



Peter Aceto

President and CEO, ING Direct

LEADING IN TIMES OF CHANGE— THE CORNERSTONES OF TRANSFORMATIONAL CHANGE

Chairman: **Noble Chummar**

President, The Empire Club of Canada

Head Table Guests

M.J. Perry, Vice-President and Owner, Mr. Discount Ltd., and Director, The Empire Club of Canada; Terence Nelson, President, Centennial College Students Association; Siobhan Desroches, Marketing Specialist, QP Briefing; Andy Kent, CEO, McMillian LLP; Ted Griffith, Chief Strategist, The Fixers Communications Group Inc., and Director, The Empire Club of Canada; and Doug Williamson, CEO, Beacon Group.

Introduction by Noble Chummar

It gives me great pleasure to introduce our guest speaker today— Mr. Peter Aceto. Over the past century, the Empire Club has had hundreds of bank CEOs speak at our podium. In fact, just this year, Rick Waugh addressed the club and, in a few weeks, we have the Chairman of the Bank of Montreal.

Our guest speaker today is someone who does not fit the mold of a Canadian bank president.

One of the only cool things about being the CEO of a bank is having the biggest corner office on Bay Street. Peter works at a desk in an open concept layout among his executive team. Under his leadership, ING Direct has developed a corporate culture unlike any other financial institution in Canada. ING Direct is known for being first to market technology and embrace the mobile world. He has been named one of the top-50 social CEOs in the world and is known for personally responding to social media.

Peter started at ING Direct over 16 years ago. He worked for the U.S. side of the business until returning to Canada in 2008 to assume the role of CEO.

Now I mentioned that Peter does not fit the mold of your average bank CEO. Recently, Peter competed in an endurance challenge called Tough Mudder. For those of you who do not know what Tough Mudder is, I have clipped the Wikipedia entry for you. It reads:

“Tough Mudder is an endurance event series in which participants attempt a 19-km military-style obstacle course. Designed by British special forces to test mental as well as physical strength, obstacles often play on common human fears, such as fire, water, electricity and heights.

Ladies and gentlemen, please welcome our guest speaker and a serious Tough Mudder, Mr. Peter Aceto.

Peter Aceto

I’m very excited to speak to you about change, a topic that has defined much of what we do at ING Direct. You know, change is not easy. Many run away from it. With change comes uncertainty. It seems easier to do what we know for sure, doesn’t it? It is easier to set the goals we know we can meet, but surely you know this doesn’t get us far. People have a tendency to fear the unknown, but there are some who understand that change creates opportunities. Change is, in fact, good!

But I’ll tell you something that is a little more provocative. You either change or you die. It may be a quick death or a slow one—but death nonetheless. A strong statement, I know, but this is the reality we live in.

I try my best to have my ear to the ground, meeting people, talking to leaders of businesses of all sizes including entrepreneurs—recently in Toronto, out East, out West, in Silicon Valley,

Israel and India. Some of these conversations suggest to me that many businesses have their backs against the wall. They find themselves in a very tough predicament. To me, this is both unfortunate and unnecessary.

Change has been rampant around us for some time now; it has been fast and accelerating. Today, you either position your organization to adapt quickly or you’ll end up with your back against the wall. You change or you die—now or later—with you in the captain’s chair, or not. That is what I want to talk about today.

The key to transformational change is to create a sense of urgency to challenge yourselves, your employees, your industry, and your customers, to look ahead, to think bigger, create, innovate, to shake it up, to make a real impact on the world. My experience has shown me that people underestimate their personal capacity for change. This is where your leadership is most needed.

How do you get the people around you including your customers to believe that change is good? That it’s vital? Not just a little bit of change, but big fat change. The kind of change that leaves “a dent in the universe” as Steve Jobs famously said. So, how do you get them to believe? I’ll get back to that.

So we agree that change is guaranteed. So we either manage it, or it manages us. Take Jack Welch’s perspective on the matter when he said, “Change before you have to.” Change before you have to! I like it. Simple, poignant.

At ING Direct our core values, the foundation of who we are, were built to embrace change. After all we started as a telephone bank in 1997 offering only a savings account. Think about that time. The way things were done.

We embarked on a mission to not only change the way banking was done, but to transform the way Canadians think and feel about banking—what they expect from banks and what they believe about the role a bank can play in their lives. We wanted to change the industry!

It wasn't a small matter. Banking had been done one way, and one way only for 175 years! As a brand marketer said to me only a few weeks ago, because of ING Direct, banking will never be the same in Canada. Even the world.

In 17 short years, we've evolved our business from a telephone bank to an Internet bank and soon to a mobile bank. Most recently we've even allowed our customers to make a deposit simply by taking a picture of their cheque with their mobile device.

We are a bank with nearly two million customers without having one branch! We did this by thinking big and the only way we will survive (to not die) is to challenge ourselves to think even bigger. And we are. Why?

Our competition is changing, catching up. Most importantly, our consumers' habits have and continue to change too, and so have their expectations. The number of households banking online—while unimagined in 1997—increased from 3 per cent in 1999 to 54 per cent today. Roughly 300,000 Canadian households to 6.5 million households. That's 20 times!

For over 150 years, a branch was the primary way Canadians accessed their bank accounts. Web banking didn't even exist in Canada 16 years ago, but today it is the number-one way people access their accounts in Canada!

Mobile is an even more dramatic story although it is not finished yet. In 2010 (only four years ago), one of 20 Canadians used their mobile device to do some sort of banking. Just two years later (2012), one of three Canadians accessed their bank accounts using their mobile device. One of three Canadians today expects to use their mobile device as their primary banking tool in the near future! At ING Direct, between 2010 and 2013 our mobile client usage increased by 1,430 per cent and now accounts for nearly 20 per cent our clients. This is unprecedented! This is amazing! And this applies to other industries and sectors as well. And the way things are going, banking will look completely different five, 10, 20 years from now.

I want to talk specifically about remote cheque deposit, as a case study for change. It is an excellent example of what I mean when I say we need to challenge ourselves to make change happen. Taking a picture of a cheque from your couch or dinner table and depositing it directly into your bank account was simply not an option in Canada 12 months ago. Not until we introduced it.

We had a vision that it would be possible for all Canadians to deposit their cheques immediately in their banks without the need for a trip to a branch, ATM etc. At the time, the payments' rules in Canada did not permit this. We proceeded regardless, investing in and building the capability. We hoped the rule would change but certainly considered the possibility of launching this important capability without a clear rule allowing it. Or at least we would work hard to have the rules changed.

The world changes around us as I've discussed but it takes people to push harder to ensure the world changes faster.

The speed of change benefits some and is a problem for others. So, as Canadians, or in our case, we must enable our organizations to be nimble so change becomes our friend not our enemy. If change is your friend you can push the change agenda harder making your competitors uncomfortable. They will push back; they may slow you down. Pushing will put pressure on rule makers too. But, if your change is good for consumers, if it will make their lives better the rules will change.

In the case of remote cheque capture, consumers absolutely love it. It made sense. It simplified their lives. It is fun to do too. It saves time, money, the environment. It's good for business too. Like many other innovations we've brought to the market, this one has led to a lift of new clients joining the bank by 17 per cent. But if you keep pushing it will happen. It will happen!

Now, benefits of change don't accrue completely on day one, but starting your vision of change, learning, adapting and evolving are key. Change, transformational change, takes patience, resolve, stick-to-it-ness. It requires the hardest work at the

beginning and momentum will keep it going.

I love the metaphor from Jim Collins book “Good-to- Great.” He referred to a giant heavy flywheel. Getting it to move takes lots of energy. You need to apply great force, hitting away with resolve, consistency, energy. But when the heavy wheel starts moving, it becomes easier and easier to keep it moving to the point where it can barely be stopped.

In society, we look at big change at times as if it happens all at once—social media, the Web, mobile, e-commerce, yes, direct banking, etc. The reality is someone is working away at these changes for a long time before we notice them. When we notice them, we notice them all at once.

Change is not easy and it certainly is not quick. Some smart organizations have figured that out, organizations like Google, Apple or Facebook.

Who here uses Hailo or Uber? Why not hail a cab from your smartphone app without stepping outside! These companies are revolutionizing their respective industries.

Anyone remember Blockbuster? Here’s a great example of a business that in my opinion did not have to die. You know, Alan Kay has a great saying, “The best way to predict the future is to invent it.” That’s what Netflix did. They understood what Blockbuster failed to see.

Success today does not mean success tomorrow. So you have two choices: You can sit and watch the transformation happen, or you can be an active participant. It is much harder to reinvent who you are than to start over. The transformational change Blockbuster needed would have taken much more energy than creating a brand new Netflix. But you don’t need death to be reborn.

Now, I am aware that there is a different side to change. Change sometimes happens to you; is not instigated by you.

For example, in June 2012, I received an email that said “Peter, could you please come to Amsterdam tomorrow?” I would soon

be told that ING Group had decided to sell our business. I was not surprised but it felt surprising when I heard the news. You get a call one day after 15 years in business, and you’re told there’s a sale process, and you can’t tell anyone about it!

So now what? I’ll preface my answer by saying, “There is no home-run formula for how to manage change.” This is because people are very different when it comes to change. Everyone perceives change through his or her own filters. What is 10-per-cent uncertainty or discomfort for Julia can be perceived as 100-per-cent chaos for Reggie. Individual perception matters. Equipping people (employees for example) with information is likely the single most important thing a leader can do, even when you can’t share it all.

I had the fortune to chat with Simon Sinek recently as he was promoting his new book “Leaders Eat Last,” and asked him specifically about communication in times of change. His answer was incredibly helpful to me at a time when I needed some reassuring. He said, “Share whatever information you have as quickly as possible, as openly as possible, and even if you can only say a little say it!”

It may sound a little radical. But people don’t expect only good news. Your employees are smart—hopefully! So a leader must be straight, quick and direct with whatever he or she can share. And you simply cannot over-promise. You can’t get ahead of the information. You have to manage it everyday.

Did “I” get this right? No! And this is a lesson learned. I did share as much as I could, and I was honest, maybe even took some personal risk. But I was too fatherly, too protective, too reassuring. So be straight. Don’t paint a rosier picture to make people feel good.

I’m sure that this has impacted my credibility metre to some extent, which I had invested a lot in before and since. This is why we build up our trust, loyalty, credibility tank as leaders for times when we really need it. For times when we don’t get

it 100-per-cent correct, when we make a bad decision, when we need to change.

Change is a word we hear plenty of times. You are starting to hear about “transformational change” more and more. I think the difference is very important for leaders to understand, because they are different and require a very different approach.

“Change” is the simplest for us to understand. It is quite aligned with how humans have done things. How we are taught in school and often encouraged and rewarded at work. Simple change begins when you use the past as your starting point. You are focusing on improving on the past, something that already exists. The language is about making things better, faster and cheaper.

Transformation is altogether different. With transformation you start with a vision of the future and you take steps to make this vision a reality. You need to free yourself from the constraints of the past. Transformation is not about making something better, faster or cheaper. It is about giving birth to something completely new. It’s about thinking big and bold. It’s about using creativity and unique thinking to create something completely new.

Of course we need to continue making incremental improvements to our business processes, but making thoughtful and giant leaps forward is the key to sustained success in a rapidly changing world. Transformational change is irreversible and lasts forever. It is defined by radical breakthroughs in paradigms, beliefs and behaviour.

Gandhi once said, “We must be the change we want to see happen in the world.” He was talking about civil rights, independence and freedom.

I am talking about business. Much simpler I would think. How do you get your employees to buy-in to your transformational change agenda? How do you get them to bend, but not to break?

Well, the short answer is you don’t. They do. All you as a leader can do is be clear about what is changing and why. Sharing your vision is crucial. But what makes the vision come alive is when

you take your employees on the journey of where you are today and where you intend to be tomorrow. It is the stories you tell, the inspiration you impart that make your vision real, understandable, exciting—even palpable.

And what is in it for them? Excitement, opportunity, growth and true pride that what we will have accomplished as a team and as individuals will be truly incredible.

So, leaders, instill a sense of urgency in your teams. List the possibilities that come with transformation. But you don’t have to have all the answers, all of the details, all of the time.

We start with the vision, the why and areas of focus for the business, but it is up to the team to understand and figure out the how and when. Of course leaders must be consistent, repetitive, and help make the change relevant for people. What I’ve learned is that people want to know that there will be more excitement, more growth, more opportunities for them. They need to know what it means for them. And very importantly, never fool them into believing that change is easy. Change is exhausting! But the rewards are worth it.

Embracing transformation is a very personal decision. I’ve certainly met a lot of people who are simply not comfortable with uncertainty. I’ve also met and worked with many, many, bold individuals, who have experienced transformation, learned its value and have become comfortable with it, even love it.

Our job is to get anyone who has the slightest inkling of excitement for the unknown to be as comfortable as possible. There’s probably a good 10 to 15 per cent of your organization or team that you’ll never be able to influence. But if you can get the most open and easily inspired people on board, then you’re in a better place to later influence the skeptics.

As some of you may know, we recently announced our name change from ING Direct to Tangerine. I am sure that even in this room, there will be the 10 to 15 per cent of you who might just think we’ve lost our minds, while 10 to 15 per cent of you

completely get it.

Everyone in between needs time to embrace it. That's exactly what we expected would happen. But for our business, this was the time to make a bold move to transform our identity and set the tone for the future—to make a promise that is bolder than ever before, that will inspire our teams to achieve things even they didn't think were possible and to transform the way Canadians view the role their bank should play in their lives.

Look, ING Direct has always been a different type of bank and the name Tangerine reflects that difference. It is bold, because we are exactly that, and it is radical for the financial services industry, something that's very important to us.

It's not a small change. It's a transformation that we embarked upon to scale our business and take giant leaps forward. We are dreaming bigger and stretching our vision wider than ever before. You might think it is a reincarnation of some sort—maybe even ING Direct on steroids.

We plan to create an experience that Canadians do not even know is possible. That is the goal—to transform and excel, and to grab change proactively so we are not changing later to avoid our death.

But when you are changing you can't lose the best of who you are. That cluster of things that make you special, make you different, made you great. Know what they are. Protect them. Amplify them. You rotate around your strengths to meet the challenge of change.

Big thinking and the audacity to trust yourself and your team in making good, smart, and calculated decisions that separate you from the crowd—not just by a little, but by a lot—have always been at our foundation. And they will be the driving force of where Tangerine is headed.

Transforming a business is a rare opportunity. There are few opportunities in the world where you have the ability to re-shape a business, a business that is already highly successful with a solid

purpose, and mold it into something bigger and bolder without losing its values. Your teams must believe this opportunity is for them too. But, only they can do that. They, like you, have to make a deep personal choice about whether they are up to the task and about whether they believe the vision or not.

Transformational change is super hard work. It is not the easy path by any means, but the prize can be incredible. Change always begins within—within each and every one of us. We either decide that we are up to the task, or we aren't. That's what it takes.

As it relates to change, I particularly like John Kotter's perspective on transformational change from his book "Leading Change." "A higher rate of urgency does not imply panic, anxiety, or fear. It means a state in which complacency is virtually absent." I bet that the state Dr. Kotter references is exactly the state in which Andy Grove transformed the business of Intel.

Andy Grove famously said, "Success breeds complacency. Complacency breeds failure. Only the paranoid survive." To which I will add, and thrive!

Thank you for having me here today.

The appreciation of the meeting was expressed by Ted Griffith, Chief Strategist, The Fixers Communications Group Inc., and Director, The Empire Club of Canada

