

**HUMAN RESOURCE MANAGEMENT IN HIGH PERFORMANCE ORGANIZATIONS:  
THE CASE OF ING DIRECT**

Jodie Benveniste

Macquarie University

Email: hotlaksa@internode.on.net

Richard Dunford

Macquarie University

Email: Richard.Dunford@mq.edu.au

Ian Palmer

University of Technology, Sydney

Email: Ian.Palmer@uts.edu.au

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**ABSTRACT**

Increasing attention is being given to the role of human resource practices in the determination of organizational performance. In this paper, we discuss the human resource practices of ING Direct, a high-performing organization in the Australian banking sector. Despite increased competition and a great influx of foreign-owned banks, four major domestic banks have continued to dominate retail banking. However, ING Direct is an exception to a pattern of poor performance amongst the foreign-owned banks. It has emerged as a high-performing organisation, achieving strong financial performance and claiming significant market share. We suggest that the success of ING Direct is in significant part due to the specific human resource practices that it employs.

**KEYWORDS**

Human resource management, people management, high-performance organizations, competitive advantage

## INTRODUCTION

Increasing attention is being given to the role of human resource management practices in the determination of organizational performance (see, eg, Bowen & Ostroff, 2004; Colbert, 2004). As part of this, there have been calls for more use of qualitative research approaches such as case studies to shed light on the links between human resources and organizational success (see, e.g., Clark, 1999; Wright et al, 2001a). In this paper, we identify and discuss the human resource management practices of ING Direct, a high-performing organization in the Australian banking sector. We suggest that the success of ING Direct is in significant part attributable to the specific human resource strategies that it employs.

## HRM AND ORGANISATIONAL PERFORMANCE

A growing body of research focuses on the capacity of specific human resource management practices to confer competitive advantage (Barney & Wright, 1998; Becker & Huselid, 1998; Bowen & Ostroff, 1994; Colbert, 1994; Huselid, Jackson & Schuler, 1997). An empirical link between human resources and firm performance is well established within the literature (Delery & Doty, 1996; Guthrie, 2001; Huselid, 1995). For example, Pfeffer and Veiga (1999) identify seven specific practices as associated with high performance: employment security, selective hiring, self-managed teams and decentralization as basic elements of organizational design, comparatively high compensation contingent on organizational performance, extensive training, reduction in status differentials and information sharing.

However, more work remains to be done as researchers have largely been unable to explain the processes through which human resources add value to firm performance (Paul & Anantharaman, 2003; Wright et al, 2001a; Wright et al, 2003). Bowen and Ostroff (1994: 203) argue that the focus should be on the “unanswered” question: “how does HRM contribute to firm performance.” One school of thought attributes the problem to a methodological factor – the dominance of cross sectional, single respondent, survey designs (Gerhart et al, 2000; Wright et al, 2001b). This had led to the argument that that the complexity of the issue may require more use of qualitative research approaches such as case studies to shed light on the links between human resources and organizational success (Clark, 1999; Wright et al, 2001a). A second approach involves the argument that unobservability, causal ambiguity and complexity may be contributing to the difficulty in making clear causal links (Paul & Anantharaman, 2003; Wright et al, 2001). As a result, on an empirical front, researchers have begun to identify intervening variables such as employee commitment, teamwork, organizational climate and customer orientation as possible factors that influence the relationship between human resource practices and financial outcomes (Bowen & Ostroff, 2004; Collins & Clark, 2003; Paul & Anantharaman, 2003).

In response to such calls within the strategic human resource literature to develop a deeper understanding of the relationship between HR practices and organizational

success, this paper reports the results of an in-depth case study of a high-performing organization.

### ING DIRECT (AUSTRALIA)

ING Direct (Australia) is a member of the Netherlands-based, global financial services organization, ING Group. The strategy of ING Direct is to be a low-cost, high-value provider of financial services by providing customers with an attractive value proposition and high levels of customer service to achieve scale within large, mature markets.

ING Direct characterizes itself as being different to other banks. In reaction to criticism from bank customers regarding high fees, poor service and complex products, it presents itself as offering something different. The strategy is based on challenging traditional banking assumptions such as the notion that banking requires a strong retail presence. The use of a branchless system of banking, whereby customers access services via the telephone (“24/7”), Internet and third party introducers is a key feature of ING Direct’s strategy.

ING Direct has a focused strategy. Unlike other banking operations, it does not attempt to provide full-scale banking. It provides two key products: the savings maximiser account, and mortgages through third-party introducers. On the market side, ING Direct is also selective in regard to the markets it targets. Asset-rich markets are the focus of the strategy, precluding many countries from being seen as attractive. An important feature of the value proposition to customers is simple, “straight forward banking” (the slogan/tagline for its website). Whereas other banks have been offering more complicated and difficult to understand products, ING Direct offers a savings product with no bank fees or charges, no minimum deposit and a high interest rate.

ING Direct (Australia) grew out of Mercantile Mutual Finance, a commercial property business owned by the ING Group. After being awarded a banking license in 1994, Mercantile Mutual Finance spent the first few years building a mortgage business. Then in 1997, when the ING Direct strategy was adopted, the savings business was added. Since then the operation has grown to include more than 500 staff, 500,000 customers, \$10 billion on deposit and a \$10 billion mortgage portfolio and an increasingly impressive financial performance (see Table 1).

**Table 1: ING Direct (Australia) Performance 1999-2003**

	1999 \$'000	2000 \$'000	2001 \$'000	2002 \$'000	2003 \$'000
Net revenue	28,065	40,356	94,732	194,711	275,583
Net profit after tax					

(loss)	(6,361)	(17,108)	3,169	44,302	77,851
ROE after tax	(10%)	(24%)	2%	10%	15%

Source: ING Bank (Australia) Limited, Financial Reports for the years ending 1999-2003

What makes ING Direct's performance particularly noteworthy is that it has achieved its success in a highly competitive industry. The retail banking industry in Australia, post-deregulation, is characterised by intense rivalry, threat from new entries, the developing threat of new products and increasing consumer power. This is further exacerbated by the dominance of the "Big Four" banks, ANZ Banking Group, Commonwealth Bank of Australia, National Australia Bank, and Westpac Banking Corporation, who together control 65% of total banking assets (AXISS Australia, 2000). To a large part, the great flux of foreign banks into the Australian market has been unable to diminish the Big Four's stranglehold on retail banking (Wright, 2002). In this context, the success of ING Direct (Australia) makes it an ideal organization for a study of human resource management practices in a high performing organization.

## METHOD

### Data Collection

The methodology for the study was guided by an in-depth case study approach. Data came from two sources, semi-structured interviews and archival material (company documents, media reports, etc). We conducted 53 interviews, 48 with management and staff within the Australian operation and five within the Executive Team of ING head office in Amsterdam. Interviews were between 30 and 90 minutes duration. At least two members from the research team were present at the majority of interviews. Interview selection was based on the concept of "horizontal and vertical slices" (Dunford & Palmer, 2002). Use of the horizontal slice involves collecting data from people across the various functions or businesses in the organization. In this study, the nine members of the ING Direct, Australia Executive Committee (including the CEO) comprised the horizontal slice. The vertical slice involves collecting data from people at different levels in the organization. In this study the vertical slice comprised 39 interviews with staff from various levels within the two key divisions (Retail Mortgage Group; Direct Sales and Operations). Random sampling was used to identify interviewees. Interviews were recorded and transcribed.

### Data Analysis

Data from the interviews were analysed using NVivo, a qualitative software package that has become the most widely used computer-based method of qualitative analysis (Ticchurst & Veal, 1999). Two of the researchers independently analysed interviews and interview notes to identify themes. Themes and sub-themes emerged through

repeated treatment of the interviews and adjustments were made as new levels of understanding surfaced. Discussions took place between members of the research team until agreement was reached regarding the appropriateness of categorization of the text. Text was then tagged and analysed. Data from annual reports, internal documents, the business media and online sources were used in conjunction with the interview data to reveal an in-depth understanding of the human resource practices of ING Direct. In the following sections, we outline the results of the study of ING Direct. We conclude with a discussion of the implications of the findings.

### **HUMAN RESOURCE PRACTICES IN ING DIRECT**

People management at ING Direct revolves around 13 core principles and practices: (1) open management style, (2) minimization of status differentials, (3) reward and recognition, (4) a “cultural fit” approach to recruitment, (5) appointment by promotion, (6) emphasis on training and development, (7) a developmental approach to performance management, (8) teamwork, (9) work as “fun”, (10) encouragement of innovative thinking, (11) a customer service ethos, (12) a performance ethos and (13) a physical environment that reinforces the desired culture.

#### **1. Open Management Style**

The CEO, Vaughn Richtor, is recognized as an embodiment of the ING Direct management style. He is viewed, almost universally, as being a positive, motivating force throughout the organisation.

*He's always so vibrant and positive and, you know, he's never negative. He's got a smile on his face. If you think the guy at the top of the tree is doing ok then it must be a good thing so it's going to have a good influence” (Contact Centre, male).*

A key aspect of Vaughn’s leadership is his visibility. He regularly chats to staff and he knows a vast majority of the 500 staff by first name.

*I think he's a great CEO. I think he's one of the best that I've had since working in the work force...he'll come up to you and talk to you and have a chat with you. He even knows me by my name so that's something, very good. Yeah he remembered that from initial training, the induction (Contact Centre, male).*

There is open communication about how the business is performing.

*We definitely get information through bulletins and things about how the company's going. We've got whiteboards around the place that say what we're riding in business, which is good, because it keeps us up to date as to how well were doing, how busy we are (Retail Mortgage Group, female).*

#### **2. Minimisation of Status Differentials**

ING Direct is characterized by the relative absence of status differentials. Seniority is not associated with many of the normal privileges and symbols of hierarchical difference that employees had come to expect from their experience of other work organisations.

*They don't have offices and they don't have discernable levels of management so to speak. Like I didn't know that the CEO was the CEO. He's not wearing a suit. He's not walking around like the king of the world. He just walks around like the rest of us. You don't get that from very many companies at all (Retail Mortgage Group, female).*

At the Christmas party, the CEO plays in a band with other staff members and everyone celebrates.

*Everyone has a great time, from the CEO who's basically up there on the stage singing and playing his guitar, to virtually all of the executives committee [who] were up on the dance floor rocking away and dancing and getting silly, [and] to all of the staff. So we really break down any barriers between us personally... cause we're all in this together, so those symbols are very important" (Top Management Team, male).*

*"There's no CEO like this guy. He knows four hundred and ninety, five hundred, people by name and he'll dye his hair tomorrow night at our Christmas party and play in a band. That's it, that's our culture" (Top Management Team, male).*

### **3. Reward and Recognition**

A feature of ING Direct's people practices is its focus on recognizing the efforts of staff. Rewards come in a variety of forms including praise (spoken and written), movie tickets, lunches with the CEO, weekly fresh fruit, organization-wide celebrations and a financial bonus system for all staff..

*There are little things here that make a difference to people. I mean the fact that on a Monday morning there'll be two boxes of fruit delivered on each floor... There will be a Christmas party whereby the company will pay for that...They have a weekend they call a Wow Weekend...and so those little things all add up" (Manager, male).*

The Wow Weekends, universally lauded across the organisation, are company-wide celebrations that are off-site and involve dinners and activities such as scavenger hunts or lawn bowling.

*It's the company giving something back to you like for appreciation. It's not just your manager going, 'Yep well done, good job.' It's something kind of bigger than that" (Contact Centre, female).*

### **4. A "Cultural Fit" Approach to Recruitment**

When ING Direct began there was a firm policy of recruiting for skill. However, this led to "a lot of wastage...because we weren't recruiting for cultural fit (Top Management Team, male). As a result, the recruitment strategy later shifted to one of selecting for cultural fit. This has also been a feature of ING Direct's call centre recruiting.

*We'll actually more look against call centre experience than for it because we don't want someone who's been necessarily trained to the way the banks operate.*

*We want to train them....we're more interested in customer service as opposed to contact centre [experience] (Contact Centre, male).*

This leads to a situation where "there's very un-bank like people" (Contact Centre, female) employed at ING Direct.

## 5. Appointment by Promotion

The policy of recruiting for cultural fit is coupled with a strategy of appointing people to senior positions by promotion. This practice is firmly focused on retaining people who fit with ING Direct values

*We're going to look for people who...have potential and we will try to grow people up through the organisation (Top Management Team, male).*

## 6. Training and Development Opportunities

Consistent with ING Direct's recruitment and retention strategy, is their focus on offering employees development opportunities which are viewed as a point of difference for ING Direct in regard to people management.

*With XXXBank I was appreciated for what I did, however they weren't willing to let me further my career and my income because I could do the job that was paying more but they wanted me to stay being paid less. So they held you back in that way cause they did what was beneficial to them. Whereas here you're encouraged to better yourself and you're rewarded financially or emotionally, so a big difference. You're very much encouraged here" (Retail Mortgage Group, female).*

Staff are trained in work-related skills but are also encouraged to study for externally recognised qualifications. Encouragement is provided through study leave and payment of course fees.

*Something we're actually rolling out to everyone at the moment which is our learning and development pathway which will provide all of our staff with somewhere to go with regards to achieving a certificate...I think that's something that's really kind of re-animated the staff at the moment (Contact Centre, female).*

## 7. A Developmental Approach to Performance Management

ING Direct is a performance-driven workplace.

*How you earn respect here is by your success...it doesn't matter if you're a good bloke, you know, good to have a beer with, you've got to prove yourself (Top Management Team, female).*



As a result, performance is heavily monitored across the entire business. However, although staff are heavily monitored, the performance management system is experienced as developmental rather than punitive.

*If I have a weak area I've always been encouraged in that area but not in a negative kind of way. It's been very constructive...I've always found it really helpful" (Contact Centre, female).*

## 8. Teamwork

Teamwork is an important feature of ING Direct's workplace. It is encouraged by the way the work is structured, ensuring that people must work effectively with others to get their own job done. Staff in the call centre and in the mortgage operations are all structured into teams. One function of teamwork is knowledge sharing.

*In my team it's very emphasized. We have team lunches and meetings on a regular basis...So every Monday morning we gather for about half an hour just to find out what everyone's doing, what parts they're at for a certain project, cause we all do similar roles. So we try to get together just to know like if there's any changes or ways we can do things better. So our team's pretty, I think pretty together (Retail Mortgage Group, female).*

Staff also draw on other team members' skills to get their job done.

*You identify different strengths within a team. Some people are good at scripting certain answers. Some people are good for contacts. Different people have different strengths. If you know who they are and you establish that rapport within the team you can access those strengths and it helps you in a sense (Contact Centre, Sydney).*

## 9. Work as "Fun"

A key cultural theme in ING Direct is the idea that work should be fun. The relaxed nature of the organisation is reflected in the call centre.

*It's not one where you're in a little cubicle with a headset on and you have no contact with anybody else, which is I think the impression that you might have with what a call centre would be like if you've never worked in one. It's a lot more sociable than that and we all sit and chat to each other between calls and that's the kind of thing that they want going on. They want that friendly kind of atmosphere (Contact Centre, female).*

Having fun involves competitions between teams within the call centre to decorate their areas around themes and special events.

*We have competitions like an Easter competition. We'll have a Christmas competition. We'll have a Melbourne Cup Day competition - anything we can get involved in really. Well just to break it up a bit and have an atmosphere that means, "Yes we're doing our job but we're having fun" (Contact Centre, male).*

## 10. A Physical Environment that Reinforces the Desired Culture

When moving to a new building in 1999, ING Direct made the decision to create an environment that reflected its culture. No one, not even the CEO, has an office.

Vaughan Richtor is respected and admired for not having many of the trappings of a traditional CEO.

*“You don't get that image of bank CEO sitting in his big office. I mean he] sits on the same desk as me...nothing different except he has a name tag”* (Contact Centre, male).

Bright colours and motivational themes on every floor are also a feature of the workplace. The physical environment of the workplace is viewed by staff as reflective of management's commitment to staff.

*[ING Direct] really look after the staff. Staff are their priority. I think that the view is, if the staff are happy then they'll be doing their job better.* (Contact Centre, female).

## **11. Encouragement of Innovative Thinking**

Staff are encouraged to be innovative and to question the status quo.

*You can try anything you like within reason. You can always be heard from any level. Your ideas can always be put forward and someone always listens to them. You're not scared to try anything, do new things. We started from scratch. We don't have legacies. If there's a better way of doing something, you can do it.”* (Top Management Term, male).

Being an innovative culture involves encouraging people to come up with new ideas and to question. In this regard, *“We won't crucify people for coming up with new ideas”* (Top Management Team, male); *“We try and create a culture where it's healthy to question”* (Top Management team, male). This also involves taking responsibility - *If things were to go horribly wrong, or whatever, it's not in our culture at all that I would blame anybody under me. It would be me”* (Manager, male). As a result, mistakes are viewed as being part of the learning process.

*Even though you may have made mistakes, they say. “Well you've done this. You could look at this. But it's really positive feedback. A lot of it's positive and that's the experience I've had* (Contact Centre, male).

Being innovative is central to ING Direct's intent to be different to traditional banks.

*Clients, they always say, “Oh you people are lovely. You're so different from every other bank”* (Contact Centre, female)

## 12. A Performance Ethos

Although ING Direct promotes a relaxed and fun culture, it maintains a professional focus by expecting results – *you're expected to deliver* (Top Management Team, male).

*It's a relaxed atmosphere and just because it's relaxed doesn't mean it's unprofessional, cause it is, it is very professional*" (Retail Mortgage Group, female)

*It's pretty much a work hard play hard culture* (Retail Mortgage Group, male)

The CEO also embodies this ethos. Although his accessibility and his commitment to work as “fun” is well known and appreciated, it is clearly understood that this is part of, and not an alternative to, a commitment to performance.

*He'll have fun with everybody but when...something needs to be done you just know that you have to do it*" (Top Management Team, male).

## 13. A Customer Service Ethos

There is a strong emphasis on the notion of working hard to provide quality service.

*I find mistakes and I have to fix them even if it's not in my roles. I might be involved in pushing other people to fix them but if I can see it's affecting the client I won't let it rest* (Retail Mortgage Group, female).

Consistent with a focus on quality is the fact that the call centre does not measure average handling times, unlike the majority of call centres.

*We always tell our [people], you know, quality comes first. You take the time with the call. Just make sure the customer is happy. Answer all their questions. Obviously keep an eye on the boards to see if there are calls waiting, but don't rush your call just because you think "Oh gosh there's another call waiting I've got to get that". So yeah quality is very much the important factor* (Contact Centre, female).

Service quality is also the reason why the call centre is not outsourced.

*The call centre is the VIP lounge. It's got the most important people, our customers...the key differentiators we see is our call centre people and therefore we don't want them to be part of another organisation and another organization's culture. We want to have them as part of our culture...so the whole training and the management of the call centre is very critical to us* (Top Management Team, male).

## DISCUSSION AND CONCLUSION

Case study-based research has been identified as one of the key ways in which a more detailed understanding can be achieved of the processes whereby human resource practices can contribute to organizational performance. In this study, analysis of the high performing organization ING Direct (Australia) has led to the identification of the following as core elements of its human resource management approach: (1) open management style, (2) minimization of status differentials, (3) reward and recognition, (4) a “cultural fit” approach to recruitment, (5) appointment by promotion, (6) emphasis on training and development, (7) a developmental approach to performance management, (8) teamwork, (9) work as “fun”, (10) a physical environment that reinforces the desired culture (11) encouragement of innovative thinking, (12) a performance ethos and (13) a customer service ethos. In this respect, the ING Direct situation is very consistent with all seven Pfeffer and Veiga (1999) factors while also identifying some additional ones.

Some factors such as open management style are embellishments of the Pfeffer and Veiga (1999) factors but others have the potential to add a significant new dimension. For example, one of the key concerns expressed in the literature on the relationship between human resource management practices and organizational performance is the need to identify linking mechanisms between the practices and performance. In the ING case the emphasis given to encouragement of innovative thinking, a customer service ethos and a performance ethos may be the elements that provide such a link. In this regard, the findings of this study share a connection with Paul & Anantharaman (2003) who also argued for the significance of a customer orientation in this regard. Further research should extend to an investigation of the interactive effect of human resource practices and those in areas such as marketing and operations (see, e.g., Dunford & Palmer, 2002).

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