

Success comes with clear targets, the right people & Board involvement

Frank Appenzeller is the COO of INCOVIS AG. Frank worked 20 years for Daimler in Sales and IT, holding CIO positions in Asia-Pacific and in Berlin at global Headquarters Daimler Financial Services.



BP: Hi Frank. Tell us about yourself.

FA: Today I'm the COO of INCOVIS AG an international consulting company focused on strategy, engineering, sales & marketing and proactively participating in the future of mobility. I first started as a salesman and gradually moved on to take responsibility across Sales, Marketing and finally the IT within DaimlerChrysler. As CIO for Asia Pacific, South Africa, & Middle East in Singapore and as Head of Global IT for the financial services arm in Berlin, I focused on processes, implementation and change management responsible

for the global change programs within IT.

BP: There's a push in the auto finance world to look for synergies and reduce costs through a consolidation of IT on the global level. What are the success factors?

FA: In Asia Pacific for example, we had a major IT consolidation to standardize the systems and the processes in 13 countries covering finance, controlling, logistics and sales. This was a success story in Asia.

To be successful, IT needs to understand the target of consolidation. What does consolidation mean from a business and an IT perspective? It is very important that there is common understanding regarding the processes. This has to be driven from the business. IT will support - but not be in the driver's seat.

The operations and support of IT needs to be followed up in the post-software implementation phase.

Conceivably, consolidation could also lead to more complexity if the streamlined processes do not have support from the top.

BP: What were the benefits of the consolidation effort?

FA: We harmonized the processes. For example we implemented a single chart of accounts in finance & controlling across 13 countries.

This streamlined the financial consolidation of balance sheets and the month end & year end closures.

The process costs were reduced by around 20% and the SAP platform grew from 5 to 13 countries without generating more operational costs, essentially lowering the individual running costs for all countries.

It was also highly scalable because you could add additional countries and thus further reduce costs.

Have the right IT people who understand the business.

There is a limitation however, because if you add more and more countries, the IT support and IT operation gets more complex, which requires further investments and potentially rises operational costs.

You have to know in advance when to open up the next operational platform for a further set of countries.

BP: How does one build up an IT team with proper skills?

FA: The IT teams who implemented the software in Asia were SAP experts and above-average consultants for the specific business processes. They understood SAP but they also

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understood how the processes could be streamlined and standardized. This was the major success factor.

The IT consultants were not only technical specialists, but they were also fluent in the business process. It led to very good discussions and the business could see that the IT consultants understood them from a business perspective as well. The IT didn't just take the requirements to put them into a system.

Very often, the IT managers don't really know what kind of people they need. They have someone doing operations, another one is doing support plus software experts - but it's very IT-focused approach.

IT people need to understand more than just technology. The business also needs to display awareness on how to work with IT. You need business-oriented IT staff that liaises with techie IT to make such a change possible.

BP: Is it very difficult to find skilled IT people who fill this type of role?

FA: The biggest challenge for the IT is that very often they are techie people. They know their systems and how to operate them but they do not really know what they operate content-wise.

If you really want to be successful, you have to make sure that you have the right IT people and a partner from the outside to

manage the change within your organization.

But you also cannot hand it over to external companies and believe that this will work. The IT supplier cannot be responsible for not achieving the targets. It's a challenge to balance internal staff with a mix of externals and experts so that they could work as a team.

IT is not just a cost factor to be pressed like a melon.

BP: What were the mistakes in the consolidation project that didn't run well?

FA: Whether for standardization, cost reduction, or efficiency, a project won't be successful if IT is solely responsible for achieving the process efficiencies. It has to be clear from the beginning that IT and business are working on a common goal. It's not enough if the business focuses only on processes and IT just delivers software. Then it will end in a disaster – as often seen. IT is a success factor and not just a cost factor which can be pressed like a melon.

Very often there's a grey area between IT and the business. Also, business tries to make software decisions, or the IT ends up in designing processes. This is not helpful at all. The business

side has an opinion but they couldn't unilaterally take the decision.

BP: Is there a need to customize your approach based on the size of the market or does one size fit all work?

FA: One size fits all doesn't work because you have different prerequisites in different countries.

For example, accounting is done differently in Anglo-Saxon countries versus Germany or France. In Asia, it's different across Japan, Korea and China so one size fits all would not lead to the right result.

Accounting is not a customer success factor but it's an efficiency factor if it's done homogeneously over several countries. Even if different legal and tax legislations have to be considered. There has to be an understanding between the global targets and what is possible on the local or country level.

People need to understand on a global level whether it's accounting, logistics, sales & marketing, or ordering. It's all the same approach. You need to understand what is specific, what's worth keeping, what can be streamlined. This is the main challenge.

BP: Is there something that organizations overlook at the executive level?

FA: The Board of Management has to be convinced that a

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consolidation project is the right thing to do. If the board is not convinced, then the middle management won't find a way to implement the initiatives. The Board needs to mandate the IT and the business to deliver results. There must be a commitment from the top and it has to go through the ranks down to the lowest level.

Change means change for everybody and not just for a specific function in the company.

Change means change for everybody.

BP: If you were asked to recommend an IT consolidation effort for another global auto finance company, what would you tell the Board of Management?

FA: I would ask them if they knew what exactly they wanted to achieve. Very often, Board Members are not involved in the daily business and they don't know what they are requesting from the organization.

They need to understand what this means for the organization. It does not only mean process change; it probably means that people have to work differently. This has an impact on the capabilities of the different units involved in the change program.

The Board needs to be aware that the performance can go down

short term until it stabilizes. It's not something that is decided on the Board and 3 months later it's done. This means involvement from the Board.

It's a marathon not a sprint.

The Board has to convince the teams and individuals that the project is important for the company and that after the project, it will be better for the company overall for efficiency and cost reasons.

The biggest challenges are the so called soft factors. This type of project works only with a high involvement of different people: specialists, all levels of management including the Board and the CIO.

Another success factor is to make sure you see results and progress, where you space milestones into digestible pieces spanning 3 to 5 months.

The CIO is always a Board Member.

BP: Is there anything else?

FA: If you look at successful companies, the CIO is always a member of the Board. This forces a regular discussion of IT topics which is mind opening for those who don't have an IT background.

IT is challenged to explain their problems in a way that the business can understand and make informed decisions. Without this, the Board gets information

via 3rd parties. The Board needs direct information and input from IT. See where the CIO is placed in the organization and then I can tell you whether the organization may be successful in major change projects or not.

BP: Thank you Frank.

FA: You're welcome. Thank You.

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