

ING uses best practices and innovation to become a globally integrated enterprise

Overview

■ Business Challenge

Facing the industry-wide challenges of tight cost/income ratios, slow time to market, and increasing customer demands, Dutch banking giant ING concluded that it needed to reorganize and streamline its internal business processes across the enterprise if it was to gain a competitive edge on the commercial loans market.

■ Solution

Working with IBM, ING applied an industry-standard framework of best practices to its business operations. Beginning with a “test drive” project that initiated transformation of the bank’s commercial loans division, ING and IBM moved on to create a center of competence to apply lessons learned to further transformational projects across the entire global company.

■ Key Benefits

- *Leveraged 88 percent of standard IFW processes*
- *Expected 10 to 11 percent reduction in the cost of business transformation projects*
- *Expected reductions of 20 percent in time to market*



Running a tight ship

In today’s global banking industry, concerns over cost and risk dominate. Banks live and die by cost/income ratios, and the world-wide banking crisis that started in 2007 has made institutions everywhere very cautious about risk exposure.

As a result, what are often conflicting forces are driving business decisions. Companies with relatively high costs, such as those with diverse processes and infrastructures caused by growth through acquisition, are motivated to transform and streamline their operations. Yet, the risk associated with change is a powerful disincentive in these uncertain times.

“With Information FrameWork, we’re able to work together much more easily to bring new products to market.”

— *Tim Kersten, manager, business lending, ING*

Creating a new model for transformation

Business Benefits

- Leveraged 88 percent of standard IFW processes, making it easier to carry out transformation—with no modification necessary
- Expected 10 to 11 percent reduction in the cost of project requirements management and business change initiative execution through re-use and alignment of existing processes
- Expected reductions of 20 percent in time to market through more efficient internal interactions
- Established an unprecedented, low-risk implementation model for business transformation that limits initial exposure to a single division
- Prompted creation of a global center of competence to spread best practices across the enterprise
- Provided unexpected collaborative benefits through the use of common business terminology across organizational silos

Dutch banking and insurance giant ING faced such a situation. It had diverse, segmented channels and many discrete systems and processes spread across the globe. Workflows often involved employees switching screens multiple times, re-entering the same data, overlapping functionality, multiple systems involved in single processes, and little coordination between business units. There was a great deal of human intervention involved in doing business, to compensate for lack of unification in the bank's IT systems and business processes. All of this drove up costs and made it difficult to bring new products and services to market.

Reorganizing with outside help

In 2007, ING concluded that it needed to change its operational model in order to make the company more efficient, and hired outside consultants. They identified the changes needed, but ING still needed to determine how to execute them and called on IBM Global Business Services.

Meetings with IBM showed that there was a clear way to institute change, and in fact ING was already using it: IBM Information FrameWork (IFW). IFW is an industry-standard framework of best practices designed to streamline and improve operations across the enterprise. IFW is technology-agnostic and includes configuration and deployment models for aligning, streamlining and rationalizing internal processes in the banking industry. In an earlier engagement, ING had instituted IFW to make parts of its global operations more efficient, but the deployment was limited to IT processes.

In the more recent engagement, IBM helped ING come to the realization that IFW could be extended beyond IT, into the business side of the organization, and could help to better integrate both business and IT within the bank.

"We had no benchmark for good lending models," says Tim Kersten, manager of business lending at ING and champion of the transformation project. "We looked at the rest of the industry and found that it was facing similar situations to ours. The conclusion drawn from this was that ING actually had a business/IT alignment issue, along with a fundamental process issue. So the company undertook the transformation project as a joint effort between the business side and the IT side. This was something new. Typically, IT projects are focused only on IT infrastructure and functionality, while business transformation is not tied directly to IT transformation and typically reaches no further than processes."

A groundbreaking implementation model

ING elected to undertake its IFW transformation in an unusual and highly effective way. Rather than look at the whole business at once, the company decided to address a single division—in this case, commercial lending—and do a complete

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– Tim Kersten

transformation within the boundaries of that division. This would accomplish two important goals: first, it would limit the risk to the rest of the bank should the project not go as expected; and second, it would allow ING to learn not only how effective it was, but how to best roll the transformation initiative out across the rest of the enterprise, worldwide.

The initial, successful “test drive” of IFW in the commercial lending division took place between October and December of 2007. This addressed four of the 24 business processes in the ING commercial loans division. Between January and March, 2008, a pilot phase was initiated to ensure that the methodology fit ING’s needs. Phase I of the full project, which completed the full redesign of all 24 selected lending processes of the division, was completed by September 2008.

As the second part of this ground-breaking implementation model, ING and IBM established a center of competence, jointly staffed by the two companies. The center’s mission is to support further transformation projects worldwide, employing best practices and lessons learned from the initial project and educating other divisions about the project.

By extending best practices across the entire company, ING can take steps towards becoming a true globally integrated enterprise. In such an organization, processes and systems are aligned and leveraged so that they are consolidated on a worldwide scale, not just within a given business unit or geography. The envisaged end-state of this center of competence is a full, federated model where individual divisions become self supporting in using IFW.

Going beyond the planned goals

Based on the outcome of the initial deployment, ING should easily accomplish its initial goal of cost reduction and greater efficiency. Time to market, thanks to re-use of existing resources and more efficient interactions, is expected to drop by 20 percent. And costs for business transformation projects should fall by 10 to 11 percent overall.

Today’s market situation creates the need for a burning platform to drive business process improvement and business/IT alignment. Earlier efforts, using methods like Business Process Redesign, Lean and Six Sigma failed due to the lack of a burning platform. Now that the burning platform has arrived—faster than anyone could have predicted—the need for taking away fundamental cost drivers is even more apparent. Moreover, this means taking away root causes and not ignoring the role faulty IT solutions play in poor Business Process performance. So, where the other methodologies focus on either processes or IT, IFW takes a holistic approach. As a

Solution Components

Resources

- IBM Information FrameWork

Services

- IBM Global Business Services
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Transformation at a glance

In order to align, rationalize and streamline its business operations, Dutch bank ING transformed one of its divisions in accordance with an IBM industry standard framework of best practices for the banking industry. A ground-breaking deployment model was used that limited the risk involved in the implementation, and established a competency center to facilitate further transformation and set ING on the path to becoming a globally integrated enterprise.



side effect, IFW helps to standardize on project execution approaches as it contains pre-defined artifacts and solutions. This makes project execution a lot shorter, cheaper and most important: less risky, especially when operating cross-border.

IFW also enabled ING to re-use nearly all of its existing processes and IT infrastructure, because it focuses on alignment and streamlining rather than replacement. Some 88 percent of IFW's existing processes were usable off the shelf, with only the remaining 12 percent needing to be customized to accommodate ING's needs.

Implementation of IFW across both business and IT yielded some unexpected benefits, according to Tim Kersten. "One of the things IFW does is introduces consistency, not only in terms of data models and processes, but also in definitions and terminology. This had actually been a significant problem when attempting to coordinate activities across siloed business units. We'd have to generate custom glossaries to define what certain terms like "contract" actually meant in the context of a project, because different divisions used the same word to mean two different things. It caused confusion and slowdowns in product development. Now, with IFW, we're able to work together more effectively."

The importance of buy-in

The real key to the success of ING's transformation project can be found in the manner in which it was accomplished. Knowing that senior management would be very hesitant to commit resources and expose the company to undue risk, the ING team and IBM devised a way to create a level of comfort and decision support that would justify expanding the initial test project. "We felt that by producing solid results on a small scale, we could gain greater traction with upper management," Kersten says.

The competency center, too, has a role in promoting acceptance of the transformation. Part of its mission is making all parts of ING aware of the program and its benefits, and generating internal "buy-in" across the enterprise. "We believe that we now have a solid foundation on which to build," Kersten concludes.

For more information

To learn more about how IBM can help transform your business, please contact your IBM representative or IBM Business Partner.

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1 New Orchard Road
Armonk, NY 10504
U.S.A.

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