



Reducing IT-costs in uncertain times...

SD Worx

Harold Ryckaert, CIO



Agenda



→ SD Worx,
short company presentation and figures



→ IT costs



→ Areas to reduce costs
(and add business value)





Who's SD Worx?

How it all started...

1945 Foundation SD Worx, Antwerp, Belgium

'a wage administration company'

- direct consequence of the post-war chaos and restoration period
- thriving companies with increasingly complex and sizeable company administration
- a clear need for a company that offered 'Social Services'

1965 SD Worx is the **first** social secretariat to **introduce a computer**

- through this automation, customers receive information faster
- potential to attract more and bigger companies

1975 SD Worx **expands and diversifies** its service offering **into HR affairs**, in the broadest sense

1945

1965

1975



Who's SD Worx?

Today...

SD Worx

- ... is a **European HR consultancy group** with its headquarters based in Antwerpen, Belgium*
- ... offers a **full range of services**: payroll, HR and legal advice.*
- ... is the **third largest payroll service provider in Europe** (with offices in The Netherlands, France, Luxembourg, Germany and soon also in the UK)*
- ... has the clear **ambition** to become the **market leader for qualitative HR services** throughout the **European market**.*



SD Worx

Offering

SD Worx is the **European HR service provider** who translates his expertise in **complex knowledge-intensive data-driven Payroll & HR processes** including tax & legal, into solutions that work.





Vision

Full Circle HR

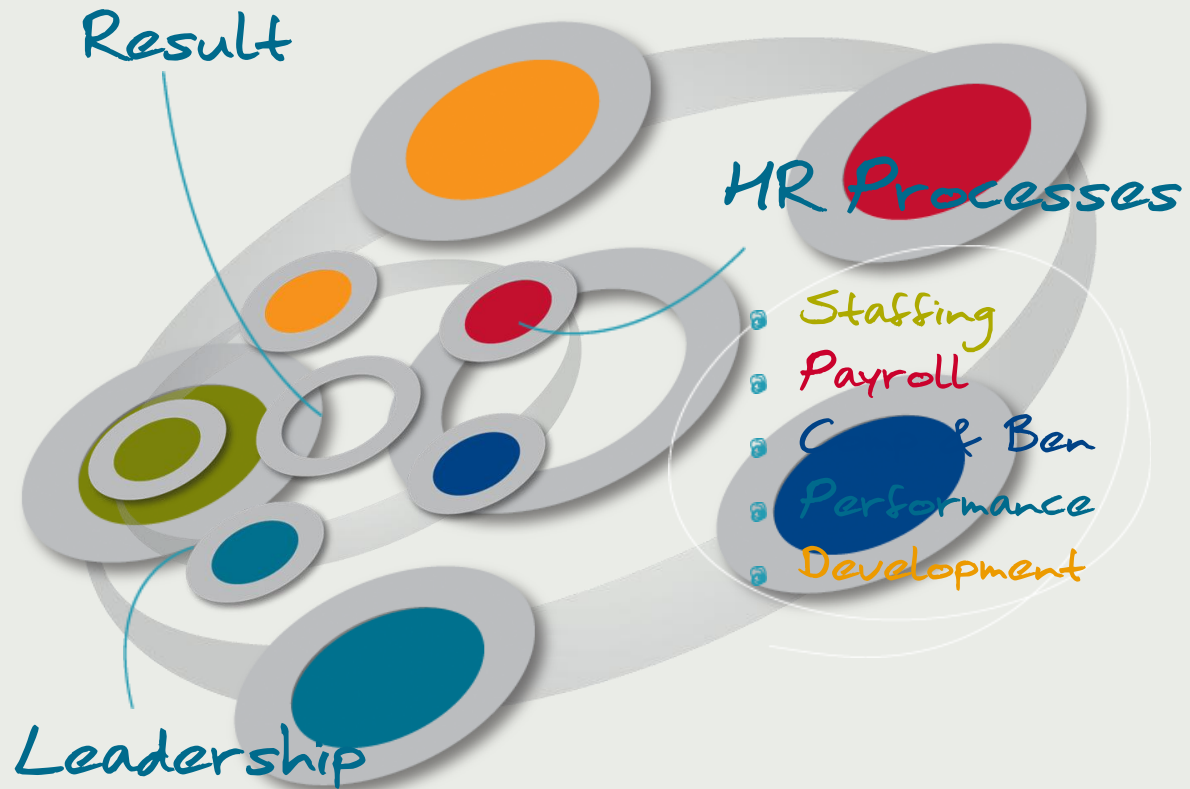
Result

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HR Processes

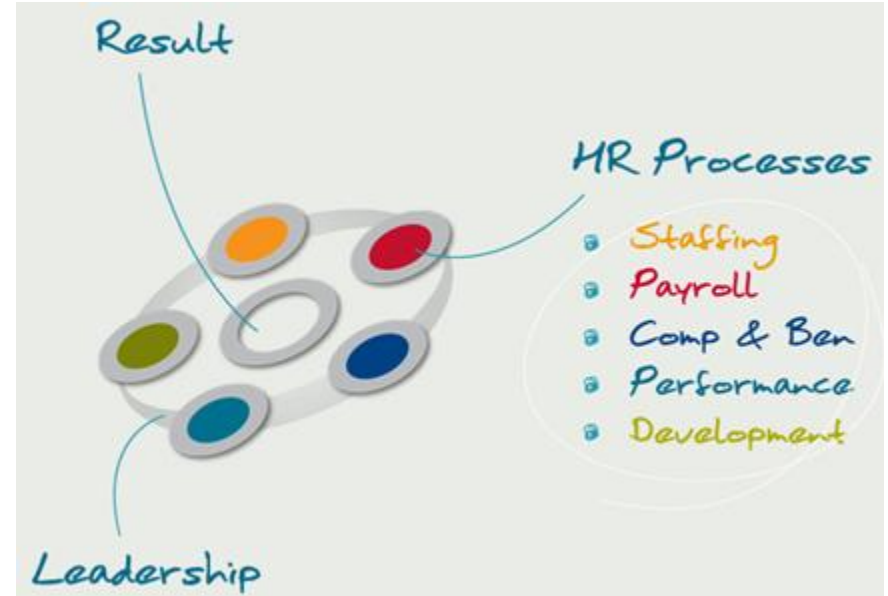
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Leadership





Vision: Full Circle HR



- We are convinced that **HR can make a measurable contribution** to an organization's result.
- **Efficient HR processes** are needed to achieve results, but **inspiring leadership** is also required.
- All processes are **linked**; modifying one will have an impact on the others.
- **Specialization**: outsourcing, automation, consultancy, training and research

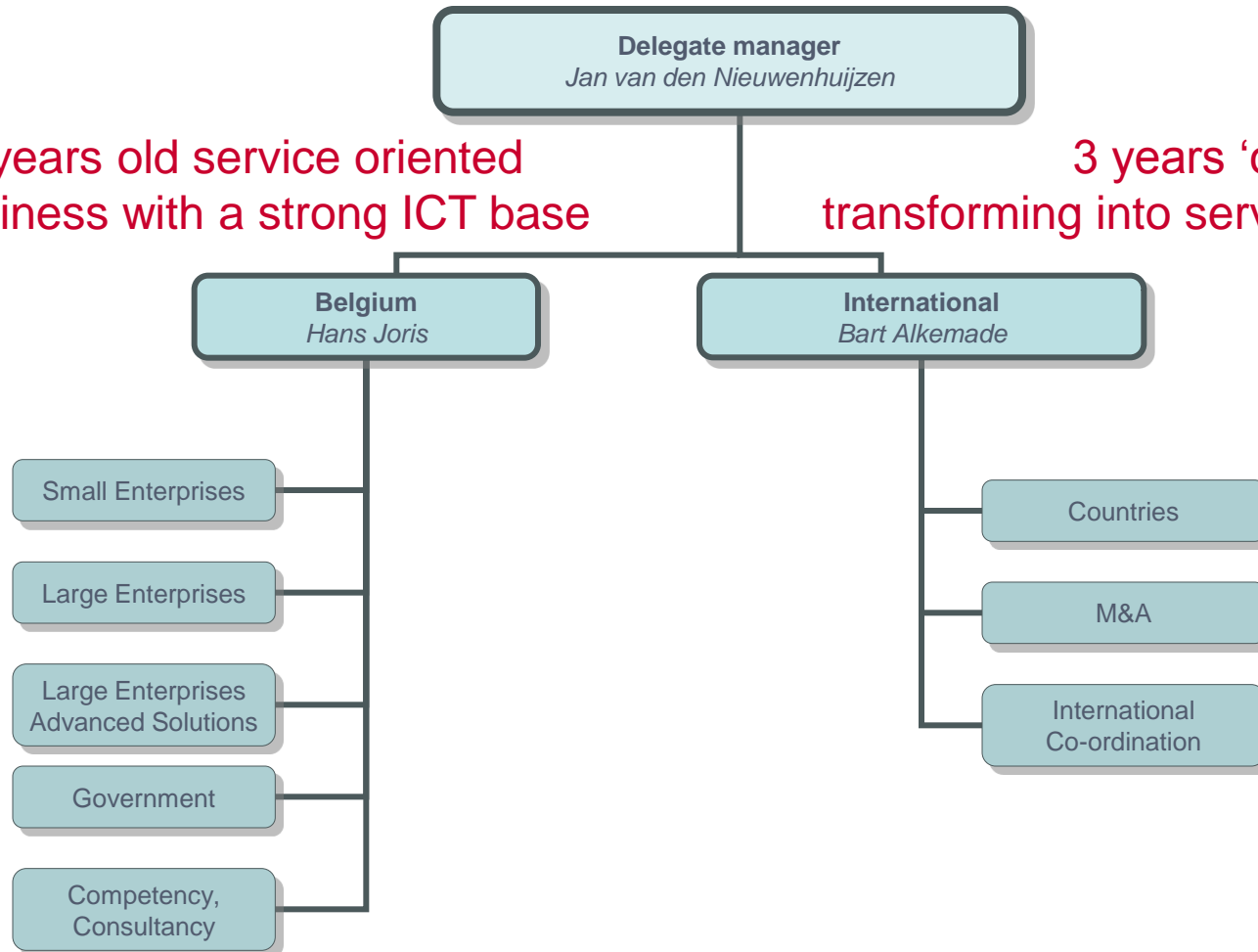


Who's SD Worx?

New organizational structure

65 years old service oriented business with a strong ICT base

3 years 'old' IT business transforming into service companies





38 SD Worx Offices

Belgium, France,
Germany, Luxembourg
and The Netherlands



SD Worx Branches

Partnerships

Austria, Bulgaria, Czech Republic,
Denmark, Estonia, Finland, Hungary,
Ireland, Italy, Norway, Poland, Portugal,
Romania, Russia, Slovakia, Spain,
Sweden, Switzerland,
UK and Ukraine





SD Worx

Key Performance Indicators

	<i>Clients</i>	<i>Payslips</i>
Belgium	39.668	795.600
France	600	250.000
Germany	330	125.000
Luxembourg	912	12.000
The Netherlands	1.362	36.000
Multi Country	518	3.900
Total	43.390	1.222.200

SD Worx

Key Performance Indicators

Employees

Belgium	1.686
France	77
Germany	99
Luxembourg	36
The Netherlands	42
Total	1.940





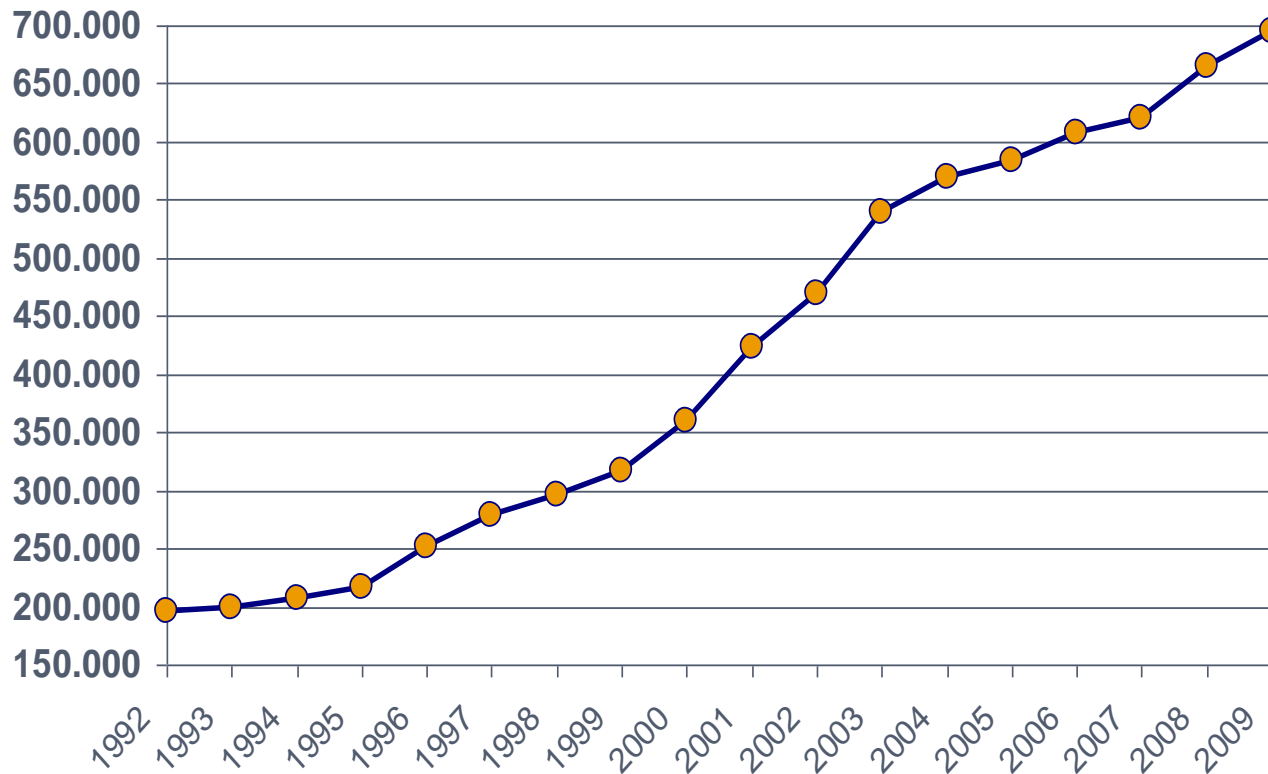
Payroll processing firm of SD Worx Belgium

= Market leader Belgium

39.668 clients

=

696.000 employees



Facts and Figures



- In 2009 SD Worx realized a turnover of € 189,07 million (180,08 million EUR in 2008)
- 700 of the 1.940 SD Worx employees (Belgium: 1.686) work in IT

- Payroll
 - The B payroll-processing firm has 39.668 clients, who together employ 696.000 employees.
 - For the whole SD Worx group, monthly about 1.222.500 pay calculations are executed

- Consultancy
 - This Consultancy activity of SD Worx, currently staffed by approximately 400 consultants, made a turnover that exists of the following:
 - Training: 10%
 - Consultancy: 25% including staffing (recruitment and selection)
 - Automation: 20%
 - Outsourcing: 15%

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Uncertain times...

→ Most popular word... :

Cutting IT Costs While Achieving High Performance

In this video, Accenture Senior Executive Michael Nieves explores the question: "What does IT deliver for your business?" You might answer many things, among them operational efficiency, effective execution of strategy, the ability to create an integrated, global enterprise, or the agility that IT can bring.

However, Nieves argues that we should be considering a new answer in today's global economic crisis. Corporate priorities are now firmly aligned with cutting costs rather than growth—the trick is how to achieve this without prejudicing the company's ability to take advantage of the upturn when it comes. IT has a central role in helping companies to achieve this fine balance.

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A guide to cutting IT costs

Tags: [CIO](#), [Benchmarking](#), [Info](#)

9 TalkBacks

ADD YOUR OPINION

By Paul Michaels silicon

Posted on ZDNet News: Nov 14, 2008

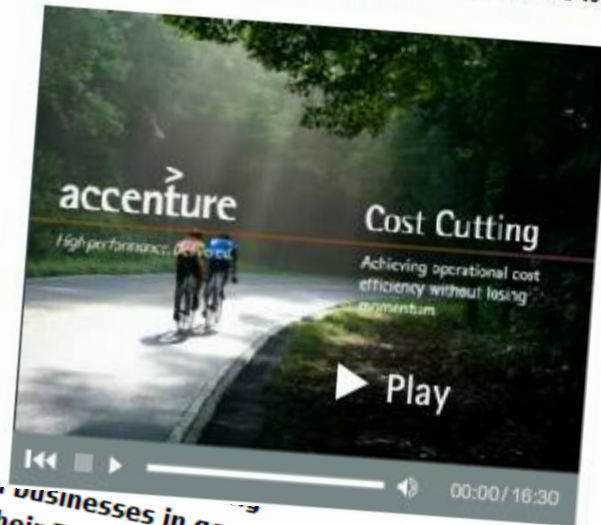
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For the past few months even the most successful companies have saved the worst of the credit crunch. The result is that IT is vital to enterprise strategies to survive the current crisis and ultimately benefit the bottom line. It is increasingly apparent that CIOs, along with CFOs, are now facing increased pressures to reduce their IT costs.

WORKING WITH
EXECUTABLE



Uncertain
times...



Cutting IT costs is the obvious but ...

- *“We’ve been doing this for years now...”*
- *Versus role of IT in the enterprise??*
- *“IT as an enabler of the corporate strategy”??*
- *Short term – long term??*
- *‘Right, but you want IT to maintain the current level of IT service...?’*
- *What about NPV, ROI, payback periods, etc...??*
- ...

Dealing with ambiguity...





Message from the SD Worx business to IT (1/2)

1/ Establish a relationship of trust with the business divisions –

be customer centric:

- Understand their different needs
- Deliver quality in your services & solutions
- Look for solutions that offer more value - HAX
- Don't execute an instruction "blindly" – think with the customer

2/ Develop your ICT Expertise

- ICT is the N°1 strategy enabler for SD Worx
- Maximum of leverage out of IT if business and IT are perfectly aligned
 - “Functional Expertise X IT Expertise X Full Circle Vision”
- Keep an eye on technology evolution and detect innovation opportunities

A value based fusion between ICT & Business



Message from the SD Worx business to IT (2/2)

3/ Help the external SD Worx Service Profit Chain Improve

- The importance of DIRFT (Do It Right First Time) is extremely high – Reliable IT Infrastructure & Processes
- But prepare to DIRST...! So, you need an excellent Service Recovery
- An enormous amount of feedback of customers is gathered within IT
- Make sure something is done with the feedback for the improvement of services and products
- Make sure this information goes back to the frontline people*
- Internal segmentation is excellent idea!*

Solutions that work – Result Driven ICT

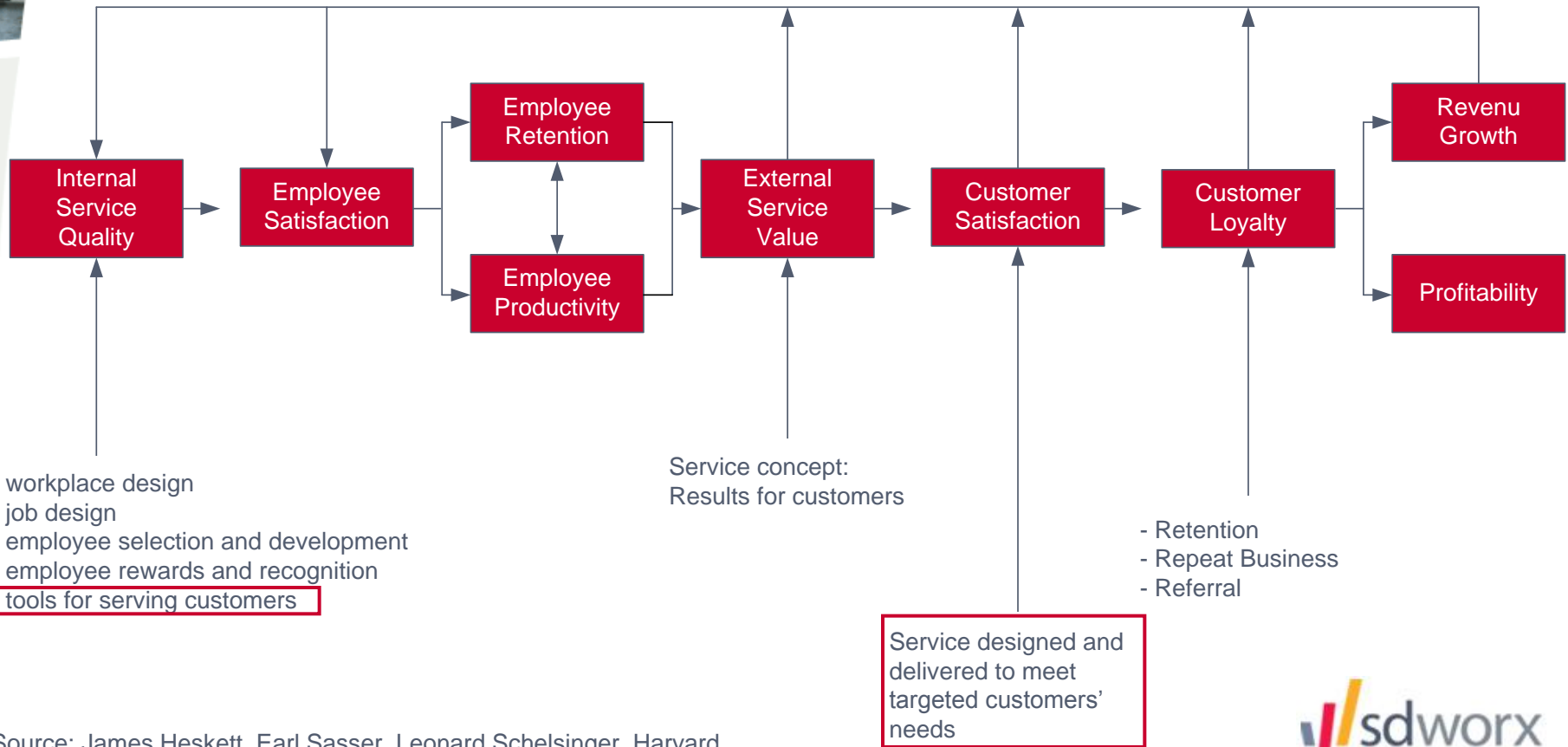
So ... it's NOT ALL about cost cutting!



* See next slide



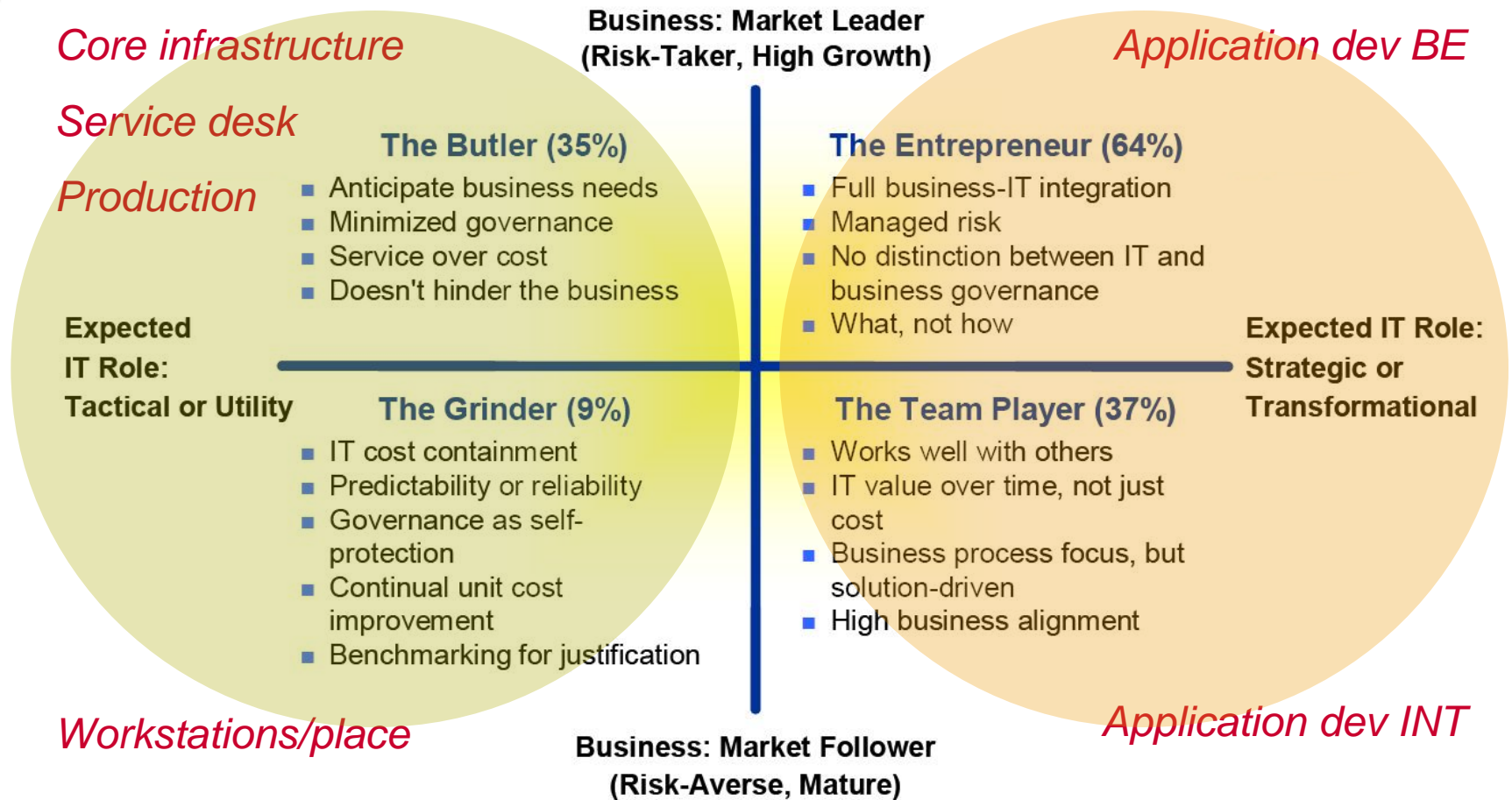
The SD Worx Service Profit Chain



Source: James Heskett, Earl Sasser, Leonard Schelsinger, Harvard Business School

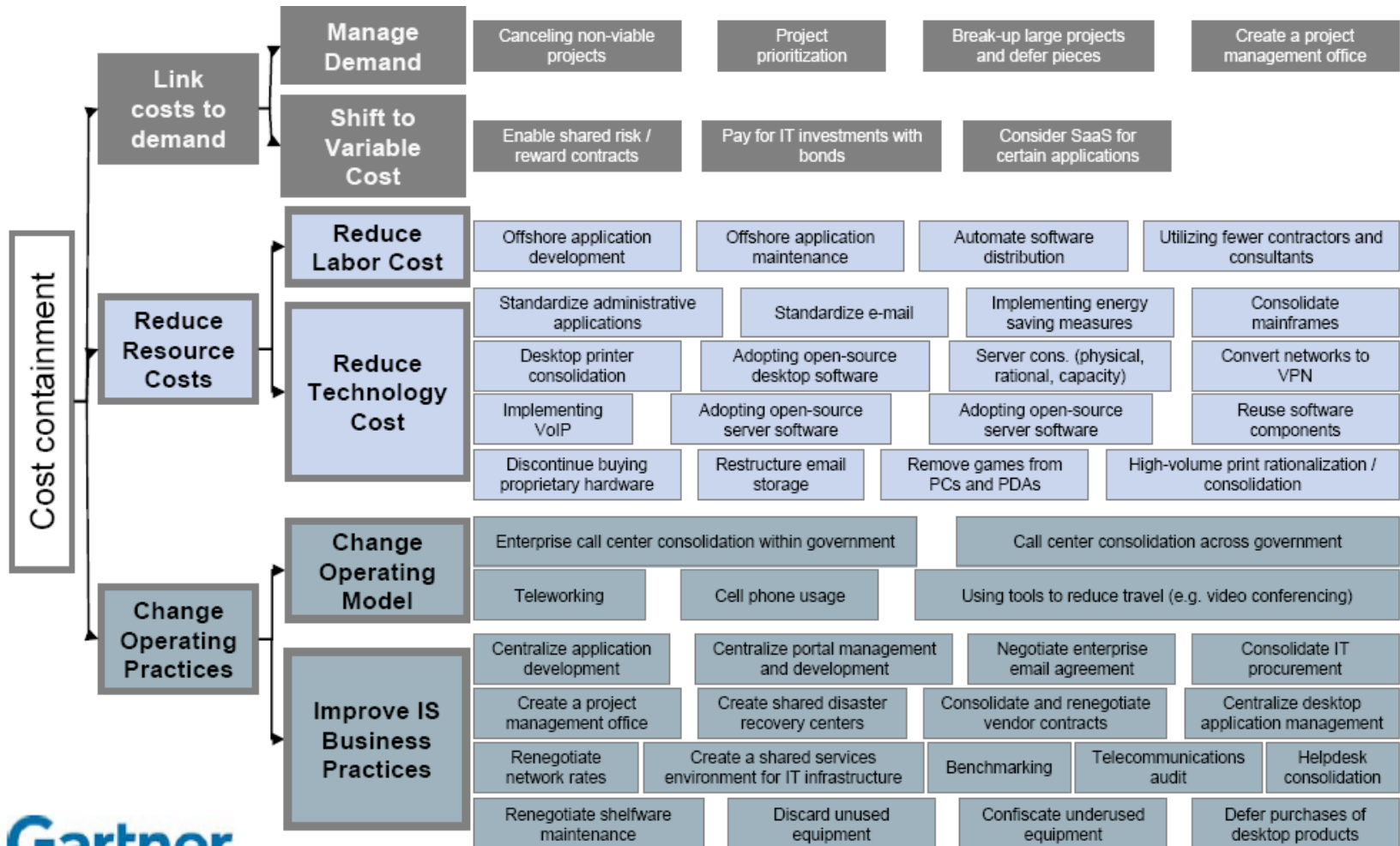


Business - IT role segmentation model





Gartner: Mapping all Cost Cutting Items



The sky is the IT cost-cutting limit ???



Creating Business Value



→ SD Worx, International business zone:

- Strong negative impact of crisis, selling software
- Market follower
- Launch of a new programme called “Efficiency”
 - Business-IT forum to address topics and share ideas
 - Pressure on reducing costs
 - Cash flow versus TCO discussions...

→ SD Worx, Belgium business zone:

- Less crisis sensitive, more recurring revenue
- Market leader
- Existing “Green” programme continues
 - Focus on productivity and innovation

Creating Business Value



BHAG (2013) already in the practice...



Business value: all projects will be managed as business projects; there are no more pure IT projects.

- **Service Desk**: Dedicated Change Manager; Global IT Calendar
- **PMO & ICT Architecture**: Project Handbook & Project coaching
- **Production**: Semi-online calculation, changing the rules in the Belgian market
- **ICT Architecture**: LUX-case (efficiency in the payroll processing), support in new business architecture
- **Systems & Experts**: knowledge-transfer 3rd line → 2nd line, more focus on projects and better operations
- **ICT Service Desk**: extended opening hours
- **Security**: Disaster Recovery Plan based on Business Processes (instead of Infrastructure items), so rather BCM
- **Demand**: Dedicated demand managers

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IBM

Four smart ways to quickly reduce costs

Based on insights from working with hundreds of customers, here are four approaches to reducing costs

1

Consolidate applications and data

2

Optimize deployment of applications and data

3

Reuse applications and data

4

Properly account for your costs



SD Worx

(1)
Consolidate
Applications
and data

**Cost
Reduction**

→ SD Worx example 1:

- MF consolidation case in Germany

- Estimated TCO gain of more than €100K/year
- Benefit from second year onwards, seen OTC such as migration costs
- What about personnel...?
- Strong cost reduction
- But also some benefits which are not included in the TCO calculation:
 - Disaster recovery plan and site
 - 24/7 operations available
 - Newer technology, z10 versus z890
 - Energy savings

Crisis facilitates these types of discussions...



→ SD Worx example 2:

- Workstations/place standardization of applications (international)

- Centralized support, no single site with local support
- Set of corporate applications, 'no' exceptions allowed approach

→ Example, workstations/place, "The grinder" approach:

Transfer pricing DIKA



Combination of:
classic cost cutting &
economies of scale
through standardization!



SD Worx

(1)
Consolidate
Applications
and data

Cost
Reduction



→ SD Worx (small) example:

- **SQL database in a cluster-setup on Windows platform**

- BI purposes, large amount of data to be replicated
from IDMS and/or DB2 on System/Z
- But:
 - *Instability*
 - *Performance*
 - *And even more... cost*!*

- **Consolidation on System/Z**

- zNALC, specialty engine zIIP, less administration time
- Total TCO reduction of € 176K (5 year period, conservative scenario)
- 23% cost reduction

* ABC price of Windows servers used in TCO calculation

SD Worx

(2)
Optimize
deployment of
Applications
and **data**

Cost
Reduction



SD Worx

(3)
Reuse
applications
and **data**

Cost
Reduction

→ SD Worx example:

- Operational BI and Customer profitability case
- *“One way CIOs are contributing is by helping the business cope with ever-increasing amounts of information. High-growth CIOs proactively craft data into actionable information 61 percent more often than Low-growth CIOs.*”*
- The ‘whale’ curve identified
 - No clear cost reduction, but better customer insights
 - IT facilitating the increase of profit and/or upselling opportunities
 - By consolidating available MF and other data using IBM Cognos tool
 - PABX, DB2, service desk calls, etc...
- Result: action plan for worst X customers (per division)

* CIO Study 2009, IBM

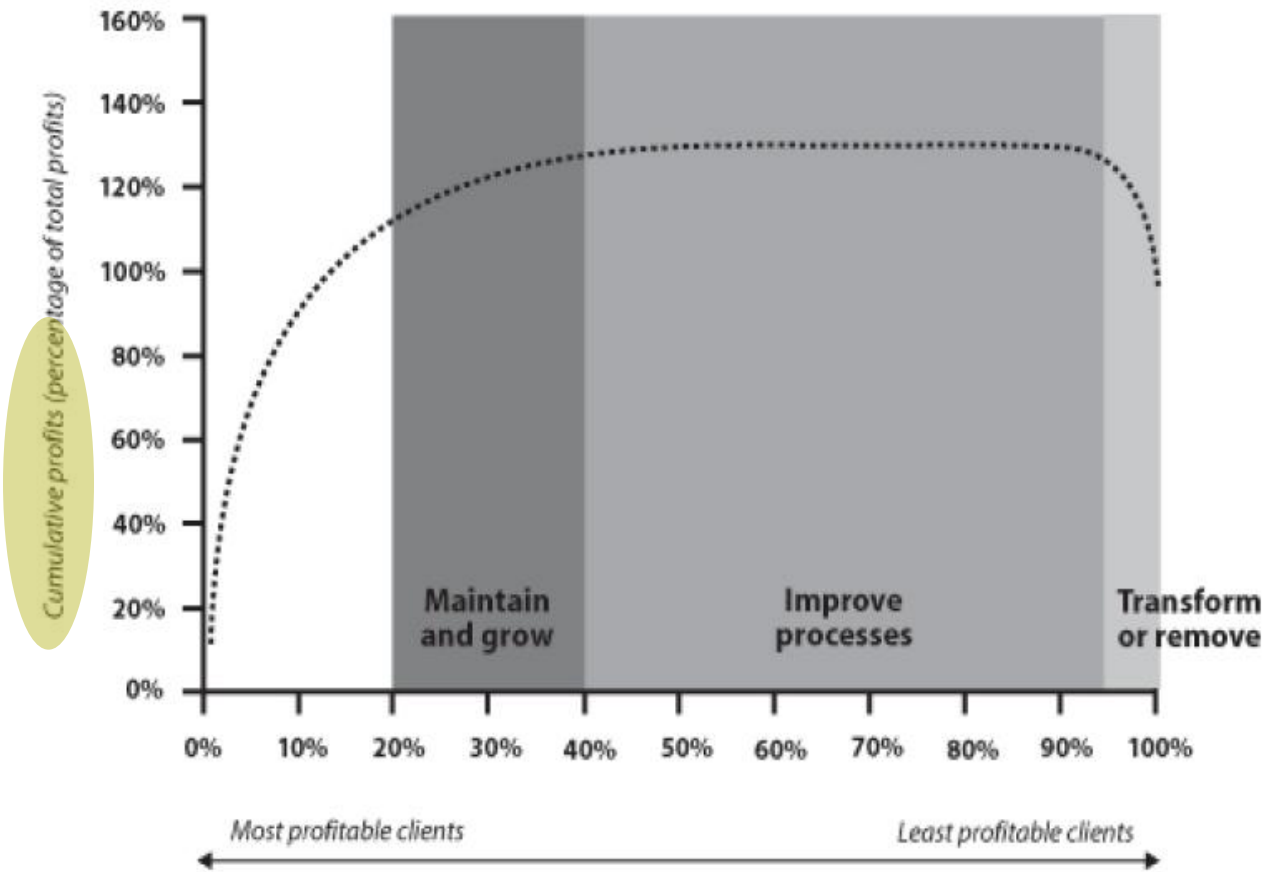


SD Worx

(3)
Reuse
applications
and **data**

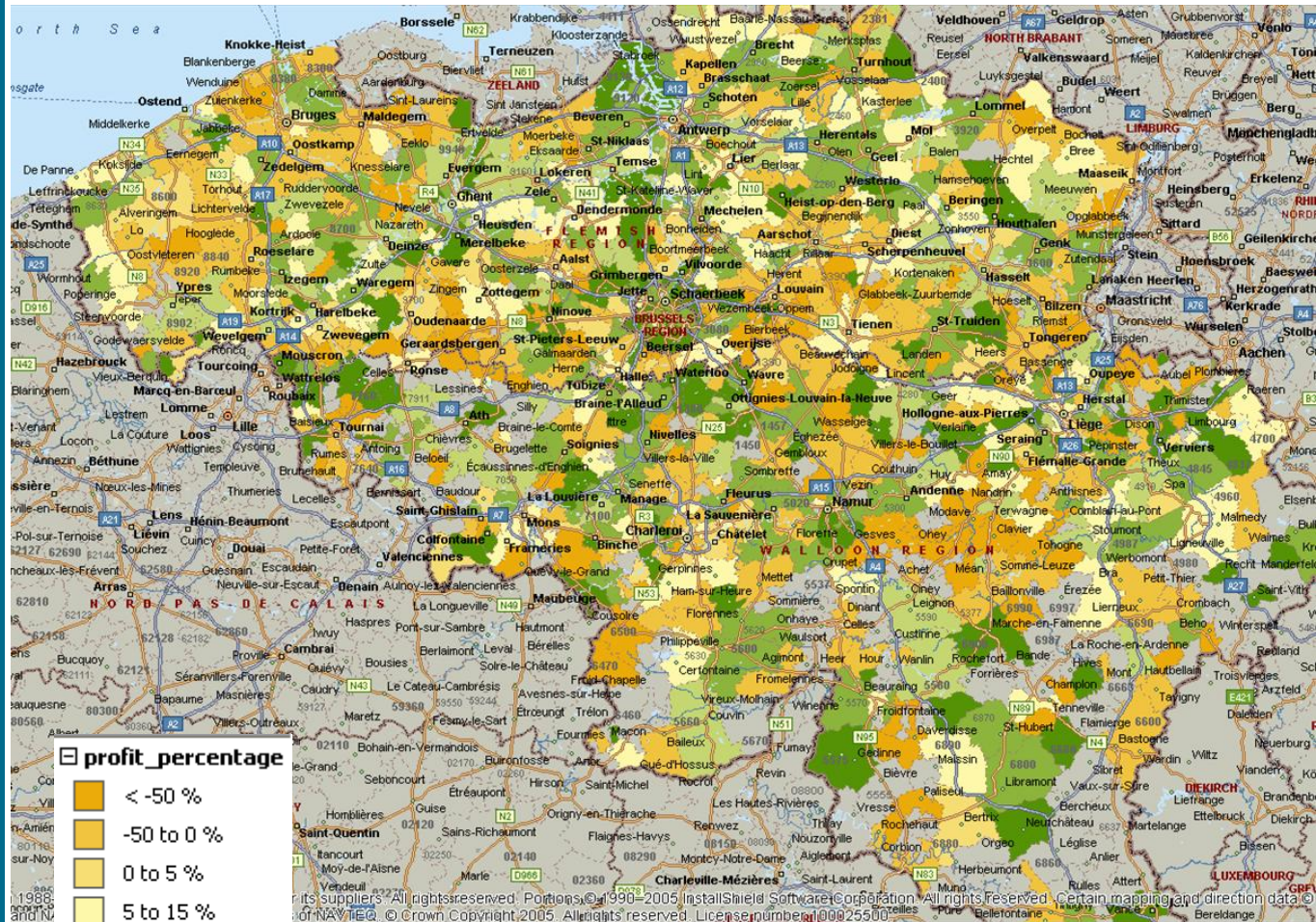
Cost
Reduction

Managing the whale ...





Example: profit per postal code



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SD Worx

(3)
Reuse
applications
and data

Cost
Reduction



SD Worx

(4)

**Properly
account for
your costs**

**Cost
Reduction**

- **In 2009 a major cost allocation project was started**
 - Choosing the right keys to allocate is crucial!!!
- **Manage CHANGE!**
 - Approval of business divisions
 - (“financing” projects instead of “charge back”)
 - Shadow reporting during 2009
 - To tackle unpleasant (business) surprises in 2010
 - To make sure the business has enough time to start mitigation actions
- **Already positive impact, just by reporting costs**
 - E.g.: SQL optimizations on DB2
 - *Usage allocation done by Tivoli Decision Support on the MF*
 - *Bad behaving SQLs never got ‘solved’ as fast on request of business divisions ;-)*
 - Output creation and output distribution costs



SD Worx

(4)
Properly
account for
your costs

Cost
Reduction

Chargeback is complex and difficult to get right

Chargeback component	Benefits	Potential problems
Cost identification	Makes IS costs visible	Costs hidden in multiple budgets
	Allows IT services to be costed	IS accounts don't match Finance's
	Provides the basis for cost control	Chart of accounts is not detailed enough
Cost allocation	Allows assessment of BU performance	Disagreements over the choice of method
	Improves forecasting, decision making	Focus on IT service cost rather than value
	Spreads best practices across BUs	IS is not resourced to administer methods
Cost recovery	Strongly influences BU behavior	BUs attempt to use external service providers
	Improves IT discipline in BUs	The trust and credibility of IS plunge
	Creates financial discipline in IS	The wrong behaviors are encouraged



Goal: get help from the business divisions to reduce ICT costs!!

* Gartner, EXP Premier, May 2003





SD Worx

(4)
Properly
account for
your costs

Cost
Reduction

→ Key success factors in cost allocation projects/initiatives:

- Trust between business and IT
- Transparency
- Choose the right mechanisms/balance:

BU managers use four criteria to assess allocation methods

Simplicity	Fairness	Predictability	Controllability
"Make what I'm paying for clear and simple to understand"	"I'll pay my share, but I'm not paying for anyone else"	"I'll pay what I need to, but don't increase the charge and put my numbers at risk"	"I may need to cut my budget, with some of the cut coming from IT"

* Gartner, EXP Premier, May 2003



→ Internal IT, cost/TCO awareness increased

- Open systems not as cheap as they appear
 - *TCO calculation includes: backup, licenses, hardware, personnel, datacenter, network ports, SAN-infrastructure, redundancy investments, etc...*
 - *Using time registration for IT personnel*
 - *Communication on the cost per kernel of an open system was 'tipping point'*
 - *Using charge back mechanisms at the moment business asks for a server*

→ Help business lowering costs

- Help of architecture team by means of application and business architecture
- Process innovation leads to highest cost savings when successful
- Business and IT together working on cost reduction
- Clarify the business on the levers to decide themselves and lower their IT costs

SD Worx

(4)

**Properly
account for
your costs**

**Cost
Reduction**



IBM

Four smart ways to ~~quickly~~ reduce costs and create value

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*‘Excellence in creating
business value!’*