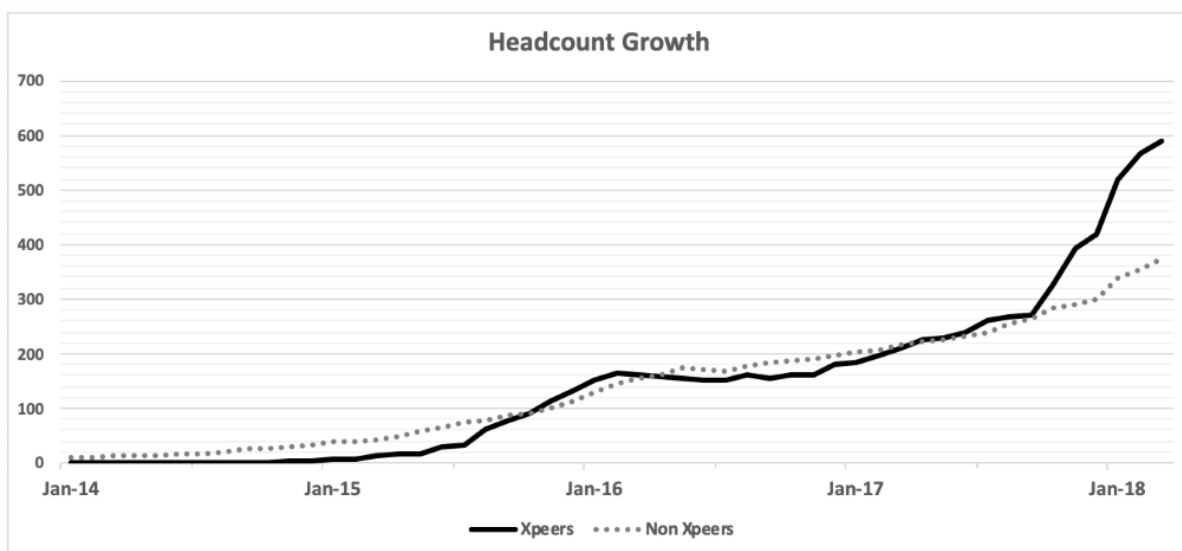
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Exhibit 1: Nubank's Values

Value	Explanation	Example
Value 1: <i>We are hungry and challenge the status quo</i>	Importance of questioning the way things are done in the market, find a better way to do them, and not rest on one's laurels.	Nubank's credit card with zero fees and simple processes, different from traditional banks.
Value 2: <i>We think and act like owners.</i>	Sense of responsibility and investing oneself in the mission of the business.	Going beyond your scope and being proactive to ensure things get done.
Value 3: <i>We pursue smart efficiency</i>	Spending money and your time wisely, working on projects that make sense.	Productive work habits (e.g.: arriving on time to meetings, finishing meeting at the planned time), avoiding bureaucratic processes.
Value 4: <i>We want customers to love us fanatically</i>	Offer differentiated products and services that customers love	Wowing the customer.
Value 5: <i>We build strong diverse teams.</i>	Talented employees that can understand the needs of customers in one of the world's most economically and culturally diverse societies	Hiring process with technical/practical interviews. Initiatives to improve demographic diversity and decrease bias in hiring process.

Source: Created by case writer based on <https://blog.nubank.com.br/cultura-do-nubank-foco-no-cliente/>

Exhibit 2: Headcount growth



Source: Created by case writer 05/2020 using Nubank data