Managing continuity and change in development contexts:

The BNDES case study
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"MANAGING CONTINUITY AND CHANGE IN DEVELOPMENT CONTEXTS: THE BNDES CASE STUDY".

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Table of contents

LIST OF FIGURES ............................................................................................................. iv
LIST OF ACRONYMS ....................................................................................................... iv
ABSTRACT .......................................................................................................................... v

1. INTRODUCTION  ............................................................................................................ 1
1.1 Research Question ............................................................................................................ 2
1.2 Objective ........................................................................................................................... 2
1.3 Structure of the thesis ....................................................................................................... 3

2. THEORETICAL BACKGROUND ............................................................................... 4
2.1 Overview and introduction ............................................................................................... 4
2.2 Development Management ............................................................................................. 5
2.3 Discontinuities within the discipline ............................................................................. 8
2.4 Digital-Era Governance ............................................................................................... 10
2.5 Managing change-continuity forces ........................................................................... 11
2.6 Conclusions .................................................................................................................... 13

3. RESEARCH METHOD ............................................................................................... 14

4. THE BNDES CASE STUDY ....................................................................................... 16
4.1 BNDES in the development field ................................................................................. 16
4.2 The Área de Operações e Canais Digitais .................................................................... 17
    4.2.1 Overview ............................................................................................................. 17
    4.2.2 The modus operandi ............................................................................................ 18
4.3 Towards the Digital-Era Governance ......................................................................... 20
4.4 Identification of change and continuity forces ......................................................... 21
4.5 The strategy of the AOCD ......................................................................................... 24
    4.5.1 Strategic action 1: O Canal do Desenvolvedor MPME ........................................ 25
    4.5.2 Strategic action 2: Planning through Data Science tools and techniques .......... 26
    4.5.3 Strategic action 3: New strategic partnerships .................................................... 27
    4.5.4 Strategic action 4: Digital trainings ..................................................................... 28

5. DISCUSSION OF THE RESULTS ............................................................................. 30

6. CONCLUSIONS .......................................................................................................... 34
REFERENCES ................................................................................................................... 35

Appendix I - Public Administration in Brazil ................................................................. 38
Appendix II – Digital Era Governance in Brazil .......................................................... 41
Appendix III – The Brazilian Development Bank (BNDES) ........................................ 44
Appendix IV – Changes within the banking industry .................................................... 46
LIST OF FIGURES

Figure 1: Change-Continuity (C-C) Matrix ................................................................. 11
Figure 2: Flowing Stream Strategy .............................................................................. 12
Figure 3: Clients attended by the Área de Operações e Canais Digitais ....................... 18
Figure 4: BNDES Indirect operations .......................................................................... 19
Figure 5: Aggregation of the forces within the AOCD: C-C Matrix ............................ 23
Figure 6: Administração Pública Gerencial vs. Administração Pública Societal .......... 40
Figure 7: Timeline of the latest managerial movements within the public sector ......... 41
Figure 8: Programa Nacional de Desestatização: final results ................................... 44
Figure 9: BNDES YoY Disbursements (2001 – 2010) ................................................. 45

LIST OF ACRONYMS

AI: Artificial Intelligence
AOCD: Área de Operações e Canais Digitais
APG: Administração Pública Gerencial
APS: Administração Pública Societal
BNDES: Banco Nacional Do Desenvolvimento Economico E Social
DA: Development Administration
DB: Development Bank
DEG: Digital-Era Governance
DM: Development Management
FA: Financial Agent
GNP: Gross National Product
IT: Information Technology
NPM: New Public Management
PB: Private Bank
SME: Small and Medium Entrepreneur
SOB: State Owned Bank
UNDP: United Nations Development Program
Abstract

**Purpose:** The main purpose of the research is to qualitatively investigate the change-continuity forces within the latest development strategy of the Brazilian Development Bank (BNDES). More specifically, the study attempts to understand if the managers of the Área de Operações e Canais Digitais of the Bank have been able to implement a strategy of innovation which embraces both change and continuity forces and, therefore, aims at sustainable development.

**Design/Methodology:** the thesis uses a qualitative case study methodology. Given the historical proximity of the events and the lack of preliminary research, the researcher opted for an exploratory type of case study since it is too early to fully evaluate the long-term results of the undertaken actions. The qualitative data, regarding the change-continuity forces within the development strategy put forward by the organization studied, were gathered from in-depth interviews and subsequently reduced in order to facilitate the draw of themes and patterns.

**Findings:** the research shows that, even though neither of the two forces has overwhelmed the other in the short-term, in the long-term, adversarial forms of resistance in the workplace and mislead efforts at development may undermine the change-continuity interplay and, as a consequence, the social purpose of the Bank Division.

**Research limitations:** the methodology used involves the analysis of different observations, perceptions and interpretations of events, therefore, it has different limitations which could bias the final findings. Many conclusions can be biased by the singularity of the fact reported by the person interviewed. Moreover, holistic perspectives make facts hard to interpret since such perspectives preserve the complexities and randomness of human behaviours. Finally, linking back to the singularity of the facts reported, this qualitative research reveals that these events are occurring, but it does not measure how often they occur.

**Practical implications:** the thesis provides insights on how to concurrently manage change and continuity forces when it comes to organizations operating in Third World countries. Therefore, Third World organizations’ managers could take advantage of the research insights to reach the social purpose of their organizations or to avoid the overpowering of continuity/change forces which could lead to mislead managerial efforts.

**Originality:** although the literature has multiple studies regarding the change and continuity management within contexts of development, it lacks of studies which concurrently deal with E-governance strategies and Development Management.

**Keywords:** E-governance, Development Management, Innovation strategies, Third World countries.

**Category:** Master thesis
Resumo

Objetivo: o objetivo desta tese é de investigar as forças de “change-continuity” dentro da mais recente estratégia de desenvolvimento do Banco Nacional de Desenvolvimento Econômico e Social. Em particular, através de um quadro estratégico flexível, tenta entender se os gerentes da Área de Operações e Canais Digitais do Banco foram capazes de implementar uma estratégia de inovação que abrange forças de mudança e continuidade e, portanto, visa o desenvolvimento sustentável.

Metodologia: A pesquisa utiliza uma metodologia qualitativa de estudo de caso. Dada a proximidade histórica dos eventos e a falta de pesquisas preliminares, o pesquisador optou por um tipo de estudo exploratório, pois é muito cedo para avaliar os resultados de longo prazo das ações empreendidas. Os dados qualitativos, relativos as duas forças dentro da estratégia de desenvolvimento apresentada pela organização estudada, foram reunidas a partir de entrevistas em profundidade e posteriormente reduzidas a fim de facilitar o sorteio de temas e padrões.

Resultados: a pesquisa mostra que, embora nenhuma das duas forças tenha reprimido a outra no curto prazo, no longo prazo, as formas contraditórias de resistência no ambiente de trabalho e os esforços equivocados de desenvolvimento podem prejudicar a interação entre continuidade e mudança e, como consequência, a finalidade social da Área do Banco.

Limitações: a metodologia utilizada envolve a análise de diferentes observações, percepções e interpretações de eventos, portanto, tem diferentes limitações que poderiam enviesar os achados finais. Muitas conclusões podem ser influenciadas pela singularidade do fato relatado pela pessoa entrevistada. Além disso, perspectivas holísticas tornam os fatos difíceis de interpretar, pois tais perspectivas preservam as complexidades e a aleatoriedade dos comportamentos humanos. Finalmente, ligando de volta à singularidade dos fatos relatados, esta pesquisa qualitativa revela que esses eventos estão ocorrendo, mas não mede a frequência com que eles ocorrem.

Aplicabilidade do trabalho: a tese fornece insights sobre como gerenciar simultaneamente as forças de mudança e continuidade quando se trata de organizações que operam em países do terceiro mundo. Portanto, os gerentes das organizações do Terceiro Mundo poderiam tirar proveito dos insights de pesquisa para alcançar o propósito social de suas organizações ou evitar a sobrecarga de forças de continuidade / mudança que poderiam levar a esforços gerenciais enganosos.

Originalidade: embora a literatura tenha múltiplos estudos sobre a gestão da mudança e continuidade em contextos de desenvolvimento, ela carece de estudos que tratem simultaneamente de estratégias de governança eletrônica e Gestão do Desenvolvimento.

Palavras-chave. Internet na administração pública, Inovações tecnológicas, Desenvolvimento sustentável.

Categoria do artigo: Dissertação (mestrado)
1. INTRODUCTION

Change and continuity in strategy discourses have been traditionally treated as two separate concepts or situations. A few decades ago, thanks to relatively stable environments and a relatively slow pace of change, organizations could focus on incremental strategies (Quinn, 1978, 1980) with greater trust on continuity. Indeed, the main goal of organizations was to strategize to survive and grow by maintaining continuity in their business domain (Nasim & Sushil, 2007). In the last two decades, the tsunami of digital changes has pressed organizations in evolving more flexible approaches which imply the coexistence of change and continuity within strategies (Nasim & Sushil, 2010).

Within the development field, researchers have extensively discussed forces of change and continuity with regard to the Development Management (DM) discipline. In particular, crises have emerged from the contradictions between Westernizations (change), intended as First World concepts applied to Third World countries, and contexts of development (continuity), intended as the Third World countries where First World concepts were applied, raised legitimacy struggles and discontinuities within the discipline (Dwivedi, 1982). Today, although Third World organizations are still strongly influenced by Westernizations (Dar, 2008; Della Giustina, 2016), the wave of digital changes has brought about new forces of change which, similar to Westernizations previously, can lead to operational paralysis or to actions delinked from the context of development.

At this juncture, development managers play the lead role in finding dynamic balances between change-continuity forces by jointly aiming efforts at development (through stable strategies) and embracing the opportunities presented by digital changes (through flexible strategies) (Pettigrew, 2001). Therefore, managers must be aware that only concurrently managing change and continuity forces, they will be able to aim at sustainable development and avoid social disasters within the development field (Nasim & Sushil, 2007). Finally, managers must acknowledge contextualization as the key to capture and balance change-continuity forces, with context being the antecedent condition of change (Pettigrew, 1987).
1.1 Research Question

The thesis revolves around two consequential research questions, expressed as following:

“How development managers concurrently manage change-continuity forces at the time of digital changes?”

and

“Are development managers able to concurrently manage change-continuity forces at the time of digital changes? And, as a consequence, aim at sustainable development?”. 

The research questions are applied in the context surrounding a State-owned (Development) Bank (SOB) operating in a Third World country, but it may also be applied to other development or nation-state organizations responsible for country development, such as government aid agencies or micro-credit institutions.

1.2 Objective

The main objective of the research is to qualitatively investigate the change-continuity dynamics within the latest development strategy of the Brazilian Development Bank (BNDES). More specifically, the study attempts to understand if the managers of the Area de Operações e Canais Digitais (AOCD) of the Bank have been able to implement a strategy of innovation which embraces both change and continuity forces and, therefore, aims at sustainable development. The objective is reached by analysing the three following viewpoints:

- Business school student perspective (external outlook);
- Middle managers perspective (internal outlook);
- General Director of the Area perspective (internal outlook).

Throughout the case study, the above-mentioned viewers discuss their opinion regarding change-continuity within the current strategy by outlining key forces and potential consequences.
1.3 Structure of the thesis

First of all, the thesis provides a solid theoretical background which gives an overview of the main field of research and builds the framework used to analyse the Bank strategy at a later stage. The theoretical background is structured as follows:

- Overview and introduction of the theoretical background studied;
- Development Management and discontinuities within the discipline;
- Digital-Era Governance and its impact on Third World organizations;
- Framework for managing change-continuity forces and conclusions.

With a solid theoretical base, the BNDES case study is introduced. Before analysing the current innovation strategy, an overview of the AOCD is provided. Once the modus operandi of the AOCD is fully presented, the strategy along with the forces of change and continuity are analysed and deemed in order to open the doors to the final discussion.

Contextualization is fully presented in the appendix and gives a broad overview of several topics, among which: developmentalism and managerialism within the Brazilian Public Administration, digital governance in Brazil and its inhibitors factors, the role of the BNDES during the last few decades and the latest changes in the banking industry. Understanding the context is extremely important to fully embrace change-continuity forces within the current strategy of the AOCD.
2. THEORETICAL BACKGROUND

2.1 Overview and introduction

Development Management (DM), the discipline originated in First World countries and applied to manage Third World countries, has often been criticized by academics for having brought discontinuities within contexts of development (Dwivedi, 1982; Cooke, 2003; De Paula, 2005). According to Dwivedi (1982), DM was supposed to be the primary instrument to manage the transformation of Western inputs into development outputs and, as a consequence, colonize Western concepts into development contexts (Dwivedi, 1982). Nevertheless, the First World discipline often translated into modernizing by taking for granted the superiority of (Western) managerialisms, such as planning, coordinating and controlling. At this juncture, development managers, acting as transformational agents of the previous managerialisms, constantly failed in their attempt to jointly manage change (derived from Westernizations) and continuity (derived from development contexts) forces and achieve sustainable development within contexts of development (Dwivedi, 1982).

Today, in an era of rapid economic, social and organizational change, a new wave of instabilities brought by the introduction of e-governances within organizations, force development managers to act as transformational managers instead of transactional ones (Pettigrew, 1987), as it occurred when Westernizations were introduced. Today's organizational environments are not as stable as they used to be and, as a consequence, incremental strategies would not be able to manage change forces and provide sustainable actions; while flexible (innovation) strategies would be able to manage change by managing forces of continuity consciously and concurrently like “flowing streams” (Nasim & Sushil, 2010).

Even though innovation strategies have brought outstanding results within First World organizations, developing organizations continue to grapple with dismal percentages (15% – 17%) of successful strategies (Nasim & Sushil, 2010). According to Heeks (2003) and Ndou (2004), the latter occurs due to the contexts surrounding development organizations which raises strong forces of continuity which are difficult to manage along with forces of change. After introducing the DM discipline to understand previous discontinuities within development contexts, the theoretical background deeps dive e-governance and the strategic framework suggested to manage the change-continuity confluence.
2.2 Development Management

*Development*

Although researchers have extensively debated the meaning of development, various definitions exist and are broadly accepted. For research purposes, the definition provided by Todaro (1981) would appear to be the most appropriate since the researcher accepts that each country is surrounded by a different context and, therefore, has its own dimensional process of development.

“Development is a multi-dimensional process involving the reorganization and reorientation of the entire economic and social system. Development is a physical reality and a state of mind in which society has, through some combinations of social, economic and political processes secured the way of obtaining better life” (Todaro, 1981).

Even though development can generally be measured in terms of “better life”, many debates also revolve around its measurement. Among these debates, the one between the World Bank and the United Nations Development Program (UNDP) is worth mentioning. UNDP measures development by combining various aspects of human development, such as health, education and purchasing power, while the World Bank measures development by taking into account economic criteria, such as the Gross Domestic Product (GDP) per capita, economic growth, industrialization and modernization (Thomas, 1996). This disagreement has increased legitimacy debates on how global poverty should be tackled and, therefore, on how development should take place.

In the introductory textbook for *Third World Development* (Thomas & Allen, 1992) an important distinction is made regarding how development should take place:

1) as an historical process of social change in which societies are transformed over long periods and 2) as consisting of deliberate efforts aimed at progress on the part of various agencies, including governments, all kinds of organizations and social movements.
Both views have strong implications for how processes of development should be managed; however, left- (Marxists) and right- (Neo-liberals) wing thinkers, despite their opposed theoretical and political positions, agree on the fact that development is a process that should not be managed and promoted by human agency. On the other hand, both positions agree on the idea that a minimal role of the state is necessary to create sustainable development. In the post-Soviet-Union world, this idea has been strengthened by the application of policies linked to the political context where efforts at development have taken place. The latter has resulted in the first acceptance of DM as simply “managing in a development context” (Thomas, 1996).

Management

According to Paton, management refers to a set of ideas, practices, techniques and principles which lead those involved in managing to think of themselves as organizers, coordinators or administrators (Paton, 1991). In his course book for the Open Business School (OBS), Paton distinguishes two different views of management:

1) Management as planning, organizing, commanding, coordinating and controlling, namely management denominated “scientific management” (Fayol, 1949);

2) Management as creating the conditions under which the work will be done, namely management described as “managing as enabling effective actions” (Paton, 1991).

Both views imply that leaders act as authorities rather than advisors to enable effective actions within organizations. Moreover, actions are effectively enabled only if related to the nature of the task which determines the appropriate way of managing. The latter links management to the context where management is applied and, in the case of developing countries, to development tasks (Thomas, 1996).
Development Management

The paper written by Alan Thomas on the meaning of Development Management perfectly hybridizes development and management and introduces four efforts aimed at development which enable continuity within development context. According to Thomas, undertaking development tasks means to attempt to deliberately influence the course of social change, namely to intervene in a “sustainable way”; managing in a development context translates into enabling effective actions within a development task (Thomas, 1996). As a consequence, development managers must manage such tasks implying direct efforts at:

**Aiming at social change within and outside the organization.** Therefore, internal resources have to be coordinated to achieve internal organizational goals which in turn are necessary to achieve external social goals;

**Getting the work done by using the best means available** but being aware that there will never be enough means available and, therefore, focus more on influence rather than control. Indeed, processes cannot be controlled forever since resources are not unlimited, but these can be redirected on the right track by influencing them and by fostering sustainable development;

**Agreeing on the work to be done.** The latter has to be agreed not just by leaders but by all stakeholders involved. Most of the times, social goals are subjected to value-based conflicts that come from different perceptions of continuity and from different interests. Hence, the work to be done must be fairly negotiated and widely accepted - goals have to be prioritized;

**Enabling effective actions which are aligned to the surrounding context** of the process itself, where context refers to the antecedent condition of change (Pettigrew, 1987). Each organization has a different history, different practices, different policies where only context-related actions have a sustainable impact.

Although managers find alternative ways to legitimatize their actions, the fulfilment of previous efforts at development legitimizes, theoretically, managerial practices and techniques within development organizations. The next chapter provides an historical overview on how Development Management has presented itself to Third World countries in practice.
2.3 Discontinuities within the discipline

According to Dwivedi (1982), the first applications of management in a development context dates back to the United Nations First Development Decade (1961 – 1971). During this period, academics and political leaders from Europe and North-America started propagating their beliefs that Third World organizations could modernize and achieve progress by using the financial, technological and organizational tools used in Western countries (Dwivedi, 1982). According to them, the key for prosperity was thought to be foreign aid instrumentalized through restructured organizational systems (Jones, 1976). At this juncture, Development Administration (DA), the first managerial discipline introduced to Third World organizations, was supposed to be the primary instrument to manage the transformation of Western inputs into development outputs and, as a consequence, colonize Western concepts into development contexts (Dwivedi, 1982).

DA often translated into modernizing by taking for granted the superiority of (Western) managerialisms, such as planning, coordinating and controlling. Managerialism, the scientific construction of management, from being the soulless First World invention able to extract the maximum value for stakeholders, became the primary thought way to aim at progress in developing contexts (Lewis, 2014). At this juncture, development managers, recognized as the agents of the previous managerialisms, were the functional link among First World interests and Third World societies (Dwivedi, 1982).

During the Second Development Decade (1971 – 1981), operational contradictions among modernization and development arisen and intellectual crises within the discipline starting emerged. In particular, crises emerged from the contradictions of the primary objectives to reach development: the manifest and the latent objective. The manifest objective was to foster modernization by rapidly reforming the socio-economic context. The latter was to have been reached by modernizing existing structures and processes rather than eliminating and changing them. While, the latent objective was to achieve social control by setting constraints. Constraints were considered necessary to prevent discontinuities in the mode of production, elite structures and international alignments; discontinuities were intended as departures from the standard (Western) interpretations, while continuities as persistence of (Western) themes, assumptions and prescriptions (Dwivedi, 1982). The contradiction of the previous two objectives often resulted in operational paralysis and consequential intellectual crises.
Intellectual crises led academics and political leaders to propose a new discipline in order to manage development in Third World countries: Development Management (DM). Although, DM, as seen in the previous chapter, was introduced as a distinctive way to manage development compared to DA, many were the (Western managerial) continuities with the previous discipline (Cooke, 2004). Below the main treats:

- **DM as toolkit**: by promoting managerialisms and analytical tools adapted from different disciplines, such as strategic management, public policies, public administration and so on;

- **DM as process**: by operating at individual level (society needs), at organizational level (structures and processes to manage plans) and at sectorial level (public or private);

- **DM as value**: by supporting the active role of the marginalized in determining and fulfilling their own needs;

- **DM as mean to foreign assistance agenda**: by sponsoring agendas supported by international aid agencies (Brinkerhoff & Coston, 1999).

Over the last decades, legitimacy struggles within the discipline, such as the one between Yeyati (2004, 2007) and Marois in regards to the role of SOBs, have encouraged development leaders to reshape their administrative systems along the logic of modern forms of management, first as New Public Management (NPM) and afterwards as Digital-Era Governance (DEG). According to scholars, the era of NPM, namely the first movement of modernization within public services, is dead and, today, we are already going through the second wave of DEG (Dunleavy & Margetts, 2010). For research purposes, the next chapter deeps dive only the DEG before introducing a strategic framework to investigate change-continuity forces within the Division of the Bank.
2.4 Digital-Era Governance

The tsunami of digital changes has shifted the traditional modus operandi of First World nation-state organizations toward so called “Digital Era Governance (DEG), which involves the use of cutting-edge technologies in an organization’s structures and processes (Dunleavy et al., 2010). DEG offers organizations a unique opportunity to create self-sustaining changes, while it offers the society the possibility to be more involved in the decision-making process of these organizations (Dunleavy, 2005). Indeed, this phenomenon is driving the traditional focus of nation-state organizations to a more customer-oriented focus, where customer orientation is intended as the fulfilment of customer needs rather than the sale of products (Lewitt, 1960). Therefore, customers (the society) are increasingly being listened to by organizations and, as a consequence, start having more influence in the organization’s decision-making process (Dunleavy & Margetts, 2010). The main treats are available at the Appendix II.

Although DEG brings numerous benefits and certainly helps First-World nation-state organizations in promoting social changes, it has different effects on Third World organizations (Ndou, 2004). Indeed, Third World organizations are surrounded by different contexts and have different social needs to satisfy (Heeks, 2005); therefore, technology cannot be used in the same way to fulfil First World needs (Nasim et al., 2010). The latter explains the low success rate of e-governance projects within contexts of development (Nasim et al., 2010). However, if applied with the correct focus, it could foster sustainable development; studies regarding the use of technology in developing countries outline the commercial sustainability of certain operations and social projects which previously, without technology, were unsustainable and, as a consequence, would not have been undertaken (Chesbrough et al., 2006).

Nevertheless, it is important to remember that e-governances carry with them many Western implications, such as efficiency, productivity, profitability and so on (Dunleavy et al., 2005); implications which, as previously Westernizations, can foster out of context (discontinuous) actions in Third World countries (Diniz et al., 2009; Heeks, 2005). Therefore, when strategizing, Third World development managers have to be aware of the strong impact that changes brought by the implementation of new technologies can have within and outside organizations (Kim, 1980), bearing in mind the legitimacy of new strategic actions, fostered by digital changes, which could be delinked from the context of development.
2.5 Managing change-continuity forces

Change and continuity in strategy discourses have been traditionally treated as two separate concepts or situations. A few decades ago, thanks to relatively stable environments and relatively slow pace of change, organizations could focus on incremental strategies (Quinn, 1978, 1980) with greater trust on continuity. Indeed, the main goal of organizations was to form strategies in order to survive and grow by maintaining continuity in their business domain (Nasim & Sushil, 2007). Today, the introduction of e-governances has pressed organizations in evolving flexible approaches which imply the confluence of change and continuity within strategies (Nasim & Sushil, 2010).

Digital changes requires strong efforts from development managers, since change-continuity dynamics have to be simultaneously managed in order to avoid social disasters and build legitimacy within and outside nation-state (development) organizations (Nasim & Sushil, 2010). Indeed, according to Sushil (2008), organizational changes can be better implemented only with a clear understanding of continuity within the organization. Besides understanding, it is imperative to start managing areas of continuity along with change since only the correct managerial balance between the two forces can foster successful changes (Nasim et al., 2010). Pettigrew (2001) also states that change leadership must balance the change-continuity coexistence by embracing both stable and flexible strategies.

Sushil (2005) proposes a Change-Continuity (C-C) matrix which provides a flexible strategic framework to develop different strategies according to change and continuity forces faced by organizations (Figure 1). The key idea behind the matrix is that management of change can be better leveraged by managing vital areas of continuity within organizations (Sushil, 2005).

Figure 1: C-C Matrix
The main scope of the C-C matrix is to map strategies of organizations by assessing continuity forces on the x-axis and change forces on the y-axis. After assessing change-continuity forces based on the strength of the force, the results are aggregated and four possible combinations of strategies are deducted:

**Stabilizers**: incremental strategies driven by low change and high continuity forces. Organizations undertaking this kind of strategies are stables like “trees” and tend to keep the focus on continuities throughout their life span;

**Quick Encashers**: experimental strategies driven by low change and continuity forces. These organizations quickly encash like “mushrooms” and easily shift to new opportunities due to low continuity forces;

**Change Masters**: disruptive strategies driven by high change and low continuity forces. These organizations continuously transform themselves (according to the wind) due to new opportunities or rapid technological changes;

**Synthesizers**: flexible strategies which integrate both change and continuity forces. These organizations need to simultaneously deal with change-continuity forces since they have huge global infrastructure, significant investment in technology, large customer base and complex supply chain and distribution networks (Sushil, 2005).

The strategies proposed to contemporarily manage high change and continuity forces are metaphorically called “flowing stream strategies”, since these are used to depict the life trajectory of an entity. According to Sushil (2008), generally a flowing stream strategy should be framed as Figure 2 shows.

**Figure 2**: Flowing Stream Strategy

<table>
<thead>
<tr>
<th>Identification of continuity and change forces in the specific context of the project</th>
<th>Strategic factor assessment – identify the strategic deliverables of the project</th>
<th>Forces analysis – impact analysis of change forces</th>
<th>Strategic actions – identify the strategic path for managing the confluence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: adapted from Sushil (2008)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Therefore, in order to apply the above framework, organizations must jointly identify continuity and change forces and assess strategic deliverables (Nasim et al., 2010).
2.6 Conclusions

At the time of digital changes, development managers must concurrently manage change and continuity forces in order to achieve sustainable development. Whenever they would fail in capturing and balancing change-continuity forces, they would perform out of context actions (Pettigrew, 1995) and, as a consequence, they would face adversarial resistance in the workplace (Courpasson et al., 2006) or operational paralysis (Dwivedi, 1982) which could undermine the social status of their organizations. At this juncture, managerial flexibility could give to the employees the possibility to make the difference. Indeed, when it comes to resistance in the workplace, development managers should show their flexibility by accepting the rise of alternative forms of resistance able to positively impact the deployment of new projects. More specifically, Courpasson et al. (2012) outline two forms of resistance which could be beneficial for organizations:

*Productive resistance*: it refers to those forms of protest developed outside of institutional channels. The goal is to convince the top management in undertaking alternative managerial actions which would benefit the organization as a whole (Courpasson & Dany, 2009);

*Creative resistance*: it refers to those forms of research, rather than protest, of positive solutions. It mainly explores how identities contrary to those propounded by management might emerge by bringing innovative ideas for the resolution of problems (Deetz, 2008);

Overall, managers have to find the right dynamic balance between change-continuity forces in order to avoid social disasters in the first place (Pettigrew, 2001); in the case of development organizations, the latter occurs by aiming efforts at development while embracing the digital disruption of our era.

Before stepping into the methodology, since many of the people interviewed were middle managers and their opinion will be relevant for the main findings, it is important to briefly define the figure of the “middle manager”. According to Harding et al. (2014) the middle manager is the one that occupies a central position in organizational hierarchies by implementing senior management plans and ensuring that junior staff accomplishes its tasks. The authors suggests that he/she moves between contradictory subject positions that both conform with and resist to forces of change (Harding et al., 2014). Some managers interviewed clearly show the latter contradiction.
3. RESEARCH METHOD

Before describing the methodology being used, it is important to stress the motives that led to the development of the research. My two South-American experiences as a business school student and my strong curiosity for innovation sparked my interest regarding the impact that technology has on the management of Third world nation state institutions. Before starting my investigation, I assumed that innovation was the answer to improve any kind of practice without considering the context where innovation occurs. Thanks to my advisor, Professor Alexandre Faria, I had the opportunity to contact some of the top managers of the most digitized Area of the Brazilian Development Bank and question myself regarding the real impact that technology has had on the decision-making process of a development institution.

In order to answer the research question, the researcher (myself) uses a qualitative case study methodology, namely the approach to research which facilitates exploration of a phenomenon within its context using qualitative data. This methodology ensures that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood (Baxter & Jack, 2008). Given the historical proximity of the events and the lack of preliminary research, the researcher opted for an exploratory type of case study since it is too early to fully evaluate the long-term results of the undertaken actions (Yin, 2003). Throughout the analysis of the qualitative data, the researcher takes a social constructionist position by questioning every-day taken for granted assumptions, arguing that these need to be seen in their social, historical and cultural context (George, 1985). Therefore, unlike positivist researcher, who try to objectively explain and predict events by searching for regularities, the researcher uses a more interpretative and subjective approach by being directly involved in the context to be studied (Denzin & Lincoln, 1994). The use of the latter approach unleashes the subjectivity of the researcher, necessary to correctly perform the qualitative study (Naslund, 2002).

The qualitative data, regarding the change-continuity dynamics within the innovation strategy put forward by the organization studied, were gathered from in-depth interviews and subsequently reduced in order to facilitate the draw of themes and patterns (Miles, 1994). It is important to mention that, while interviewing, the researcher paid particular attention to the language used by the people interviewed, by being always aware that language can alter the perception of social events (Harper, 2011).
Even though the research is a qualitative study, a small amount of data has been used to provide additional information. All quantitative data are secondary and have been recovered from previous research and from the BNDES’s website. Indeed, the Bank operates in full transparency so a large amount of quantitative data are available online for possible research. In regards to qualitative data, most of the interviews were carried out at the Área de Operações e Canais Digitais of BNDES, where Heads of the departments and managers were interviewed. In total, five in-depth interviews with five different managers were collected. The interviews followed a semi-structured design; therefore, although the researcher prepared a list of predetermined questions, the people interviewed had the chance to explore issues they felt were important (Longhurst, 2003). The questions were mainly regarding the role and function of the manager interviewed, the previous and current context in which the Bank has been operating, the previous and current modus operandi of the Area, change and continuity forces within the Area, and the long-term sustainability and legitimacy of the strategic actions undertaken to balance change-continuity dynamics.

Although this methodology involves the analysis of different observations, perceptions and interpretations of events, it has different limitations which could bias the final findings. Indeed, many conclusions can be biased by the singularity of the fact reported by the person interviewed. Moreover, holistic perspectives make facts hard to interpret since such perspectives preserve the complexities and randomness of human behaviours. Finally, linking back to the singularity of the facts reported, this qualitative research reveals that these events are occurring, but it does not measure how often they occur (Black, 1994).
4. THE BNDES CASE STUDY

4.1 BNDES in the development field

Although the appendix III deeps dive the role of BNDES within Brazil, this chapter briefly introduces the Bank and its legitimate roles for the sustainable development of the country. BNDES, or Brazilian Development Bank, was founded in 1952 to finance and promote the construction of key infrastructural projects and strategic economic sectors. During the last decades, the Bank has embraced change-continuity forces by playing mainly three essential roles for the development of Brazil.

*Counter-cyclical role:* during the 2007-08 financial crisis, thanks to the massive loans provided by the National Treasury, the Bank sharply expanded its balance sheet to meet Brazil’s long-term investments needs and counter financial instability (Rezende, 2015). BNDES was able to avoid a complete crash of the Brazilian economy which would have happened due to the strong short termism of Brazilian Private Banks (Rezende, 2014). To cite Marois on the importance of SOBs for the countries’ development: “the counter-cyclical nature enables SOBs to counterbalance the impact of crisis and to avoid crashes of the economic systems” (Marois, 2013). BNDES has perfectly reflected this role.

*Capital Development Role:* since the 60s, the Bank has started focusing on promoting import substitution industrial policies (Mazzuccato, 2016). Although this role goes against the continuity described by Dwivedi due to active public policies aimed at (Western) industrialization and technological change (Chang, 2002), the Bank, as key investor in economic strategic sectors, has been able to create “national champions” able to increase the Brazilian international competitiveness and, provide coherence to developmental policies (Mazzuccato, 2016).

*Mission-oriented role:* since the start of the 21st century, BNDES has started promoting the inclusion and development of individual entrepreneurs and high-tech start-ups which would have not been founded by the private sector due to their low credit scores (Bastos, 2012). Moreover, by funding capital ventures, the Bank has created markets that would not have been created otherwise, becoming a "mission-oriented investor" committing to the long-term sustainability of new development areas of the economy (Zuccato, 2016). The Área de Operações e Canais Digitais (AOCD) has contributed a lot in fostering the mission-oriented role of the Bank.
4.2 The Área de Operações e Canais Digitais

4.2.1 Overview

The Área de Operações e Canais Digitais (AOCD) is part of the Diretoria de Estratégia e Transformação Digital, namely the Diretoria in charge of planning, coordinating and executing the strategic activities defined by the Board of Directors of the BNDES. The Superintendent of the Area is Marcelo Porteiro Cardoso who is in charge of managing the Chiefs of the 6 departments of the Area. Each Chief of Department manages from 4 to 6 teams who work on cross-functional projects. The Area is divided in front-, middle- and back-office and the departments are described as follows:

*Front-office*

- **Departamento de Clientes and Relacionamento Institutional**: the Customer and Institutional Relationship Department is in charge of communicating with the clients of the Area and with the accredited Financial Agents (FAs);
- **Departamento de Canais de Distribuição e Parceiras**: the Channel Distribution and Partnerships Department is in charge of managing the partnerships with the accredited FAs and organizing designed trainings to enhance their role as intermediaries;

*Middle-Office*

- **Departamento de Modelagem**: the Modelling Department is in charge of prototyping and testing the products that the Area offers to its clients;
- **Departamento de Conformidade e Prevenção a Fraudes**: the Complaints, Frauds and Prevention Department is in charge overseeing the complaints and frauds of the indirect operations;

*Back-Office*

- **Departamento de Plataformas Digitais**: the Digital Platform Department is in charge of managing and preserving the proper functioning of the Digital and Semi-Digital platforms.
- **Departamento de Operações**: the Operational Department is in charge of operationalizing and managing the indirect operations which are not operationalized through the use of digital channels;
4.2.2 The modus operandi

The main task of the AOCD is to manage the indirect (second-tier) operations that the Bank has with one of its main clients: the SMEs. According to the 2018 BNDES institutional presentation the client categories are divided as follows:

Figure 3: Clients attended by the Área de Operações e Canais Digitais

The operations are indirect since BNDES benefits from the intermediation of Financial Agents (FAs\(^1\)) in order to accomplish those. For instance, when it comes to loan requests (most frequent indirect operation), the BNDES has provided a funding to FAs just to let them issue loans to SMEs; potential borrowers, interested in loans within the funding, submit their proposals to the BNDES, which provides to the borrowers a list of potential FAs who would be interested in issuing the loan; once the FA has been chosen by the borrower, the FA analyses the credit situation of the borrower and decides to disburse the loan or otherwise (the disbursement has to be approved by the BNDES). Before providing the list of FAs, the current credit situation of the borrower is also analysed by the BNDES in order to ensure the credit quality of the borrower and to decrease the efforts of FAs.

\(^1\) Financial Agents can be either Private or State-Owned Banks. For instance, Banco do Brasil, Bradesco and so on. Throughout the years, the number of Private Banks has increased over the number of State-Owned Banks. Today, the Bank has 55 accredited F.A. (Source: BNDES, 2018).
The process is summarized by Figure 4.

**Figure 4: BNDES Indirect operations**

<table>
<thead>
<tr>
<th>1st step</th>
<th>2nd step</th>
<th>3rd step</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>Commercial Banks</td>
<td>BNDES</td>
</tr>
<tr>
<td>- Identify/select the BNDES’s line of financing&lt;br&gt;- Address the commercial bank of your choice</td>
<td>- Submission of documentation&lt;br&gt;- Examination of the possibility of granting the credit&lt;br&gt;- Negotiation of the conditions applied to the financing&lt;br&gt;- Approval of the transaction</td>
<td>- Approval of the transaction&lt;br&gt;- Disbursement to the Commercial Bank</td>
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*Source: BNDES institutional presentation (October, 2018)*

Indirect operations represent almost 60% of the total operation amount of the Bank; a percentage that has increased by more than 10% in the last three years (the appendix explains the reasons) and that is expected to grow more and more thanks to the new tools and techniques brought by digitization (BNDES, 2018). The main types of indirect operations, that the Area deals with, are the followings: loans for construction, heavy vehicles, machinery and equipment, exports and agriculture.
4.3 Towards the Digital-Era Governance

Over the last years, BNDES, to be as competitive as Private Banks (PBs), has started investing in cutting-edge technology to perform its development tasks and has transitioned to a new kind of e-governance\(^2\), similar to the one described by Dunleavy in his papers on the Digital-Era Governance (Dunleavy, 2006; Dunleavy. 2010). Thanks to this e-governance, the Bank has been able to sharply improve and intensify the credit lines for SMEs in order to stimulate the Brazilian economy (BNDES, 2018). According to the management, the focus of the Area has sharply shifted from a product-oriented to a customer-oriented one by involving SMEs and FAs more and more in the decision-making processes. Indeed, both stakeholders have started being more listened by the AOCD management and the management has become more dependent from the needs and interests of those stakeholders.

The e-governance has brought BNDES closer to stakeholders and, as a consequence, has decreased the communication gap with them. Indeed, the Bank does not have brands all over the country which could reach every potential client and, therefore, cutting-edge technologies become essential to overcome this barrier. Moreover, through this closer relationship, the Bank has been able to increase the accuracy of the information provided by SMEs and, as a consequence, to design the most suitable credit lines or products for them.

Besides changing the relationships between BNDES and external stakeholders, the e-governance has changed the relationships among employees within the Area as well. Indeed, before the current digital wave, each department had his own projects and, therefore, collaboration among departments was almost absent. Today, the customer-oriented focus requires more collaboration among the employees of the various departments, since projects have become cross-functionals and, as a consequence, people from different teams have started working together. Although the latter raises resistance in the work place, the positive results brought by this collaboration mitigate adversarial resistance which could undermine the status of the institution. The latter will be deepened at a later stage when talking about the undertaken strategic actions.

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\(^2\) The transition to the new governance has been planned by the consulting firm Roland Berger through an analysis of the e-governance of the most important worldwide DBs (Source: R. BNDES, Rio de Janeiro, v.25.(49), p.315-341, Jun. 2018)
4.4 Identification of change and continuity forces

The tsunami of digital changes has completely shaped the context surrounding the Bank since new markets have been created and new stakeholders’ expectations have arisen. Today, the Bank operates in a really dynamic context where forces of change try to repress forces of continuity on a daily basis. From the in-depth interviews carried out at the Division of the Bank, it has been possible to extract the following forces of change and continuity which have brought to the creation of the current strategy.

Forces of change

Stakeholders’ needs and expectations (High). Digital changes have increased stakeholders expectations in regards to the quality of public services (Nasim et al., 2010). Although, as mentioned in the previous chapter, the AOCD has already embraced this force by becoming more dependent from the needs and interests of stakeholders, the high external pressure results challenging to manage due to the nature of the indirect operations. Indeed, even though the AOCD tries to align its needs to the primary needs of both SMEs and FAs, the inconsistency of the stakeholders’ needs tend to encourage actions not perfectly aligned to the context of development.

Public-private partnerships (High). Continual technology development is strengthening public-private partnerships mainly for two reasons: 1) to deliver public services through more efficient and quick ways and 2) to fill momentaneous gaps of knowledge within public institutions (Ebrahim et al, 2005). Although the AOCD has started listening more and more to FAs’ needs in order improve the delivery of the indirect operations, some areas of expertise which would foster financial and digital inclusion in Brazil are still missing at BNDES; to cover this gap of knowledge, new actions involving private organizations are needed.

Digital channels (High). Just as e-commerce channels are driving changes in the business sector, digital channels thought to improve public services are driving changes within public organizations (Jaeger, 2003). Although different digital channels have already been implemented by the BNDES, these have not produced the desired results yet due to the lack of digital education of Brazilian citizens (Appendix II) along with energy-consuming interfaces.
New technology (High). Today, technology is the prime driver of change across all domains (Sealy, 2003). On one hand, the adoption of new technologies, such as statistical software, would speed up the making decision processes and planning, on the other, it would risk undermining the developmental status of the Bank in the long-term, whether those would not be rationally used.

Forces of continuity

Context of development (High). Digital changes essentially bring new forms of delivering public services, but the context, where those services are issued, is exactly the same (Nasim et al., 2010). When strategizing, the AOCD management must contextualize the country (Brazil) where actions occur in order to capture and balance change-continuity forces. Moreover, development managers must bear in mind that undertaking development tasks in a context of development means to attempt to deliberately influence the course of social changes through the four efforts aimed at development framed by Thomas (1996).

Customer base (High). As the context of development does not change, the set of customers does not change neither. Indeed, since nation-state organizations do not need to compete with other service providers, they can focus on improving the social status of the existing customer base (Davison et al., 2005). Before digitization occurred, SMEs where the main customers attended by the AOCD; with the current digitization, SMEs still remain the main customers attended and the main target of development strategies.

Public policies (High). Being the BNDES the qualified organism in charge of implementing the economic policies of the federal government, it has to be aligned to the policies of the government in charge. During the term of President Michel Temer, different public policies were aimed at increasing the number of Brazilian Small and Medium Exporters in order to increase the competitiveness of Brazil within the international markets. With the election of president Bolsonaro the latter could change, but for the time being these policies position themselves as a force of continuity within the AOCD.

Organizational culture (High). Academics recognize culture as the major driving force for maintaining continuity (Marche et al. 2003). In particular, when it comes to public organizations, the work culture has proved to be very resistive to changes. AOCD managers
have to pay particularly attention to resistance in the workplace since the raise of adversarial forms of resistance could undermine the social status of the Area.

Core competences (High). Linked to the organizational culture, core competences are recognized as a major continuity force resisting to changes. Being employees assigned to new roles, the lack of expertise and huge effort to learn new technical skills can frustrate them and can raise resistance in the workplace (Lam, 2005). AOCD employees have strong analogical competences; shifting to new core competences (digital ones) could raise, as in the case of the organizational culture, resistance in the workplace.

Figure 5: Aggregation of the forces: C-C Matrix

Recurring at the C-C Matrix (Figure 5), it looks evident that the AOCD belongs to the “synthesizers” category since the confluence of change and continuity forces is really strong; therefore, the strategy implemented by the AOCD managers has to be like a “flowing stream”, namely it has to show flexibility by jointly embracing the opposing forces.
4.5 The strategy of the AOCD

Change and continuity forces have pushed the AOCD management in implementing a new strategy, whose main strategic deliverable is to foster the growth and development of Brazilian SMEs by enhancing and facilitating the access to credit lines and financial products. The strategy has combined internal and external actions in order to balance internal and external forces. In particular, the strategy has consisted of three actions aimed at achieving external goals and one action aimed at achieving internal goals:

- **The creation of a Digital Development Platform**: in 2016, the Bank has invested in the creation of the Canal do Desenvolvedor MPME (Micro, Pequenas e Médias Empresas), namely a digital channel through which SMEs can submit their requests to get access to credit lines, programs and products. The Channel, through the use of Artificial Intelligence (AI), is able to understand the most adequate solution based on the needs and interests of the SME who submits the request.

- **The implementation of Data Science tools and techniques**: in order to improve the accuracy and the rapidity of the analysis, the Bank has implemented statistical software, such as R and SPSS, in its IT systems. Therefore, the employees of the AOCD have started using Data Science methods and techniques in order to run their analysis. The latter has shifted the way of making decisions and planning, which will be broadly discussed in the next chapters.

- **The launching of new strategic partnerships**: as part of the development strategy, the AOCD has started operating as financial and digital educator for SMEs through the help of accredited fin-tech companies and other social organizations in order to foster financial and digital inclusion in Brazil.

- **The offer of digital trainings**: along with the previous actions aimed at achieving external goals, the AOCD has provided digital trainings to its employees in order to teach them how to use the new technologies. Among these trainings, the followings are the most attended: predictive analytics, data mining, machine learning, cyber security and information management.
4.5.1 Strategic action 1: O Canal do Desenvolvedor MPME

According to Riley (2007), digital channels offer the potential to transform organizations in
customer-centric machines able to quickly understand and satisfy the citizens’ needs (Riley,
2007). Even though in the First World digital channels have brought large amount of benefits
for both society and organizations, in the Third World the lack of digital education of citizens
and automatized actions delinked from the context of development has not already allowed
digital channels to unleash their full potential.

In 2016, following the example of Private Banks, BNDES has created the Canal do
Desenvolvedor MPME, namely a digital channel which main goal is to help and develop SMEs.
For instance, an entrepreneur submits a loan application through the platform by providing the
full profile of the enterprise and the purpose of the loan. Given the information, the platform
uses AI in order to match the perfect credit line or product according to the needs of the SME.
Once the credit line or product has been matched, a FA, interested in financing the enterprise
with that profile, steps in and provides the matched credit line or product. Although the channel
is a striking example of customer centricity within the Bank, the conversion rate is still really
low (1% - BNDES, 2018). According to middle managers, the latter occurs mainly for two
reasons:

1) The risk to finance the SME is too high and, as a consequence, the FA is not interested; or
2) the FA steps in and instead of selling the BNDES product matched by the platform, he/she
sells its own products.

Although the channel empowers SMEs in finding the best possible solution for their
business, it ends for giving to FAs the possibility to sell their own products which are not
tailored to the needs of the SMEs. Hence, the channel from being a customer-oriented solution
becomes a product-oriented one and, consequently, it fails in its attempt to embrace both change
and continuity forces.

The channel, without contextualizing the short-term mindset of the Brazilian FAs (Rezende,
2014), matches perfect solutions for SMEs which are not attractive for FAs; therefore, as far as
the channel will not provide attractive solutions for both stakeholders, a perfect change-
continuity balance will not occur and alternative (most likely illegitimate) ways to perform the
development task will be found. Some middle managers, who embody the contradictory middle manager figure described by Harding et al. (2014), first report the low performance (unsuccess) of the platform, but, then, they justify it by saying that the current technology has still to be improved in order to have a clearer vision (from the management side) on the future actions to undertake.

4.5.2 Strategic action 2: Planning through Data Science tools and techniques

According to Dhar (2012), Data Science, the discipline that seeks to provide meaningful information from large amount of complex data, is completely transforming the decision-making process and planning of organizations by providing actionable predictive analytics. Making decisions on something that has been predicted raises a multitude of issues ranging from the costs of incorrect decisions to ethical and privacy issues (Dhar, 2012); while, when it comes to development organizations, it raises legitimacy debates since incorrect decisions can undermine development initiatives and, as a consequence, the society as a whole.

As part of the latest digital strategy, the AOCD has started using Data Science methods and techniques to understand where are the SMEs who would be attracted by the credit lines and products offered by BNDES. More specifically, Data Scientists map the whole Brazil to see which are the cities where small and medium companies are predicted to grow very quickly. Afterwards, the Marketing team of the Customer and Institutional Relationship Department organize various “feiras” (seminars where SMEs and FAs are invited) within those cities to sponsor BNDES’s credit lines and products and to listen to the needs of both stakeholders. Even though, thanks to Data Science, the share of SMEs financed by the Bank increases within these cities, the gap among cities, which are predicted to grow faster, and cities, where the latter prediction does not occur, increases as well.

Aligned with the second effort at development described by Thomas (1996), the AOCD gets the work done by using the best means available and in the most efficient way, namely it aims at development by opening up access to credit to those SMEs who most likely will succeed and concur in the economic growth of their cities. This prediction gives AOCD managers the legitimacy to plan and undertake specific actions within certain cities rather than other, but it contrasts the idea of Marois (2013), according to which SoBs overcome the limitations of PBs by operating in inefficient and unprofitable sectors of the economy. The latter is partially true
since AOCD managers plan to undertake actions within cities with lower growth potential as well, but, by first prioritizing the ones with higher potential, it occurs at a later stage. Thomas (1996) agrees that the work has to get done by using the best means available, but he also states that organizations have to be aware that there will never be enough means available; therefore, using the best resources to finance those cities with higher potential growth might not leave enough resources for the remaining cities.

4.5.3 Strategic action 3: New strategic partnerships

According to Gabor et al. (2017), at the end of the 20th century low-income households were psychologically “underprepared” to see themselves as financial subjects (Kempson et al., 2000) and, as a consequence, they were not aware about the possibility to get financed. At the start of the 21st century, public-private partnerships started advertising to poor households the possibility to get financial products tailored to them; unfortunately, financing the poor turned out to be too risky for Banks and a way to make the “unbankable” bankable had to be found (Gabor et al., 2017). During the last years, the raise of Financial Technology (Fintech) companies, namely companies that provides traditional financial services through innovative (digital) methods which most of the times overcome regulations, has positively affected the ability of SMEs to obtain loans (Fenwick et al., 2017); in response to this, traditional banks have started offering their products through innovative methods or partnering directly with Fintechs.

All the managers interviewed at the AOCD deeply showed their concerns about financial inclusion when discussing about the context of development where their actions occur. Throughout the last years, although the indirect nature of the operations, the AOCD has tried to get closer and closer to those excluded entrepreneurs by understanding their needs and matching products affordable for them. As part of the current strategy, the latter has been fostered by partnering with emerging Fintech companies. Indeed, those companies, after being accredited by the Bank, have started educating, in financial and digital terms, those entrepreneurs attracted by the BNDES online products but excluded due to their low credit scores. Besides partnering with Fintech companies, the AOCD has also created ad-hoc educational programs with the cooperation of other social institutions. The most striking
example is the Programa Nacional de Microcrédito Produtivo Orientado (PNMPO) with the cooperation of SEBRAE³.

When it comes to credit access, Brazilian SMEs lack of general guidance and support and, therefore, they face difficulties to access to finance and strengthen money management skills: at this juncture, financial education becomes an important tool to help them (Atkinson, 2017). Aligned with the efforts aimed at progress observed by Thomas (1996), AOCD managers have fully contextualized the reasons behind high rates of applicants’ rejections and have understood that most of the loan applicants were SMEs with little financial and digital knowledge. As a consequence, the BNDES has started a partnership program with Brazilian Fintech companies which, according to the top managers of the AOCD, is decreasing the number of excluded applicants and, therefore, is fostering more and more the financial inclusion in Brazil through e-services. This action fully embrace the change-continuity confluence since it jointly contextualizes the Brazilian financial exclusion and overcomes a lack of knowledge by establishing new public-private partnerships.

4.5.4 Strategic action 4: Digital trainings

The use of cutting-edge technologies and the customer-oriented focus require shifts in the organizational culture which can be hard to accept by employees. According to Ndou (2004), employee resistance to changes is the biggest barrier to sustainable internal changes and, as a consequence, to external ones. Generally, employees fear that new technologies would replace them, since tasks start being performed by machines, or they are reluctant that digitization strategies would bring benefits to organizations (Ndou, 2004).

According to the Chief of the Complaints, Frauds and Prevention Department, digitization has not decreased the number of employees of the AOCD but it has changed the core competences. For instance, before digitization occurred, the Complaints, Frauds and Prevention Department was composed by 5 teams which role was to verify with the FAs that borrowers (SMEs) complied with the regulations to get financed. Today, the composition of the teams is more dynamic: 2 teams are still doing exactly the same; one team is in charge of responding to

³ SEBRAE or Serviço Brasileiro de Apoio às Micro e Pequenas Empresas is a Brazilian autonomous social institution whose aim is to foster the development of micro and small enterprises, stimulating entrepreneurship in the country (Source: http://www.sebrae.com.br/sites/PortalSebrae).
anything related to clients’ complaints; 1 team is in charge of developing new systems according to changes in the normative and to communicate with the other departments of the Area; 1 team, working closely with the audit department, is in charge of detecting possible frauds through the use of ad-hoc software.

As part of the latest digital strategy, the AOCD management has created ad-hoc training in order to facilitate employees’ acquisitions of new skills and, as consequence, mitigate any possibility of resistance in the workplace that could derive from changes in the core competencies. Aligned with the first effort at development (Thomas, 1996), one of the prime objectives of the AOCD management is to achieve internal social goals which in turn are necessary to achieve external social goals. Although digital training has proved to balance change-continuity forces (new technology – core competencies), the management fears that forms of resistance could raise from the strategy as a whole. Indeed, some employees are sceptical in regards to the long-term effectiveness of the strategy within the Brazilian context. On the other hand, the management strongly believes that the latest wave of positive results will soon change the opinion of these employees and the latest digital changes will fully become an integral part of the organization culture.

“The latest strategic actions have reduced the operation average time from 10 working days to few seconds. Since July 2017, more than 81 thousand of operations have been approved and more than R$ 5.3 Billion have been disbursed to SMEs”.
The AOCD Management, AOCD presentation, 2018

Recap

<table>
<thead>
<tr>
<th>Strategic action</th>
<th>Change-Continuity confluence</th>
</tr>
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<tbody>
<tr>
<td>Digital development channel</td>
<td>E-platform /stakeholders’ needs – Context of development /customer base</td>
</tr>
<tr>
<td>Data Science tools</td>
<td>New technology – Context of development;</td>
</tr>
<tr>
<td>New strategic partnerships</td>
<td>Public-Private partnerships – Context of development</td>
</tr>
<tr>
<td>Digital trainings</td>
<td>New technology /E-platform – Organizational culture /core competencies</td>
</tr>
</tbody>
</table>
5. DISCUSSION OF THE RESULTS

Following the description of the findings, it is necessary to dedicate them an in-depth analysis, supported by the theoretical concepts exposed since the beginning, as well as in the appendix. The discussion will be undertaken with a focus on the change-continuity confluence, embracing the idea that managing changes in development organizations can be better leveraged by consciously and concurrently managing continuities (Nasim et al., 2010). More specifically, remembering that the AOCD belongs to the synthesizers category, the discussion attempts to understand if the strategy implemented is like a “flowing stream”, namely if it is able to balance change and continuity forces through the flexible approach proposed and, as a consequence, if it is legitimate for the development of Brazilian SMEs.

Thanks to the DEG, the AOCD has changed its focus from a product oriented to a customer oriented one: the society (SMEs) has become the main unit of measurement and not the organization (Cooke, 2004). Listening to and fulfilling the needs and interests of the society has become the priority of the AOCD management in order to foster sustainable development. Indeed, by listening, the management has been able to better contextualize the main issues and barriers faced by SMEs when getting access to the credit. Contextualization, by investigating the key reasons behind financial exclusion, improves the decision making process and planning of the Area which has proved to aim its efforts at development.

Even though DEG has positively strengthened the relationship between development and management and, therefore, the developmental (legitimate) status of the Area, the current wave of digital changes has arisen new change-continuity forces which are difficult to capture by development managers and, as a consequence, to balance through development (innovation) strategies. Indeed, strategic actions able to balance change and continuity forces are just the result of correct understandings of the change-continuity confluence (Sushil, 2008). A misinterpretation of change and continuity forces leads to actions delinked from the context of development which could jeopardize the social status of development organizations in the long-term. Whenever these actions would be protracted for long time periods, the contradictions among changes and continuities could result in operational paralysis or further actions delinked from the context, as occurred with the application of Western concepts within Third World countries during the United Nations Second Development Decade (Dwivedi, 1982).
Starting from the strongest force of continuity, namely the organizational culture, by analysing the management’s statements, it looks clear that the management is using performative language in order to mitigate any form of resistance within the workplace. The AOCD management acknowledges the arise of a possible resistance and, therefore, builds legitimacy through performative speeches. Moreover, it recognizes that these speeches cannot mitigate resistance in the long run and, as a consequence, it finds alternative ways to build legitimacy; for instance, it invites researchers (i.e. business school students) willing to investigate legitimacy within the organization. By doing the latter and by offering digital trainings, the management is currently accomplishing its task to leave aside any form of resistance which could undermine the developmental status of the organization; however, soft forms of resistance, such the one arisen from some middle managers when discussing about the effectiveness of the digital development channel, may quickly take the shape of a positive (productive) or negative (adversarial) type of resistance.

Regarding planning and making decisions through Data Science, as previously outlined, it can result in a wider gap among rich and poor cities due to the scarcity of some resources. Indeed, although Data Science decentralizes (involves all the stakeholders) and democratizes (legitimizes actions through data) the decision-making processes and make the institution more transparent in the eyes of the stakeholders, it encourages managers to completely rely on data in order to solve social problems (Selwyn, 2014); in our case to foster the growth of Brazilian SMEs. When talking about getting the work done, Thomas (1996) claims that organizations should focus on influencing the course of social changes rather than controlling those, since resources are not unlimited. Predictive analytics, focused on potential growth of cities, are providing outstanding results in the short-term; however, those are not taking into consideration the long-term availability of valuable resources. In the long-run, resource scarcity would lead to operational paralysis of the organization and, as a consequence, the legitimacy built in the short-term shall fail and the considerations done by Yeyati (2004) regarding SoBs as new source of private accumulation and by De Paula (2005) regarding the neoliberal public management (Appendix I) will be strengthened.

When it comes to the operational legitimacy of the Canal do Desenvolvedor MPME, although several considerations have already been outlined in the previous chapter, further implications have to be debated. If on the one hand customer centricity within the channel helps understanding the needs of the SMEs, on the other it tends to prioritize the latter needs over the
needs of the FAs. As a consequence, the AOCD management does not equally listen to the needs of all stakeholders involved in the decision making process and unleashes the profit-driven mindset of the Brazilian FAs. The latter, besides encouraging private accumulation in the short-term, in the long-term may lead to the failure of those SMEs who have used credit lines and products suggested by the FAs instead of the ones tailored by the digital channel. Moreover, after having invested a great number of resources for the creation of the digital channel, an eventual failure would break down the management’s performative language and would probably unleash the current soft resistance within the AOCD.

Finally, educating SMEs both in financial and digital terms, through the creation of ad-hoc programs and the help of Fin-tech companies, proves to perfectly balance change and continuity forces and to be the most appropriate (legitimate) action for the growth and development of Brazilian SMEs. Indeed, the latter action perfectly contextualizes the lack of financial and digital knowledge of Brazilian SMEs and embraces the digital transformation within the banking industry (Appendix IV). Besides having perfectly understood one of the main reasons causing the financial exclusion of many potentially successful entrepreneurs, by partnering with Fin-techs the AOCD management has shown clear-sightedness and open-mindedness.

Today, we live in an era of rapid economic, social and organizational change, where uncertainties and new trends have to be faced and embraced on a daily basis by managers; organizations, who shows flexible cultural mindsets, are the ones which will survive in the long-term; while organizations, who do not depart from bureaucratic standards, will soon disappear. Fin-techs, born from the disruption of the banking industry (Appendix IV), undermine the survival of traditional banking since those have been able to overcome regulations and provide digital financial services which are more user-friendly and affordable than the ones provided by traditional banking (Fenwick et al., 2017). The AOCD management has been able to understand in a timely-manner the rise and potential of Brazilian Fin-techs and, thanks to its flexible approach, has decided to partner with them.

“If you cannot beat them, join them” (Julius Caesar)
Is the AOCD management able to concurrently manage change-continuity forces through innovative strategies at the time of digital changes? And, as a consequence, aim at and achieve sustainable development?

Looking at the whole strategy, it is possible to capture the difficulties faced by the AOCD management in concurrently managing the different forces of change and continuity. Indeed, although the strategy shows flexibility, the high contradictions among certain forces and the nature of the indirect operations do not allow the full reaching of the flowing stream discussed by Sushil (2008). The management has perfectly identified change-continuity forces within and outside the organization and has correctly established the strategic deliverables of the project but the constant shaping of forces of change does not facilitate the joint management of forces of continuity. The result is that certain actions perfectly balance change-continuity forces (i.e. new public-private partnerships), while others foster consequential actions which are delinked from the context of development and, therefore, fail in their attempt to balance the different forces (i.e. digital channel).

Unfortunately for the AOCD management, human beings tend to give more importance to failures rather than successes; therefore, wrong actions risk to be permanently imprinted in the minds of the AOCD employees, whenever ways to legitimize these actions are not found. In the long-term, the latter along with new strategic actions, unable to balance change-continuity forces as well, could raise adversarial resistance in the workplace and jeopardize the social purpose of the Bank Division (namely enabling the growth and development of the Brazilian SMEs). Therefore, the top managers of the Bank Division must quickly learn from the short-term failures of certain strategic actions and readapt these actions to the external and internal stakeholders’ needs in a manner that avoids long-term social disasters.

For instance, the AOCD management could invest in a new digital platform which matches the needs of SMEs with the interests of FAs in such a way that FAs would not find any interest in selling their own products. Or, in regards to Data Science tools and techniques, the AOCD management could use these tools to predict if a SMEs will repay the loan by its mature date or not in order to decrease the number of non-performing loans and to increase financial inclusion in Brazil. Or, in regards to the workplace, the AOCD management could give more space to the employees’ ideas and organize team building events to strengthen the relationships among employees and encourage them in sparking new interests (perhaps digital).
6. CONCLUSIONS

As the research shows, concurrently managing change and continuity forces results challenging for development managers due to the context which surrounds development organizations. The BNDES, like other Third World development organizations, operates in a country full of contradictions where finding flexible strategies able to perfectly embrace and balance opposing forces is really hard and takes long time periods. In addition, over these periods of internal and external changes, development managers must prove the legitimacy of their actions in order to mitigate adversarial resistance in the workplace. However, forms of productive or creative resistance should be recognized and accepted by the management since these could be beneficial for the organizations in the first instance and for the society as a whole in the second instance (Courpasson et al. 2012).

In regards to the “flowing stream strategy” framed by Sushil (2008), managers must identify change and continuity forces and assess strategic deliverables before developing new strategies, but they must also predict the rise of new forces and be able to constantly readapt strategies according to future dynamics. Certainly, the flexibility of the strategy derives from capturing and balancing opposing forces, but the only key for its long-term success is the clear-sightedness of managers in anticipating what will happen and acting accordingly. Among spatial discourses, the attention given to contextualization exercises is undoubtedly of primary importance; indeed, contextualization has proved to be a useful managerial tool mainly for two reasons: 1) to capture current change-continuity dynamics and 2) to predict future dynamics based on the historical background of the context (Pettigrew, 1985). Especially when it comes to Third World countries, Pettigrew (1985) teaches that there will never be successful strategies if contextualization will not be an integral part of these strategies.

Finally, along the path, development managers must not forget the first and last scope behind the management of change-continuity dynamics, namely to achieve sustainable development. Indeed, in the long-term managers, by being constantly busy in capturing and balancing forces of change and continuity, risk to lose their primary focus and to fail in their attempt to aim efforts at development. Therefore, besides contextualization, managerial strategies must also consist of deliberating efforts aimed at development in order to achieve the desired social changes (Thomas, 1996).
REFERENCES


Appendix I - Public Administration in Brazil

Background

Since the ‘90s the Brazilian Public Administration has been influenced by western managerial practices and theories (De Paula, 2005); however, before these theories took root, social movements were acquiring more and more importance.

During the ‘60s, while the military regime was ruling the country, a catholic movement, inspired by ideologies such as social inclusion and well-being, started to involve Brazilian citizens in daily debates regarding collective problems. Therefore, demand regarding public goods and services, such transportation, public housing and health, started increasing and the so-called Non-Governmental Organizations (NGOs) were born to support the social rights of the least included citizens (Doimo, 1995).

At the beginning of the ‘80s, thanks to the rise of social and popular parties, the topic of social participation reached its peak and the first attempts to break the authoritarian regimes were experienced. Moreover, a new conception began to predominate in the field of Public Administration: the implementation of a Administração Pública Societal (APS) that aimed to increase the participation of social actors (citizens) in the definition of the public agenda to create tools for higher social control on the public actions (De Paula, 2005).

Even though the previous concept was being followed by many Brazilians, “flexible” capitalism, born as a hope to emerge from the debt crisis and inspired by the American dream and by neo-conservative British think tanks⁴, started acquiring more and more importance during the start of the ‘90s, to the extent that a code of values was created, which oriented public organizations towards higher efficiency and competitiveness (Harvey, 1992). The latter established a strong entrepreneurial culture and gave birth to a new model of Public Administration focused on fiscal adjustments and market-oriented reforms: Administração Pública Gerencial (APG).

The ex-minister of finance Luiz Carlos Bresser-Pereira, recognized as the key figure of APG, pointed out the necessity to transform the state bureaucratic culture into a managerialist culture

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⁴ A Think Tank is an institute, corporation, or group organized to study a particular subject (such as a policy issue or a scientific problem) and provide information, ideas, and advice (Source: Marriam-Webster dictionary)
(De Paula, 2005). Following his beliefs, Bresser-Pereira, while was in charge of the Ministério da Administração Federal e Reforma do Estado (MARE), presented the Plano Diretor da Reforma do Estado to the National Congress, namely the plan where the necessity of the new model of public administration was fully explained. In 1998, the State reform incorporated the recommendations provided by the Plan Diretor and the state activities were divided into two typologies:

- **Exclusive State activities**: activities focused on legislation, regulation, taxation, promotion and formulation of strategic public policies;

- **Non-exclusive State activities**: activities focused on increasing the competitiveness of public services (health, education, public assistance) that began to be provided by both public and private sectors, depending on which of the two was more competitive.

The 1998 State reform has strongly been criticized by the Partido dos Trabalhadores (PT)\(^5\) which has recognized the reform as neoliberal and conservative and, therefore, impossible to be implemented in the left-party political project (Fontoura, 2018). Nonetheless, research shows that the APG has strongly influenced the modus operandi of the PT during its term of office. Indeed, according to Fontoura (2018), during the PT term: 1) strategic planning has been done by looking at managerial indexes (KPIs); 2) resistance in the workplace has increased due to the creation of incentive plans which awards the best employees; 3) modern instruments for listening to the citizen needs have been implemented and 4) efficiency and modernization have driven fiscal adjustments (Fontoura, 2018).

*Differences between APG and APS*

Three are the main dimensions for the construction of a democratic public management: 1) economic-financial dimension, which is related to public finance and state investment issues; 2) institutional-managerial dimension, which is related to structures and processes issues of the state apparatus; 3) socio-political dimension, which is related to the relationship issues between State and society and directly involves the citizens in the public decision making process.

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\(^5\) The Partido dos Trabalhadores is a democratic socialist political party in Brazil. Launched in 1980, it is one of the largest movements of Latin America. PT governed at the federal level in a coalition government with several other parties from 1 January 2003 to 31 August 2016. ([Source: Encyclopedia.com](https://www.encyclopedia.com))
According to De Paula (2005), the APG mainly focuses on the first two dimensions, while the APS focuses on the last one. Indeed the APG bases its recommendations on restructuring the public management focusing on administrative matters, while the APS recommends to define the public project through the active participation of the society (De Paula, 2005).

Figure 6 deeps dive limits and strengths of the two models.

**Figure 6: APG vs APS**

<table>
<thead>
<tr>
<th></th>
<th>LIMITS</th>
<th>STRENGTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APG</strong></td>
<td>- It centralizes the decision making process and, therefore, does not promote social participation in the definition of the state agenda;</td>
<td>- It has clarified questions regarding the organization and management of the state apparatus;</td>
</tr>
<tr>
<td></td>
<td>- It took inspiration from the Western movements of public state reform;</td>
<td>- Some of its practices have improved the efficiency of the public sectors, especially in the economic-financial field.</td>
</tr>
<tr>
<td></td>
<td>- It does not have a new proposition for the reorganization of the State.</td>
<td></td>
</tr>
<tr>
<td><strong>APS</strong></td>
<td>- It has not elaborated alternative managerial propositions coherent with its political project;</td>
<td>- It is focused on a developmental project which aims at the satisfaction of the national needs;</td>
</tr>
<tr>
<td></td>
<td>- It has not proposed a strategy which involves the three dimensions discussed above.</td>
<td>- It has gave the birth to politic institutions and public policies focused on the citizen needs.</td>
</tr>
</tbody>
</table>

*Source: “Administração Pública Brasileira Entre o Gerencialismo e a Gestão Social” (De Paula, 2005).*

Both models have their pros and cons and, therefore, none can be considered totally legitimate for the country development. Although De Paula (2005) proposes an hybridization of the two models as possible solution to reach a democratic public management, he also remembers to the reader that the two models have different historical backgrounds and, therefore, an hybridization would lead to state paralysis due to continuous contrasts (De Paula, 2005).
Appendix II – Digital Era Governance in Brazil

Background

The first initiatives of reforms and modernization within the Brazilian Public Administration began as a consequence of the debt crisis of the 80s, and as result of the breakdown of the bureaucratic management model and raise of the APG. Beside the division of the activities, one of the main goal of the 1998 State reform was to orient the public services towards the society by becoming customer-oriented (Bresser-Pereira, 2002). According to Diniz et al. (2009), customer-orientation in Brazil has been strongly influenced by Western managerial concepts, among which: results, efficiency, governance and market-based approach; while the main tool necessary to foster the latter orientation has been technology (Behn, 1998).

Since the State reform, in order to be as competitive as private companies, nation-state organizations have promoted the social and economic development through public policies aimed at enhancing technologies able to improve the performance and quality of public services (Barbosa et al., 2005). The strategic practise of IT systems within the Public Administration gave birth to the IT Governance in Brazil at the end of the 20th century (Agune et al., 2005). Besides being the main movement of modernization within the public sector, the IT Governance has completely disrupted the interactions among public organizations, private organizations and citizens. Indeed, IT Governance has not just been implemented to automize and improve public services, but also to define the objectives of the state agenda.

Main treats of e-governances

According to scholars, the era of New Public Management (NPM), namely the first movement of modernization within public services, is dead and, today, we are already going through the second wave of DEG (Dunleavy & Margetts, 2010).

Figure 7: Timeline of the latest managerial movements within the public sector

A detailed treatment of the eras is an impossible task within the confines of the thesis. Therefore, this chapter focuses on the main treats of the first and second wave of DEG. According to Dunleavy and Margetts (2010), the main treats are the followings:

**Reintegration:** during the first wave, outsourced processes have been reintegrated into the IT systems and management of public organizations. In particular, issues, that must be handled by the State, have been “re-governmentalizing” by introducing new central government processes. The latter has sharply decreased the expenditures. During the second wave, public organizations have moved towards an intelligent centre approach by collecting electronically sales and customer information in order to create vast data warehouse. The latter have started being analysed by special analyst units (Data Scientists) and central management to better address the citizen needs.

**Needs-based Holism:** during the first wave, public services have been re-designed from a client perspective and organizational structures have become more flexible in order to answer to real-time problems. During the second wave, the latter trend have been strengthened by the introduction of cutting-edge technologies. Moreover, online customer feedbacks mechanisms have facilitated the investigation of problems and, as a consequence, those have started preventing many service delivery disasters (Dunleavy et al., 2010). Finally, social web processes within the public sector have been introduced in order to share with complete transparency real time information to all stakeholders.

**Digitization:** during the first wave, public organizations have completely embraced electronic delivery at the hearth of their business model by automatizing many processes which, since then, have not required human intervention (“zero touch technologies”). Automation has facilitated public organizations in disintermediating from the private sector service industries, such as insurance, banking, electronic merchandizers and so on (Dunleavy et al., 2005). Indeed, previously, public organizations used to outsource the above-mentioned services to cut expenditures (Alonso et al., 2011). Thanks to digitization, these organizations have started to insource those services again since IT systems can readily do the job and it is not necessary to outsource. This has strongly benefited the public sector since changes in the private sector impact and influence less and less public agencies’ modus operandi (Dunleavy et al., 2005). During the second wave, cheaper digitized components and new forms of communication,
already used in the private sector, have been introduced. For instance, public agencies have started communicating to citizens through digital channels.

**Inhibitors factors within Brazil**

Throughout the years, although many initiatives have been pursued by the Brazilian Public Administration in order to foster the use of public e-services by the citizens, today there are still different inhibitors factors within and outside the Public Administration which block the full potential of those services (Cunha, 2010).

**Internal**

1) **Lack of communication**: when it comes to public e-services, the communication among Brazilian public organizations and society, regarding the existence of those services, is practically absent and, as a consequence, citizens do not take advantage of certain public services which could foster their social inclusion.

2) **Complexity**: according to a study conducted by CGI.br (2010), when it comes to benefit from public e-services, Brazilian citizens are still reluctant due to the complexity and unfriendliness of the interfaces. As a consequence, most of the citizens still prefer the direct contact with public representatives before benefiting from public services.

**External**

1) **Lack of digital education**: according to a study conducted by comScore (2013), many Brazilian citizens (around 50%) still do not know how to use properly an electronic device due to their low educational level; the latter along with the complexity of the interfaces do not create the conditions to foster digital inclusion in Brazil.

2) **Lack of resources**: when it comes to access to digital spaces, the lack of financial resources and the high connection costs are still the main barriers. Although recent public policies have enabled actions from the private sector in order to decrease such costs, the latter factors still remains one of the main obstacles to aim at digital inclusion.

3) **Lack of infrastructures**: according to Aranda (2018), rural population in Brazil is around 40%; people living in rural areas complain that they cannot get access to e-services due to the low level infrastructures which do not provide decent connection. Recently, although public policies have introduced broadband connections within those areas as well, full digital inclusion is still very far (Ferreira, 2019).
Appendix III – The Brazilian Development Bank (BNDES)

Background

The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) is the main development finance institution in Brazil, and one of the qualified organisms of the Federal Government to implement its economic policy. During the last few decades, the BNDES has played different roles within the Brazilian economy according to the party ruling the country (Bachiller, 2016). The background deeps dive the privatization period (1990-2003) and the developmental period (2003-2010).

1990-2003

During the period of the liberal state reforms, the BNDES became the principal executor instrument of privatization policy of the government Collor de Mello (1990-1992), Franco (1992-1994) and Cardoso (1995-2003). In order to help the government overtaking the state bureaucratic culture, the BNDES provided its financial resources and technical expertise to support the Programa Nacional de Desestatização (PND). After being chosen as administrator of the PND, the BNDES sharply changed its agenda by becoming the state organization in charge of supporting the development and industrialization of the country. Indeed, all the major privatization occurred during that period were executed by the BNDES, as result of internal decisions of the institution (Pinheiro, 2000). Moreover, thanks to its new role, the Bank started selling participations and own assets to private investors in order to foster the growth of strategic sectors of the Brazilian economy. Figure 8 shows the final results of the PND.

Figure 8: PND final results

<table>
<thead>
<tr>
<th>Period</th>
<th>Funds Raised</th>
<th>Assets Transferred</th>
<th>Total Result</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1994</td>
<td>8608 $</td>
<td>3.266 $</td>
<td>11.874 $</td>
<td>11.2%</td>
</tr>
<tr>
<td>1995-2002</td>
<td>78.614 $</td>
<td>14.810 $</td>
<td>93.424 $</td>
<td>88.8%</td>
</tr>
<tr>
<td>Total</td>
<td>87.222 $</td>
<td>18.076 $</td>
<td>105.298 $</td>
<td>100%</td>
</tr>
</tbody>
</table>


2003-2010

After having been the principal executor of state reforms for more than a decade, once the PT was elected in 2003, the strategic role of the BNDES within the Brazilian economy shifted from privatization maker to developmental actor (Bachiller, 2016). By playing this role, the BNDES registered the greatest disbursement amount of its history. Figure 9 shows the exponential growth of disbursements in billions of R$ from 2001 to 2010:

\textbf{Figure 9: Disbursements YoY}

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>25.6</td>
<td>31</td>
<td>33</td>
<td>40</td>
<td>47.1</td>
<td>52.3</td>
<td>64.9</td>
<td>92.2</td>
<td>137.4</td>
<td>168.4</td>
</tr>
</tbody>
</table>


The BNDES became the coordinator and financial contributor of the main Brazilian public policies, such as the Política Industrial, Tecnológica e de Comércio Exterior (PITCE), the Política de Desenvolvimento Produtivo (PDP), and the Política de Aceleração do Crescimento (PAC), and definitely abandoned the previous agenda focused on executing privatizations and state reforms. Thanks to the developmental focus, the Bank gained back its role as financial supporter of the public actions and promoter of the economy growth; for instance, during the 2008 financial crisis, the Bank quickly expanded its balance sheet to meet Brazil’s long-term investments needs and counter financial instability (Rezende, 2015). The counter-cyclical nature of the BNDES was able to avoid the crash of the Brazilian economy which would have happened due to the strong short termism of Brazilian Private Banks (Rezende, 2014).

Although the role played by the BNDES during these years significantly impacted the growth of the Brazilian economy, the change of agenda (from privatization to development) raised adversarial resistance within the BNDES workplace. Indeed, different managers did not accept the new strategic role of the BNDES by claiming to fully restore the role as supporter of industrialization policies. Since the latter resistance was against the political ideology of the PT, Carlos Lessa, the then president, was relieved of his command after 18 months of office (Bachiller, 2016). Afterwards, Guido Mantega, who fully embraced the vision of Lula (main exponent of the PT), was nominated President of the BNDES and became the main architect of the role shift of the BNDES.

“De ser um banco de investimentos para ser um banco de desenvolvimento” (Mantega, 2004)
Appendix IV – Changes within the banking industry

Background

According to the Digital Vortex, the vortex that represents the most disrupted industries in a study conducted by IMD and Cisco in 2017, the banking and financial service industry is one of the most vulnerable industry to changes, since it is experiencing massive discontinuity and disruption. Massive disruption comes predominantly from technological developments, changes in consumer preferences, and strong pressures from new market entrants and digitally agile competitors (Wade, 2017). However, each industry has been disrupted by different trends and, considering the banking industry, the following trends have been observed by Professor Markku Tinnilä in his paper on the impact of future trends on banking services:

1) Bill Gates has claimed that “banking is essential, banks are not” (Baten and Kamil, 2010). Today, more and more banking services are being created and the current ones are being simplified, especially by Fintech start-ups; nonetheless, the number of branch offices has been drastically reduced (Tinnilä, 2012). The latter could seem contradictory, but the creation of e-banking clarifies this pattern. Indeed, most people prefer to benefit from day-to-day financial services through e-platforms instead of physically going to branch offices (Bask & al, 2012). However, as these trends are not the ones preferred by the elderly, we have contradicting customer demands and development trends. Therefore, so long as banks fulfil the needs of the current elderly generation, branch offices will exist and will mainly serve as customer contact points for information on new services (Baten and Kamil, 2010). When it comes to Third World country development, e-banking through fintech instruments is also facilitating payments and access to financial resources to achieve financial sustainability; for instance, people living in poor villages, today, instead of traveling two hours to a bank branch, can use their phones to make instant transactions, to apply for a loan or to buy and sell financial products.

2) As a consequence of e-banking, collection of huge databases of client information has never been as easy and strategic as today. Thanks to this huge amount of information, banks have extensive knowledge of their client purchasing habits and can easily predict the amount of sales of a certain product or service within a specific time range. Moreover, when it comes to loans, banks can predict if a potential borrower will repay the loan by its mature date or not, as explained in the article written by the Data Scientist Imad Dabbura on how to predict loan repayment.
3) Advanced technology is speeding up processes and is improving the quality of financial services; on the other hand, it is decreasing client’s overall security that is becoming more and more exposed to risks, while increasing the number of uncertainties within the industry; that is where Blockchain comes in. Blockchain technology is currently reshaping the industry and is decreasing previous uncertainties. The latter is possible thanks to decentralized solutions which do not require any third-party organization in the middle. The information about each transaction ever completed in Blockchain is shared and available to all nodes of the chain with complete transparency (Yli-Huumo, Ko, Choi & Park, 2016). According to a study conducted by Accenture on strategic planning, over half of all top managers admit that blockchain is going to play a key role in the success of financial institutions in the near future. Blockchain technology provides a high level of safety in storing and transmitting data, open and transparent network infrastructure, decentralization and low cost of operations. These impressive characteristics make blockchain an extraordinary solution, even in the extremely conservative and restricted bank industry. Most banks, especially SOBs, cannot work without mediators; the implementation of blockchain will mean that unnecessary mediators can be abandoned and customers and banks provided with cheaper services and, as a consequence, lower interest rates (Pilkinton, 2016).

The rise of Brazilian Fin-techs

Even though the previous technologies are rapidly spreading worldwide, each country has a different digital competitiveness, namely the extent to which a country adopts and explores technologies leading to transformation in government practices, business models and society in general (IMD, 2018). In the IMD’s list, Brazil is placed 57th out of 63 countries and only 51st in the digital competitiveness of banking and financial services. The latter placements raise doubts on the full adoption and application of the previous tools with regard to a country’s development. Nevertheless, according to the EY Fintech Adoption Index 2017, Brazil has surprisingly the 4th highest Fintech adoption rate worldwide. Indeed, during the last few years, the number of Fintech investors and start-ups in Brazil has been sharply increasing, thanks to a market which is more and more eager to embrace e-banking, lending, payments and other services across multiple platforms. The latter phenomenon has also been fostered by the fact that 40% of the Brazilian population lives in rural areas where bank branches are sparse and hard to reach; therefore, Fintech becomes the solution to increase financial inclusion. At this juncture, traditional banks, SOBs among those, are mirroring the Fintech practices in order to participate in this growth sector along with new financial industry players (Aranda, 2018).