

## VIDEO SERIES

# Leadership in the Field: Interviews with Global Leaders

By Russell Reynolds Associates  
with Francois Villeroy de Galhou

Francois Villeroy de Galhou discusses digital transformation and how the topic of digital is affecting BNP Paribas.

AN EDITED TRANSCRIPT

## CHAPTER 1: Embracing Digital

**Rhys Grossman:** Mr Villeroy de Galhou, thank you very much for joining us. We're here to talk about digital transformation and how the topic of digital is affecting BNP Paribas. Perhaps I could start by asking, in our research, three quarters of companies that we have spoken to have cited competitive pressure as a reason for embracing digital. Why did BNP Paribas feel it needed to make digital transformation a priority?

**Francois Villeroy de Galhou:** For us the main reason was not competitive pressure, to be honest, because competition is not that huge at present. It was the fact that our customers are changing, very simply, and they have different behaviours. To make a long story short, we were probably one of the first European banks to introduce, around 12 or 13 years ago, the so called multi channel model. It means that you still have a banking branch, but you can use the internet, the phones, the mobile and so on. Digital banking is a completely different story. It's the idea that some of our customers, the youngest ones beginning with, don't need a branch. And they say, we want only an online bank, and let us be clear, a mobile bank, on our smart phones or on our tablets. Very simple. We don't need a dedicated advisor, we don't need your broad spectrum of products and services, and we don't want your prices. It was, for us, a tough strategic decision, because we have a very powerful network of branches throughout different European countries, and we want to keep our customers in this multi channel model. But we decided to open a second bank within the bank, called Hello Bank, to be a pure player. But our main idea was to attract new customers, to win market shares, but the strategic channel was to create a second bank within the bank without being a face to face competitor of the first bank.

## CHAPTER 2: Innovation that supports the brand

**Rhys Grossman:** You yourself have a track record of embracing innovation and welcoming change. In your view, does the establishment of Hello Bank represent a more fundamental shift in digital transformation of the overall BNP Paribas, beyond creating a standalone business unit?

**Francois Villeroy de Galhou:** Unclear 00:02:49] strangely. It's an interesting story from a cultural and managerial point of view. Everybody in BNP Paribas is very proud to be a member of the European work, able to launch such a powerful innovation in four different European countries. So this is a reward we didn't expect, to be honest. We expected a strong image, a strong direct image of Hello Bank, but we got also an indirect benefit for the BNP Paribas brand. But it's just the beginning, so we have also to succeed with Hello Bank in reality.

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### CHAPTER 3: Managing a Digital Bank

**Rhys Grossman:** And do you think managing a digital bank will need the same skill sets as a traditional one, or different ones...are you looking for a new type of leader?

**Francois Villeroy de Galhou:** This is a very important question. Obviously, managing a digital bank, you are still a banker so you need any skills that a normal banker could have. So commercial skills, risk skills, but you need more than that. You need a very strong market in feeling. We clearly think that the decisive difference is customers' experience. And we hire new people, very young ones, from different countries, who are not classical IT guys for instance. But they bring design in the apps, it must be very simple, it must be fun, it must be unique. And all the echoes we get from the first customers of Hello Bank in France, Belgium or elsewhere, are very positive about customers' experience. So this is typically a skill which is used for a normal banker, but which is absolutely necessary and core for a digital banker. At the end you need to be a good leader, we all know that. A natural quality of a leader who can choose a star and bring his own team to such an exciting adventure.

**Rhys Grossman:** Let's talk about how you're doing this. How has BNP Paribas incorporated this new type of leader into the board and into the C suite?

**Francois Villeroy de Galhou:** I had the opportunity in, at least once a year, in the last three years, to go to the board and to present the main challenges we had in retail banking. I always mentioned the digital challenge, and I was impressed by the fact that in each opportunity all the other channels went very quickly, five minutes. But the board wanted to take more than half an hour about this issue of digital banking, because it's fascinating, even for people on the board who are not especially focused on digital, but they know it's our future. But the most important thing, we will not ask members of the board, or CEO of the group, or the Chairman of the group, who are very dedicated on the project, to become digital natives. It would be completely wrong and artificial. The most important thing, including for me, is to be very sensitive and open and supporting, the fact that this innovation will not bring money in the next year, let's be honest, it's investment. But it's our future. And we in BNP Paribas were lucky enough to have our Chairman, Jean-Laurent Bonnafé, our CEO, myself, and others, a leading team completely convinced that it is our future.

### CHAPTER 4: Embedding Digital Expertise Throughout the Organizations

**Rhys Grossman:** And how has digital affected succession planning, so that you have a pipeline of digital talent for key roles?

**Francois Villeroy de Galhou:** You have the different generations. So if I take the people who are more than 50s, for instance, like myself unfortunately, it's very important to be open-minded, as I say. If I take leaders of our management teams, at present, Béatrice Cossa Dumurgier, for instance, who is my COO in retail banking. She is a digital native, to say it. She is very committed with the various Hello teams we have in the countries, where the age average is probably between 30 and 35 years. So the people who are in the teams belong to this generation, but it's not enough, and we have to prepare in the succession planning, with people who are coming from different countries and of a different generation. So most important message we learned, is that it's possible, inside a powerful group like

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BNP Paribas, to have people like corporate entrepreneurs. We have a start up within an established group. They need our support, but they also need autonomy. They need different ways of working with IT innovations and so on, and this belongs to cultural change. It's not yet completely won, but I'm quite confident we made a long way in this direction.

## **CHAPTER 5: Importance of Culture to Drive Digital Change**

**Rhys Grossman:** Lets talk about that. In your view, how significant is the cultural element that needs to be addressed, both at the board and throughout the organisation, in order to make a digital transformation work?

**Francois Villeroy de Galhou:** This is probably the most important point. We launched, to be honest, two initiatives in the same year. The first one is digital bank, Hello Bank. We spoke about it for our customers. And the second one, we call it digital working for our staff. We are a bank, so we are a serious institution, and we need to be serious in our risk policy, in our compliance and so on. But we want also to change the bank in working together in a much more collaborative way, in using all the modern devices, in developing solution networks, and so on. And for us, it was a very strong accelerator to say that in the same mood, we have digital bank and digital working. Changing cultures will take months, years, so I don't have yet a definitive answer to your question. The only point I can make is that exemplatory is one of the strongest accelerators of change. If everybody in BNP Paribas...we have 190,000 people across the world...if everybody sees the Chairman, the CEO, the COO, the [unclear 00:10:03] members, the top managers, developing the digital work, welcoming digital work, promoting innovation. Even if it has risks for our existing activities, even if it requires changing a bit, then BNP Paribas will change quicker. We are the bank for a changing world. So the world and our customers are changing at a dramatic pace, we know it. We have to change in a still more dramatic pace. When you think you are at the end of innovation and digitalisation and so on, you are in a very dangerous situation. We have still many progresses to deliver, but we think we will do them.

**Rhys Grossman:** Mr Villeroy de Galhou, thank you very much.