



Three Ways to Make Your Organisation Agile

Your competition is no longer who it used to be.

Agile, the flexible way of working, has spread from software development to organisational change – for small start-ups and even large, traditional organisations. The Agile software methodology is iterative and collaborative; it ensures that small, autonomous groups work together to align with customer needs. In this age of information at our fingertips, same-day delivery and seamless payment options, customers now expect more from business than ever before and companies must adapt to thrive.

This methodology is the underpinning for the transformation of large banks, such as ING and Sberbank with the expertise of change architect Bart Schlatmann. On a recent visit to INSEAD, Schlatmann, the former COO of ING and Chief Transformation Officer at Sberbank, discussed the shift to the collaborative environment of Agile from the old organisational model of command-and-control. For organisational transformation, **Agile** describes the way firms are created around flexible, customer-focused and often self-managed teams, empowering employees to make decisions.

In 2014, reflecting on challenges facing the bank, ING executives understood that change was necessary and that putting the customer journey at the centre of the business would lead to growth. For them, the Agile methodology, which had been

employed in its IT department since 2010, was the answer. Executives visited Spotify, the Swedish music streaming start-up, for a look into its **Agile organisation**.

Established industries tend to focus on their direct competition rather than companies in other industries that excel at capturing the interest of customers. For example, if customers expect a quick turnaround on an online order, they also expect a quick decision or result from a bank. By delivering packages the same day, Amazon changes clients' expectations. According to Schlatmann, your direct competitor is no longer the benchmark for customer satisfaction, Amazon is. He described this as "the behaviour of clients is actually set by digital innovators".

In our case study "**Embracing Digital: ING's Journey to a New Way of Working**", my co-authors **Yves Doz, Lucia Del Carpio, Nancy Brandwein** and I investigated the organisational transformation of the bank with Schlatmann's guidance. We looked at how ING's success in completely integrating with another entity in 2007 spurred the bank to rethink traditional ways of working which in turn led to the Agile transformation.

Breaking eggs to make an omelette

Visit **INSEAD Knowledge**
<http://knowledge.insead.edu>

At ING, the Agile change affected most divisions simultaneously. Teams had to become smaller and less hierarchical. Everyone had to reapply for a place in the new organisation. Because 30 percent of senior managers didn't fit in the new culture, they left.

Managers no longer assigned team or individual objectives. They were set at the small group or "squad" level to meet the needs of customers. ING employees were thereafter more likely to meet directly with customers as their needs informed the squad's priorities.

Schlatmann believes that adapting an organisation to Agile delivery requires a complete change in mindset. One example of this is how IT is positioned in the organisation. IT support typically sits outside of the "business" or client-facing functions. In the Agile environment, IT and customer-facing professionals are on the same squad, typically in a group of no more than nine members.

Professor Del Carpio and I ran five surveys tracking objectives and analysing the squads' success over almost two years. We found that engagement and team efficiency increased significantly as the transformation went on. Schlatmann said employees were able to tell us "the story without any politics" in the surveys.

Each squad at the bank needed a technical person who could examine the customer problem with her teammates and work towards a digital solution. For example, a developer working with a loan team could create an app designed for a select group of customers.

Getting IT into every squad required acquiring tech talent. Although banks generally have a huge amount of data for engineers to mine, they were seen as staid and boring places to work. According to Schlatmann, ING's move to Agile turned the bank into the number one preferred employer of software engineers in the Dutch market. It didn't need to advertise or put together a marketing campaign about working at ING. Positive word-of-mouth attracted the new tech talent because ING engineers were excited and "telling the story of what they were accomplishing on a day-to-day basis," he said.

Advice from the trenches

Schlatmann has now overseen Agile transformations at two major banks, ING and Sberbank. He recommends starting an Agile change in one division and moving outwards. In the banking industry, one could start with a mortgage area or a business lending area. "It's a very important product for the banks. But on the other hand, it is also pretty independent," he explains.

Visit **INSEAD Knowledge**
<http://knowledge.insead.edu>

First, he says executives should ask themselves whether their competitors are driving customer behaviour or whether clients' expectations are being fuelled by companies in another industry. If companies in another industry are driving change, look there for answers and adapt accordingly.

Second, Schlatmann emphasises "measure and measure and measure. Because objective measurements will provide you with the real data." Surveys of how employees are performing throughout the transition can, in conjunction with objectives, give real measures of progress.

Third, turn from a **command-and-control** management style to a goal-oriented, time-delimited and customer-focused one. Agile as an organisational methodology works not only for **small tech companies** but for large established firms too. Schlatmann recommends starting small, showing good results, and extending the methodology to the whole company.

Maria Guadalupe is an Associate Professor of Economics and Political Science and the Academic Director of the **INSEAD Randomized Control Trials (RCT) Lab**.

Follow INSEAD Knowledge on **Twitter** and **Facebook**.

Find article at

<https://knowledge.insead.edu/leadership-organisations/three-ways-to-make-your-organisation-agile-8921>

Download the Knowledge app for free

