

GRADUATION ASSIGNMENT REPORT

*Involvement of internal and external stakeholders with the work of  
Payments Lab at ING Bank.*

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## **EXECUTIVE SUMMARY**

The purpose of this report is to investigate the possibility of involvement of different stakeholders in the work of Payments Lab – a start-up within ING Bank. The research is focused on two particular groups of stakeholders: Internal Business Stakeholders, represented by employees of ING Operations and IT Banking; and External Business Stakeholders, represented by end-users of payment products at various corporations. The research carried out for this report was based on Soft System Methodology. It included a review of relevant literature and internal ING documents, briefing meetings with the Payments Lab team, interviews with 16 ING employees from different organizational departments, and participation in several seminars and workshops. Using Soft System Methodology, three conceptual models were developed to pattern the process of the stakeholders' involvement. The first major finding of this report is that while customer centricity is one of the main strategic directions of ING, the departments, whose work is directly concerned with customers, have actually never met with them. It was found that the departments' work is primarily based on market research, trends etc. Furthermore, as a start-up, Payments Lab has aimed to expand its internal network and bring new projects into its environment. However, it was found that Internal Business Stakeholders were either not open to change or had doubts about Payments Lab's credibility. Finally, the research revealed that there were many obstacles to introducing innovative ideas. This report recommends a continued effort to establish business relationship with customers. Furthermore, for more efficient engagement of Internal Business Stakeholders is recommended to analyze IBS and chose the priority groups to contact using different strategies. To improve promotion of innovative ideas different approaches to preparing for meetings are suggested, including developing numerical proofs and change of presenting strategy.

## **LIST OF ABBREVIATIONS**

**OIB** – Operations and IT Banking

**CBS** – Commercial Banking Services

**EBS** – External Business Stakeholders

**IBS** – Internal Business Stakeholders

**SSM** – Soft System Methodology

**CB** – Commercial Banking

**R&D** – Research and Development

**CDM** - Customer Development Model

**PDM** - Product Development Model

**IM** – Investment Management

**PCM** – Payments and Cash Management

**CFO** – Chief Executive Officer

**B2B** – Business to Business

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# 1. INTRODUCTION

This chapter reveals the research aim, objectives, research question and research hypothesis. It includes a literature overview, and introduces relevant theories, concepts and practices on which this research is based.

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Payments are a core business for ING Bank; therefore a lot of resources are allocated to improve offered payments products and services and innovate in this domain. Thus in April 2012 a new entity was created within ING Bank called Payments Lab, which aim is to support ING in development of knowledge about new payments technologies and assist in their integration into ING environment. Being an internal start-up, Payments Lab is facing among others a challenge of establishing of fruitful relationships with its stakeholders.

Being a student of International Business and Management studies, the author of the present report is extremely interested in the finance industry in general and in the functioning of financial institutions in particular. Therefore, the author undertook this internship at ING Bank Operations and IT Banking (OIB)/ Commercial Banking Services (CBS)/ Payments Lab. Looking for solutions to the challenges Payments Lab is facing provided a chance to put in practice knowledge and skills acquired at Hogeschool Utrecht and gain personal as well as professional development. Payments Lab is interested in using the results of this research in adapting its organization and improving its work practices.

The aim of the current research is to assist Payments Lab in establishing communication with its stakeholders. Hannagan defines stakeholders as ‘individuals and groups who are affected by the activities of an organization. The most important stakeholders can be seen as those with the most to lose from the organization’s actions, but this does not always reflect their relative power’ (Hannagan, 2009, p.142). Any business cannot exist without stakeholders. When starting a business it is important to determine stakeholders and establish relationships with them.

For the preliminary literature study several main topics were chosen, including developing a start-up and the role of stakeholders. Moreover, as the current research is hosted by a Research & Development (R&D) entity, the topics of the literature overview interlace with the idea of innovation.

‘Everybody knows that innovation is a core business necessity. Companies that do not innovate die. That is not news’ (Chesbrough, 2006, p.XIII). It is not enough for a company just to innovate nowadays. Innovation stays in line with market developments, customers’ needs etc. Thus internal sources of innovative ideas are not able to satisfy the demands of

modern customers. Chesbrough (2006) emphasizes that companies will start with reorganization of their business model to become more open to external ideas and technology trends.

According to Slywotzky (1996) business success is based on the business design of a company but not on new products or new technologies. A strategic understanding of customers' highest priorities should be a foundation for developing a business strategy. There should be a value migration in that direction. Knowing customers' needs and exceeding their expectations by providing a high level of services has been proven to bring success and the possibility to outperform any competition.

Eric Reis (2011) uses the word “intrapreneurship”, which describes a new entity within an existing organization. Lean Start-up theory was inspired by Toyota Motors management style and an application of lean thinking to the process of innovation to enable promising ideas while eliminating waste. In the process of development it is beneficial to use assumptions based on real world observations and knowledge but not on market research. Learning and improvement will drive the work; therefore the working process goes through the Build-Measure-Learn Loop constantly.

Blank (2006) suggests adopting the Customer Development Model (CDM) for a start-up. The model is opposed to the Product Development Model (PDM) that is used by most companies. PDM enables companies to focus on costs; execution versus discovery and learning, the first shipment of a product to the customer becomes a goal, while execution and hiring are based on the business plan hypothesis. The work is organized on the principle ‘build a product and customers will come’. This approach is not applicable to a modern customer. A start-up can fail from a lack of customers more often than from a product development failure. A new business entity should focus on end customers' demands and needs from the very first day of its existence.

Kristensson (2007) emphasizes how important the involvement of customers in developing processes is. Many companies realize it, however a lack of theoretical knowledge and understanding of strategies prevents them from smooth implementation of the idea. The study is focused not on the outcome of the process but on conditions and possible strategies, which will lead to the desired outcome. Another important issue is the origin of products and services produced. Technology-based service companies face more difficulties in interacting

with their customers. Moreover, customers usually lack technological knowledge and it can decrease the level of surplus value of feedbacks or innovative ideas.

To get acquainted with external and internal stakeholders and to establish fruitful communication with them requires a long preparation period with extensive data mining. Linoff (2011) defines it as a business process, which shall discover meaningful patterns and rules to use for a specific project in the big data existing within a company. Data mining plays a significant role in customer relationship management by enhancing a company's ability to form learning relationships with its customers.

This research is focused on two groups of stakeholders of Payments Lab: External Business Stakeholders (EBS) represented by customers and Internal Business Stakeholders (IBS) – by managers of different departments within ING. Therefore the objectives of the research are:

- To assist in the introduction of Payments Lab to the groups of stakeholders;
- To provide recommendations on promotion of the Lab and establishing communication with its stakeholders.

Hence the main research question is: *How can EBS and IBS get involved in the work of Payments Lab?* The following sub-questions help to reveal the topic and will also be answered in this report

- What is the purpose of starting up the Payments Lab?
- Who are the most important stakeholders for Payments Lab at this stage?
- How shall the communication with EBS and IBS be established?

The following hypotheses, separated by group, were developed at the research preparation phase:

EBS: 1. Involving EBS at an early stage of the product development process will improve project performance.

2. Collaboration with certain EBS will result in valuable ideas about possible product improvements.

IBS: 1. Establishing communication between the Lab and its IBS will help Payments Lab to acquire new projects.



## 2. METHODOLOGY

This chapter includes detailed descriptions of the methodology and methods used in the research, as well as the research limitations and sampling.

Soft System Methodology (SSM) was chosen as a guideline for the investigation. The methodology was developed by P. Checkland (2006) to enable unclearly-defined problems to be addressed and to look for solutions. SSM is a systemic process of inquiry into problematical situations in order to define and take 'action to improve' (Checkland web-page). The methodology allows applying system thinking to non-systematic situations where finding an objective and goal for achievement is a part of the problem. That was the case when starting the current research. There was no defined assignment for the present internship; it was developed after the actual beginning and modified during the conduction. The constantly-changing environment of the start-up also resulted in a chaotic working environment. Therefore, on one hand, SSM helped to give structure to the research. On the other hand, it also allowed the author to be flexible and to adjust to the working environment.

The methodology represents a learning cycle (Fig. 1). The advantage of this process is the possibility to review actions and come back to different stages if necessary. It is important to specify that the methodology is not a step-by-step guideline, but 'an intellectual device which can be used to question the real world complexity' (Checkland & Winter, 2006,). SSM is a cyclic process. It presents a cluster of seven activities of a learning process.

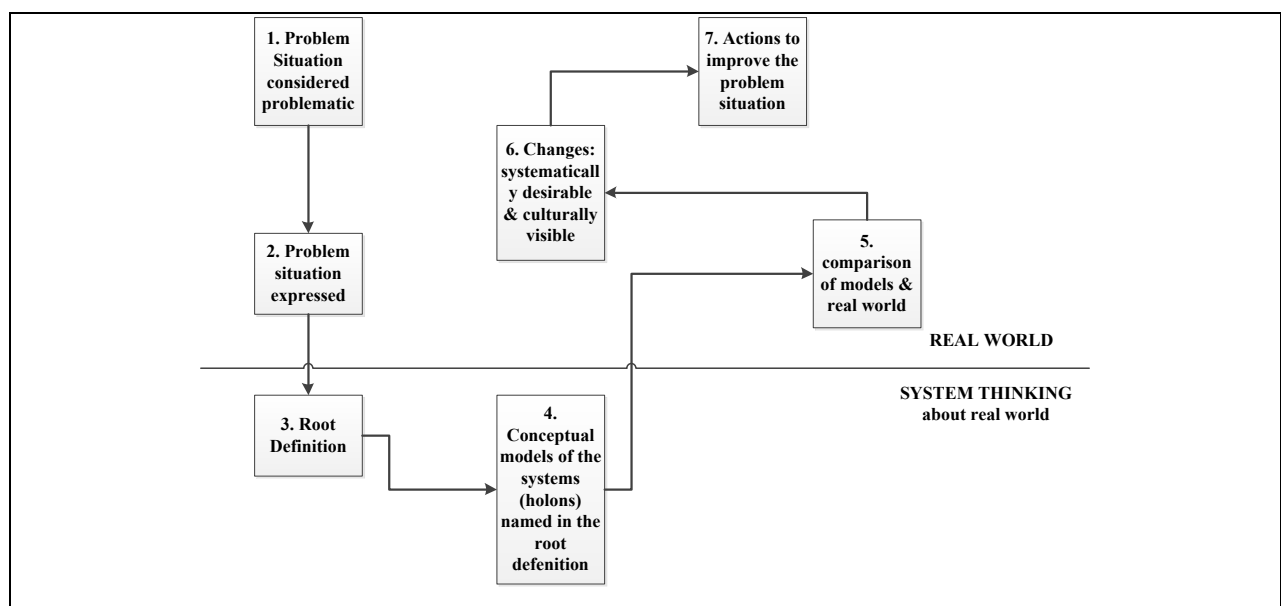


Figure 1 *Seven-step activity model of SSM*

Following the model, *steps one and two* entail finding out about a problematic situation and expressing its cause. In this stage the problem is not defined, but there is an assessment of areas of interest. Checkland suggests expressing a problem situation in a ‘rich picture’ that should include structures, processes, climate, participants, issues raised by participants, and conflicts. ‘Wise practitioners use rich pictures as a way of capturing impressions and insights continually as an aid to thinking’ (Checkland & Poulter, 2006, p.27). The picture helps to make first choices of relevant activity systems that are formulated in root definitions. Root definition (*step 3*) is a stage of moving into a system world, starting with understanding different valid perspectives (‘holons’). Models of purposeful activities are constructed at this stage. To organize the modeling process Checkland suggests the following five steps:

1. Formulate ‘holons’ - relevant purposeful perspectives of the real world activities drawn from the rich picture. It is an evaluative process.
2. Fill in PQR formula: where P stands what (shall be done?), Q – how (something should be done?), and R – why (something shall be done?). In a completed formula Q reflects an actual transforming process. ‘This statement always describes the purposeful activity as a transformation process...’(Checkland & Poulter, 2006, p.40).
3. Perform **CATWOE** analysis to identify the elements and context of a purposeful activity. CATWOE is an abbreviation for:
  - **C**ustomers – who/ what will benefit from this transformation;
  - **A**ctors – who realize the transformation;
  - **T**ransformation - purposeful activity created by actor;
  - **W**eltanschauung (Checkland’s terminology)/ worldview – something that enhance the transformation or makes it meaningful;
  - **O**wner – to whom the transformation is concerned (somebody who can let it happen or not);
  - **E**nvironment – settlement where the transformation takes place. It can influence but not control.
4. Measure performance with three criteria (three E):
  - ‘Efficacy - criteria to tell whether the transformation T is working, in the sense of producing an intended outcome;
  - Efficiency - criteria to tell whether the transformation is being achieved with a minimum use of resources;
  - Effectiveness - criteria to tell whether this transformation is helping to

achieve some higher-level or longer-term aim' (Checkland & Poulter 2006, p.40).

However the evaluation is not restricted to the above mentioned criteria, any other suitable criteria for a particular case can be also included.

5. Formulate root definition on the base of CATWOE according to the formula: 'An O-owned and A-operated system, which, affecting C, transforms T to a new state of T according to some W, within the given constraints E' (Bergvall-Karebörn, Mirijamdotter, & Basden, 2004, p. 58).

In *step four* of the methodology a conceptual model is constructed providing a list of actions to be carried out. *Step five* is a return to the real world. The two models (step 2 and 4) are compared. Afterwards in *step six* changes are defined, which could improve the situation by meeting the two criteria 'desirable in principle' and 'feasible to implement'. By *step seven* one takes actions to improve the problematic situation. Thus a new cycle of actions could be enabled.

Even though there is a modified version of the SSM with only four steps in it, a seven-step model was deliberately chosen for the present research due to better structure and the potential to discover more details. A variety of primary and secondary research methods were used in SSM to achieve the aim of the research.

The primary research included briefing meetings, interviews and observations. At the beginning *briefing meetings* with representatives of Payments Lab took place to inform about the current business situation and to reveal specifics of banking business in general, the payments department and Payments Lab in particular. *Semi-structured interviews* with various business stakeholders were conducted to establish communication with business stakeholders and to gain better perspective of their needs (data collection). A semi-structured form allowed being flexible in a focused conversation. There was a list of question prepared ahead of each interview. They were guidelines for conversation. Additional questions were created during the interviews from the contents probing for the details of discussed issues. The target population was represented by two groups of stakeholders: IBS and EBS. The sampled IBS population included OIB/ CBS/ Payments department representatives. EBS targeted population was restricted to ING Bank corporate customers who were end-users of payments products. However, sampled EBS population was focused on IBS who were connected to payments customers because of their job responsibilities, which form the sample

frame as well. The sample frame of IBS was determined by the prosperity of joint business activities in the payments domain. There was no particular sample size set due to the specifics of the research. An initially planned interview led to the next ones on the basis of network sharing. *Several workshops and presentations* on relevant business issues (big data, security issues etc.) were attended.

Secondary research methods such as desk research and on-line desk research were used with the aim of understanding the specifics of the business and gaining primary knowledge on the subjects.

The present paper includes only a brief description of the conducted research and recommendations due to length limitations. Specific limitations faced in this research included the limited time of the internship, knowledge of the business specifics, knowledge of the Dutch language and the lack of an initial ING network.

### 3. FINDINGS

This chapter describes the use of SSM in the present research, findings revealed during the research, and analysis of the business issues. It also includes overviews of ING Group and its divisions, the host department to inform readers about its organizational structure, and specifics on the business and payment products.

#### 3.1. SSM: *step 1* - Problem definition

##### 3.1.1 ING Group overview

‘ING Group is a global financial institution of Dutch origin, currently offering banking, investments, life insurance, and retirement services to meet the needs of a broad customer base’ (ING Group. Annual report 2011. p.6). ‘The Group was founded in 1991 by the merging of two financial institutions NMB Postbank Group and Nationale-Nederlanden. ‘Today the group operates in 65 countries in Europe, North America and Latin America, Asia and Australia. Since 1991, ING has developed from a Dutch company with some international business to a multinational with Dutch roots’ (ING corporate website. The history of ING). Within ING Group there are two business divisions: banking and insurance/ investment management business, with each of them operating as a stand-alone entity (Fig.2).

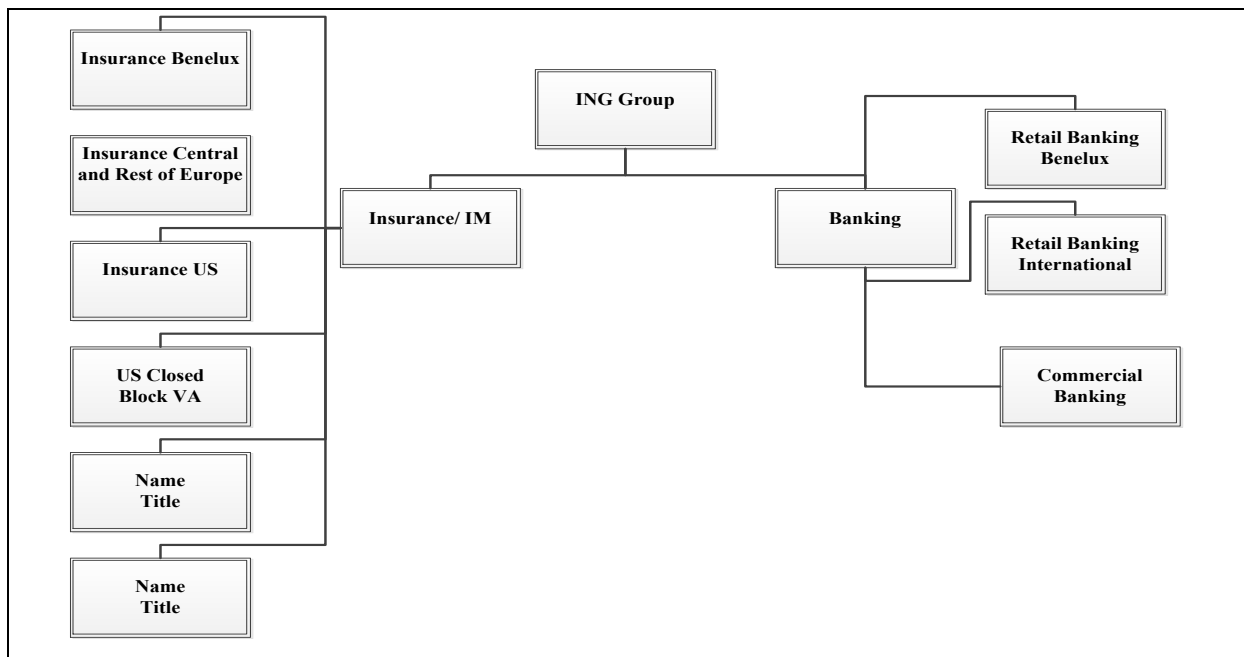


Figure 2 *ING group business divisions*

ING Group is working towards total legal and physical separation of the Bank and Insurance/Investment Management (IM) for increased transparency and simplicity. At the time of the internship the initial public offer of European Insurance/IM was being prepared.

The present research primarily concerns the banking division of ING Group, thus it will be thoroughly reviewed further in the report.

### **3.1.2. ING Bank**

ING Bank operates in 40 countries. Its main markets are the Netherlands, Belgium, Luxemburg, Germany and Poland markets.

The Bank is subdivided into retail and commercial business units. ‘The retail banking operations are focused on delivering simple and transparent retail products at low costs through a multi-channel distribution approach. Commercial Banking supports its global clients through an extensive international network and offers core banking solutions and provides tailored solutions’ (ING Bank Annual Report 2011). In other words the retail unit provides banking services to individuals, while customers of the commercial unit are represented by businesses.

The internship was hosted by OIB/ CBS/ Payments Lab. OIB division provides support in commercial activities to both domestic and international lines of ING banking business as well as IT systems and infrastructures necessary for them.

### **3.1.3. Payments as a part of the ING Bank business**

Payments processing is an important activity in banking business. Banks enable money transfers for their customers and provide different derivative services such as cash management, liquidity management etc.

The Oxford dictionary defines payment as ‘the act of paying somebody/something or of being paid’ or ‘a sum of money paid or expected to be paid’ or ‘a reward or an act of thanks for something you have done’ (Oxford Advanced Learner’s Dictionary). However from a banks’ perspective a payment is a transfer of money from one party to another. The parties can be represented either by a legal entity or by a person.

From a customers’ perspective a payment is a transaction of moving money from one account, while for a bank it is a multistep process triggered by an external stakeholder (a customer). Customers are charged with execution fees. There are three actors involved in this business process: a customer (a trigger and a receiver of services), ING (financial institution), and technology through which the process can be executed. ING values its customers and serves their interests. Thus Customer Centricity is one of the strategic themes for the bank.

Payments are products provided by all banks. The banking business is characterized by likeness of offered products. When a new product is developed by one bank, in some time others copy it. However, as far as the Payments business is concerned, similarity of the products is a necessary limitation. To some extent, banks depend on each other as well while providing payments services to their customers. A competitive advantage could be gained among others by excellence in performance of business processes. In this case key performance indicators for a bank are quality, efficiency, flexibility, capacity, and agility. Performance excellence is one of the top priorities for ING Bank.

Nowadays there is wide variety of payment instruments: cash, cheque, debit, credit, or bank transfer. To provide these kinds of payment two methods can be used: exchanging or provisioning. The exchanging method is characterized by actual exchange of any currency (cash) in terms of the price. Provisioning is an electronic method of payment using a debit or a credit card, or making a money transfer from an account of a payer to an account of a payee, or recurring cash or Automated Clearing House disbursements. There are ten payments business processes distinguished within ING OIB Payments (a detailed description can be found in the Appendix).

Payments are core activities for ING in its main markets. The ING annual report 2010 states: 'Payments and Cash Management (PCM) services are a prerequisite for customer acquisition and retention and are especially important in times of scarce liquidity in the market. ING is a market leader in payments processing in the Netherlands and a large player in Belgium' (ING annual report 2010). PCM is one of the center business lines in the main markets of ING Bank. It is considered to be a pre-requisite for customers' acquisition and retention. 'Our payments-business: is a significant source of revenue to ING; it acts as an entrance- and anchor-product to most of our customers; provides an essential flow of information that helps identify potential cross-selling opportunities; helps to build a strong and sustainable brand (as the primary gateway to the customer); creates significant customer-traffic in our channels (internet, branches, call, etc.)' (ING. Year Plan OIB - Payments (confidential), 2012).

The ambition of ING is to become a market leader in providing PCM in European markets and to expand its market share in the other markets. A significant amount of resources are allocated to programs for improvements of payments offerings.

#### **3.1.4. OIB/ CBS/ Payments and Payments Lab**

OIB/Payments provides payments-processing solutions to ING business partners through them to various markets and customers.

Payments Lab is a brand new structure within the OIB/Payments division. The mission of the Lab is ‘to optimize and boost the practical knowledge of new technology developments in payments’ (Payments Lab presentation (internal document)). ING Bank is a global financial institution, which values its customers and acts in their best interests. It constantly works on improvement of offered financial products and services. The main goal of the Lab is to support ING in development of new payments technologies and in realization of its business goals in general. In particular, since Payments Lab is a unit within CBS/ OIB/ Payments department, it will follow the ING Payment Strategy and will be focused on the PCM strategy.

In CBS ING has a limited market share at the moment. Nevertheless this market is very attractive for opening growth opportunities. According to the PCM strategy the Bank has the ambition to capture these opportunities and become one of the top banks in this sector in Europe. The PCM strategy is aimed to solve issues in ING Payments. The changes are required in channels, solutions, processes, IT and culture in general. Achievement of the PCM strategic goals will allow the Bank to become a leading PCM provider of innovative reliable and stable operations to extend customers’ portfolios.

The Lab has existed since April 2012 and aims to become a long-lasting and successful structure within ING. Its operations will affect and be affected by different stakeholders. From the very beginning it is important to establish fruitful relationships with different stakeholders, hence networking shall be a parallel business process.

At the period when the research was conducted, the Lab was interested in establishing communication with two particular groups of stakeholders: EBS and IBS. Collaboration with each group of stakeholders is essential for the Lab’s business development.

The workload of the Lab is divided as follows: Roadmap (60%), Business Issues (20 %) and Research/ Innovation (20%). Collaboration with internal stakeholders is important for each of the Lab’s activities. Managers of different levels represent IBS. Thus IBS could increase the Roadmap projects portfolio of the Lab by bringing in their current strategic projects and assignments for development in the Lab environment (Roadmap). On the other hand, IBS has already come across some obstacles while working on their current projects. Bring these issues to the Lab can speed up the process of solving them (Business issues). And last but not least, IBS possess the power to promote new projects as well as the budget to finance them (Research). It is very seldom that both factors are in the hands of one stakeholder. The awareness of the possibility for development could be on one level while finances could be on a different level. Communication with different IBS can empower the Lab to bring ideas and



opportunities together in development (interest in them, understanding, willingness to develop an idea, financial aspects etc.) and improve payments products. Hence development and expansion of its internal network would be beneficial for both the Lab and IBS. The Lab will bring new projects into its working portfolio; IBS will have their issues solved.

Another group of stakeholders the Lab is concerned with is represented by EBS. EBS, with whom the Lab is looking for collaboration, are represented not by companies as whole client entities but by their employees on a daily basis when dealing with payments products (e.g. employees of account payable departments, managers of those departments, CFOs). It is essential for the Lab to gain knowledge from end users of the payments products. Payments products have a unique nature. They are not tangible assets for selling, but are a process or experience at the end of which a payment transaction is made. Thus successful payment is not the only fulfillment of such a transaction but also the entire step-by-step process going smoothly. It is valuable for the Lab to have an opinion from insight because this way existing products can be improved and ideas for new development can be gathered, which will satisfy EBS' business needs. In the long perspective the involvement of EBS feedback in the work of the Lab, especially at an early stage of a new product's or technology's development, will prevent many mistakes, reduce the number of improvements, legacy etc., and help to bring to market high quality, exciting products and well-developed technologies within a shorter time.

### **3.2. SSM: *step 2* - Rich Picture**

The idea behind the creation of Payments Lab is to create an independent trial environment for preliminary evaluation of new payments products; for generation of new ideas and helping them to be realized, to respond customers' needs and to be in line with technology development; as well as for training ING employees on relevant business and technology development. It can also be viewed as a new way of managing projects. It is typical for a big organization to be bureaucratic. Time and resources spent on formalities slow down development. ING faced cases when after a long period of preparation and submission of documents a project started and in a short time turned out to be inefficient, ineffective or not suitable. These failures caused loss of money and time for the bank. Development in Payments Lab can prevent such failures from happening. Projects will undergo efficient preliminary evaluation in Payments Lab prior to going into actual development.

When starting a new business or division within an existing organizational system, it is crucial to select stakeholders, and learn about and develop relationships with them. Since the Lab's work is about new products, including their development and evaluation (R&D), it will

impact EBS in a direct or indirect way. Their opinions, needs, demands, priorities and feedback should be included at early stage of any product's development for it to be successful in the end. This is the ideal situation the Lab is aiming at in the future. As the Lab is a part of commercial banking, its EBS are represented by large corporations, governments and financial institutions, or in particular, the end users of payments products. It is more difficult to get in contact with them than retail EBS. If somebody is looking for retail customers' feedback, they can just create a survey and distribute it at a metro station, city center, or a local bank branch or set up an internet survey. B2B customers are more difficult to establish contact with. A researcher cannot simply call a company and start asking specific questions about a particular problem. It is essential to know whom to ask for feedback and how to get in contact with them. This research aims to model a stakeholder chain in order to reach customers.

Another concern is about receiving support for new projects from internal business stakeholders. At present, the Lab's projects are obtained from already-developed strategies of ING. Different internal parties are interested in their realization and are continuously supporting them. On the other hand, to bring a new project into the Lab requires different resources: there should be parties who will be interested in its fulfillment, parties who can supply qualified staff for its development and evaluation, and parties who can finance them. As the Lab has limited resources, it will need to outsource significantly within the bank. Therefore, expanding its own network of IBS is crucial for the Lab.

Based on the theory of P. Checkland's SSM, drawing a rich picture is a convenient way of communicating one's own understanding of the existing situation or problem which is to be investigated. The picture was developed on the basis of information received during briefings with the assigned supervisor from the Lab Ad van Dongen, internal meetings of the Lab, and internal ING documentation. As the assigned supervisor is a co-founder of Payments Lab and one of its active stakeholders, his knowledge of the problem and insights are referred to as the first source. After many briefing meetings, questions and answers sessions, and much feedback the following version of a rich picture was created.

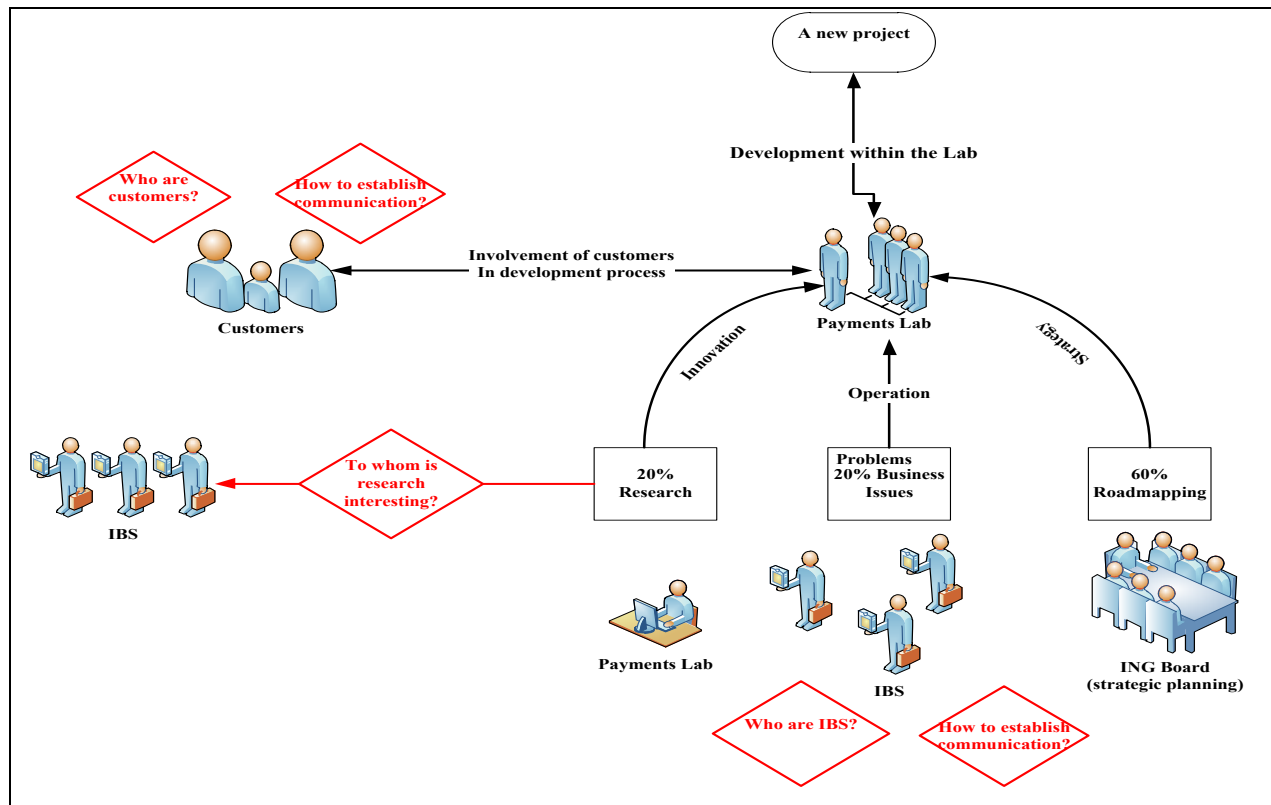


Figure 3 *Rich Picture*

The red rhombuses in the rich picture represent the questions to be answered by the research. According to the business plan of the work spread within the Lab 20% of its time is devoted to research and problematic business issues. The task is to figure out prospective owners/ sponsors for those projects and establish cooperation with them. Another concern is the engagement of EBS while projects are under development at the Lab. The current research is devoted to investigation of those issues.

### 3.3. SSM: *Step 3* - ROOT DEFINITION of relevant systems

As the current research involves observing two groups of stakeholders, there will be two root definitions developed: for the external and internal stakeholders perspectives, respectively.

#### 3.3.1. *EBS perspective:*

The following holons are developed in Payments Lab:

- Providing up to date competitive payments products;
- Gaining competitive advantages on the payments market;
- Acquiring customers' feedback regarding existing products;
- Engaging EBS in developing processes for trials of new products;
- Ensuring a high level of customer satisfaction with existing payments products;

- Attracting new customers;
- Increasing the level of customer loyalty;
- Developing better, customized products;
- Realizing a shorter time to market period;
- Decreasing the legacy level of new developments;
- Discovering existing problems from the EBS point of view;
- Learning about EBS business needs, challenges and demands;
- Developing new sources of revenue for ING;
- Reducing costs of future project launches.

The holons represent ideas of possible results from the establishment of cooperation with external stakeholders. Both Payments Lab's and ING Bank's interests are taken into consideration. As the present research is aimed at modeling a process of communication establishment and no particular Payment Lab projects are involved, the holons depict various prospective benefits. However, for a specific project all of the benefits might not be valid. The combination of benefits will vary for each particular project. Within the boundaries of the current research, it is beneficial to build a unique root definition, which represents a general idea of engagement with EBS in developing processes.

CATWOE analysis identifies elements and context of the root definition for establishing communication with external business stakeholders. To identify the action or actual transformation, Checkland's PQR formula is used:

|   |                       |   |
|---|-----------------------|---|
| P | What shall be done?   | Involvement of EBS in Lab's working process   |
| Q | How shall it be done? | Through establishing communication of the Lab and EBS, which leads to a long-term business relationship |
| R | Why shall it be done? | To improve the quality of payments products   |

CATWOE analysis:

|   |                |   |
|---|----------------|---|
| C | Customers      | The Lab, Department that are providing particular products  |
| A | Actors         | ING employees who work in contact with customers; ING employees of different levels who can assist the Lab in gaining networking insight at ING |
| T | Transformation | Establishing long-term business relationship with EBS   |
| W | Weltanschauung | ING customers focus initiative  |

|   |                           |  |
|---|---------------------------|--|
| O | Owners                    | Payments Lab   |
| E | Environmental constraints | Lack of support from other ING departments; Indifference of EBS; insufficient resources within the LAB |

The present research is focused on modeling the process of establishing communication; therefore a description of performance measurements for the involvement of EBS is omitted from this report because they are considered to be irrelevant.

#### Root Definition:

The Lab acquires customers' knowledge through other departments of ING and through direct communication with EBS, given the constraints of lack of collaboration from different sides or insufficient resources in order to involve EBS in the Lab's working process that will result in payments products improvements and better project performance.

#### **3.3.2. Internal Business Stakeholders (IBS) perspective:**

The procedure is identical to EBS. The following holons are visible:

- Ensuring Payments Lab brand recognition within OIB Payments;
- Creation of good image of the Lab to make it attractive for cooperation for IBS;
- Assistance to IBS in solving existing issues;
- Supporting in developing of IBS ideas;
- Developing new ideas.

PQR formula:

|   |                       |   |
|---|-----------------------|---|
| P | What shall be done?   | Involvement of IBS in the Lab's work  |
| Q | How shall it be done? | Promotion of Payments Lab within  |
| R | Why shall it be done? | To establish internal cooperation to bring in new projects into the Lab's development |

CATWOE analysis:

|   |                |  |
|---|----------------|--|
| C | Customers      | CBS; Payments Lab                            |
| A | Actors         | Payments Lab, its sponsors, existing network |
| T | Transformation | Promotion of Payments Lab within OIB         |
| W | Weltanschauung | ING strategy to become a preferred bank      |

|   |                           |  |
|---|---------------------------|--|
| O | Owners                    | Payments Lab   |
| E | Environmental constraints | Lack of trust from IBS side; lack of financing; insufficiency of resources |

Performance measurements of collaboration process with IBS are excluded.

#### Root definition

Payments Lab is undertaking intensive promotion to increase its brand awareness among IBS within OIB Payments, while paying special attention to and solving such issues as lack of trust from the IBS side; lack of financing; insufficient resources; with the aim of establishing fruitful cooperation with IBS.

### ***3.4. SSM: Step 4 - CONCEPTUAL MODELS***

#### **3.4.1. EBS**

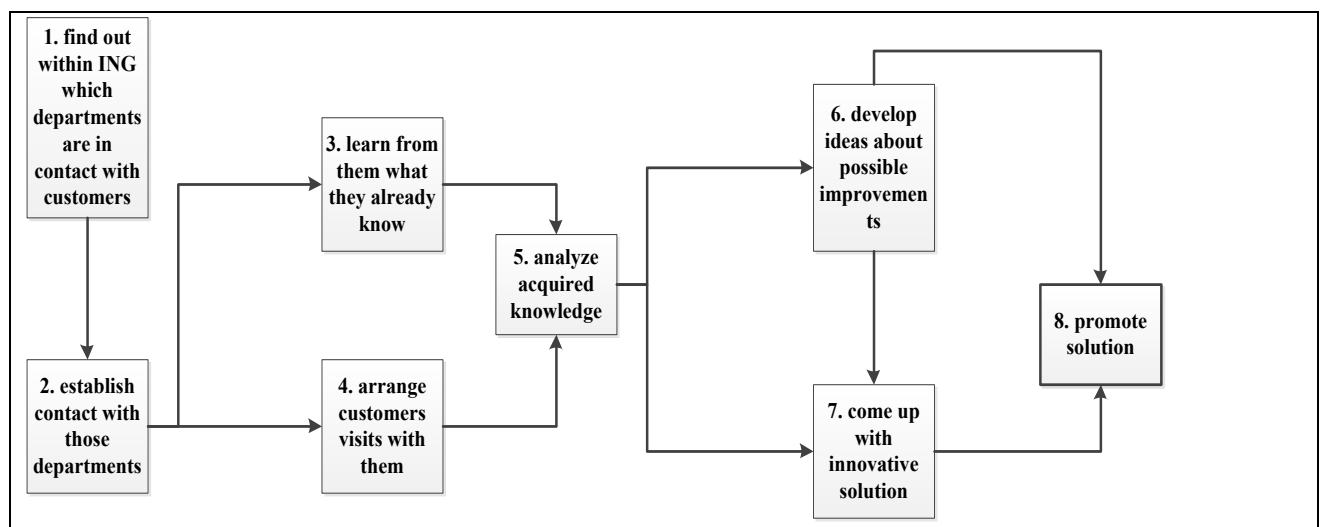


Figure 4 *EBS involvement conceptual model*

#### **3.4.2. IBS**

Based on the developed hypothesis, relationships with various IBS should result in acquiring new projects for the Lab in all its business activities. There would be two different conceptual models constructed to describe the process of acquiring projects for the Lab: 1. acquiring projects related to the Roadmap and Business Issues areas, and 2. developing the Lab's innovative Ideas (Research).

### 3.4.2(A) Road mapping and Business Issues.

To succeed in obtaining these kinds of projects, Payments Lab needs to create a high level of brand awareness within the Bank. The assumption is that as soon as IBS's are aware of the Lab's existence and its fulfilled projects, they will start to collaborate and actively use the Lab's environment.

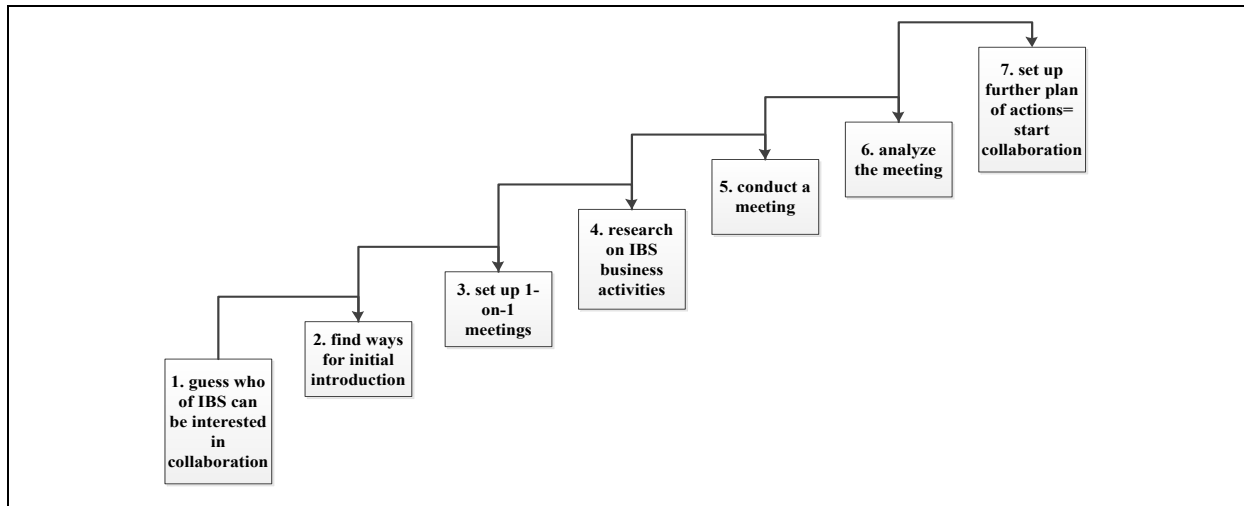


Figure 5 *IBS conceptual model - creation of brand awareness*

### 3.4.2(B) Research (Innovation)

To bring research ideas alive the Lab needs to follow a different action model. This model is based on the assumption of established business relationships with some IBSs.

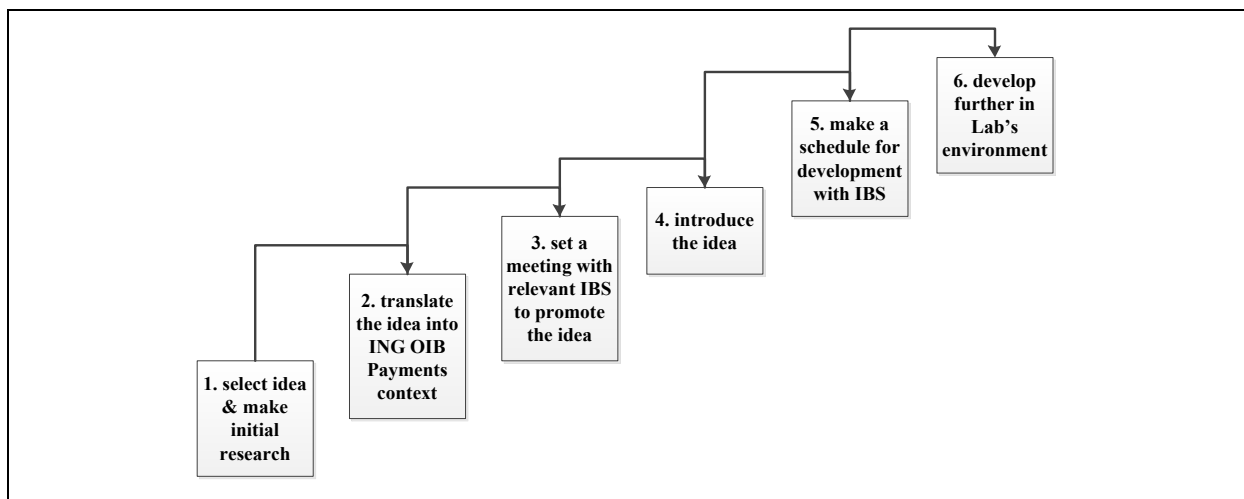


Figure 6 *Conceptual model for IBS interaction and realization of ideas developed by the Lab*

### **3.5. SSM: step 5 - COMPARISON (TEST) of the MODEL and the REAL WORLD**

#### **3.5.1. EBS**

The stages described in the following section are represented in the figure 4.

The following model represents the initial idea for this research. The exploration started with establishing communication with the departments who could be in contact with actual customers. Based on educated assumptions the following departments within ING were selected: PCM, Marketing and Communication (Commercial Banking (CB)), Customer Intelligence, Marketing (Domestic Banking), and Corporate Clients (Central and Eastern Europe). A brief study of the departments' internal websites confirmed the assumptions.

Interviews conducted with one or several representatives of the above-mentioned divisions gave the Lab a good initial opportunity to learn about IBS. The interviews provided unexpected results. Three main questions were posed for those interviews:

1. What are the responsibilities of the department? (work description)
2. Who are the customers?
3. Can the Lab be connected to the customers through a department?

| <b>Department</b>                | <b>Findings from the interviews</b>   |
|----------------------------------|---|
| PCM                              | There is an established communication with customers. However different groups have their own customers. Some knowledge exists within the department about customers' business needs and requirements. The communication is projects and products orientated.   |
| Marketing and Communication (CB) | The department is supposed to know customers to promote payments products and services. However this knowledge is theoretical, through various research efforts carried out by third parties. There is no direct contact to customers established.  |
| Customer Intelligence            | The department web site informs that it provides required research or any data about customers for both commercial and domestic banking. Nevertheless, in reality Customer Intelligence is busy to meet Domestic Banking needs. Theoretically it could support the Commercial division but there has not been any business case. Another important discovery was the internal |



|  |   |
|--|---|
|  | cooperation model. Research within Customer Intelligence is only initiated by the marketing department. Any required contact with customers is done by external third parties (different consulting providers).   |
| Marketing (Domestic Banking)                   | The interview was organized to find out how Domestic Banking establishes contacts with customers and if it could be adapted to CB. There are several established communication means (customer penal, call center, on-line communication etc.) The feedback of customers is constantly utilized. Due to the specifics of the CB customers, the same methods cannot be used. |
| Corporate Clients (Central and Eastern Europe) | The department located in the Netherlands office is responsible for the work coordination of regional management (who are in different countries). Only regional managers come in contact with particular customers represented by their CEO mostly.  |

The developed conceptual model was not tested step-by-step in the real environment. The focus of the EBS part of the research was limited to finding out who within ING knows customers.

### 3.5.2. IBS

The conceptual models shown in figures 5 and 6 were tested in the real world, but different number of times: model I (fig.5) – at least six times, while model II (fig.6) – only once. Each model was tested in the real world separately.

#### 3.5.2.1. IBS conceptual model I

The model depicts the process of preparation and conducting meetings with IBS aiming to promote Payments Lab as a start-up within ING OIB Payments (fig.5).

After a series of introductory presentations within the OIB Payments department, a list of prospective IBS was set for further development of business relationships. While organizing one-on-one meetings with the listed IBS, the first obstacle was discovered: the IBS being closed, unwilling, or unready to devote time to get to know a new business entity. Five of six potential interviewees gave positive answers for the interview request. One IBS refused the invitation due to their unawareness about Payments Lab.

Each interview was prepared carefully. The preparation for interviews started with research on potential IBS. The ING internal website and LinkedIn were the sources of information. The research was concerned only with professional interest, there was no interference with personal privacy. Moreover it was possible to obtain some insights into IBS working projects and ways of working through the network. The relevant literature was also reviewed. One can draw a parallel between these the first promotion meetings and sales meetings. They have the common goals of giving a first good impression and establishing long-lasting business relationships. ‘You can have everything in life you want if you will just help enough other people get what they want’ (Ziglar, 2006).

Most of the interviews had a long-term effect. They spread awareness about Payments Lab and gave the opportunity to learn about prosperous IBS and their current and future projects. IBS also provided the Lab with new business contacts within ING (network sharing) for establishing communication and future collaborations. Moreover, one of the interviews brought a new definite project to the Lab’s environment. For more details see Appendix 2: Summary of interviews.

#### ***3.5.2.2. IBS conceptual model II***

Model II (fig.6) illustrates another perspective of collaboration with IBS in the particular implementation of innovative ideas. Empowerment is an important concern within ING. There are different programs which encourage employees to be active and to bring ideas in. ‘In 2013 ING employees will be encouraged to create maximum room for being entrepreneurial within the boundaries of the bank, stimulated by a facilitating and rewarding organization’ (ING New Leadership Initiative. Internal presentation, 2010). ‘Encourage innovation and ‘out of box’ thinking when solving or addressing problems’ (Orange Leadership. The Leadership Profile Dictionary, 2012). The question is: Does it really always work like that? During the internship period there was an opportunity to test the conceptual model in practice one time.

During one of the introduction meetings with the IBS, some issues were mentioned, which already existed within the scope of its work. The Lab conducted initial research on them and obtained ideas on solving these issues. The ideas were presented to the particular IBS, however were not adopted for development due to several reasons: business with other projects, the availability of other internally developed solutions etc. For more details see Appendix 2: Summary of interviews.

## 4. DISCUSSIONS

This chapter presents interpretations of the research findings.

### *SSM: step 6 - Changes: systematically desirable and culturally feasible*

#### 4.1. EBS involvement

The research on establishing cooperation with EBS was re-directed. A new focus was placed on finding out what department within ING actually knew the customers in person and could become a connector for Payments Lab. The interviews showed that so far among the departments only PCM had direct contact with the customers.

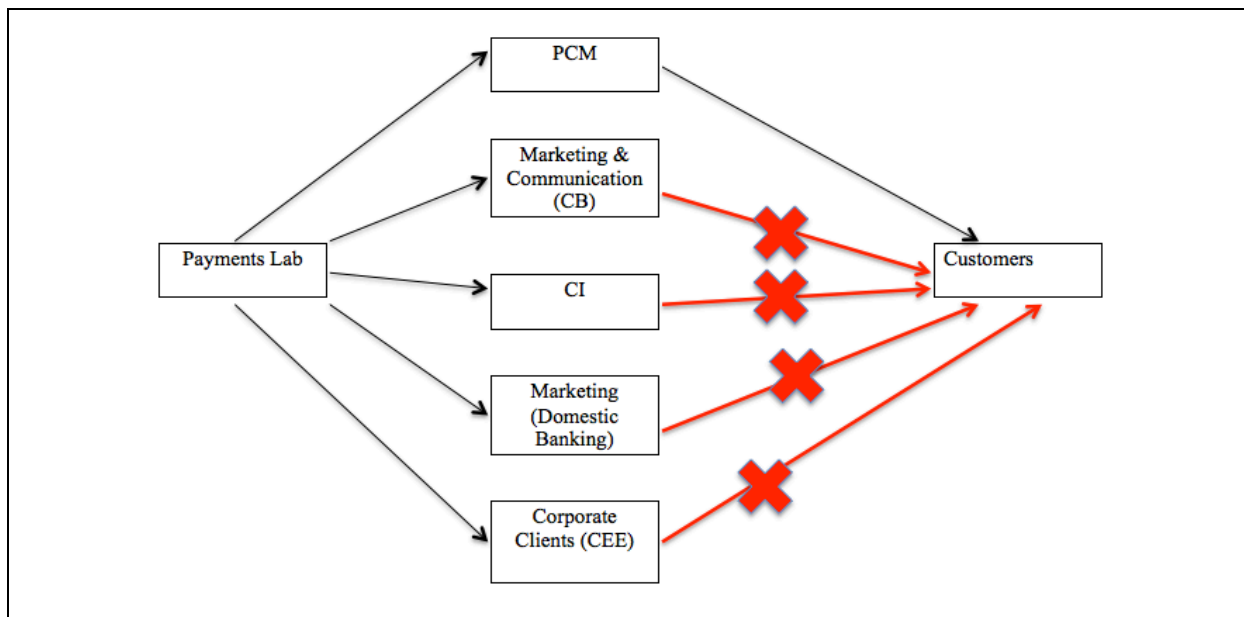


Figure 7 *Connection of Payments Lab to the customers through other departments of OIB/CB*

It was expected that each new interview with another department representative would bring the Lab closer to the customers. However it was not the case. Although it was assumed from the very beginning that a connection of Payments Lab to the customers required several stakeholders; the conducted research did not manage to identify those.

Customer centricity is currently the core strategic direction for ING. ‘Customers’ needs are constantly evolving, so it is crucial to stay close to them, anticipate their every requirement and provide new products and services’ (ING Bank Annual Report 2011. p.7). This approach is complimented by studying market trends and literature. Knowing customers’ needs and exceeding their expectations is a proven road to being a successful company. Thus, the products and services offered at ING shall be developed together with customers. These ideas

are well promoted within ING bank and every employee that participated in the research was aware of them. Nevertheless, it was not discovered how this strategy was utilized within CB; which departments were studying corporate clients' needs etc. There is an impression that the strategic planning and empirical implementation are exercised in parallel to each other and often the theory contradicts with the practice. The poor customer centricity strategic performance might be justified by the huge size of the organization and its tall structure, within which the strategy flows from the top to the bottom, in other words from management to employees. A lack of collaboration and knowledge sharing between different departments could also be an issue. Every department is focused on its particular job. The mentioned issues go beyond the work focus of Payments Lab and the goal of the current research, though they have a direct impact. At the moment, it is advisable for the Lab to continue researching the best path to the customers and after figuring it out, starting to establish collaboration first internally between departments and then externally with customers.

#### **4.2. IBS involvement I**

Starting a new company or entity within an existing organization are very similar and require the same steps in their growth. Any start-up requires extremely determined work by its creators. It is reasonable to assume that the first year is the most crucial one in setting the base for future prosperity. Two main processes require all of the attention: setting up internal working processes and establishing a network with main stakeholders. These processes were observed during the internship period at Payments Lab of ING. Learning and improvement drove the working process. The Lab is determined to adopt the CDM working model where customers' demands and needs are given the priority. The process of attracting new stakeholders is constantly on-going. By means of presentations and promotional business meetings the Lab gave a good push to spreading awareness among IBS. The first successfully fulfilled projects will add more trustworthiness and reliability to the Lab's image and make IBS more open to cooperation.

#### **4.3. IBS involvement II**

ING is promoting its working environment as innovative. They say innovation drives the development. Employees are empowered to participate in the process by bringing in their ideas and experience. However as it was observed during this research, plans differ from reality. There is a lot of uncertainty as to how innovation can be realized. Payments Lab did not manage to bring its ideas into development. One case is not sufficiently representative; nevertheless it could be a sign of disparity in strategy and its implementation. Due to the time

limit of the graduation internship, it was not possible to test the process additional times. At this moment it is questionable if the issue is the Lab's concern or a general issue within ING. It is advisable to repeat such investigations with different ideas to determine whether the strategy and practice are aligned.

## 5. RECOMMENDATIONS

This chapter includes recommendations to Payments Lab as to how to involve IBS and EBS in its work.

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Engaging various stakeholders in the work of Payments Lab is a long-term process. Payments Lab is aiming to become a facilitator for business, operations and projects departments to meet and work together. The following recommendations could engage EBS and IBS into the work of Payments Lab.

### *SSM: step 7 – Actions to improve the problem situation*

#### **5.1. EBS involvement conceptual model**

The idea of EBS involvement in the development of different projects is up-to-date and is even required by the modern market trends. According to Kristensson, ‘involving users as co-creators during NPD (new product development) produces ideas that are more creative, more highly valued by customers, and more easily implemented’ (Orange Leadership. The Leadership Profile Dictionary, 2012). However, implementation can be much harder than it may sound. The desired outcome of the process is better ING payments products and a higher level of customer satisfaction, but attention should be paid to the conditions and tactics of achieving these goals.

The initial aim of the current research was to identify customers and to establish initial contact with them. However, the focus was replaced on establishing collaboration with ING departments who were already in contact with commercial customers. Poor collaboration between departments or sometimes lack of it is a common issue for large organizations. ING is not an exception. The Lab’s attempt to learn about its EBS and their problems and to involve them in the development process was postponed. It would take time and workforce resources to perform the data mining and to acquire knowledge.

Thus, to achieve the goal of involving EBS in development and/or improvement of payments products, it is recommended to enlarge Lab’s collaboration base with EBS by attracting new ones and enhancing current relations. To realize the recommendation, a threefold approach is proposed:

1. to maintain and improve existing relationships (when they are established);
2. to acquire new contacts through IBS;
3. to establish own relationships with EBS .

Each of the directions has its pros and cons:

1. Maintaining existing relationships is easier than acquiring new ones and allows to create the desired level of business relationship, however, it would not lead to enlarging of collaboration base.
2. Acquiring contacts through IBS is relatively easy and does not require any additional work or costs; nevertheless, these EBS could be very limited in their interests regarding payments products.
3. Establishing connections with EBS on Lab's own is the most difficult and recourses consuming way, but at the same time most beneficial because the Lab would be able to build business relationships with various EBS, who can be helpful in testing of different aspects of future developments or improvements.

It is strongly advisable to follow all three directions to reach the desired level of collaboration base with EBS.

#### **Implementation of the recommendation:**

For every new business case the following sequence of actions is proposed:

1. To check whether the Lab already possesses the required knowledge, i.e., contacts with related end-users (EBS).
2. To liaise with the project initiator (IBS) in order to enlarge the collaboration base by targeted end-users (EBS associated with the project initiating IBS).
3. To target potentially concerned end-users (EBS) and establish connections with them. Constant and steady inflow of new EBS will improve the quality and representativeness of the collaboration base.

Note that the last step will infer additional costs (payroll etc.) that are not currently budgeted by the Lab. Therefore we recommend the following:

- At initial state: to restrict the actions list by omitting Step 3, it will guarantee rapid growth of the Lab's collaboration base, while keeping the budget at its limits.
- At business as usual stage (after overgrowing a start-up phase): to enhance the action list by adding Step 3.

Comments:

- Structure of the proposed model guarantees constant grows and qualitative improvement of the Lab's collaboration base.
- Transition to business as usual state is only possible when the Lab's own collaboration base is large enough to maintain most of the projects without additional inquiries.
- Step 2 and Step 3 will lead to constant improvements in the collaboration base and relations with both IBS and EBS, therefore have to be taken no matter how big the collaboration base currently is.
- Step 3 is always question to budget available.

## 5.2. IBS conceptual model I (roadmaps and business issues)

The following model (fig.5, p.24) represents a step-by-step guide for initial introduction of the Lab to IBS. It is beneficial to conduct stakeholders' analysis to develop general tactics to approach different groups at this point. The following matrix was developed on the basis of a Mendelow's Power-Interest matrix.

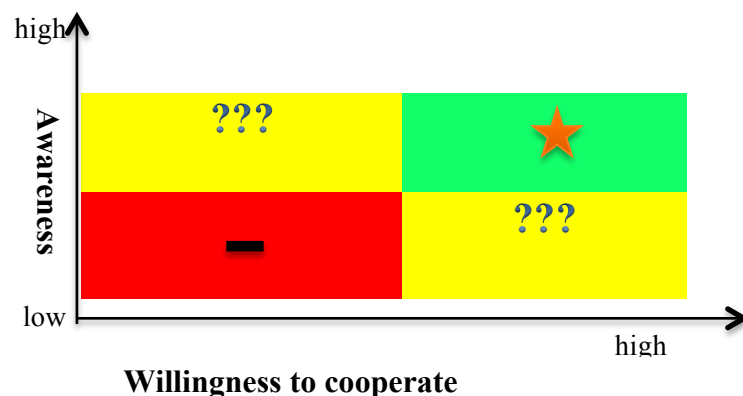


Figure 7 *Characteristics of IBS*

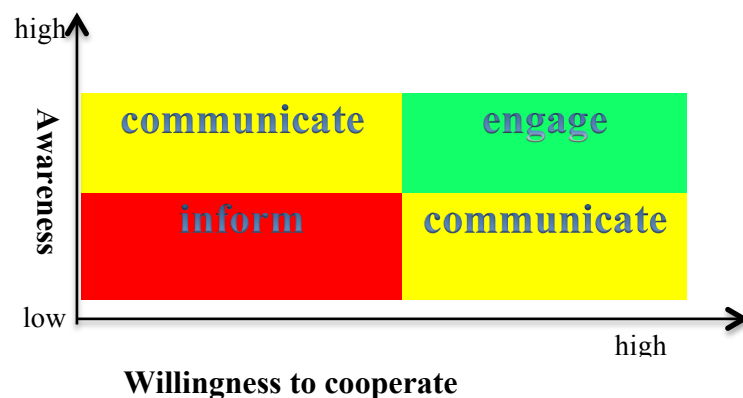


Figure 8 *Actions to involve IBS*



Four groups of IBS can be distinguished:

1. *Low Willingness – Low Awareness (LWLA)*: this group is not open to change and refuse to communicate;
2. *Low Willingness – High Awareness (LWHA)*: this group is open to change but is skeptical towards the start-up;
3. *High Willingness – Low Awareness (HWLA)*: this is a priority group. Resources should to be allocated to find and approach this group;
4. *High Willingness – High Awareness (HWHa)*: there is already cooperation established with this group.

There were 7 interviews conducted with potential IBS, which could be characterized as follows:

- 1 case of LWLA
- 4 cases of LWHA
- 3 cases of HWLA
- 4 cases of HWHa are estimated on the base of existing project portfolio at ‘proof of concept’ stage in August, 2012.

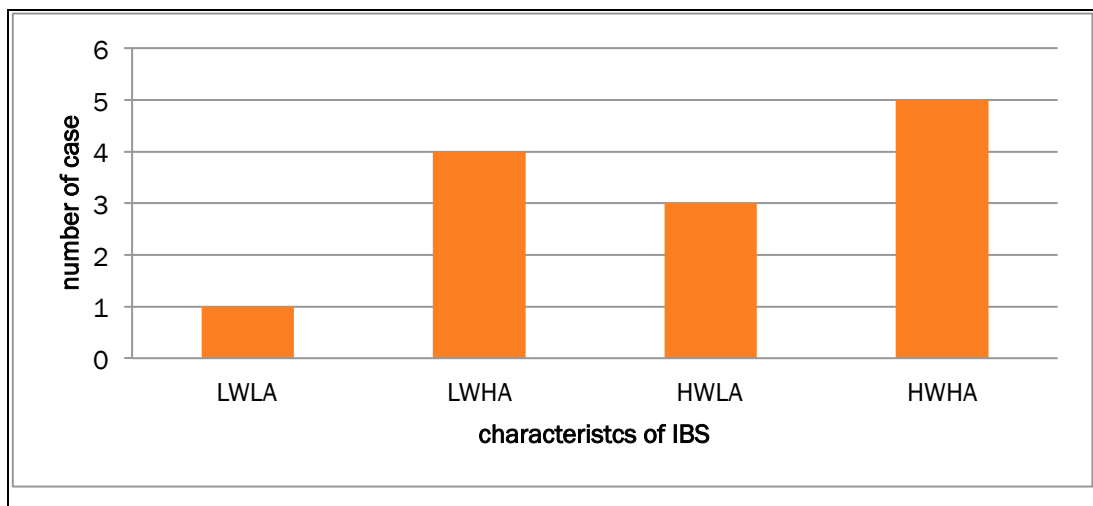


Figure 9 *Distribution of IBS according to willingness/ awareness grouping*

HWHa group is the most desirable and the aim is to move the 3 other groups to this segment of the matrix. HWHa stakeholders are already involved in some projects with Payments Lab. It is advisable to keep maintaining fruitful business relationships and work on constant

improvement. To achieve the goal of establishing collaboration with a large number of IBS, it is recommended:

1. to start building relationships with group 3 (HWLA);
2. to extend Lab's attention to group 2 (LWHA);
3. to involve group 1 (LWLA).

The following sequence of actions is proposed:

1. to organize and/or facilitate in Payments Lab various business events, presentations of innovative business solutions etc. Thus the awareness of the group 3 of IBS will increase and will lead to cooperation. It results in accumulation of Lab's projects portfolio.
2. To use accumulated portfolio of successfully completed projects within the Lab (which would appear due to collaboration with group 3) to increase the willingness of the group 2.
3. Consequently to contact group 1. Taking into consideration a scarcity of resources at the Payments Lab, it is recommended to reach group 1, when group 2 and 3 are already involved.

Note that implementation of recommendations to involve IBS will infer additional costs (organization of events etc.), however, it would be paid off as soon as IBS bring projects for development to payments Lab. It would assist Payments Lab in achieving its goal for 70% level of self-financing.

### **5.3. IBS conceptual model II (Research)**

To achieve the goal of involving IBS in research conducted by Payments Lab, it is recommended to change the tactics of approaching IBS and to use salesman's tactics in ideas' presentations. The first steps for improvement shall be:

- to adopt more assertive presentation style;
- to include estimates of potential rewards and benefits could be brought to IBS after implementation: i.e. cutting costs by X amount of Euros, or increasing revenue by Y%, or raising customer satisfaction by N% etc.;
- to keep the finger on the pulse of payments market developments to match them with IBS business needs.

Implementation of provided recommendations does not require additional costs, however it would bring additional projects to the Lab and therefore additional finance. It would also help Payments Lab in achieving its goal for 70% level of self-financing.

## 6. CONCLUSION and IMPLICATIONS

This final chapter presents the conclusions of this research, summarizes the contributions of the author and suggests directions for further research.

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In summary, the models presented in this research represent steps of idealized processes of involving IBS and EBS in the work of Payments Lab. It is evident that communication between different departments of ING is crucial for involving IBS and EBS. As observed in the EBS conceptual model, the lack of a clear picture within the whole organization could lead to various complexities and postpone the realization of the main goal to involve end-users of the payments products at an early stage of their development. Thus, additional preparatory work is required to determine within ING what department in reality knows customers in order to begin using the developed model. The process is both time and resource consuming. The dynamic working environment at Payments Lab and the constraint of the limited internship period caused a change of the research direction regarding EBS. The focus was moved to the process of looking for a department within ING who knew the customers rather than evaluating the collaboration with them. Therefore, the conducted research was not able to either prove or deny the hypotheses stated at the beginning about EBS involvement. Nevertheless the investigation resulted in practical knowledge about the issue and determined the following steps.

Involvement of IBS was viewed from two perspectives: IBS learning about Payments Lab, initiating collaboration and bringing forth their project issues on one hand, and IBS' ability to assist in the realization of successful innovative ideas on the other hand. For the first case, time, experience and further promotion activities are required. The second case has to be tested again and afterwards a further plan of action shall be established. This research was able to prove the hypothesis about IBS. The practice revealed that through promotional activities and networking, IBS learned about Payments Lab and started to collaborate. During the period of internship several new projects started in Payments Lab in collaboration with IBS. Hence, Payments Lab shows promise in becoming a place where different sides of the ING payments business domain work together to achieve common goals.

This research reveals several practical applications worthy of future study. First, no contact with a customer has been carried out to determine whether the idea of involving them at an early stage of product development would work in the ING environment. To investigate this idea, the Lab shall develop a network with certain IBS who could become connectors to customers. Second, on the global level of ING bank it is recommended to study strategies to illuminate frictions between planning and practice.

The conducted research helped to gain a deeper understanding of the process of collaboration within a big organization. It is suggested that further theoretical research should incorporate the following point: in large organizations sharing of information between different departments either does not exist or is limited. Taking this limitation into consideration one could question whether it influences the situation and what organizational changes could ease the flow of necessary information within an organization. While care must be taken not to weaken security, more internal transparency could positively affect performance, efficiency and effectiveness.

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## APPENDIX 1

### Summaries of interviews

| <i>Name/ date</i>                                       | <i>Position/Work</i>   | <i>Current projects</i>  | <i>Impression+ description</i>  | <i>Outcome of interview</i>   |
|---|--|--|---|---|
| <b>Inge van Dijk</b><br>(14-05-12)                      | <ul style="list-style-type: none"> <li>- Payment Enigines</li> <li>- SEPA,</li> <li>- Reporting</li> </ul> | <ul style="list-style-type: none"> <li>- SEPA</li> <li>- IPPON</li> <li>- Core Banking</li> </ul>  | <p>-shows interest in the Lab</p> <p>-is very concerned about customers' involvement =&gt; important to combine in work insights &amp; outsights interests &amp; concerns</p> <p>-a bit doubt about the work of the Lab</p> <p>-Suggestion: to put briefly on paper the outcome of the work in the LAB to inform stakeholders</p> | - Network sharing: <b>Johan Rosa</b> (B2B marketing, well informed about strategy; <b>Patrick Snijders</b> (will support IPPON project) |
| <b>Marten Bleijenberg</b><br>(24-05-12)                 | Payments Bulk Channels   | -SPRING  | <p>- enthusiastic &amp; open to cooperation</p> <p>- customers are important stakeholders;</p> <p>- payments HUB - issues</p> <p>- agree on idea that customers needs and demands must be taken into consideration in the work earlier</p> <p>- need for innovation in the FTP-channel to "surprise" customers</p>                | - Commitment for project concerning new payments DVDfall back process .   |
| <b>Francois Out &amp; Osric Britten</b><br>(29-05-2012) | (both) Channel Implementation Manager, Interactive Channels  | No « claritly » project. They consider projects as connecting customers to the interactive channel |   | <p>- invitation for a working day at a customer</p> <p>- agreed to participate in Lab's workshops</p>                                   |
| <b>Johan Roza</b><br>(30-05-2012)                       | External marketing and internal communication  | - build up of database for customer segmentation   | <p>-open to cooperation</p> <p>-possesses much useful knowledge about customers</p>   | <p>- customers' classification (B2B) and sharing of customers name</p> <p>- 'clients' needs' brochure</p>                               |
| <b>Silvia Donoso</b><br>(30-05-2012)                    | Responsible for ordermanagement  | EOM  | <p>-finds that Lab is a good idea, but is sceptical &amp; needs some prove of work;</p> <p>-remarks: 1. Manage expectations; 2. Manage ambitions</p> <p>- was surprised about DVD project</p>   | <p>- awareness about the Lab &amp; clarification about Lab's work</p> <p>- possible cooperation in future</p>                           |
| <b>Bert van Drie</b>                                    | Manager interactive payments channels  | IBP 2.0  | -awareness about customers' needs: faster – simpler - on time => bank adopt processes to  | - network sharing: Peter van Hoven r, Arnold van Dijk. -proposals for   |



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|--|---|---|---|---|
|  |   | Global Overlay  | customers needs;<br><br>- openness to collaboration   | cooperation: 1. Portal server; 2. Ipad & mobile channels -secure means for authorization?; 3. Cyber crime                                 |
| <b>Sandor van Seeventer</b><br><b>(31-05-12)</b> | Channel Implementation manager = 'project leader' / product and channel implementation at big complex customers (like Belastingdienst, Akzonobel) | Will be influenced by:<br><br>SEPA (project to come)<br><br>XML test                        | - starts implementation projects => step-by-step planning;<br><br>- in contact with customers' IT departments: implementation + trainings;<br><br>- issues: lack of urgency from ING;<br><br>- customers requests: end-to end test = costs & certification;<br><br>-very little communication with OIB (neither operations or change) | - agreed to participate in Lab's workshops;<br><br>- information about 'special' customers;<br><br>- can help to plan visit to a customer |
| <b>Ivo Bal</b><br><b>(31-05-12)</b>              |   | Focusses purely on TANGO wave 3A<br><br>Corebanking   | Wave 3 will be split in 2 separate waves. Not all (complex) functionality can be realized in Wave 3a.   | - network sharing   |
| <b>Sander Bruijn</b><br><b>(25-06-12)</b>        | Product Manager – interactive channels  |   | Not ready for suggested ideas   | - network sharing;<br><br>- invited for Big Data month at Payments Lab  |
| <b>Kim Verhaaf</b><br><b>(04-07-12)</b>          | Senior Manager Retail – customer intelligence   | Customers database on both retail and commercial<br><br>Focus on retail customers research. |   | -network sharing;<br><br>- idea about Lab's presentation for marketing;   |
| <b>Sanne Hombroek</b><br><b>(23-07-12)</b>       |   |   |   | - overview of Customer Intelligence work<br><br>- network sharing   |
| <b>Ivo Broeren</b><br><b>(08-08-12)</b>          |   | IDEAL   |   | - overview of Marketing work for small & medium enterprises<br><br>- network sharing<br><br>- arrangement of a visit to retail lab of ING |
| <b>Frank Derks</b><br><b>(09-08-12)</b>          |   |   |   | - overview of sponsor's perspective about Payments Lab  |

## APPENDIX 2

### 10 payments business processes distinguished within ING OIB-Payments <sup>1</sup>

| Type of payment method                   | A business process  | Description   |
|--|---|---|
| Exchanging<br>(chartal)                  | Cash withdrawal   | A customer triggered the process by withdrawing cash from a bank account. Results: 1. a customer receives cash 2. balance of a customer's bank account is debited with sum of withdrawn amount and withdrawn fee. The process can be executed either by a bank employee (teller) manually or through a self-service mode by a customer using an Automated Teller Machine (ATM).   |
|  | Cash deposit  | A customer intends to deposit money to a bank account (trigger of the process). The procedure results in crediting a bank account of a customer with deposit amount minus transaction fee and the bank gets cash. Either a teller can execute the process or a deposit machine.   |
|  | Distribute cash   | First, a retailer or a bank branch sends a request to pick up cash seal bags triggering the process. As a result, cash comes to the bank and is counted, accounts of relevant parties are credited.<br>Second, a bank branch issues cash order. The process results in delivering cash to a branch, while the banks accounts of receiving parties are debited.<br>The whole process is semi-manual and requires high level of security. |
| Generic provisioning<br>(girale)         | Generic Credit Transfer (including SEPA (Single European Payments Area) and Cross border) | A customer's need to transfer money triggers the process. As a result a payer's account is debited for transfer sum plus transfer fee and a payee account is credited for a transfer amount. This process is done through electronic channels in self-service mode.   |
|  | Generic Debit Transfer  | The process is triggered by customers' need to collect money from their clients. The result is an updated account balance: payee's account is credited for a specific amount minus fee and payer's account is debited for a transferred amount plus fee. The process is done through electronic channels but requires manual assistance from bank's operating department because paper based instruments are used in this process.      |
|  | Liquidity Management  | This process is either time-triggered or triggered by a changed balance position of a bank account. There are two kinds of accounts owned by customers: master account with better rates for a customer and so called slave account(s). As a result of this business process excess cash is swept from (a) slave account(s) to master one to bring correct balance position. The process is fully automated.                            |
|  | Providing Balance and Transaction information   | The process can take place at the end of the day (time-triggered) or during a day if there are changes in balance position of a bank account. As a result a customer has an overview of account balance (opening and closing) with all debit and credit transactions. The process is performed automatically.   |
| Local Provisioning<br>(“girale”) Generic | Local Payments Processes in the Netherlands   | The process is a placeholder for provisioning of all local processes unique to the Netherlands.   |
|  | Local Payments Processes in Belgium   | The process is a placeholder for provisioning of all local processes unique to Belgium.   |
|  | Local Payments Processes in the rest of the world   | The process is a placeholder for provisioning of all local processes unique to other countries where ING has business.  |

<sup>1</sup> The table is made on the base of internal information from ING. Year Plan 2012 OIB - Payments (confidential)