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Transformation at ING (A): Agile

The banking sector was undergoing changes unlike anything seen before. We realized that if we wanted to be successful we needed to change as well, thus we embarked on the agile transformation. But we decided not to go in steps, because if you wait until you are ready to go, you will never move. We just went all the way for a full transformation and then we figured out how we could improve.

— Vincent van den Boogert, Chief Executive Officer ING Netherlands

In December 2017, Vincent van den Boogert, CEO of ING's operations in the Netherlands ("ING NL"), was looking for a work space at the company's local headquarters in Amsterdam. Notwithstanding his current executive role, he had not had a private office for over four years—a deliberate move in preparation for what would be the company's "agile" transformation. This reorganization of work had been critical for ING NL responding to and exceeding rapidly changing customer expectations.

Van den Boogert still remembered that Monday, June 15, 2015 when agile launched in true "big bang" fashion. All of ING NL's headquarters employees had gathered in the Amsterdam Arena and jumped up at the same moment for a picture that would immortalize the important inflection point in the company's history. It was a powerful and symbolic moment. To be included in the new ING NL, all employees had had to reapply for a position, with selections based upon employees having the right mindset for the new way of working at ING NL in addition to skills and competencies. Meanwhile the building was transformed into an office bearing no resemblance to the old bank—open spaces, glass walls, and colorful couches provided new scenery for their new way of working.

After ING NL's head office, agile had also been rolled out to the rest of the Dutch organization, from client services to the branch network, and permeated the overall company culture. The bank's management had been bold, but the risk had paid off: two years later, there was general agreement among the workforce that they would never want to go back to the old organization and way of working. But after the successful transformation in the Netherlands, it was time for a next step.

On January 2, 2018, ING NL would start with cross-border agile teams with ING Belgium, while the agile transformation was underway locally in other countries, too. The organization was grappling with a series of questions: could agile be as successful in other countries as it had been in the

Professor William R. Kerr and Research Assistant Federica Gabrieli and Research Associate Emer Moloney (both of the Europe Research Center) prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Netherlands? How fast should ING roll out the transformation? How could they build on the experience acquired so far to improve their methodology? On ING Group level, it was also believed that agile was the best management approach for its future, but a lot of hard work still lay ahead.

Birth of the Agile Transformation

The Company

ING in its current form originated from the 1989 merger between the Dutch banking groups NMB and Postbank. When a year later legal restrictions on mergers between insurers and banks were lifted in the Netherlands, the NMB Postbank Groep entered into merger talks with the insurance company Nationale-Nederlanden. A year later they merged and became the Internationale Nederlanden Groep. The market soon abbreviated the name to I-N-G, prompting the company to change its statutory name to ING Groep N.V. Since its inception, ING developed from a Dutch company with some international business to a multinational with Dutch roots, thanks to a mix of organic growth and acquisitions that increased ING's worldwide presence.

At the turn of the twenty-first century, ING came to the forefront of the industry by offering customers outside of its home countries Netherlands and Belgium an alternative approach to traditional banking: ING Direct, a bank with no branches, that they could access by mail, telephone, or online. With a business model based on simple, no-fee banking products, and sharp marketing campaigns, ING Direct soon challenged the established big banks in markets like Canada, Australia, Spain, and France. By 2017, ING's direct banking franchises, including ING-DiBa in Germany, counted 16 million customers worldwide out of a total of 36 million.

The repercussions of the 2008 Global Financial Crisis forced ING to ask for public aid from the Dutch state. In order for this to be approved in accordance with European Union competition law, the European Commission required ING and the Dutch state to develop a restructuring plan that included the divestment of all ING's insurance and investment management businesses as well as its direct banking unit in the United States. While meeting the European Commission's requirements, ING also made other major divestments to streamline its business portfolio. The direct banking units in Canada and the United Kingdom were sold as were the private banking businesses in Switzerland and Asia. Also the internal organization was restructured. In 2009, for instance, ING finalized the merger of its two previously separate banking units in the Netherlands—ING Bank and Postbank—to reinforce its position in a highly competitive business sector.

The group overcame the crisis and returned to a position of strength. The last tranche of state aid was repaid in 2014. By year-end 2016, ING registered a net result of about €5 billion, more than 51,000 employees, and around 36 million private and business customers in more than 40 countries in Europe, North America, South America, the Middle East, Asia, and Australia. (See **Exhibit 1** for ING's presence worldwide in 2016 and **Exhibit 2** for key financial figures over the years 2012–2016.)

Omni Channel in a Digital World

Trends in technology and digitalization were rapidly changing the financial services landscape in which ING operated. The company believed that banking products had become commodities where customer experience was the key differentiator in a sector made more competitive by the entry of new firms, namely financial technology companies (fintechs) and the big tech giants.

While ING had a head start as a digital innovator, the company identified a need to move from a “multi channel” approach to an “omni channel” vision of banking in order to serve people and businesses who were increasingly connected in digital ecosystems. The vision aimed at the development of an open platform where customers could go not only for their financial needs but also for services and offers from third parties beyond traditional banking. This also implied that ING’s digital systems had to seamlessly integrate into other ecosystems—in this way, the company could be present anytime and anywhere its customers spent time online. Marije Lely, a COO for business lending at ING in the Netherlands and Belgium, elaborated, “We need to deliver what our customers expect in daily banking, and that is being 100% digital, providing first-time fixes and no handovers, and being pro-active and surprising. At the same time, advice is expected to be individualized and relevant, and extremely personal, while allowing customers to seamlessly switch between channels. Our dynamic customer profile system is at the core of all these interactions, and enables us to be proactive and provide individualized advice, because this is what customers expect today.”

Digitalization, in particular, was erasing borders and shaping customer expectations also across countries and industries. Lely said, “Our goal is to provide the best customer experience in all countries where we operate. Nowadays, the most recent best experience at company A is the minimum standard for company B. If there is an innovation in mobile service delivery anywhere, from taxi services to food delivery, customers expect the same service from us as well. We cannot hide behind being a bank anymore.”

Un-Banking the Bank

Inception In 2014 and out of the global recession, ING NL realized that it was not addressing customers’ rapidly changing needs quickly enough. Lely recalled the frustration that had been brewing in the years prior, “After the integration of Postbank with ING Bank in 2009, we realized that we were still not organized efficiently enough, so we focused heavily on initiatives to make our processes and customer service more efficient.” Among other initiatives, in 2010, ING started embracing agile methodologies within its IT department, putting the focus on engineering talent and applying “scrum” to their development processes, namely project management practices centered around daily communication and the flexible handling of tasks.

Recognizing that these innovations had a limited impact, three years later ING formed the first “DevOps” teams, that is “development” and “operations” were brought together through enhanced communication and cooperation between software developers and other IT professionals. (See **Exhibit 3** for a timeline of ING’s transformation journey.) Lely continued:

There was a moment where we saw that despite all the changes we were not responding quickly enough to our customers’ demands, and we were stuck in an organization that was not capable of acting the way it should. There was no financial urge—it was actually quite a glorious and comfortable time—but there was an intrinsic dissatisfaction with the way we were working, with a lot of meetings and handovers, no end-to-end responsibility, so we thought that we needed to change.

Prompted by this internal urge for change, ING NL’s top management started to look for inspiration on how to organize the unit from successful technological companies operating outside of the financial sphere. Lely evoked, “It all started with ING NL’s management team, who visited a number of companies, such as Spotify, Netflix, Google, and Zappos. Our business is financial services, but we specifically looked at non-financial companies to be truly inspired, sort of ‘un-banking the bank’.” She added, “The Dutch management team was triggered by Bart Schlatmann, the chief operating officer of

ING NL at the time and, together with the former CEO Nick Jue, one of the change leaders here. The goal was to have the top leaders of ING NL inspired – they needed to understand themselves first what they wanted to attain before they could bring the message across. They shared what they learned with everybody, and it stuck.”

Teams from those technological firms then traveled to the Netherlands to visit ING. Lely recalled, “When people from Spotify visited us, they were amazed that there was a big bank looking at how they were handling their music services. They first met with all senior managers of ING NL together, and later we had one-on-ones sessions. They answered all our questions about the way they were organized – sometimes silly ones, we realize now – and it was really inspiring. They also provided practical tips because it was all new for us.”

Announcement Capitalizing on the examples witnessed firsthand, in November 2014, ING launched a radical transformation of the Dutch organization. In a packaged announcement, ING combined several messages. The goal was to shorten time to market, improve customer experience, and enhance operational excellence and digital banking capabilities. To achieve this, investments would be made in upgrading IT systems. This would lead to cost savings, but it was also made clear that the measures would lead to significant job losses. The way the message was portrayed helped people to understand and embrace it, according to Van den Boogert, who recalled, “It was first about the *Why* we are doing this and *What* the direction was that we want to take, the dot on the horizon – and many colleagues understood that. That was more or less the good and inspiring news.”

In the weeks after the announcement, the emphasis shifted to the *How*, with more information about the way of working, including breaking down internal silos, realigning organizational structure, reducing handovers and increasing engagement and the pace of innovation. Van den Boogert noted, “It was a compelling story; many people in the end liked the idea of working in a small team where you could implement your ideas. But it was clear it was all coming at the cost of more efficiency: at our Dutch headquarters the workforce was reduced by 25%.” To this end, all employees at headquarters would have to reapply to get a position in the renewed company. “When you talk about the *Why*, *What*, and *How* at the same time, people are going to mix these up. We deliberately took time to explain *why* we were doing this and *how* the model would work, along with, of course, the logical effect it would have on the workforce. In the second phase we provided more details on the consequences,” said Van den Boogert.

ING management was aware of the importance of clearly communicating with employees and addressing their questions on the new way of working. Van den Boogert said, “After the announcement, we had sessions with employees to talk about things like the two pizza principle of Amazon founder Jeff Bezos – namely that if you can’t feed a team with two pizzas, then the team is too large. We implemented symbolic measures by, for example, taking away all the privileged parking spaces of directors and all private offices. One should not underestimate how small changes can help; you should demonstrate that you have embraced the change because if you are not prepared to change *your* way of working then you cannot expect others to change theirs.” Lely noted:

The case for change was not difficult to convey because everybody felt that we really needed to do this – from employees in our call center department to those in the head office. But nobody realized that the change would be so heavy, and that the new roles would be completely different. The way of working really impacted the majority of the existing functions, and we needed to explain to people why that made the function in itself so completely different as to be able to classify it as a new position for which they had to apply. If we look back now, of course we realize that this is *so* different from what we were used to, but I think most of the people wouldn’t have realized it back then.

Selection process The target to become fully operational in the new way of working was set for June 2015, and, in the meantime, the staggered selection process for the whole headquarters' workforce began. Van den Boogert said, "The leadership layer directly below the ING NL management team was 'fired' and had to apply again. Normally you would start somewhere else but we started at the very top. It's tough, but we didn't hire back some people who were seen as heroes at the company. That was the first shock; people realized that this was serious. The first hired *tribe leads* selected in turn the *chapter leads*, who repeated the process to select the *customer journey experts*."

One of the key changes of the agile transition was ING's selection process itself, which in the past included an interview with a manager, who decided whether the person was hired or not. Candidates for the new agile positions had to pass through two interviews, one on knowledge and experience and one on cultural and behavioral aspects, with a hiring team. In order to guarantee maximum objectivity, the hiring team was composed of peers and supported by the human resources department. Van den Boogert remarked, "It was the first time in my life that I didn't select my own team. We could use a veto if we did not want someone hired, for instance if there definitely was no chemistry, but we could not overrule negative advice from the hiring team." This represented "a radical change in everybody's thinking and behavior because you really had to trust others to hire your people. Vetoes were actually seldom used," Lely explained. "The hiring teams really embodied the objectivity of the selection process. They were much better able to select the right people for the right job than a single hiring manager."

Within recruitment, a significant amount of emphasis was placed on culture, the *Orange Code* as described below. The hiring teams looked for people who could thrive in the new working context and, believing that cultural change was critical for the success of the transformation, all selected employees had to attend an extensive one-week onboarding program – even those who had been working at ING for more than two decades. Lely recalled:

There were some people who were well-known for their expertise that were not selected because they didn't fit with this new way of working. Some people left after having experienced the change themselves, because they liked the way we were structured before and could not settle in to the new way of working. Of course, there were things which were good in the old organization, but we erased them anyhow to make the statement 'it will be very different'. And we could only do it by really making people believe that this would contribute to better performance and customer delivery in the end.

Van den Boogert recognized though, "I don't know if it is a regret, but we may have over-weighted the focus on culture in the hiring. It was really painful to see accomplished colleagues leave."

Going agile In the span of three months, the selection process was completed and ING's headquarters were ready to start the new agile chapter. Lely recounted, "We had to say goodbye to 25% of our colleagues, so that was a radical and heavy change. The change was also visible in the agendas – all meetings in everyone's agendas were cancelled from that day, apart from the obligatory ones with regulators." On June 15, 2015, a big event in the Amsterdam Arena gathered together all the newly selected employees, an occasion "to tell again the story and the reasons why we were doing this, and to have fun," Lely said.

The next day, everybody started in a new function. Employees entered into a building that had been completely restructured; it featured glass walls, open spaces, colorful couches, and rooms with several whiteboards to foster creativity and enable teams to work together in an agile way. (See **Exhibit 4** for some pictures of ING NL's Acanthus headquarters.) Lely explained, "It's all transparent now, which truly empowers people in this way of working. In the past, people were spending a lot of time in meetings, maybe even some meetings that they were supposed to attend only because of their title. As

teams have now more end-to-end responsibility and are not dependent on others for most of their work, we do not need to have those large meetings anymore – there is less need for alignment – so we only left five large meeting rooms for the entire bank and similar gatherings.” Tom Degen, business manager to Van den Boogert, added, “Even the members of our board now sit together at one table to work, and this facilitates more daily discussion among them compared to before when they were in separate offices – they practice what they preach.”

The first day started “quite smoothly, actually,” as Lely put it, adding, “It just started. People looked for their team members, found a place to sit, and began exploring how they were going to work together.” From the beginning, ING stressed the need of the organization to be adaptable and flexible, promoting the internal slogan *It Depends*. Reflecting on the fast pace with which the agile transformation was brought about, Van den Boogert said:

If you do a transformation at a gradual pace, then you give people the idea that it may be a failure, and there are always people who want to prove that it won't work. My perspective is that it was a success because we explained to people the benefits of it, then we said that it also had a cost element, and ultimately this created the idea that either you are in or you are out. If you are in, there is no option other than to enjoy and be part of it. The underlying belief was to go from A to B via B and then make B better; because if you wait until you are ready to go, you will never go there. It helped that we looked carefully at successful companies, such as Google and Netflix, and portrayed this to employees. It suddenly put ING up there in the same league in the eyes of employees.

The Agile Methodology

Fundamentals The fundamental unit in ING's agile organization was the *squad*, which was “really the home of anyone working here, or the *customer journey expert* as we call it, and DevOps engineers,” Lely said. (See **Exhibit 5** for a graphical representation of ING's agile model and **Exhibit 6** for an organizational chart of ING NL.) Squads were self-steering, autonomous teams responsible end-to-end for their own specific customer-related purpose. For example, the squad ‘Search engine’ was dedicated to developing the most customer-friendly and effective search engine for ING's various digital channels. Lely explained that “the guideline is for squads to include up to nine people. Normally if it's larger than nine, a squad cannot sit at one big table anymore, and handovers and alignment within the squad increase, which creates inefficiencies. If the squad is too small in size, then they most likely need other squads to help them realize their purpose, which again creates dependencies and therefore more alignment efforts, and that's all waste which we wanted to eliminate.”

Squads were built around different disciplines, areas of expertise, and backgrounds. Lely said, “One of the core changes of this new organization is the cooperation between DevOps engineers and customer journey experts, who work together in one squad. Another key change is that all functions, which were organized in silos before, are now together end-to-end within one squad, from the front-end interaction with customers towards fulfilment in the back-end systems.” For instance, a squad could include customer journey experts with different backgrounds – marketing skills, product management experience, data analysis, user experience – working together with engineers, the exact composition varying according to the nature of the squad's purpose.

Within each squad, product ownership was assigned to one squad member, the *product owner*, who oversaw the squad's work, and took responsibility of the squad's output by prioritizing the backlog – but this did not involve any hierarchical responsibilities. Degen explained:

The product owner is not the boss – this is a role, not a function – but rather the team captain. If he is not there, someone else should be able to replace him directly, just like in a football team – when the captain is injured, someone takes on the role because you always need a team captain. For example, the product owner represents the team when discussing priorities in relation to other squads.

In order to ensure coordination between self-steering and autonomous squads, ING created *tribes*. A tribe was a collection of squads with an interconnected purpose, such as Securities & Private Banking or Mortgage Services. A tribe was coordinated by the *tribe lead* who – although not the traditional boss of all tribe members – empowered by inspiring purpose and set the tribe’s direction. Lely said, “As tribe lead, I ensure our purpose empowers our customers and is responsive to market developments, and I’m sort of holding everything together, making sure that all squads contribute and deliver to the tribe’s purpose. We currently have around 300 squads organized into 13 tribes throughout the bank.”

Development of craftsmanship took place inside *chapters*, which “are really there to develop and maintain expertise within the Tribe,” Lely said. There were, for example, chapters on Proposition and Product Offering, Data Analysis, Process Management, and Digital Capabilities. Chapters determined how the job should be tackled and defined what “good” looked like, setting quality standards and guidelines to help the tribe deliver on its purpose. The *chapter lead* was ultimately responsible for this, and also represented the hierarchy for squad members, taking responsibility for personal development, coaching, and the performance management cycle of individual squad members. The chapter leads performed these activities in addition to their regular day-to-day job in their own squad.

The new structure also included *centers of expertise*, on topics such as communication and pricing. The reason why some specific themes did not end up in tribes was twofold: they needed specific skills and expertise to be tackled, while, at the same time, were instrumental to the proper functioning of all tribes. Hence, while tribes consisted of multidisciplinary teams, centers of expertise were composed of people sharing a similar expertise and who would work both on their own duties and for the enablement of the tribes’ missions.

A vital role in the new setup was the *agile coach*, a person who coached squads and helped them grow into high-performing teams. Agile coaches were assigned to squads based on the squad’s needs and their profiles varied greatly, with some focusing more on backlog management and increasing velocity, others on team dynamics, and still others “more on continuously improving the ‘ceremonies’ of the agile way of working, such as the stand-up, refining, or sprint planning,” Lely said. In recruiting for this new position, ING had “a lot of help from Spotify. Agile coaches have to fit a certain profile because they are primary there to support and coach the squads, thus enabling them to create impact as high performing team,” Lely explained.

Gijs Valbracht, agile coach at ING, described his job, “We used to take people and put them to work together on a certain project. One of the big changes of agile is that we are no longer bringing people to the work, but we are bringing work to the teams. Today, it is important to divide the project in the right parts and bring these to the exact team, and this is still really hard.” David Sampimon, agile coach at ING NL, added, “One of our missions is to help squads become high performing, and to this end teams need to be stable and predictable, because in the scrum framework only certain rules are defined – it is up to the team to decide how to work together. Thus, stability is challenged if someone moves to another scrum team. The problem is that there is a high level of pressure on switching up teams.”

After the head office, ING NL implemented new ways of working in “all of our customer service and sales areas within the Dutch retail bank,” Lely said, adding, “Here it’s the customer loyalty team (CLT), which is at the heart of our customer service. It’s a team comparable to a squad; they work

together to best service our customers with as few handovers as possible, do regular stand-ups together to check their performance, and operate as autonomous teams who take full end responsibility of a certain customer service area. The CLT leads are those who *lead* a team and who *do not manage* a team anymore, so they really serve the team in being able to serve our customers.” While the practices were different from the head office, the principles were the same. Van den Boogert added:

Compared to Spotify we went even further. Our risk department is now also working as a tribe with squads, while in HR people have organized themselves in agile, too. We have exported the principles and applied them in a different way across the whole organization, including headquarters, client services, branch network, and staff. First, because we believed that in this way the transformation would have a higher impact. But also because at some point people found that they were organized in an old-fashioned way – it was not an obligation, we created almost the wish to join.

Process Besides the definition of new roles, ING introduced new processes to adjust operations based on performance. Valbracht explained, “Teams have *daily stand ups*, where they look at things such as: What kind of work do we expect today? How are we improving? What is the goal we want to reach before we leave?” Teams also had *performance dialogues*. Lely explained,

About once every week, we look at the performance and discuss: How can we improve? How are we going to help our customers? How are we going to make sure we deliver upon our promise? This is a totally new way of interacting with respect to the old way of working, where there normally was a manager who set the objectives. Now, the leads support and challenge the teams who decide themselves how to reach their goals. This autonomy is the real novelty and teams have to get used to it.

The *portfolio marketplace* was the alignment mechanism *within* a tribe. Lely explained, “This is where all product owners of all squads come together, look at the full tribe backlog and ask three sets of questions: 1) what did we achieve?, 2) how we are doing in achieving what’s coming up?, and 3) are there impediments that we need to erase and can anybody help?”

The *quarterly business review* (QBR) process was ING’s key mechanism to increase transparency and manage dependencies and alignment *across* the tribes. It was the place where vertical alignment (within tribes) came together with horizontal alignment (across tribes). Lely said, “Each quarter every tribe writes down in a simple and short word document their views on the questions of: What did I achieve? What was the impact I made? What are my plans for the upcoming quarter and what is the envisaged impact that I would like to make? We share the documents in a gathering of all tribes, the QBR market, where we address one fundamental question: when we add up everything, does this contribute to our full bank purpose and the goals we would like to achieve?”

The QBR process was also the occasion when *objective key results* (OKR) were set. Lely explained, “The tribe purpose is translated into tribe goals, or clear targets that we would like to achieve for a full year. Every quarter we then re-define our objectives. We include these tribe objectives into employees’ performance management, which takes into account also squad and personal development objectives. The chapter lead is the reference person within this cycle, however squad members give each other plenty of feedback on performance as well.”

Almost parallel to ING’s Dutch transformation, the bank introduced a global set of principles called the *Orange Code*. It complemented the company’s agile way of working. With integrity above all, it was anchored on three ING Values – 1) *We are honest*, 2) *We are prudent*, and 3) *We are responsible* – and three ING Behaviors – 1) *You take it on and make it happen*, 2) *You help others to be successful*, and 3) *You are*

always a step ahead. (See **Exhibit 7** for an overview of the code.) Lely said, “During my 15 years at ING I experienced a plethora of cultural programs. The Orange Code is the only one that succeeded because it is simple and straightforward. Everybody knows it and it is now part of our DNA – we use it for all aspects, from selection to performance management. The Orange Code is also one of the key success factors of the change we have been through.”

As agile also meant making mistakes, the code included a statement on confronting performance. Lely explained, “This still represents a challenge because of course nobody likes making mistakes, so we explicitly stress that if one doesn’t make a mistake, he or she is maybe not stretching him or herself enough. We introduced elements like the *stupidity walls*, where people post the errors they did, and we make more fun of it – within my tribe for example I put in the spotlight the biggest mistake made, we applaud it, and we just focus on what we learned from it.”

Developments ING had to deal with challenges resulting from the implementation of agile. Lely said, “This way of working makes performance more visible as the squad has to provide insights on what it achieved. The routines such as daily stand-ups, bi-weekly retrospectives, and demos are making visible how everyone is contributing to the team, and how the squad contributes to the tribe.”

One early challenge was correcting false impressions inadvertently made. Lely gave an example: “Our cascade hiring model during the reorganization gave some employees the impression that there was a clear hierarchical order among tribe leads, chapter leads, and customer journey experts, while the hierarchy is organized much differently. We had to change these types of misperceptions.” She added:

The transformation erased the middle-management layer. Maybe at first the implicit assumption was that those middle managers were up to the chapter lead role, thus a lot of them applied for it and were selected. That role though is not a traditional managerial one – a chapter lead focuses on helping individuals to develop their expertise. It’s not a role where you “own” a certain part of the business. Some were puzzled, because they had a sort of hierarchical responsibility over people working in different squads, so they wondered how they could keep track of what they were doing. Moreover, chapter leads have another kind of responsibility in terms of content, developing the expertise of the chapter and contributing to the vision of the tribe based on their expertise. Squads are however responsible for their purpose and the tribe lead has his or her one-on-one with product owners. The chapter lead role was a difficult one, still sometimes is, and we could have spent more time on positioning it more clearly.

Some of the ideas that came to ING from the observation of tech companies did not thrive fully in the Dutch agile setup. This was the case of *guilds*, where groups gathered all those interested in a particular subject, such as Java development or visual design thinking, in a non-official but somewhat organized way. Lely said, “It’s a mechanism to align on certain subjects between squads, tribes, or whoever is interested on the topic. Somehow this didn’t pick up well within ING yet.”

Based on the learnings, ING adjusted roles and created new ones. For instance, as large tribes held more than 20 product owners, there were some *central product owners*, who were responsible for the alignment among a group of product owners before their interaction with their tribe lead. Lely elaborated, “One of the essential elements of the model is that a tribe lead interacts directly with his or her product owners in order to be more connected to what the squads are doing, without any management layer in between. For some of the larger tribes this is too burdensome though, so we are now introducing the *product area lead* who picks up a certain area or domain within a tribe.”

The definition of new roles also helped ING to start addressing the issue of employees' career paths. Lely explained, "People used to have a clear path, from junior to senior positions, but now there is just the choice of one role, either DevOps engineer or Customer Journey Expert. We are currently working on this, and while these new roles help people to make the next step, they still do not give enough grip on everyone's career path."

This development, however, did not necessarily meet the agreement of agile coaches. Valbracht said, "When we start talking about agile transformations, we talk about tribes and squads but that really is not the big change. The big change is on the mindset part, why do we want to collaborate in the organization? Structures should only be enabling that and not be in the way. If you look at what types of organizational structures actually enable collaboration and make teams high performing, often it is about taking away structures that we have put in place ourselves. By adding product area leads there is the risk we are adding new hierarchy."

Attracting the right people for the new roles was crucial as well. Lely said, "A customer journey expert is responsible for the full experience in all channels up to the fulfillment in the back-end systems, which makes the role quite diverse and challenging. We are currently spending quite some effort and time on attracting the right people for this role, because in the market it is not known yet, and we continuously tell the story of why we are doing what we are doing to all new employees." External recruitment also had to be adjusted for the new positions. The customer journey expert role had to be repositioned in the market, as people were used to old functions like marketing, product management, etc., and it was not clear to potential new hires what the job was about.

Autonomy and alignment A continuous challenge for ING NL was the balance between autonomy and alignment. (See **Exhibit 8** for a visual representation of the dilemma.) Lely said, "As a tribe lead, this is at the top of my mind everyday: to respect the autonomy of teams and empower them to be autonomous but also to make sure that there is alignment and this is a continuous journey. Sometimes a team does not feel aligned enough, so it is helped to improve, but then people see that as an intrusion in their autonomy. In a customer delivery organization, sometimes there are things that need to be fixed in a limited time period, but teams do not appreciate intrusions in their autonomy to define how to tackle the job – it's a continuous balancing act." Van den Boogert remarked:

We say that alignment enables autonomy because without alignment it becomes anarchy. Alignment is at least as important as autonomy, and without the first you cannot give the latter. Initially we gave people all kinds of freedom, but maybe we overpromised autonomy. Hence we introduced the QBR, a public and transparent process which we copied from Netflix and was not in place when we started. Its methodology is to have everybody pushing their process and running and every quarter looking back at what went wrong and what went well, and looking forward and aligning because upfront you understand what the tribe is going to deliver.

The interaction with agile coaches was another test on balance. Van den Boogert said, "Now and then I have a heated debate with agile coaches, for example about learning. If it's not going well, they state that people should experiment and fail fast in order to learn. I think we should go for impact and prevent things to turn badly. Maybe we have given a bit too much autonomy – for example, why do people pay for a personal trainer? Because they know that now and then they need a push. We have put such a focus on autonomy that now we are almost ashamed if we are putting more stress on something. I regret that I didn't take earlier a more balanced view on efforts and impact."

Leadership played a key role in the transformation. Valbracht commented, "You can put any structure in place but if our senior management – like the tribe leads – are not asking fundamentally

different questions to the people in the tribe and changing their own way of working, nothing is going to change. Hierarchically, agile coaches are not reporting to the tribe leads, they are part of a center of expertise. So they can actually independently challenge the tribe lead, if that is necessary.” In some instances, agile coaches had challenged the tribe leads, ultimately moving to different tribes.

Sampimon added, “The initial energy is a bit lower, and also from a leadership perspective there is deadline pressure and a risk of falling back into old behavior. Even if you have the best intentions, if you are not experienced in working under the pressure in the new way of working, it is quite common and just human behavior to fall back to what worked in the past. This is now a challenge.”

Lessons learned With agile fully operational, ING could look back at what had been achieved. (See **Exhibit 9** for an overview of the lessons learned.) Lely said, “We broke down the silos and erased almost all handovers. For example, a CLT member picks up the call, has the conversation with the customer and he is able to fulfill the full customer request end-to-end, while before we had three or more handovers in just one request. That was neither very efficient nor empowering. Now people know that if they have a customer on the phone, they need to fix the problem, so they feel responsible for what they deliver, more engaged in their job.”

Even with a 25% reduction in the workforce, ING’s velocity of output increased thanks to the efficiency gains realized with the new set up. Van den Boogert elaborated, “In the past there were some pipelines to pass through to implement new features and it took a lot of time. Now the process is almost democratized, people are in small teams and they can see about every two weeks the output that they produce. And if you work on a feature that 3.5 million customers or your friends use, you can say, ‘I made it.’ The impact that you make is much bigger and people are thrilled by delivering something that has a value. Also, it is more fun if you can work and practice your craftsmanship with other engineers, and you are in a small team where it is easier to propose your ideas.”

The company was proud to be a front runner visited by other companies. Van den Boogert confessed, “Honestly I’m surprised, even overwhelmed by how much attention we got. We could not handle all the requests to visit our company, so we have now people whose job is almost to guide people around and have a tour. This makes you proud – fostering this pride is also of big value.”

On the transformation process, Van den Boogert stressed that it was crucial to understand “what is the belief, make the belief come to a principle, and then the principle come to a practice. For example, the belief from social science is that if you have more than nine people together, the coherence in the team is smaller. And you can’t eat from two pizzas as a team. Therefore this belief made the principle ‘not more than nine people in a squad.’ This results in the practice that there are no more than nine people in a squad. We were much inspired by the underlying principles of Spotify and Google, but we always tried to understand what was going on – this prevented us from stupidly copying something that we did not understand and did not work properly, and instead build things in our own way.” Lely added, “Agile is just a mean to reach a goal. One should look at and spend time on the context. Moreover, one should just start and then make it work; we introduced supporting elements that were not there from the start based on the experience that we acquired along the way. In other words, the design can be good, but adjustments make it great.”

Going Forward

After the success of the agile transformation in the Netherlands, the roll-out process had started in other group companies, such as in ING Poland and ING Germany. While management was confident that agile would work in other countries, they recognized that they would face different challenges than in the Netherlands. In Poland for instance, IT was already applying agile methodologies, so the transformation looked “more like a phase approach rather than a big bang,” explained Ignacio Juliá

Vilar, ING chief innovation officer and head of the retail banking segment. Van den Boogert wondered, “How do we make the agile principles work in cultures where hierarchy may be more important? We are not sure yet, so that will be a difficult part.” Their pragmatic approach mirrored the first transformation: *It Depends*—just dive in and experience how to make it work.

ING’s ultimate goal was make its different banking models converge into one globally scalable platform that provided the best customer experience in all countries. Van den Boogert explained, “I love how the Uber app functions the same way, whether I am in Istanbul or Paris. This is the ambition at ING: provide the same experience no matter the customer location.” Recognizing though that implementation through one large program would lead to high operational risks and up-front costs, the group defined an intermediate state where it would proceed by cluster, converging businesses with similar customer propositions that could benefit from economies of scale. For instance, ING intended to move to an integrated banking platform in the Netherlands and Belgium, leveraging the strengths of the omni-channel capabilities of the first with the relationship model and advice capabilities of the second. ING NL would start “cross border agile” with ING Belgium on January 2, 2018. Van den Boogert explained:

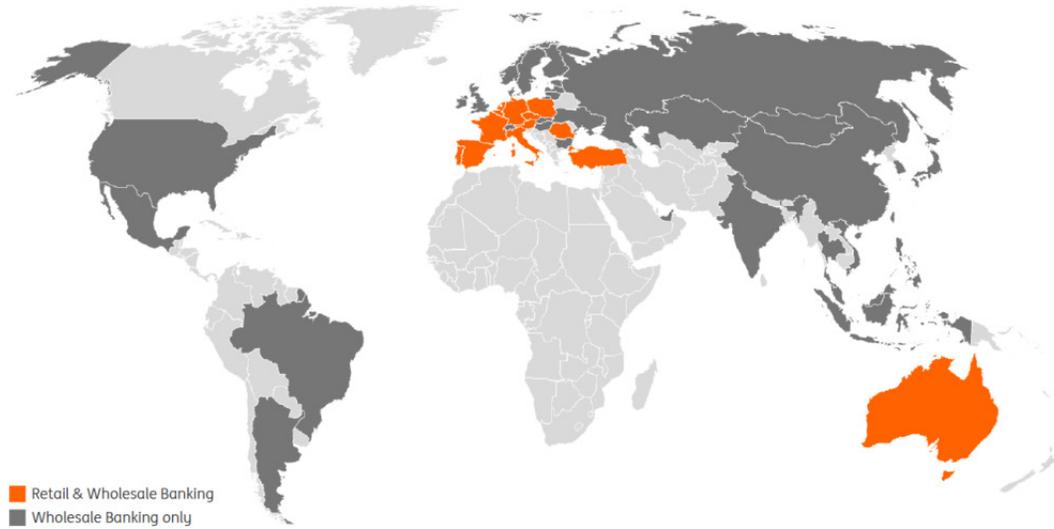
It is tempting to just take agile from the Netherlands and copy it in Belgium, but then we would have two sets of aligned principles. This would be the worst possible situation, because alignment can create the idea that things are almost the same – if we work on the assumption that they are the same but they are not really, the result is chaos. We decided that alignment was not allowed, it would be either identical or explicitly different. Thus, we analyzed what were the aspects of agile in the Netherlands that we liked or not, and we decided to jointly use our experiences with Belgium to design something that is a better version of both. Thus, in January we will not expand to another local unit, we will combine two units cross border, and later on we will have all Belgian and Dutch customers on one system—we will not have one way of working in another country but one way of working spread in two countries. It is lucky that we are combining with Belgium because we will force ourselves to remember again the principles behind the transformation. Of course there will be difficulties to face.

Some difficulties concerned more than just cultural differences. Van den Boogert explained, “In Belgium for example, there is a law stating that all work instructions should be in Dutch, French and German. Now we are discussing whether we can still have for instance, our CRM, in English only.” Other questions were more strategic in nature. Van den Boogert elaborated, “In Belgium they could invent a new system for multiple transactions which is then used in the Netherlands to produce a new customer feature for mobile apps. If we are not careful, we would risk paying VAT twice, while before we did not have this problem because everything was nationally produced. But in the old days we would postpone the decision on how to solve this until we were sure. Now we just go ahead and try to solve problems along the way – this was a big change.”

Some questions touched on the nature of agile itself. Van den Boogert said, “People come here and bring their expertise. But if the norm is multidisciplinary teams, how do we guarantee their craftsmanship in three years from now? For example, they will all be customer journey experts, not marketers. In the old days it was relatively easy because we could have a department with six social media campaign experts. But now I have 300 squads working autonomously—I cannot have a social media expert per squad. And agile means that we cannot make a pipeline that requires people to pass through social media experts. This question is puzzling us a bit.”

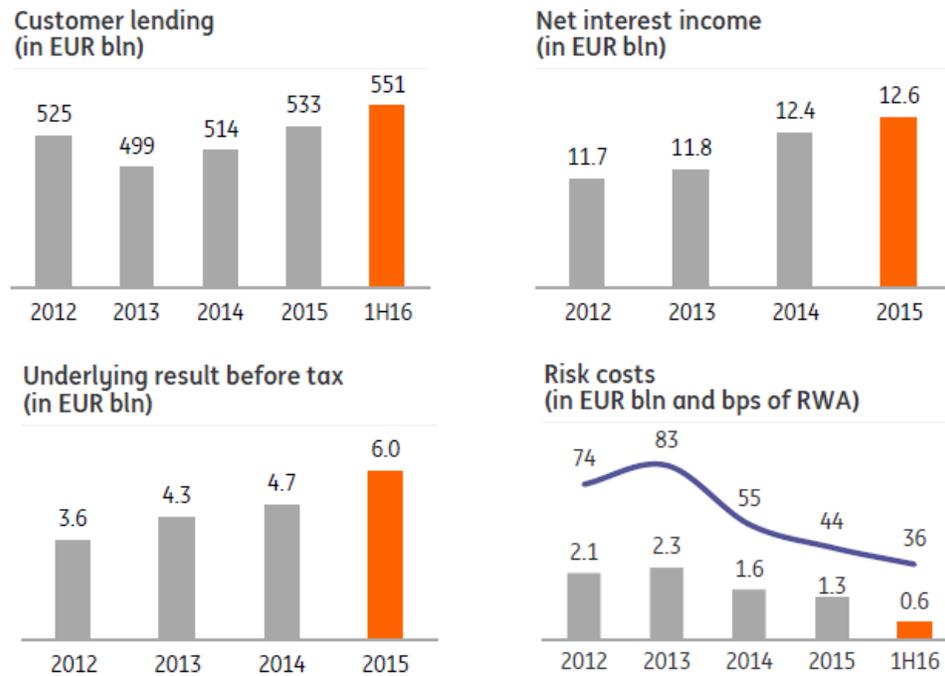
Finding an empty desk, Van den Boogert sat down and looked around at the colorful, engaging office space reminiscent more of a tech company than of a bank. While a number of questions on the next corporate episode were still unanswered, obsession for the customer was ING’s first commandment and they were ready to deliver on their mission.

Exhibit 1 ING Group's Worldwide Presence in 2016

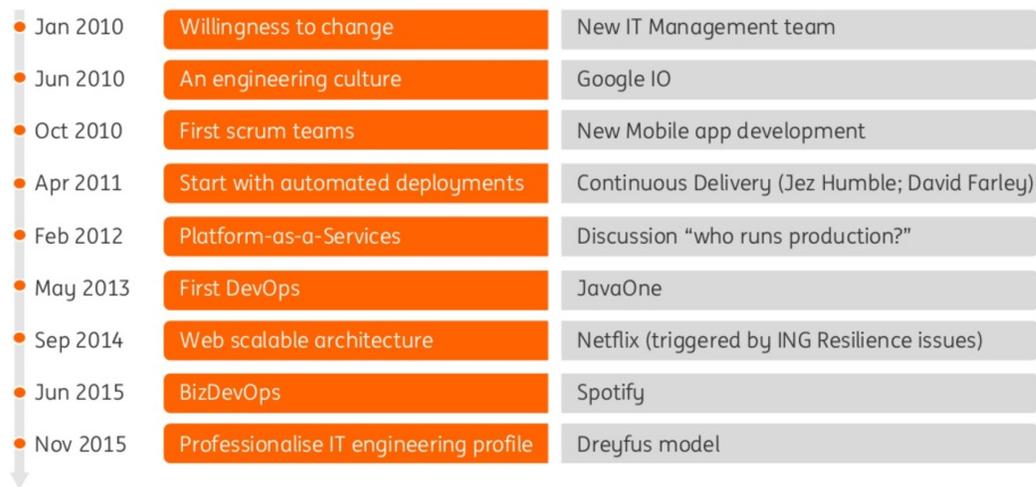


Source: Company documents.

Exhibit 2 ING Group Results, 2012–2016

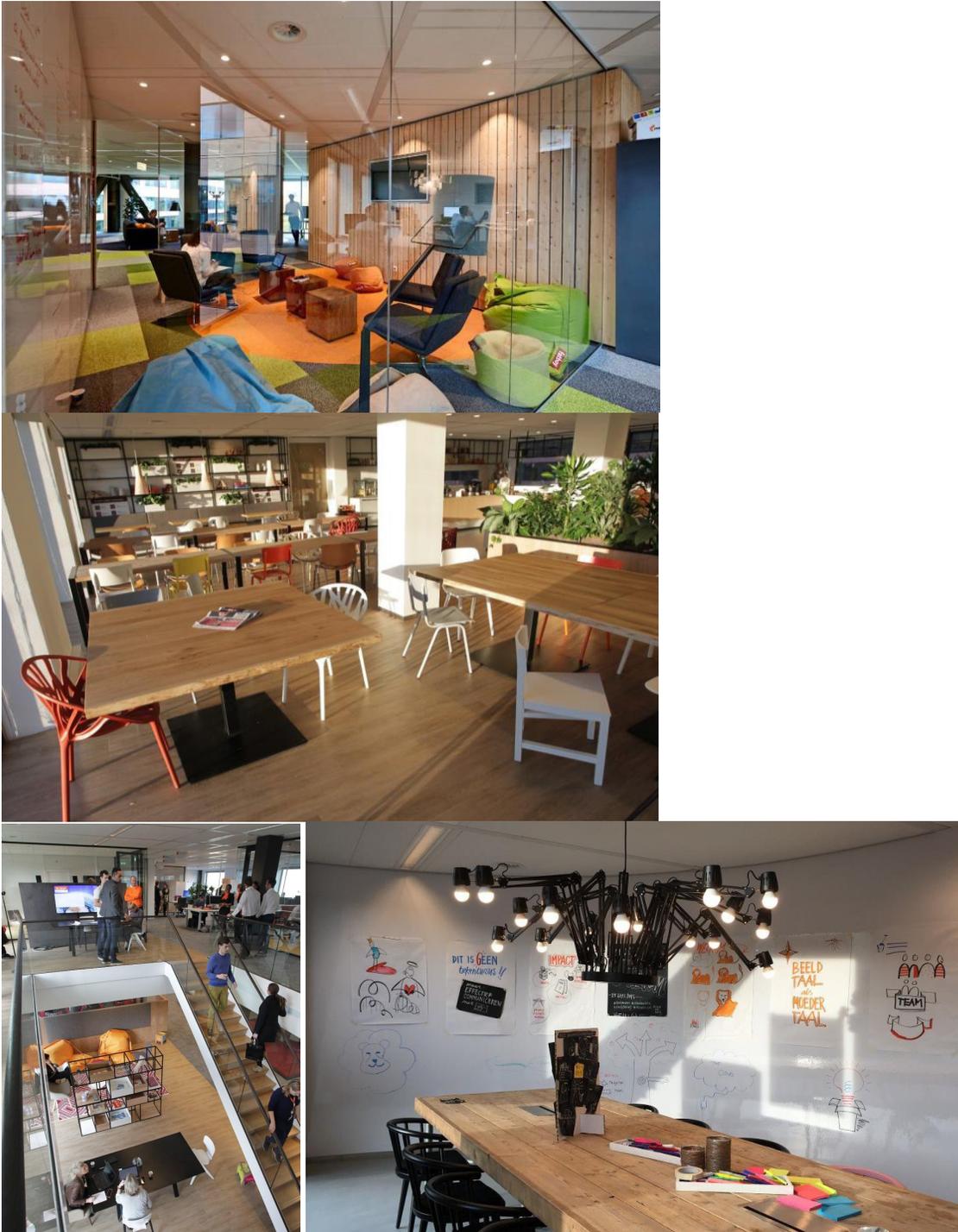


Source: Company documents.

Exhibit 3 Timeline of ING Transformation Journey

Source: Ron van Kemenade, "Nothing Beats Engineering Talent," PowerPoint presentation at DevOps Enterprise Summit, London, June 30, 2016, p. 9, available at <https://www.ing.com/Newsroom/All-news/Nothing-beats-engineering-talent-INGs-agile-transformation.htm>, accessed September 2017.

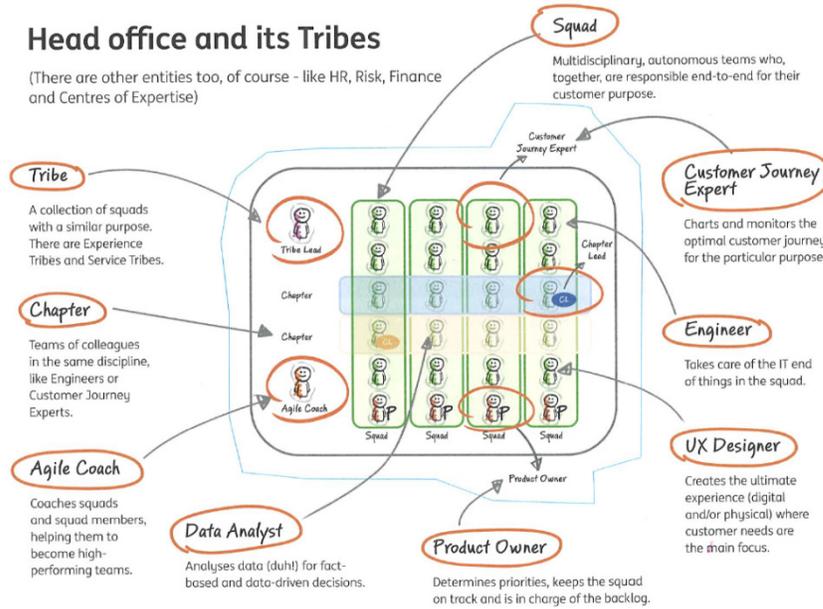
Exhibit 4 ING NL's Acanthus Headquarters



Source: Company documents.

Exhibit 5 The Agile Organizational Model

(a) Head Office



(b) Customer Loyalty Teams

Circles of Customer Loyalty Teams

A Circle comprises several Customer Loyalty Teams. We have done away with the division between customer contact (by phone or chat) and customer request processing (operations). This eliminates unnecessary hand overs and gets our customers what they want faster. There are Customer Loyalty Teams for Daily Banking, Investment, Business Lending and Mortgages.

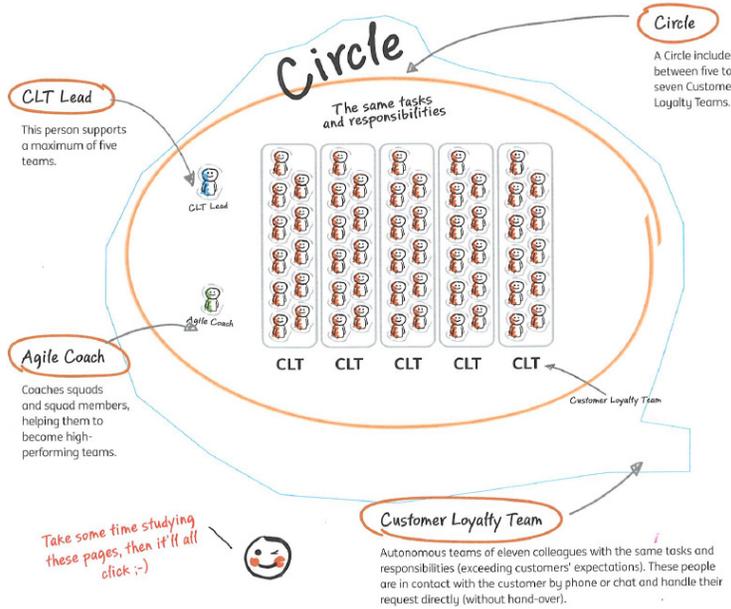
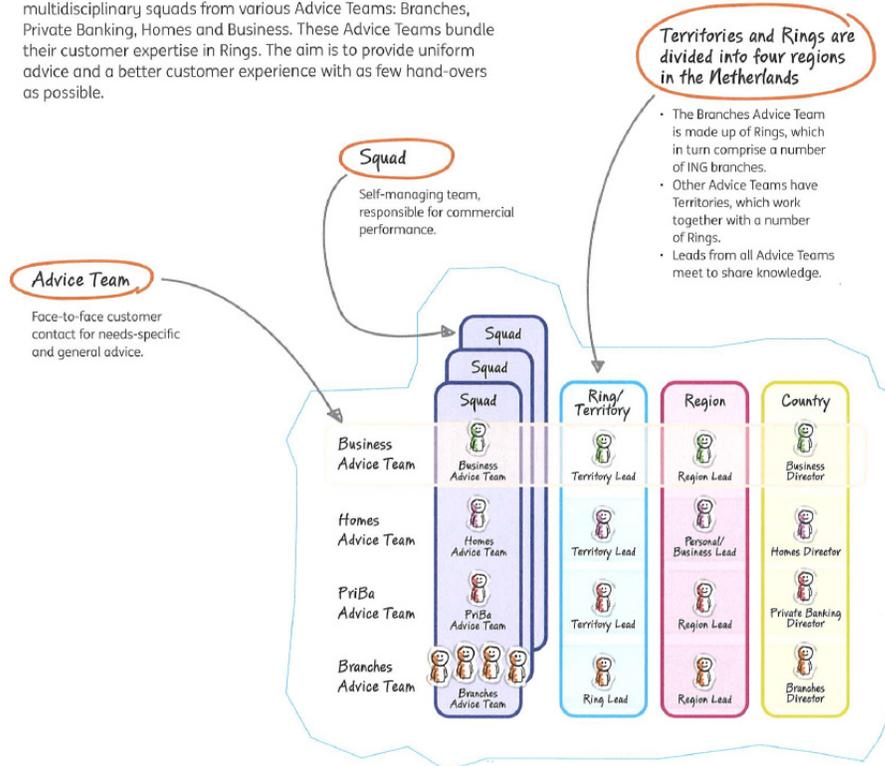


Exhibit 5 (continued)

(c) Face-to-face Customer Contact

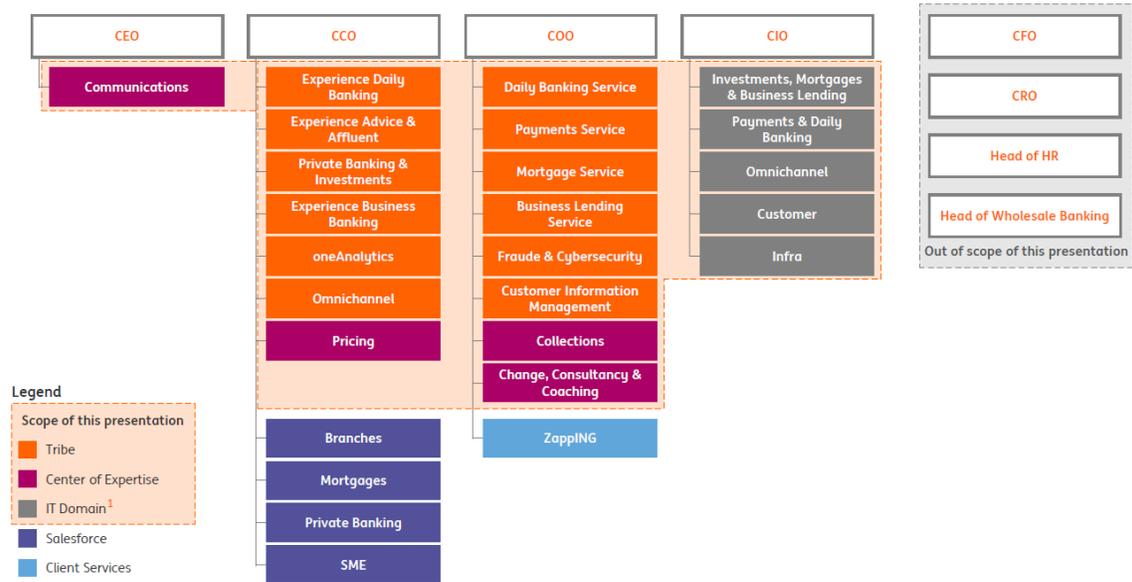
Face-to-face customer contact

Colleagues with face to face customer contact also work in multidisciplinary squads from various Advice Teams: Branches, Private Banking, Homes and Business. These Advice Teams bundle their customer expertise in Rings. The aim is to provide uniform advice and a better customer experience with as few hand-overs as possible.



Source: Company documents.

Exhibit 6 Simplified Organizational Chart of ING NL



Source: Company documents.

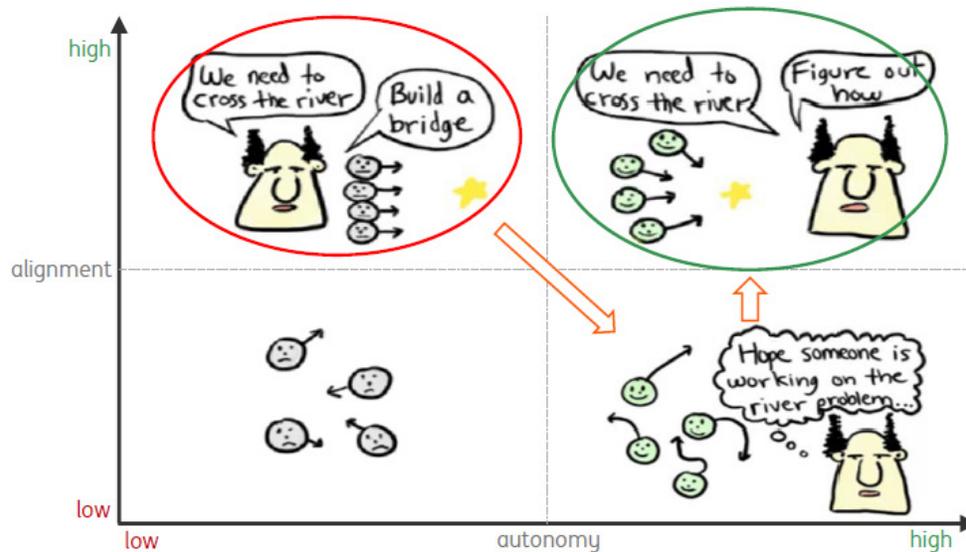
Note: (1) IT Domains form the hierarchical reporting line for IT engineers, who themselves work within the Tribes.

Exhibit 7 The Orange Code



Source: Company documents.

Exhibit 8 The Dilemma of Autonomy and Alignment



Source: Company documents.

Exhibit 9 Lessons Learned

Lessons learned on the process

- **Cultural change is critical** and requires massive communication, example from the top and embedding into new facilities
- **Beliefs, principles, practices & context** are crucial
- Recruiting of Tribe Leads, Super-Circle Leads, Chapter Leads, Circle Leads and Agile Coaches is critical, with **emphasis on behaviour to support cultural change**
- An organization is never 100% ready for the transition, so **make the change and then make it work**
- Squads should **feel the pains and gains** from the impact of their actions on clients

Lessons learned on the output

- At the time of change efficiency will drop; **it takes time to onboard to the new organization** and live the new responsibilities
- The **velocity of our output has increased**, with a shorter time-to-market - despite FTE reductions of ~30%
- **Organizational silo's** have been **broken down**
- The number of **handovers** has been **reduced significantly**
- **Employee satisfaction** has on average **increased**
- All intended cost **reductions have been realized**
- We are **seen as a front runner** and source of inspiration by companies from many different sectors
- The design can be good, but **adjustments make it great**

Source: Company documents.