



# Smart Delivery

October 10<sup>th</sup> 2009

# Agenda



- **Brief Overview Mondi and Information Management at Mondi**
- Why go “Offshore”
- Key Elements to get Offshoring work
- Lessons learned

## Key Figures Mondi Group

	2008	2007
Revenue	€ 6,345M	€ 6,269M
EBITDA <sup>1</sup>	€ 814M	€ 870M
EBITDA Return	12.8%	13.9%
Capital Employed	€ 4,367M	€ 4,818M
ROCE <sup>2</sup>	9.5%	10.6%

Mondi is an **international paper and packaging group** and had revenues of EUR 6.3 billion in 2008.

Its key operations and interests are in **western Europe, emerging Europe, Russia and South Africa**.

Mondi has production operations in around **35 countries** and about **33,400 employees**.

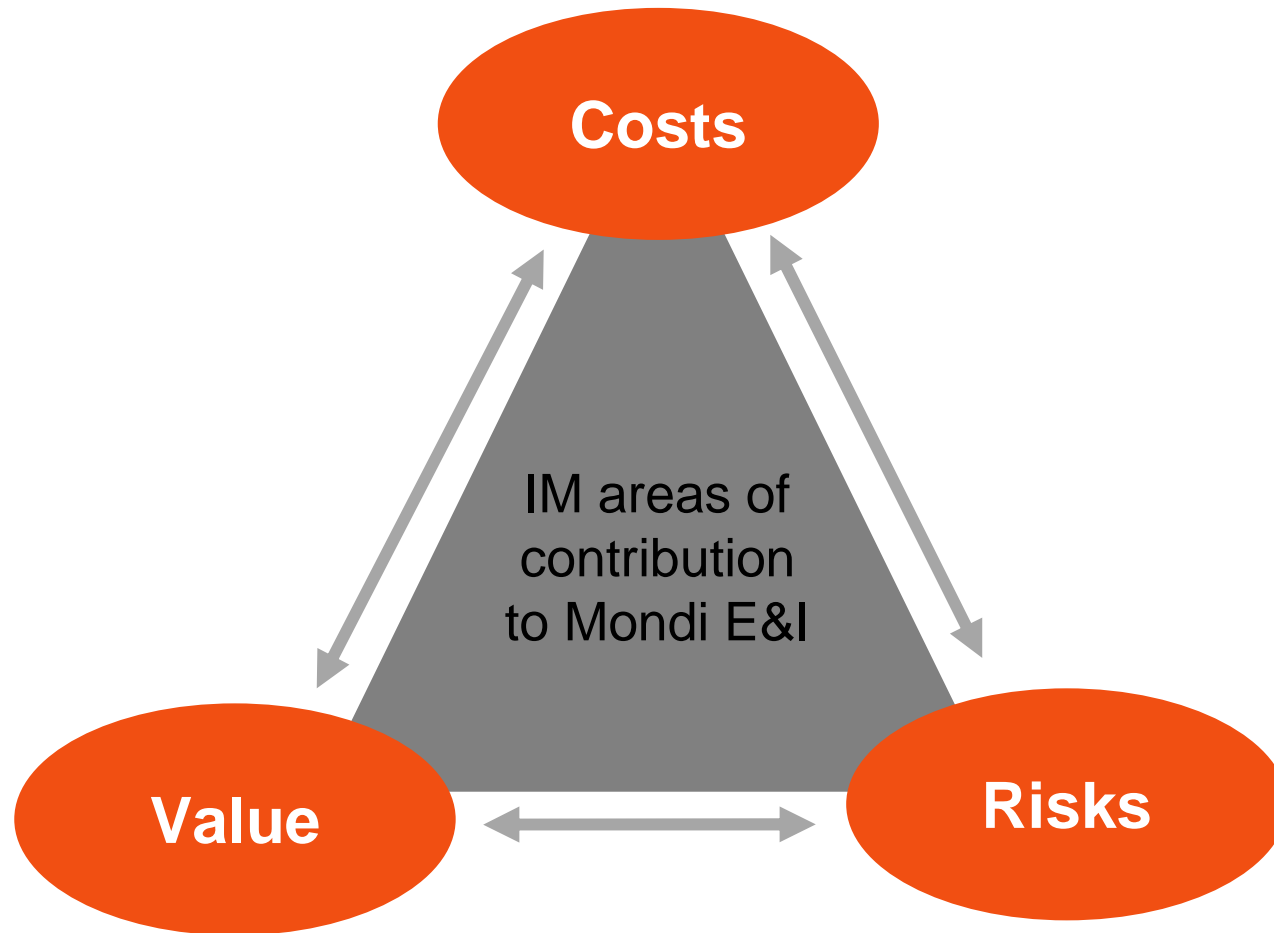
Mondi is a **dual-listed company** at the London Stock Exchange (LSE) and Johannesburg Stock Exchange (JSE).

The **corporate headquarters** are located in **Johannesburg**.

<sup>1</sup> EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

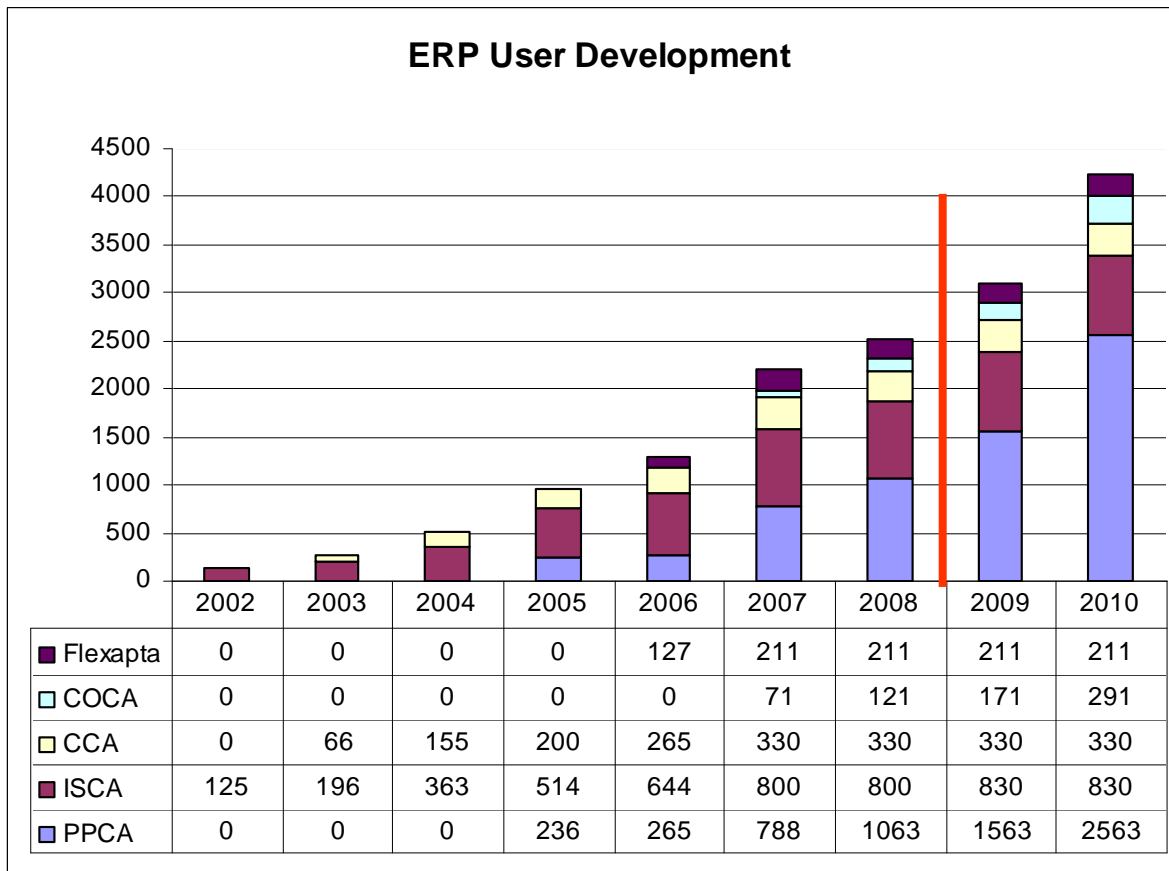
<sup>2</sup> Group ROCE is the underlying operating profit including share of associates' net earnings divided by average trading capital employed (excluding capital employed on the major strategic expansion projects in Russia and Poland).

# Applications needs to establish relative strength amongst Costs, Value and Risks



- Costs are fully integrated into the Business Unit's budgets and are therefore continuously squeezed
- The Value is assessed together with the Business Units and regularly adjustments are made
- Risks as continuously reviewed with Internal Audit and IT Risks are part of every Audit (joint projects are setup to approach risks proactively)

# Currently there are ~2.800 users on 5 business unit specific core ERP systems



- After the completion of the Business Paper Restructuring 4.500 users will be on the central SAP systems
- The 4.500 is the rough number of all users on all central systems
- The increased of users will also increase the number of tickets entered
- There is a major threat that we are not able to support 4.500 users and we are not able to cope with the workload

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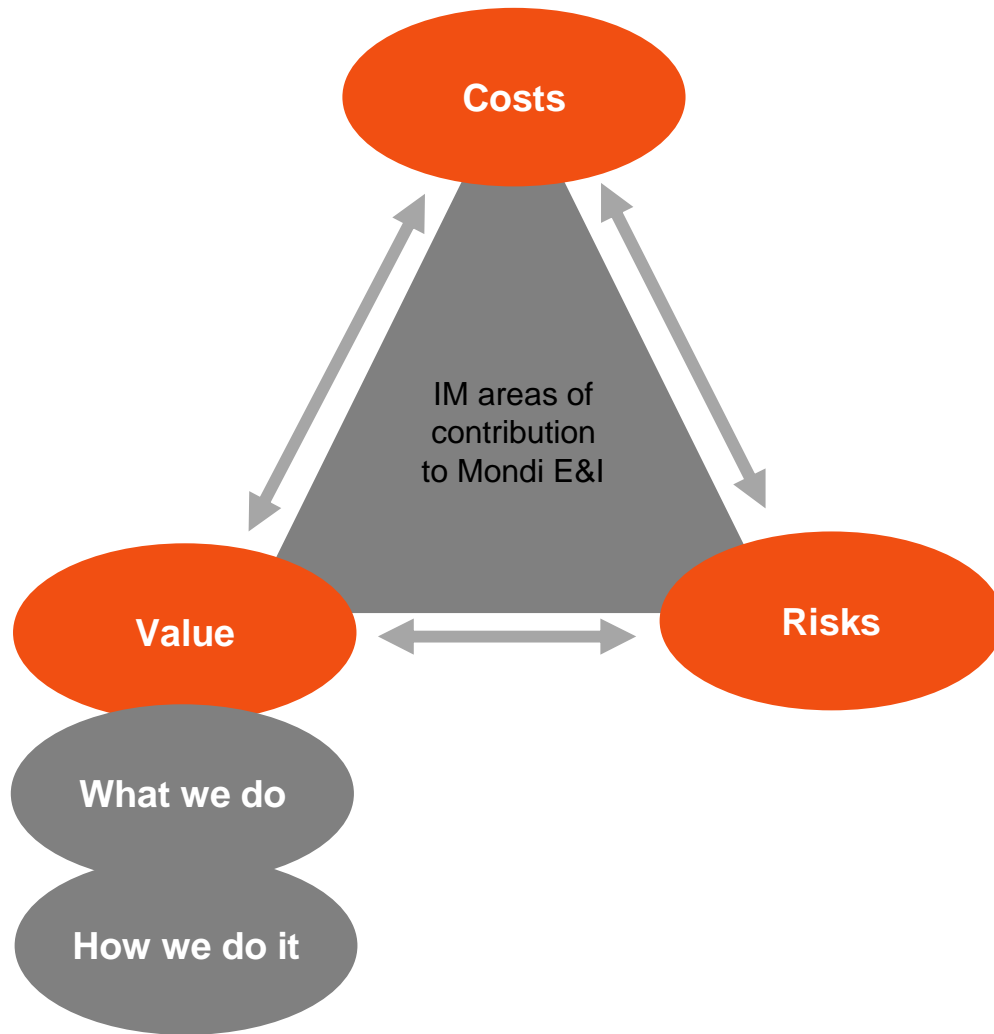
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# Before the delivery model was discussed a review in the 3 dimensions was done



Dimension	Management's Applications expectations	Rating
<b>Cost</b>	<ul style="list-style-type: none"> <li>▪ Outperforming the peer group, and provide value through operating IM as cost efficient as possible</li> <li>▪ Continuously proactively optimize the IM cost structure</li> </ul>	
<b>Risk</b>	<ul style="list-style-type: none"> <li>▪ Manage Risks actively, provide solutions which are fully compliant with Risk Management rules of the group</li> </ul>	
<b>Value</b>	<ul style="list-style-type: none"> <li>▪ Provide Value to the group by implementing solutions which add value to the business</li> <li>▪ Proactively propose process improvements, innovations which enable more efficient process, reduce cost and increase customer service</li> </ul>	

# The major idea is to use Offshoring to significantly improve in the value area

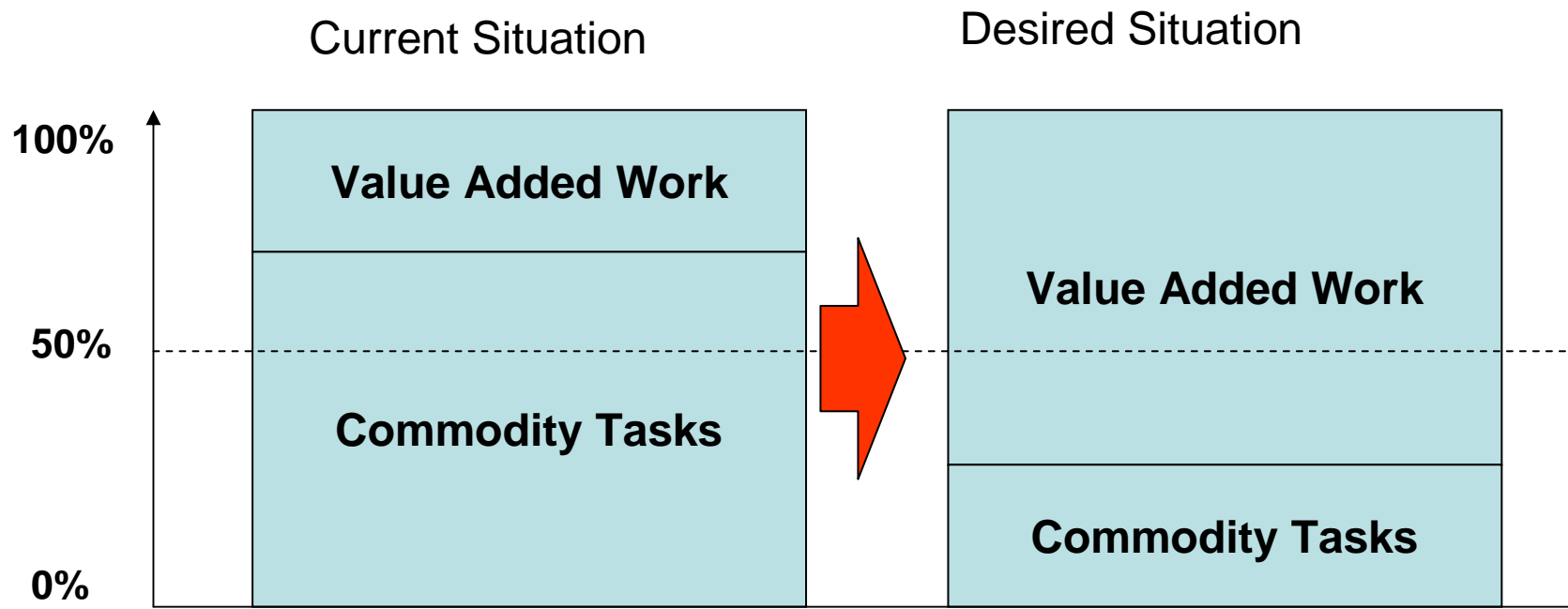


- No doubt, cost is a very important issues, but main expectation is that Offshoring will allow the IM organization to deliver more value to the Group
- Value can only be created if there is proper split between internal and external resources in place
- Offshoring is for us the Key to define and improve this split – nothing is written in stone and this relationship shall constantly shape the split

# General idea is to use Offshoring to free up Mondi time for value added tasks...



- The department is “blocked” with commodity tasks and we therefore cannot devote enough time to value added tasks
- The idea is to reduce the number of hours spent on commodity tasks (Ticket rated low or medium) to free up time for value added tasks (projects, etc.)
- In addition it will leave of in a position to serve more users with the same number of people in the team



# ...and benefit from the collaboration with a very professional delivery organization



- We want to benefit from India's technical (engineering oriented) approach towards SAP – compared to Europe's economic driven approach
- We want to benefit from the very structured (IBM India is CMM 5 certified) processes used for software development
- We want to benefit from the very skilled workforce used by the delivery center (employees with Computer Science background)

# We've started with ABAP Development followed by Incident Management



## Development

- ABAP Development
- Performance tuning
- Code Review
- Reverse Documentation
- Developments range from 5 up to 200 days effort

## Incident Management

- 2<sup>nd</sup> and 3<sup>rd</sup> level support as “extended” workbench
- Interface and Idoc Monitoring
- Functional analysis of 3rd level tickets
- Functional Continuous Improvement

## Further Topics

- Basis Performance Improvements
- Regression Testing
- Etc.

# In the Development area we benefit from a technology driven SAP approach



- We believe that we can learn from the expertise available in the Global Delivery Center by liaising very closely and by taking over standards and procedure used by IBM (CMM Level 5 certified organisation)
- We bring our organisation to a higher level by complying with the procedures of the IBM GDC (= we increase the requirements towards our internal staff)
- We bring our organisation to a higher level by working with very skilled people, who challenge our internal staff

# In the incident area we benefit from outsourcing of commodity tasks









Ticket Priority	# Q4 2008	%
Critical	205	4,36
High	1207	25,66
Medium	3111	66,14
Low	181	3,85
<b>Total</b>	<b>4704</b>	<b>100</b>

- The major area where offshoring can immediately help is the medium and low Incidents
- Tickets in that area are almost 70% of the support volume
- Certainly not all the tickets in that area are potentially done by offshore resources
- We need to establish a dispatch mechanism and criteria catalog to decide which tickets are done out if the offshore center

# The Governance model required defined a clear set of roles



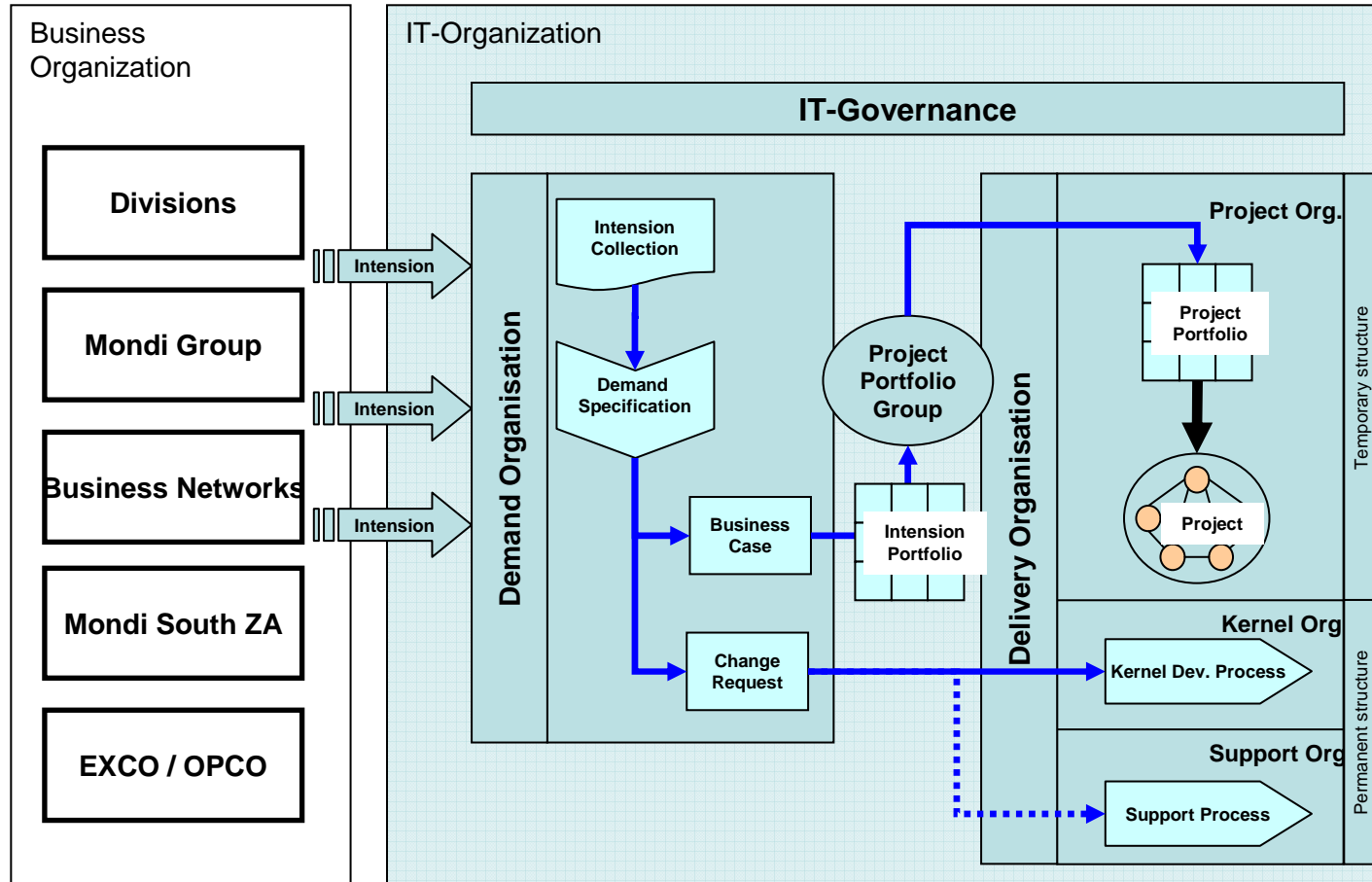
Role	Company	Roles
Key User		<ul style="list-style-type: none"> <li>• tries to solve received issues from End Users</li> <li>• opens tickets, if applicable</li> <li>• closes tickets, after positive User Acceptance Test</li> </ul>
Dispatcher		<ul style="list-style-type: none"> <li>• analyses and assigns tickets to corresponding issue resolving team (SAP system, module, Mondy or IBM)</li> </ul>
Kernel Team		<ul style="list-style-type: none"> <li>• solves high priority or high complexity tickets</li> <li>• may forward tickets to IBM support</li> </ul>
Transition Manager		<ul style="list-style-type: none"> <li>• is the dedicated project manager responsible to setup the IBM delivery structure in order to enable a smooth knowledge transfer</li> </ul>
Team Lead		<ul style="list-style-type: none"> <li>• solves issues and proactively assigns tickets to the respective team</li> <li>• takes over dispatcher's workload in the mature process</li> </ul>
IBM L2 + L3 Support		<ul style="list-style-type: none"> <li>• solves medium and low priority tickets</li> <li>• may solve high priority tickets over the period of time</li> </ul>

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# Most important is that the IT Governance model is functioning and very robust

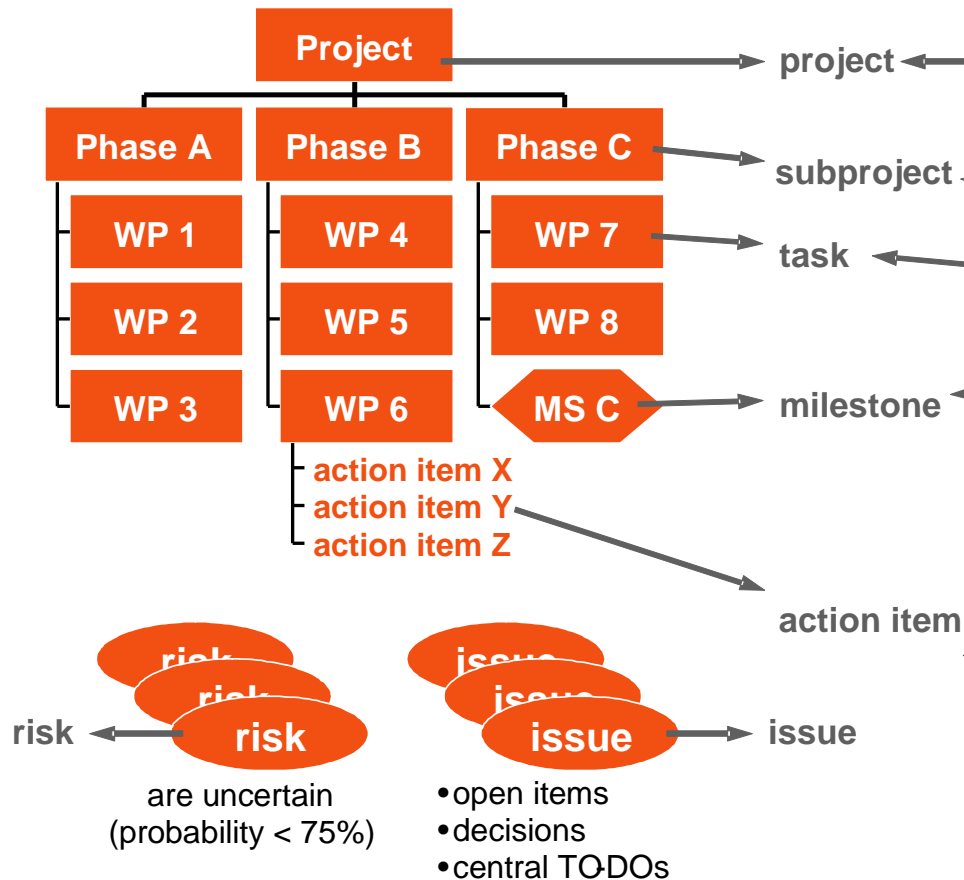


- If the governance model is not functioning there will be issues of feeding the Offshore resources
- This would be the worst-case as double costs would be the consequence
- Only an organization which is having high discipline in the Governance will have success with offshoring

# Offshoring people are fully integrated in Mondy's common IT Governance tools



## WBS – Work Breakdown Structure



Project Mgmt M Project : PPCA\_Rollout\_Poland

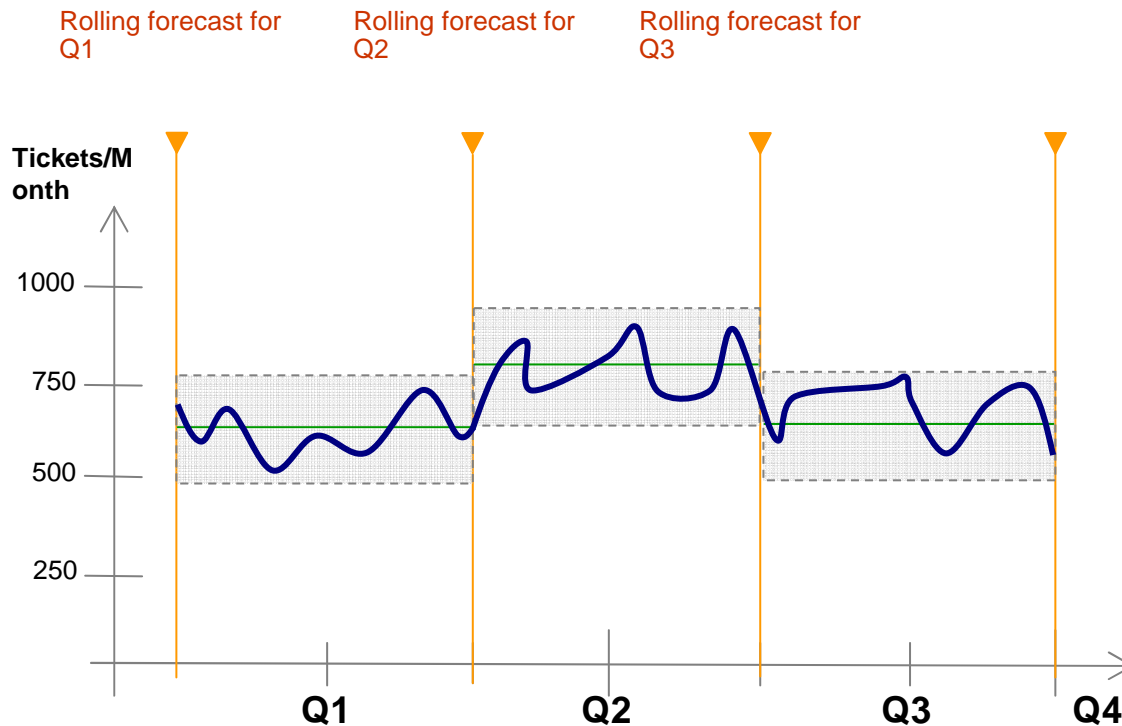
Seq	Name	State
1	PPCA_Rollout_Poland	New
2	Project Management	New
3	Start Project	New
4	Coordinate Project	New
5	Control Projekt	New
6	Close Project	New
7	Collect Costs	New
10	Analysis (Localization)	New
11	Transfer Knowledge	New
12	Analyse Functionality & Process 1	New
13	Analyse Functionality & Process 2	New
14	Analyse Functionality & Process N	New
15	Analyse Interfaces	New
16	Analyse Infrastructure	New
17	Consolidate Analysis Results	New
18	Analysis Documents Available	New
19	Design	New
20	Create Functional-design	New
21	Design Interfaces	New
22	Create Test-cases	New
23	Create Training plan	New

Project Gantt

Filtered by: Project: PPCA-Rollout\_Stett, PPCA-Rollout\_Raubling, FDM\_Interface\_ERP\_to\_MIRAS, eSignature Pilot, Time R...

Task Name	2007	2008
PPCA-Rollout_Stett	0 1	0 2
Project Management	0 1	0 2
Start Project	0 1	0 2
Coordinate Project	0 1	0 2
Control Projekt	0 1	0 2
Close Project	0 1	0 2
Collect Costs	0 1	0 2
Analysis (Localization)	0 1	0 2
Transfer Knowledge	0 1	0 2
Analyse Functionality & Process	0 1	0 2
Analyse Functionality & Process	0 1	0 2
Analyse Functionality & Process	0 1	0 2
Analyse Functionality & Process	0 1	0 2
Analyse Functionality & Process	0 1	0 2
Analyse Interfaces	0 1	0 2
Analyse Infrastructure	0 1	0 2
Consolidate Analysis results	0 1	0 2
Analysis Documents Available	0 1	0 2
Design	0 1	0 2
Create Functional-design FI	0 1	0 2
Create Functional-design C.O.	0 1	0 2

# A strict Resources Management needs to be in place to avoid idle time



- The first problem is that the amount of incidents is very volatile
- The second issue is that Development and Incident Resources are not exchangeable as skills are different
- As we do not want to pay for idle time we have carefully selected the tasks to guarantee a stable utilization

# The internal skepticism need's to be overcome to feed the offshore center



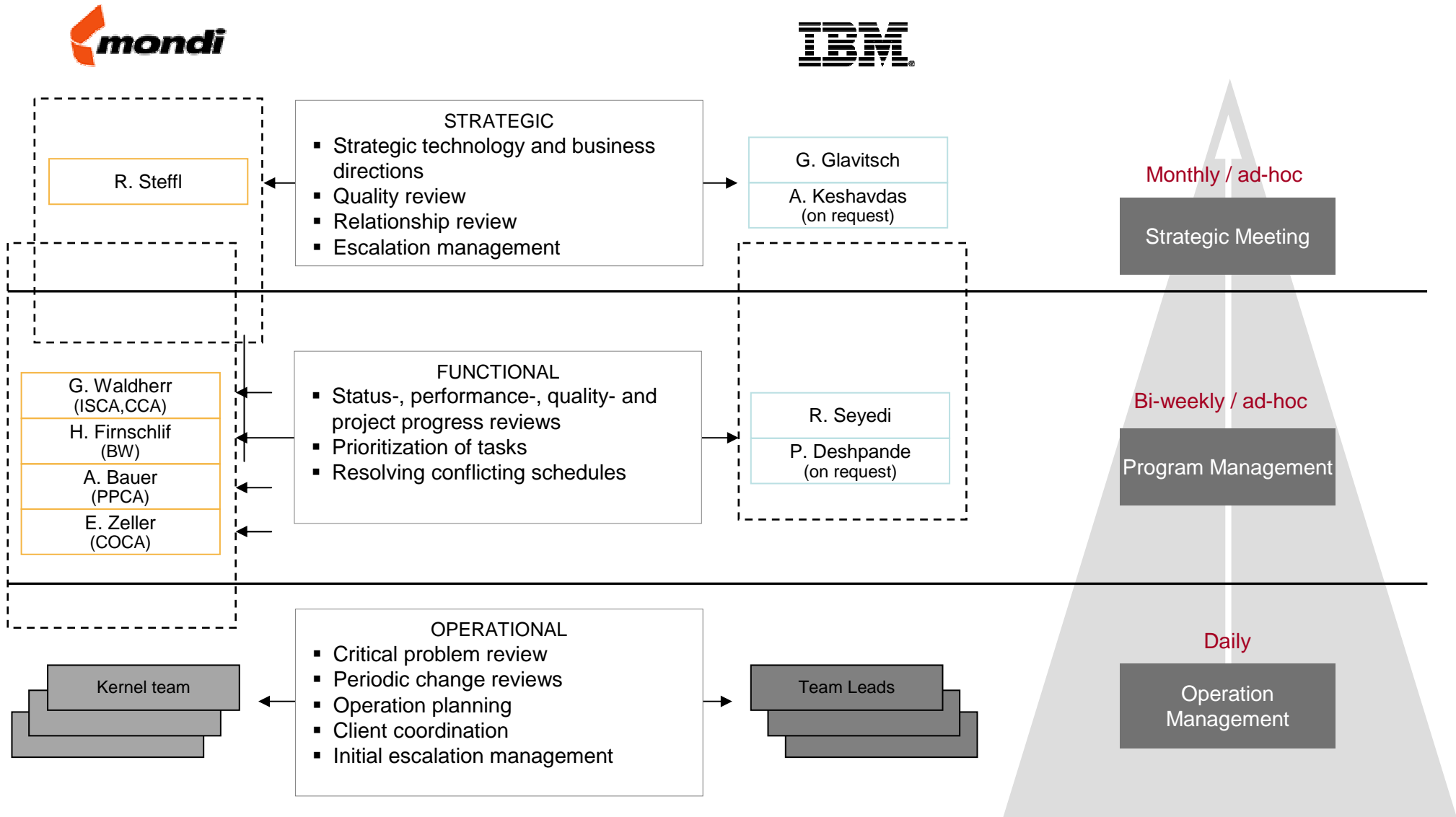
- Biggest group of sceptic people comes from the own (internal) IT organisation, as Offshoring is seen as a threat rather than a chance
- IT staff was used to work with “trusted” developers, who were sitting next to them, partly doing conception work for the IT staff, skill deficits were not really visible to Team leads
- At the beginning Offshoring was seen as “overhead” – which is was at the beginning – and the value was questioned
- We invested quite some time to explain the ideas behind Offshoring and brought the teams together (IBM India to Vienna and vice versa)

# The internal IT skill typically needs to fit the Offshore delivery skill set



- As most of the communication is in writing, Mondy's IT people need to know very precise (sometimes even in pseudo-code) what the demand is
- Fuzzy logic and iterative (or explorative) developments do not work in an offshoring mode, as people in Offshore centres think in a rather binary way
- The communication with India is very technical, for "classic" customizing oriented SAP Consultants this is a major challenge and sometimes impossible to overcome
- Some IT people without any experience in ABAP development (not even simple debugging) are very fast cornered and cannot translate the requirements for the offshore centre

# A direct relationship with the Offshore center is essential to keep moving



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- Only go for Offshoring if your IT Governance is working
- Focus on value generation
- Don't do it if you only look for Cost Savings
- Launch and Learn
- Invest in the relationship