

From counteracting silos to collaborating squads: creating a unified leadership team that supports business model innovation.

Jord de Kat Angelino
j.dekatangelino@student.tudelft.nl

ABSTRACT

Traditional structures of management create silos that limit the speed and success of business model innovation. This paper describes the problems of silos during the implementation of business model innovation and shows how ING has changed their structure to prevent future problems with business model innovation. Business model innovation is needed more and more and on a faster scale. Because of that, ING has adapted agile working to make their organisation flexible and open for change. The paper gives recommendations based on information provided about the transition into the new structure.

KEYWORDS

business model innovation, management silos, agile, case study

INTRODUCTION

In these modern times, customer needs and expectations are getting more important to companies to survive (Luckenbach et al, 2016). To meet the new demands as a company, flexibility is needed to ensure those changing customer needs and expectations are met. This requires for companies to keep innovating their business model, as Euchner (2014) states: “business models must be adapted and strengthened over time as the competitive environment evolves”. Business models need to adapt more in this dynamic and fast changing times, but find many obstacles in doing so.

According to Govindarajan (2014), management silos counteract this kind of innovation in a business. Management silos are social barriers, mostly between different departments in a company (Gleeson, 2014). The people inside such a silo tend to be protective to their own silo. This results in bad to no collaboration between different departments. The management silos are seen as “a growing pain for most businesses” (Gleeson, 2014).

The management silos have big influence on the implementation of the new business model. When

innovation is needed in a business model, often a top-down approach is used to implement the new model (Davidson, 2013). Due to the silos in a company, there are points of friction because of the attitude of top managers, department managers and the employees. This attitude is mainly due to the silo mentality of departments that has been created over the years (Gleeson, 2014).

Source (2006) explains that the top managers often show resistance to the new business model, because they feel more comfortable working with the current model. Source: “The top managers of the company reached their current level of responsibility by executing within the current business model. So that model is familiar and reassuring to them. They know in their bones what its strengths are, and how best to exploit those advantages.” Top managers feel less comfortable with anything that differs from the old model (Bianca, 2014).

On top of that, there is friction between the top management and the department managers who are part of different silos. They are used to their current way of working and do not see the need for change (Source, 2006).

The stubborn silo attitude of the department managers has a big influence on its employees. According to Source (2006) the employees keep working in the lines of the current business model, to which they are used to. Both the department managers and their employees do not engage with the new plans and give resistance. This overall friction with the new plans causes delay in implementation of the new business model, or even total failure.

Source also explains that the level of change due to the new business model will influence the managers. It takes more proof to convince the managers, before they even consider the changes of the new business model (Toren, 2015). Source: “All too often, the result is that the established business model becomes unchallengeable.”

To solve the problems stated above, big changes in companies and their business models often go together with firing a lot of existing management (Chesbrough, 2008). A new and freshly hired management does not

have the experience with the current business model and therefore are more eager to implement the new business model with less prejudice.

Still these new managers have to act in an already existing organisation, with all the perks of silos. The silos of departments make it less likely to share resources or ideas with other groups or welcome suggestions as to how they might improve (Bianca, 2014). The business with new managers, operates in silos that do not feel the need to collaborate with other departments, at least this collaboration will be limited.

Collaboration only takes place when there is a direct benefit to the members of the department. There is a “my department” mentality instead of an “our organisation” mentality. In addition, the employees in a silo tend to think alike (Bianca, 2014).

The Dutch bank ING has started in 2014 with implementing a new business model and organisational structure without silos, that makes it easier to implement future business model innovation. The transition is still going on, but there are many success stories and insights published in newspapers about this new way of working.

The new structure breaks down silos and turned the company into collaborating squads. These squads are flexible and therefore make implementation of changes due to business model innovation easier. The case study will show how ING has implemented the new structure, so they can adapt better in case of business model innovation.

CASE STUDY

For this case study multiple newspaper articles have been researched. The goal of this research is to get insights of the process and the insights we can learn from it, to turn these into recommendations. For the case study the official statements of the following people working at ING have been used:

- Nick Jue [13]
 - CEO of ING
- Saloua Essalhi [14]
 - Product Owner *Cards Authorisation*
- Nico Kruyswijk [15]
 - Chapter Lead *Tooling*
- Jeroen Baardemans [16]
 - Principal *Internal & External Communication*
- Marijke Brunklaus [11]
 - Director HR *Wholesale banking NL*
- Henk Jan Jensema [10]
 - Head HR *Commercial banking NL*
- Adine Wempe-Kalff [9]
 - Tribe leader *Hypotheek Service*

The ING Way of Working

Called “The ING Way of Working”, the bank now works in a way that is inspired by agile working. According to the ING website (nov. 2016): “In the agile method, everyone works in squads: self-managing, autonomous units with end-to-end responsibility for a specific customer-focused project. A squad brings together colleagues from all the disciplines that are needed to complete the project successfully.”

Squads are part of *tribes*, a group of multiple squads in working on the same “theme”. These tribes are led by tribe leaders who direct the squads in a certain direction, and also is one of the persons that forms the squads. Squads have a limited life time, after their job is finished, the squad is disassembled and members are put onto another project in a different composition.

The ING Way of Working turned the organisation into an “action driven organisation”, according to Baardemans. The squads keep a close eye on what’s happening with the customers and adapt if necessary. Feedback of customers is collected and can result into new squads. This way the organisation is based on change from its core. The silo culture the ING first had, has disappeared.

The old silos also resulted in many meetings and discussion hours. Essalhi tells that since the new way of working, there is less talking and more doing. Since the squads are smaller and the lines direct, more time is available for action.

The transition of structure

As head HR, Jensema oversaw the change into the new organisation structure. The former structure was totally different from the new one, and therefore all employees had to be assessed again. Since the new way of working, requires other capabilities from the employees then in the traditional structure.

The new way of working requires for example more autonomous behaviour from the employees. To make the implementation of the new structure possible in a short time span, employees are not educated on autonomy. Therefore, it should be part of their personality already.

All employees were assessed by a new assessment centre of the ING. Jensema tells the assessment includes getting to know the motivation of the employee to work at ING, a Big Five personality test and a game that tests the soft skills of the employee. After that, hiring teams are getting in contact with the employee, which result in two conversations.

This all creates a profile of the employee that is used to select employees that are fit to work in the new model. Bases on this *cultural fit*, there are calibration sessions that creates groups of employees that fit together. These

groups are the source for the on boarding and creation of new squads.

These groups are important, since squads only exist for a relatively short time. After a squad is finished their goal, the squad is dismantled and their task is done. The groups also ensure there is diversity and that the employees capacities fit their function.

In a few months the organisation was re-assessed and started working in the new way. Jensema: “Where there was a strict selection procedure at first, there is now a search for cultural fit with the agile way of working.”

Squad synergy

Wempe tells the squads are formed in a way to ensure an optimal collaboration between the members. The synergy between the members is important, and important to that is that employees do what fits their personality. Kruyswijk sees this synergy boosting the motivation, dynamics and interaction in a positive way. Jensema adds to this that there is a big collective feeling of responsibility due to the synergy.

The synergy is supported by the environment the squads work in. Jensema tells that the open environments are less formal and feel like a home. This makes the employees feel at ease and loose hierarchy. The open environment also stimulates the interaction between different squads. Jensema: “Colleagues share knowledge and help each other out if things do not work out for someone. Employees meet other experts on different fields that inspire each other.”

RECOMMENDATIONS

Out of the information collected there are several recommendations that roll out of this case study.

- Brunklaus did get employees enthusiastic about the changes, by involving them from the early stages of creating the transition plans.
- Where in traditional structures employees are seen by their function, Jue advises to look at some one’s skills. People are chosen based on their expertise and therefore feel more appreciated and work better.
- Do not change the whole organisation in once. Brunklaus says first only some departments changed into the new structure to look and feedback on how the changes are getting implemented.
- Kruyswijk and Jensema: Do not only change the organisational structure, but also build a supportive environment that enables interaction between squads and support the new interactions between colleagues.
- Not all employees are a *cultural fit* for the new way of working. Jensema tells that some of the

re-assessed employees did not fit and had to find another job.

CONCLUSION

When implementing a new business model in a traditional company structure, the management silos counteracted the innovation and implementation (Source, 2014). Traditional structures have self-protective departments, that do not feel the urge to change (Bianca, 2014). ING was able to change their structure into a flexible one that makes change the core of their business. Therefore, business model innovation is easier to implement.

The silo culture the ING first had, has disappeared. ING has changed their departments into many squads. The squads form together based on some one’s skills and are disassembled after they have finished their job. Because of the short life time of the squads, ING has gained a lot of flexibility. The company can easily adapt to new customer needs and steer in a new direction. The CEO of ING, Jue, is very positive about their new way of working.

Not only the new way of working is good from a management position, the employees themselves also work with more synergy. Employees like Kruyswijk and Essalhi feel more at ease and more effective. There is less talking and more doing.

Transitioning from a traditional, silo-sensitive organisational structure, to an agile inspired way of working, takes some great effort. All the employees and managers of the company had to be re-assessed. Next to that the whole preparation phase and design phase of how the new structure would look, would probably have cost a lot of time. It is unclear if they have had support from an external company to help with the transition to the new way of working.

The transition to the new agile way of working, started by involving employees in the early stages. Therefore, they felt involved and got enthusiastic about the new plans. Also the change was split up in multiple parts, and therefore ING is still transitioning. The organisation is not changed in once, so they could monitor success and adapt when needed.

To conclude, it looks like ING has tackled the problem of implementing business model innovation. The new organisational agile structure is based on change. According to Jensema, only a few persons that were not a cultural fit lost their job. This sounds less radical then replacing the whole management, which is often the case when business model innovation (Chesbrough, 2008). The next years will point out if it really is a success.

REFLECTION

Since most of the information about the new way of working at ING, came from their website or from news articles that can be seen as part of media campaign, the information gathered showed a very positive look on the new way of working at ING. Therefore, there is a chance that this paper does not show the downside of the new way of working and probably other new kind of problems.

Unfortunately, there is no publicly available information about details of the transition to the new structure. Therefore, a comprehensive overview of steps and guidelines cannot be given.

REFERENCES

1. Lückenbach, F., Baumgarth, C., Schmidt, H. J., & Henseler, J. (2016). *Identity, customer needs or risk-taking? Empirical analysis of the impact of brand, market and entrepreneurial orientation on the performance of Social Entrepreneurship Organisations (SEOs)*.
2. Euchner, J., & Ganguly, A. (2014). *Business model innovation in practice*. Research-Technology Management, 57(6), 33-39.
3. Gleeson, B. (2014, October 2). *The Silo Mentality: How To Break Down The Barriers*. Retrieved December 21, 2016, from <http://www.forbes.com/sites/brentgleeson/2013/10/02/the-silo-mentality-how-to-break-down-the-barriers/>
4. Davidson, E. A., & Kanter, D. (2013, December). *Top-down model estimates, bottom-up inventories, and future projections of global natural and anthropogenic emissions of nitrous oxide*. AGU Fall Meeting Abstracts (Vol. 1, p. 04).
5. Chesbrough, H. (2008). *Business Model Innovation: Its Not just about technology anymore*. Strategy and Leadership, 35(6), 12-17.
6. Source, H. & Chesbrough, H. (2006) *Open Business Models: How to Thrive in the New Innovation Landscape*. Harvard Business School Press, chapter 5.
7. Bianca, A. (2014, February). *What Do Silos Mean in Business Culture?* Retrieved December 01, 2016, from <http://yourbusiness.azcentral.com/silos-mean-business-culture-3448.html>
8. Govindarajan, V., Sebell, M., & Terwilliger, J. (2014, December 23). *The First Two Steps Toward Breaking Down Silos in Your Organization*. Retrieved November 29, 2016, from <https://hbr.org/2011/08/the-first-two-steps-toward-breaking-down-silos>
9. Unknown. (2015, August). *Agile werken: Zo krijgt ING de medewerkers mee*. Retrieved December 01, 2016, from <http://www.pwdegids.nl/organisatie-strategie/nieuws/2016/9/zo-innoveert-ing-met-agile-werken-101169>
10. Unknown. (2015, December). *Zo innoveert ING met agile werken*. Retrieved December 01, 2016, from <http://www.pwdegids.nl/organisatie-strategie/nieuws/2016/9/zo-innoveert-ing-met-agile-werken-101169>
11. Den Breejen, J., Drs. (2016, February). *ING innoveert met Agile werken*. Retrieved December 01, 2016, from <https://www.sn.nl/blog/ing-innoveert-met-agile-werken/>
12. Unknown (2015, October). *The ING Way of Working*. Retrieved December 01, 2016, from <https://www.ing.jobs/Netherlands/Why-ING/What-we-offer/Agile-working.htm>
13. Unknown (2016, March). *Nick Jue over de omnichannel aanpak van ING*. Retrieved December 01, 2016, from <http://www.banken.nl/nieuws/3017/nick-jue-over-de-omnichannelaanpak-van-ing>
14. Essalhi, S. (2016). *Saloua Essalhi over Agile werken bij ING*. Retrieved December 01, 2016, from <https://www.ing.jobs/Netherlands/Why-ING/What-we-offer/Agile-working/Saloua-Essalhi.htm>
15. Kruyswijk, N. (2016). *Nico Kruyswijk over Agile werken bij ING*. Retrieved December 01, 2016, from <https://www.ing.jobs/Netherlands/Why-ING/What-we-offer/Agile-working/Copy-of-Nico-Kruyswijk.htm>
16. Baardemans, J. (2016). *Jeroen Baardemans over Agile werken bij ING*. Retrieved December 01, 2016, from <https://www.ing.jobs/Netherlands/Why-ING/What-we-offer/Agile-working/Copy-of-Jeroen-Baardemans.htm>
17. Hensen, C. (2016, May 18). *Het nieuwe nieuwe werken*. Retrieved December 01, 2016, from <https://www.nrc.nl/nieuws/2016/05/18/het-nieuwe-nieuwe-werken-1619320-a1375412>
18. Toren, M. (2015, September 17). *4 Warning Signs Your Team Is Working in Silos, and How to Destroy Them*. Retrieved December 01, 2016, from <https://www.entrepreneur.com/article/250477>