Executive Summary

Business digitalization is changing the competitive landscape in many industries. Digitally savvy customers are demanding more while threats of digital disruptions from new entrants are rising. The full article describes how DBS, a large Asian bank, responded to digital threats and opportunities by adopting a digital business strategy. It identifies the capabilities needed and provides lessons for organizations aspiring to pursue a successful digital business strategy.

Most organizations respond to new digital threats and opportunities in an ad hoc manner within some organizational functions, but there is a growing sense that functionally oriented initiatives fail to maximize the potential of digital business strategy. To respond effectively to the threats and opportunities arising from digitalization, companies need a more holistic and integrated approach that develops capabilities in the areas of leadership, operations, customer needs and innovation. This is the approach followed by DBS.

Key Thrusts of DBS' Digital Transformation Strategy

- **Cultivate Leadership for Digital Transformation.** Digital transformation in DBS was championed by the CEO who wanted to “put digital at the heart of banking.” A question that he continually asked his senior executives was how well the business was exploiting the digitalization of banking products and services. Senior banking executives were encouraged to innovate and think digitally, just like “technopreneurs.” The cultivation of leadership for digital transformation was also systematically cascaded down the hierarchy to mobilize the change agenda.

- **Develop Agile and Scalable Digital Operations.** A newly formed Group Technology and Operations (T&O) Division was structured to be close to the business so it could add business value through technology. T&O teams worked closely with their business counterparts to rationalize the range of banking applications needed to support their various operations. A new core banking system was deployed across 13 countries and provided greater flexibility for country-specific preferences. An enterprise-wide wealth management platform, which integrated retail banking and private banking functionalities, was developed, as was DBS’ Internet and mobile banking platform for businesses.

- **Design New Digitally Enabled Customer Experiences.** DBS established a Customer Experience Council, chaired by the CEO, and appointed a Head of Customer Experience. The purpose was to foster a mindset that goes beyond developing a culture of customer service excellence to creating a culture of digitally enabling new customer experiences. DBS also actively promoted a new evidence-based culture of managing by facts and

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1 The full article is published in the June 2016 issue of *MIS Quarterly Executive*, available online at www.misqe.org.
How DBS Bank Pursued a Digital Business Strategy

numbers, rather than just by intuitions or opinions. Key customer service concepts were developed and operationalized, and the relevant statistics were then systematically collected and analyzed.

Incubate and Accelerate Emerging Digital Innovations. DBS established an Innovation Council chaired by the CEO to provide a dedicated focus on leveraging digital technologies. It hired a Chief Innovation Officer to lead a new Innovation Office, coordinate the various innovation efforts in DBS and standardize on a common methodology or language for innovation. DBS began crowdsourcing innovative ideas from its employees and also worked with universities and technology partners to harness external expertise and know-how to accelerate the rate of its digital innovation.

Key Lessons Learned

1. **A Digital Business Strategy Demands Strong Leadership.** The pursuit of a digital business strategy is not a project, nor the job or responsibility of a specific “digital” department or the IT division, but is a core belief that needs to pervade the entire enterprise. The senior leadership in DBS and the management structure put in place played a key role in creating the digital mindset that is a prerequisite for fusing business and technology strategies.

2. **An Agile and Scalable “Core” Is Critical.** The DBS case highlights the importance of building an agile and scalable digital infrastructure for capturing the value of digitalization. DBS invested heavily and continuously to build a modular and agile technology infrastructure that enables subsequent scalability of new initiatives. The ability to rapidly scale up and down its digital infrastructure was a strategic capability that contributed to the success of DBS.

3. **A Digital Business Strategy Exploits Information Abundance to Create New Value for Customers.** Strategically leveraging the increasing abundance of digital information is key to the success of a digital business strategy. DBS actively directed the exploitation of data from its digital platforms to create new customer experiences. The continuous focus on customer needs and the related data analysis led to some long-held assumptions about customers being rejected. For example, DBS found that wealthy Asian clients were more digitally savvy than in other parts of the world and preferred digital contact over direct contact.

4. **A Digital Business Strategy Requires the Continuous Navigation of the Dynamic and Emerging Digital Landscape.** DBS’ responses to the challenges it faced highlight the need for continuous navigation of the dynamic digital landscape. But this is no easy task. Technology scanning and experimentation were necessary to better prepare DBS for dealing with the digital disruptions it might face. Organizations aspiring to pursue a digital business strategy need to be prepared to continuously navigate the dynamic and emerging digital landscape. They need to assess how quickly and on what scale disruptive innovations are likely to occur, and devise strategic responses to cope with dynamic shifts. This requires the willingness to experiment and explore new digital frontiers to create strategic options for the future.

In conclusion

DBS’ digital transformation journey highlights the key capabilities that an organization needs to build so it can pursue a digital business strategy. Pursuing such a strategy is now a business imperative because the threats and opportunities from digital disruptions are fast becoming a reality. Hence, there is greater urgency to “rewire” or transform traditional enterprises so they can accommodate digital innovation. Senior executives must ask themselves two main questions: (1) To what extent does the organization have the required digital capabilities to counter the threats or exploit the opportunities from digital disruptions? (2) What can the organization do to develop its digital capabilities further by overhauling the related elements in structure, process, technology and people?

Given the state of flux in the digital landscape and the related competitive dynamics, definitive answers to these questions are far from obvious. However, initiating the process of seeking answers is a sensible first step in the pursuit of a digital business strategy. Adopting the lessons gained from DBS’s experiences should mean that the journey of digital transformation will be as rewarding as the strategic outcomes achieved at the end.