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KBC Bank and Insurance Holding Company (KBC) (B)

Johan Thijs took over as Managing Director of KBC's Belgian Unit in July 2009. At the same time, he became a member of the Group's executive committee (ExCo) with John Hollows and Luc Popelier. Johan was immediately confronted with two interdependent challenges: positioning the Belgian business on a trajectory of growth; and restoring the financial health of the Group, which was reeling from the financial crisis and the fallout of the bailouts and EU-mandated recovery plan.

Identifying the issues

His first task was to understand what the issues were within the Belgian operation. He already had an idea, having been part of the Belgian ExCo while running the insurance business. He knew that by improving and growing the Belgian business unit (BU), which generated about 80% of the Group's revenues, he would be helping the turnaround of the whole Group.

What became immediately obvious was a strong disconnect and a lack of engagement between employees and management. Understandably, after the events of the financial crisis and KBC requiring two capital injections from the federal and state governments, Johan recognised that employees had lost all trust in management. Even worse, they were demotivated and unhappy and blamed senior management for all the problems the Group was facing. Customers, too, lacked trust in KBC, but with the situation for banks across Belgium being so dire, customers had little alternatives for switching their banking arrangements elsewhere.

Despite the fact that the Belgian BU was profitable, Johan's investigations revealed an alarming lack of accountability on the part of his managers, made possible by the total lack of awareness of the profitability of each product sold by the bank. His discovery that the head of mortgages did not know how much money this key product was making astounded him. Further analysis revealed that mortgages actually lost the bank €100 million in 2008, a fact that confirmed Johan's assessment that the lack of transparency and accountability was a big problem for the bank. In his mind, Johan already knew why this problem existed in the bank. As he explained:

This case was written by Lisa Duke, Research Associate, under the supervision of Professors Costas Markides (London Business School) and Daniel Oyon (HEC Lausanne)

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