McKinsey
& Company

Rewired in Action

Real-world examples of Digital and AI transformations and how leading companies succeed

DBS:
Transforming a banking leader into
a technology leader

The opportunity

Instilling a start-up mindset

In a rapidly changing digital landscape, Singapore-based DBS Bank recognized the need to cater to a new generation of tech-savvy customers by transforming into a digitally-driven bank. DBS CEO, Piyush Gupta, set a simple yet powerful challenge: Act more like a technology start-up, and less like a bank. To achieve this, the top management sought inspiration not from other banks but from tech giants. DBS technology leaders had the aspiration to shape the digital future for the bank based on learnings from leading tech companies. This culminated in a clear vision: "Make banking joyful." The focus was on delighting customers by making banking effortless and becoming "invisible" in the process.

> **"We leveraged digital technologies to be more relevant to our customers and also to be more convenient, simple, and safe for our staff. We've been on this journey for a number of years and have developed an effective and broad-based set of digital capabilities"**
>
> **- Piyush Gupta, Chief Executive Officer, DBS**

The solution

Building a best-in-class technology organization that delivers banking services

To embody the vision of becoming a technology leader, the DBS team adopted the mnemonic GANDALF, representing the giants of the tech industry: "G" for Google, "A" for Amazon, "N" for Netflix, "A" for Apple, "L" for LinkedIn, and "F" for Facebook. The central "D" symbolizes DBS aspiration to join the league of iconic technology companies. Drawing inspiration from The Lord of the Rings, GANDALF became the powerful rallying cry for their ambitious digital transformation journey. Throughout these efforts, DBS kept the focus firmly on the customer.

To scale up capabilities, McKinsey aided DBS in building its new operating model around platforms. DBS created 33 platforms aligned to business segments and products. Each platform had a "2-in-a-box" leadership model, which meant each one was jointly led by one leader from the business and one from IT.

Keeping solutions centered around customers, DBS introduced a program called Managing Through Journeys. It scaled to include over 60 impactful customer journeys, each led by a senior leader, addressing major pain points like account opening and ATM waiting times. Simultaneously, DBS scaled up cloud migration, invested in automation, and developed microservices to support modular architecture, allowing components to be swapped out upon aging.

Partnering with McKinsey, DBS transformed its data-driven operating model, aiming to leverage data for innovative outcomes and widespread AI adoption. With McKinsey AI experts' support, they established a program that reduced end-to-end AI deployment time from 18 months to less than 5 months. The goal is to reduce that even more, to just a few weeks, which the bank considers essential to fully scaling AI. Today, there is an industrialized platform that enables AI deployment called *ALAN*, which is instrumental to achieving this accelerated deployment.

DBS' ability to achieve all of this was made possible through fundamental shifts in its culture, operational and technical expertise, and a transformative operating model. To recruit and retain digital talent, they adopted innovative

Best

Digital bank in the world and best bank in the world for over 5 years by Global Finance.

50% lower

Reduction in the cost/income ratio of serving digital customers compared to traditional ones.

39%

The ROE of digital customers, 15 percentage points higher than traditional customers.

S$150 million

Additional revenue generated by AI initiatives (in addition to S$25 million savings in loss prevention).

#4th

On total stakeholder returns and 8th globally on ROE by Bloomberg

"

"Digital transformation has been instrumental in driving growth, delivering significant financial outcomes across all business segments and markets. By transforming rigid systems into nimble technology stacks, we have gained a sustainable advantage, enabling us to scale with agility."

- Jimmy Ng, Chief Information Officer and Group Head of Technology & Operations, DBS

"We need an innovation culture, which doesn't create itself. You must deliberately drive that and put in the processes and frameworks to encourage innovation, risk-taking, and entrepreneurship—it's about knowing it's OK to try and fail."

- Piyush Gupta, Chief Executive Officer, DBS

"Changing the company's mindset and building an entire architecture of responsible usage of data is not easy. We are focused on enabling employees to think of data first and empowering them with the capabilities and tools to effectively use data and analytics while making decisions."

- Sameer Gupta, Group Chief Analytics Officer, DBS

strategies like hackathons and established three technology hubs to foster collaboration. DBS used AI to predict potential employee exits, enabling timely HR intervention. Moreover, they invested in institutional learning through *Digify,* a module-based learning pathway to train employees in concepts such as agile, big data, and journey thinking, and launched DBS Academy to train technologists in a DBS-specific curriculum. Making the transformation successful required a significant shift in leadership mindsets and behaviors. With support from McKinsey, DBS scaled T-Sprints (Transformation Sprints) to build top team alignment and new leadership skills across both the top of the house as well as different business, support, platform and geographic units within the bank.

The bank put in place systems to measure outcomes from the digital transformation. The digital value capture framework was co-developed with McKinsey to quantify benefits of acquiring, transacting, and engaging with digital customers. This allowed them to become one of the first banks in the world to showcase powerfully to investors the higher revenue, lower cost to serve and higher ROE from serving digital customers over traditional customers. The underlying methodology also allowed the bank to bake initiatives needed to drive value creation through digitization into the scorecards and performance management framework of the bank. This has translated into consistent shareholder gains, especially as innovation and data-driven transformation further accelerate both the growth trajectory and profitability (RoE) of the franchise.

Making GANDALF a reality at DBS has taken more than the wave of a magic wand. It required hard work, addressing culture changes, and consistent engagement at all levels, but it has transformed a top-tier bank into a top-tier tech company.

Lessons learned

Attract and retain tech talent like a successful tech start-up

Talent

DBS considered its talent practices from the employee's perspective. It changed the way it recruited to be more tech-friendly, built tech hubs with collaborative workspaces, and a digital culture that enables tech workers to practice their craft on cutting-edge technology.

Eliminate historical silos between functions to build cross-functional agile teams

Agile Operating Model

As DBS looked to scale its capabilities and solutions, it defined an operating model built around platforms, a variation on a products and platforms operating model, which DBS adapted to its own context.

Fully leverage the power of Data and AI

Data

DBS's emphasis on embedding AI has ensured that digital touches every part of the bank. It utilizes AI to deliver 45 million hyper-personalized nudges to customers across the region every month. Additionally, AI and analytics facilitated end-to-end money laundering surveillance and supported HR in employee retention.

Standardize and package assets to enable modularity

Technology

The commitment to scaling led DBS to standardize and package assets to make them easy to use. That focus was central to its ability to "industrialize AI" and develop common features that could be used for other analytics development.