



People Process & Tools-

Business & IT alignment
in times of radical changes



3 May 2012
Mark Notschaele
Head of Projects & Engineering
Cetrel SA



We were invited to talk about Business and IT alignment usage. The story I am about to tell is one of the company I work for.

TrAxxion is a „social networked public speaking and business coaching / advisory group“ on the „Art of Execution towards strategy“ – (Training & Action) based in Luxembourg and Toronto Canada

Cetrels case is really a prime example of the influence of „**More Europe**“ on business arena in the financial industry, and the consequences this has on an organisation as Cetrel. There must be many more similar cases across Europe – but Luxembourg businesses, with only a very tiny internal market have to adapt rather quickly.

Having to adopt to a dramatic changing business environment - of course this comes with threats and opportunities – and significant potential for friction between business objectives and ICT transformation activities.

But above all with a need to adopt **fast** to these circumstances as **failure is not an option** – and this is where use of best practices (processes & tools) in the transformation program is a pillar of „trust“ to execute towards the desired state fast, while ruling out common mistakes and losing time on „inventing your own“.

Such a dramatic business change process is however not easy and takes a lot of determination – **so people are the most critical success factor** - and best practices for sure have their function as catalysts - as our story will outline.

I have limited myself to only a few example areas of the “transformation & alignment” – the downloadable handout has **“bonus material”**

BackGround



Fortress



Luxembourg, 3 May 2012 | Page 2

Cetrel in last 25 years has been in a situation like in the picture – a well defended fortress - here shown is Luxembourg (Vianden) – recommended to visit by the way.

25 year cooperative history

- Cetrel is a Luxembourg-based credit card issuer and processor. Cetrel has been created over 25 years ago as a cooperative company owned by the largest local banks.
- This cooperative allowed it's owners to offer payment cards to their local customers as well as a local infrastructure for processing payment transactions for luxembourg-based merchants.
- Due to the limited size of the local market, any bank alone would not have been able to run such an operation profitably
- Very protected market both through regulatory (banking secrecy) as well as technical means (telco)
- Result – main characteristics:
 - o The main brandname in Luxembourg
 - o Owner=Customer
 - o Innovation through being able to develop opportunity fast in a small market (first EMV chip in Europe, homegrown processing systems, many “products”)
- Limited market size, limited number of customers, exposure to new trends based on follow local demands.

Strategy of Cetrel is of course correct under circumstances and typical for a cooperative organisation.

- “Please the owners” – flexible, do everything requested
- Adaptive, reactive product development
- Protected from competitive pressure
- No EBITA
- No real growth objectives
- Low “commercial assertiveness”

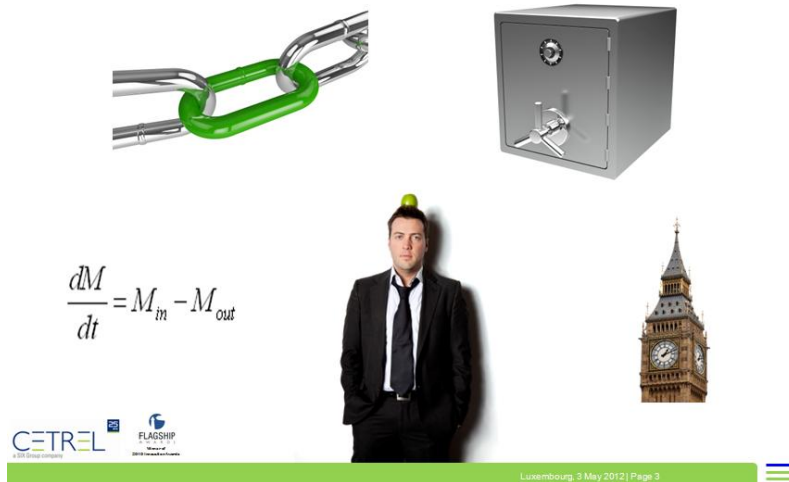
Business environment

- Very low customer turnover rate
- Informal business environment
- “we know each other”

Working environment (SMB with very low employee attrition rate)

- no (need for) highly documented environment
- No need for knowledge / training extraction – there is always the “club of ten” who knows
- Hierarchy focused organization – low on project / service matrix
- ITIL and PM – implemented through “proxy / “limited scope” projects

Business



The core competencies which Cetrel developed over the years are as described below. These are very important in their business and need to be conserved in transformation of the company to a dramatically changing European business arena as a “must do” key to success. Thinking Core competencies is a very important aspect in realising business transformations, defining and executing on strategy.

- Chain = Reliability
- Safe = Security
- Person with apple on head = Trust
- Formula = Cetrel is performing Mass transactions – The shown formula is figurative and shows the „law of conservations in Mass Transactions “ – what goes in must come out...where M is mass, t is time, M_{in} is mass input, and M_{out} is mass output. Conservation of mass is a general principle of Nature and applies to all models of geomorphic systems that keep account of materials transactions.
- Big Ben = “always on” – 365 - 24/7

One thing to understand if later on we talk about best practices is that for instance ITIL and P2 at Cetrel are not just used on “Internal IT dept” – “Cetrel **IS** IT” – its core business is managing IT as a service. So ITIL, P2 etc are used in customer facing context and with a rigour that is rarely seen in internal IT. This adds to the experience of using these practices and makes us “stumble” over some gaps in the best practices once in a while.

E-Payment



The business Cetrel is in is mainly in mass financial transaction processing in the e-payment business (and value adding shared services offered around that).

Turning Point 2008

Business
Challenge



CETREL
a SIX Group company

FLAGSHIP
a SIX Group company

Luxembourg, 3 May 2012 | Page 5

In 2008 a turning point is reached due to 3 main factors

Technology

- Internet, adsl (acquiring business can go „international“ at no cost.)
- Alternative payment platforms & methods arising (online paypal etc, mobile..)

SEPA (2008) – even UK member of it ☺

- Local payment systems are banned (bancomat)
- No more difference between local and international credit transfer costs

Loosening of Banking secrecy on the horizon

Clear that for survival of Cetrel it will need to reinvent itself:

Business Challenge

Cetrel's Business is a pure volume-driven business. Within its current cost and technology base, CETREL can not survive and prosper unless it can transform itself into a European player. Grow or die. Organic growth is not an option due to local market and current customer base potential . Cetrel wants to find international partner – and not sell out to larger processor. Cetrel needs additional capital for the necessary investments in new card management platform that can scale to the desired volume. Cetrel becomes a SA (limited company) and finds the Swiss SIX Group (itself grown from a cooperative construct). In 2008, Six Group acquires 50% of Cetrel and take the strategic direction to turn Cetrel into SIX's European Credit Card Issuing Hub.

Sunshine 2009



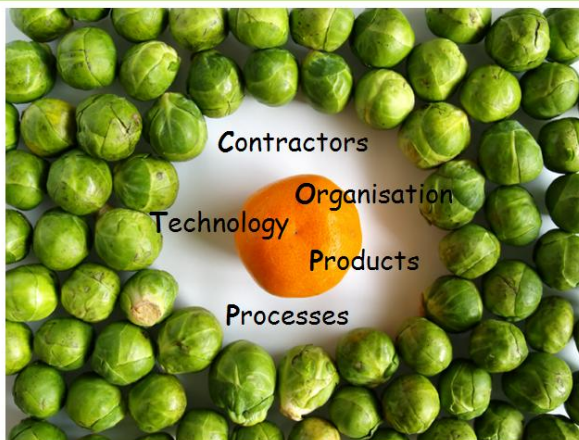
In 2009 there is the birth of the Sunshine programme – a 2 digit multimillion Euro programme

- Replacement of the end of lifecycle, home-grown payment card management platform by “off the shelf” software package – this to implement a system which is able to scale up.
- Moving of the local payment transaction processing to the SIX system, improved cost structure, system with pan-European reach

All this while keeping the business online 24/7, 365 days per year

- Focus in first instance on creating a program ran separately from the existing line organisation – using external people to run the legacy apps, getting existing staff on new systems implementation.

Consequences



Luxembourg, 3 May 2012 | Page 7

Where before the company was able to deal with projects, customer support and running daily business due to being such a stable, close knit team - where people knew the in and outs of tools and who is able to do what, without need for a formal processes – the consequences for Cetrel of adopting the Sunshine program is like an aggressive **invasion, feeling of being surrounded** by NEW partners, technology, processes. The ability to master managing the transformation and daily business would deteriorate quickly if impacted and new processes are not formalized and documented.

Consider the following “change” processes that are at work :

- Having to run a complex large infrastructure program
- Invasion of „contractors“ and working with outside partners
- Interfacing with a „package supplier“ vs. doing coding / programming
- Having to start working more and more with international customers (change from French to English & German language)
- Having to start working with (six) sales network outside Luxembourg
- New international customer
- Having to come up with new products proactively and clear instructions to sales teams
- becoming part of SIX TOM (Target Operating Model)

This pointed towards people (new roles) practices & processes that need to be developed to cope with the new situation at Cetrel- which now become very important for its survival:

- PMO (capacity management)
- Demand management (use SoFiE example)
- Order management (issuing order management)
- Structured project management
- New product development (cumulus team)
- Deployment Management (octoplan – ITIL / P2 link)

People, Processes, Tools



The Sunshine „infrastructure project“ to re-implement our CMS system is ran by using PaM, P2 and approach is still maturing with ongoing migrations – and the program is a very challenging endeavor

Sunshine program vs other „business functions“ that need to be adapted and developed: Have been a less obvious focus at the start and are far more challenging in terms of „organisational change management“.

In establishing and adapting processes these “business processes” a good number of best practice are being used – but we found that it is not possible to formally study all best practices required extensively, certify the organization on these and do all the formal training required. This would just be “**too much**” and slow the whole transformation process down.

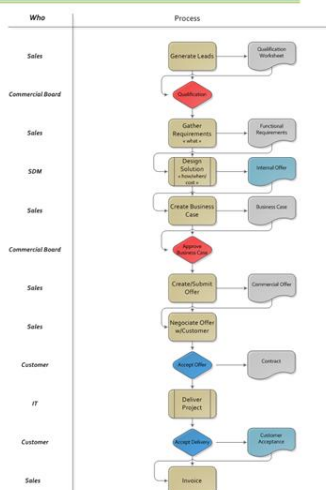
An approach is chosen to have people who have experience at using and implementing these practices play a real “rollup sleeve” roll in the transformation activities. So no “preaching”, but “learning by showing and doing” and do debriefing of the experience” (experiential learning).

It become quickly clear that people (staff and consultants) who are experts at using best practices and have lived for years in a controlled environment where they used them are not always the people with the profile who are able to implement the processes. A “street fighter” attitude is required, getting going from a very pragmatic departure point.

Maturity models (like CMMI) are not used at this stage since areas requiring development are blatantly clear.

I picked out Order management and Portfolio Management for this presentation – other areas where we had to work on to get alignment are Application Management, Release-, Deployment management (see bonus material in downloadable transcript).

Order Management



Luxembourg, 3 May 2012 | Page 9

Not sure if „order management“ is a best practice“, it is for sure an end to end process that exist in various archetypes in different organisations – Linkage to P2, ITIL, portfolio management...is inherent in there.

The **previous** Order Management process was as follows

- “Do what owners ask”
- Direct contact customers with technical people on support calls
- PM only looking after „technical“ side of project (they are part of dev team)
- No profound active/forward management of reservations/capacity/resources
- Heavy department orientation in execution of project (tasks vs. workpackage/product thinking)

Today we have arrived at the following situation:

- A Structured process (as per image)
 - **People/ Roles: Service delivery manager accepted : Formal link Service Line / with Business line (functional requirements, internal offer process, with expiry)**
 - **Early PM involvement – Acting as „analyst“ to gather requirements and create internal offer, E2E role during project.**
 - **Opportunity Qualification through „commercial board“**
 - **Management involvement by „exception“ – chosen / high impact projects followed by highlight meetings by management.**
 - **Documentation in English to reflect international orientation**

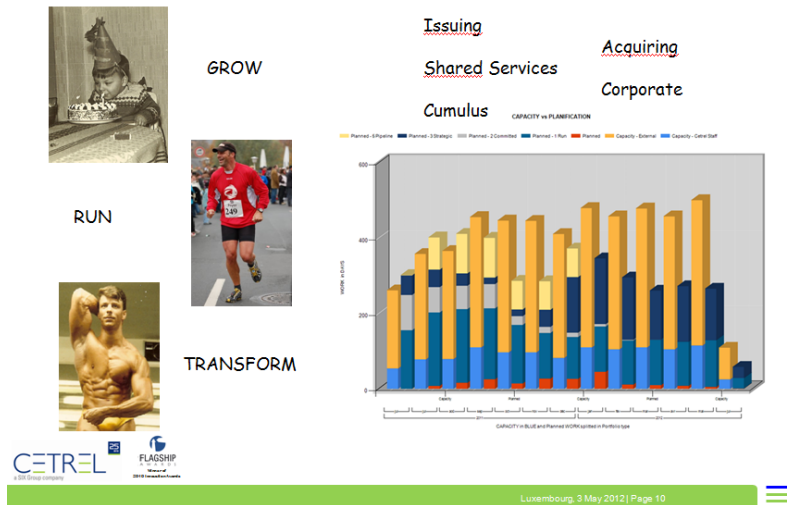
Best Practice links:

- P2 chosen as basis to deliver project
- ITIL (demand - / service portfolio - /change , release, deployment management)
- Portfolio Management
- Lean „pull“ of info from project sites, PPM list
- RACI CHARTS for determining RR&E in process
- SIPOCS for documenting processes

Next / Objective

- Lean out process (department driven „offer cycles“ as queues / inventory)
- Alignment with SIX group on process steps and collaboration
- Continuous Improvement

Portfolio Management



In previous slide we spoke about the “one off” onboarding of a single project.

Reality is far more cruel - to really practice demand management and cope with a balancing act (priority, order to promise, “what if” impact analysis, staffing levels) approach between all the activities on the go the process of portfolio management was introduced.

We run 5 portfolios: Issuing, Cumulus, Acquiring, Shared Services and Corporate projects.

Within these portfolios we make the distinction between “run”, “strategic”, non strategic and “committed(customer) project – which translated better in common terms to “**Run-**”, “**grow-**”, **transform the business**”.

People:

PMO group: A true “**matrix organisation**” was created – the program management for Sunshine was put back into the matrix. PMs were assigned to PMO to be able to work across the competence centers.

The **SDM role** has been transforming in to a “**portfolio manager**” more and more. He reports and monitors the health of the portfolio on daily basis.

Executive management: High level overviews are used to discuss and manage priorities, resource load/planning, acceptance of projects.

The **competence center leaders** use “drill down views” to assign “nominative resources” down to skill and names.

Project Managers monitor/validate the nominative assignment of resources

Processes/Best practices:

- Portfolio management is not very mature yet (ILNAS TC258 – please join..)
- Project Management (P2)
- Program Management

Tools

- PPM list (Sharepoint) – 1 view of “actual status”
- MS project server
- Reporting Services



ITIL3 not clear between „release & deployment“ management. So we define Release as process of gathering requirements through change requests, service requests and project requests as to create a release of a software / eco systems which is managed as a project, tested in its integrity and put in production as part of the „deployment process“ in an allocated slot.
Describe process before – after..(use SoFiE as example..)

Previous

- On the fly change requests
- No formal documented functional requirements (email..)
- No formal business case per request
- No named application manager concept (no ownership)
- Releases not managed as project – more technical dept approach.

Today

- Qualification of requests
- 1 list in sharepoint
- Capacity management estimation when release = full (manhour reservation availability per release)
- PM per release
- Increased „desired friction“ with business

Transition Steps

- Service manager concept put in place
- Tool for „release /demands gathering“ created
- Putting „brakes“ on requests without functional/non functional requirements
- Chosen / fixed release slots per year

Best Practice links

- Portfolio management to compile a release, set priorities.
- Links to ITIL change, service requests – source of requests
- P2 as source of „requests“ to be included in a release
- Use of P2 to manage the „release“ project itself
- Link to deployment management – for release slots, acceptance test requirements.

Next / Objectives

- More formalisation and timely-ness of functional requirements
- Forward looking capacity management (multi-year)



Previously on the fly “go live planning” (due to corporate flexibility and known self developed systems & complexity and actors – this was possible while keeping systems reliable..)

With onset of „sunshine this approach started to become problematic crumble very rapidly:

- New systems, packages
- Legacy and new systems operating at same time
- Unknown interdependencies
- New people, contractors, partners
- More deployment requests

Previous

- On the fly paperbased requests, managed manually.
- Depts. asking for deployments – not PM (causality towards projects not always clear)
- „hero actions“ at go live required

Today

- Role of release manager formally introduced
- Release calendar exists and is respected
- Tool in sharepoint for deployment requests management
- Use of PPM list to allocate target release slot at start of project
- Quality gate meetings fixed before a release

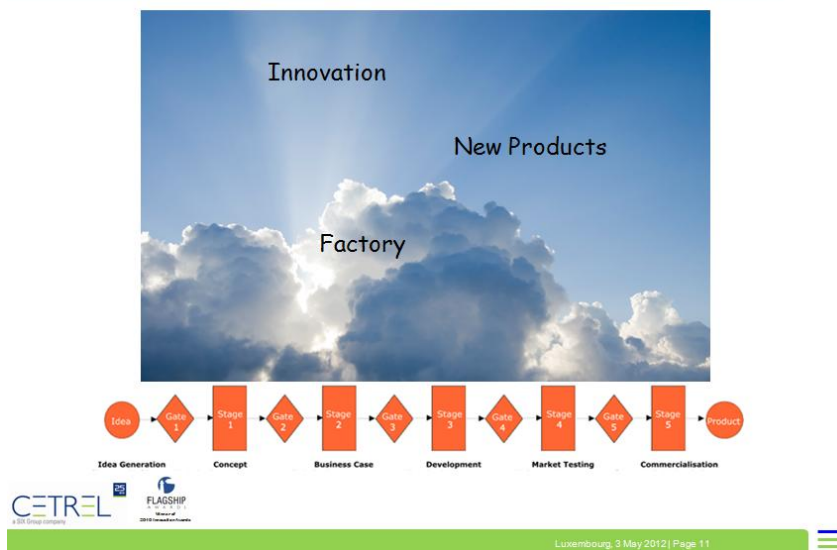
Best Practice links

- ITIL
- Prince 2

Next / Objectives

- PM role more active in deployment management (vs. depts.) – link PID / Deployed products
- Increase & refine formal „deliverable“ checks at quality gates
- Focus Project Assurance team on monitoring lag and „absence of future misery“ / lead indicators.

Cumulus



Alignment IT capabilities to business&market: Cetrel needs to develop forward looking product development capabilities to satisfy and attract customers, leveraging the new processing system functionality as a platform. The basic idea is to make sure that “throughput” of projects to onboarding new customer card portfolios is increased through using a “configure to order paradigm” to products – which leads to a “lean implementation factory”.

What to sell to whom ?

Previous

- Very flexible and adaptive on customer request development of products mostly executed in an „Engineer to order” approach.

Today

- Cumulus team is established
- Received grant from Lux government for innovation projects
- Have several innovation initiative in pipeline „Configuration” of existing products being executed as migration to new system unfolds.

Transition Steps

- Introduced innovation roadmap approach
- Collaboration with Universities, Luxinnovation, Ministry of Economy, Centre Recherche Henri Tudor
- Created team separate to have „innovation incubator”, but also to avoid getting „sucked into regular resource pool on Sunshine Program”.

Best Practice links

- Strategy Mapping (Kaplan / Norton)
- Business canvas modelling
- Portfolio management
- Innovation Management / Stage Gate
- Prince 2 combined with Stage Gate

Next / Objectives

- Refine formal innovation portfolio based on strategy of Cetrel / Six
- Warrant that new products defined are „CTO” and have sales / marketing tools defined
- Start collaboration with local public research organisation on „future looks”
- Cetrel hosted workshops / events on innovation subjects

People, Processes, Tools

Alignment
&
Collaboration



Luxembourg, 3 May 2012 | Page 12

With the previously mentioned process being implemented - continuous improvement thinking starts to arise.

The historic orientation of cetrel towards „work in silos“ has been mentioned a few times - What is really required is to break through „department orientation“ which is still present in project execution, release and deployment management.

The PMO as „hub“ now started to drive such an effort – workshops to collect requirements across departments on „what is still to be improved in the E2E Order Management process“. Result is some 20 workpackages – which will be executed in 3 „waves“ over next 6 month – owned by people from various departments.

Although the project is documented in a PID – the Workpackages are executed along the principles of „**4 Disciplines of execution**“ – **Franklin Covey** (ownership, score, execute, scope)

- P2 adoption maturation & training
- ITIL immersions and workshops (Apollo 13)
- Re-establish Quality management foundation
- Balanced scorecard / six sigma approach to „**project assurance**“
- Create collaborative environment (sharepoint) – P2 based, release management for apps
- Lean orientation to increase „throughput“
- Capacity planning refinement

Feedback of people on getting „Activated“ like this is very promising – but needs to be nurtured, since it deviates from classical „department oriented“ management.

A Journey with Distractions



Cetrel is now 3 years into this transformation – and still 2 years ahead to close the „infrastructure part“ of the sunshine program.

The alignment process between business and IT during the transformation is one of dealing with **many distractions** along the way. (onboarding new customer projects (like V-Pay), still having legacy application live, mastering the new platform technology, new stakeholders – and a constant balancing act between portfolios as we discussed)

Clear is that **human aspects** of changes is the most compelling of all and a key factor in the transformation process – change takes time. Adopting and using best practices as described in this case has allowed us to a **keep good pace in the transformation** process, being **confident** of doing the right thing as an organisation and **passing that confidence** on to the people in the organisation.

Adopting best practices – with associated defined clear roles which can be introduced - reduces the amount of distractions – and helps us focus on the strategy execution & alignment process

Our approach to implementing and using the mentioned mix of people and best practices to our benefits can really be called **“an approach from the trenches.”** Avoid „inventing our own“ where this is clearly not required and allows to focus on being „special“ in the areas in which we want to differentiate us from our competitors.

A key to **getting going quickly** with a mix of many best practices - we did find that it is required that „change“ is created by starting to use the best practices in a **pragmatic** way vs „preaching „ and „studying“ or „going over the top“ – optimal is to have person who understands, previous implemented and used the practices - plants himself firm into a team, **rolls up his sleeves**, and gets going with – without overly doing courses, theory, certifications. Just simple and honest „training on the job“ and „experiential learning“. Since the practices are “best” and “practice proven” they have tendency to prove that time and time again, also without certifications. The debrief later on that the improvements are to be attributed to the combination of focused team work using a combination of best practices is very powerful and has a tendency to create greater interest in profounding into those practices by the actors in those processes later on.

- END of Presentation -



People Process & Tools-

Business & IT alignment
in times of radical changes



3 May 2012
Mark Notschaele
Head of Projects & Engineering
Cetrel SA



Luxembourg, 3 May 2012 | Page 1