

DNB's evolution to a tech company with a banking license

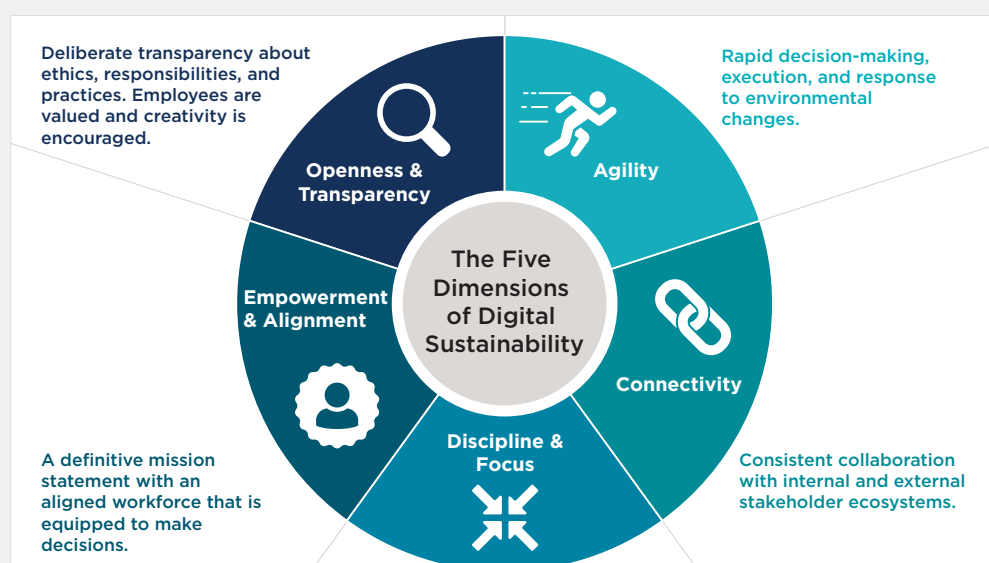
The 200-year-old financial services group partners with Korn Ferry to accelerate its vision of digital maturity

True digital sustainability demands constant reinvention. Repeating yesterday's successes is futile; what got you here will not get you where you need to be. Companies must be built to change, forever iterating. While many leaders have focused on the "hardware" of digital change—such as introducing new technology and systems—it has proven a great challenge to create the "software" needed to alter culture and improve employee engagement and alignment. But businesses must focus on this complex area to sustain success in the future of work. Even in a digital world, people power performance. To enable business leaders to respond to this demand for continual innovation, Korn Ferry examined the five traits of a digitally sustainable business.

The compelling commercial imperative for becoming a highly flexible, digitally sustainable company is clear: Korn Ferry's Digital Sustainability Index shows that top performers in sustainable transformation realized a 5.6% jump in profit over low performers. For a mid-cap company like DNB, with 2016 revenues of approximately \$2.5 billion, this could represent a difference of \$140 million.

Figure 1

The five dimensions of digital sustainability.



Financial services companies have, for some time, had the compelling commercial drive to shift culture, processes, and practices—seeking to protect market share and meet new customer and talent demands. Increasing global investment in fintech, the significant rise of transformative technology—such as block chain—and intense competition from fintech hybrids have also triggered definitive action. Such focus needs to continue. Though they are leading the pack now, they need to continue to find ways to create adaptability in their people and organizational practices. The financial services industry is expected to experience the highest levels of new digital disruption in the near future.

Agility poses by far the biggest problem for financial services. Agile businesses are designed to move quickly in decision-making and execution, and they rapidly adapt to market and environmental changes. Structurally, this means reporting lines are streamlined to optimize fluid collaboration and speed input on planning and delivery. People in agile organizations take risks, are customer-centric, and continually acquire new skills to perform in an ever-changing climate.

Open organizations understand that the digital economy means brands are public property, so they are deliberately transparent about their ethics, responsibilities, decisions, and practices. Everybody in an open organization has a voice and is encouraged to collaborate, solve problems, and think creatively to meet customer expectations.

The virtuoso performance of financial services firms reflects that the industry—under pressure from expensive regulation, cheap competition, and rising customer expectations—has embraced digital ways of working to kick-start a revolution.

Global digital trends and banking

Digitalization on a global scale has revolutionized traditional banking. Whether the goal is to enhance the customer experience, reduce bottom-line costs, or grow reach and market share, digitization plays an important part in achieving banks' ambitions. Digitization promises banks greater productivity, lower transaction costs, greater capital efficiency, and stronger operational resilience.

To deliver on these promises, banks have invested in fintech—the industry that applies digital technology to all financial activities, impacting processes, products, and business models of financial services organizations.

There is widespread consensus that startups in the financial sector rose from the ashes of the 2008 global financial crisis. As banks were forced to tighten their belts and access to money became more restricted, an opportunity emerged for startups that understood the inherent weaknesses in the financial sector and were able to pivot more quickly than banks with larger overhead operating expenses. Whereas the startups in Silicon Valley were more widely seen as disruptors, those that were more resilient to the financial crisis perceived the startups as enablers. With good technology more plentiful in Silicon Valley and resilience more widespread elsewhere, a good partnership formed between the disruptors and the enablers.

There are two special challenges for fintech, and both involve combining almost opposite sets of characteristics. Technology startups are inherently focused on nimbleness, experimentation, and rapid change. Financial services are, or should be, inherently focused on mitigating risk, predictability and stability, and regulatory compliance. Startups need to combine deep understanding of technology and its potential to deliver services differently with an equally deep understanding of the banking/financial services sector in all its complexity, including regulatory and capital requirements, the need to achieve significant scale, and integration of a range of disparate services. This is especially the case when moving beyond initial offerings of consumer payments and into lending and more complex transactions. Established financial services businesses need to find ways to incorporate an appetite for innovation, experimentation, and risk in their delivery channels without changing their attitudes and practices toward financial risk.

As companies invest heavily in digital growth, finding and attracting top digital leadership is only part of the challenge. Quite often companies spend a considerable amount of time and money in hiring top digital talent, only to realize that despite their best efforts, cultural and strategic differences result in a poor hire. The cost of getting this wrong can set an organization back years.

A new strategy to enhance leadership

In 2017, DNB launched an ambitious new strategy. A key element in that strategy was ensuring that the right leadership capabilities were in place and aligned for success.

As one of its initiatives to enhance leadership capability, DNB partnered with Korn Ferry to conduct an executive assessment process for a select number of key leaders across the business. The assessment focused on identifying leadership competencies, potential, and development needs across the organization and for the individual.

“We have made many critical changes to the corporate management team to address our digital future,” said Rune Bjerke, chief executive officer at DNB. “We’re revising how we think about talent strategy, and our need for strengthening our digital talent.”

The assessment was designed to give valuable insights and development suggestions on an individual level and an integrated input into talent management processes at an organizational level.

“The assessment process was incredibly eye-opening both for the individuals who participated and for the organization as a whole,” said Solveig Hellebust, DNB’s group executive vice president for People & Operations.

As DNB continues on its digital journey, it seeks to drive greater innovation—collectively and individually. Innovation accelerates the transition to a technology-forward business model that drives greater customer engagement in an era of increasing competition from the fintech universe. Understanding the nature of the current talent population provides critical information to activate the digital innovation journey. Crucial to success is a well-tailored development plan as well as thoughtful deployment decisions.

“We’re thinking differently about our talent strategy going forward,” added Hellebust. “The VUCA (volatility, uncertainty, complexity, and ambiguity) world provides

challenges and opportunities for us, and enormous changes with respect to competence, leadership, and culture as we move from bank to tech company.”

Digital pivot to a fintech platform

Having cut half of its branch network in 2016 to focus on digital development, Norway’s DNB is rolling out a range of incubation and startup initiatives to accelerate its vision of becoming “a technology company with a banking license.” In the first half of the year, DNB reduced the number of branch offices in Norway from 116 to 57 to reflect changing customer behavior. Today, nine out of 10 Norwegians cover their banking needs online, and an increasing number now use their mobile phone or tablet.

DNB CEO Rune Bjerke confirms DNB’s commitment to its customers: “at DNB, it is our job to create the best customer experiences. We meet the customer where the customer is” (DNB, 2018). To that end, DNB has closed a large number of branch offices, but interacts now with more customers than ever before. The number of visits to its mobile bank increased from 700,000 to 21 million per month in 2017. Adds Bjerke, “our home mortgage portfolio grew by more than 5% in 2017. A key reason is that we have developed several leading and highly customer-friendly digital solutions.”

In making the switch to digital, DNB undertook a number of initiatives to further spur innovation across the group. Those included the creation of a fintech platform to establish an ecosystem for cooperation between DNB and startups, improvements to mobile banking services, and a startup accelerator for growth companies called NXT. The fintech platform is now a DNB project in the process of development.

DNB is gradually emerging as a technology company with a banking license, with an ambition to become one of Europe’s leading technology companies.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help companies design their organization—the structure, the roles and responsibilities, as well as how they compensate, develop and motivate their people. As importantly, we help organizations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success. Visit kornferryinstitute.com for more information.

About DNB

DNB is Norway's leading financial services group and among the world's leading banks within shipping, energy, and seafood, and has a strong global presence. DNB's retail and corporate and institutional customers are served through 57 offices in Norway and 20 international offices in 17 countries. Other customer service channels include in-store postal and banking outlets, as well as the bank's expanding online banking and mobile banking platforms.