

# “An offer we couldn't refuse.”

HEINEKEN CIO ANNE TEAGUE TALKS TO DR. FERRI ABOLHASSAN, DIRECTOR OF T-SYSTEMS IT DIVISION, ABOUT QUALITY IN THE DYNAMIC BETWEEN PEOPLE, PROCESSES AND PRODUCTS.

<Interview> Thomas van Zütphen





**Mrs. Teague, when you took on the role of CIO at HEINEKEN almost three years ago, how was the IT landscape structured? Was it doing its job?**

**AT:** HEINEKEN has grown around the world through a large number of major acquisitions, which meant the IT landscape was very federated and diverse. So diverse, in fact, that it had become difficult to manage. Creating a manageable landscape was one of the first things we put on the agenda. We needed to start consolidating. Obviously this very disparate landscape was also having a negative effect on the quality of the services

that we could provide. The situation was entirely understandable when you consider the roadmap we were on – but nevertheless, it was something that I desperately wanted to change.

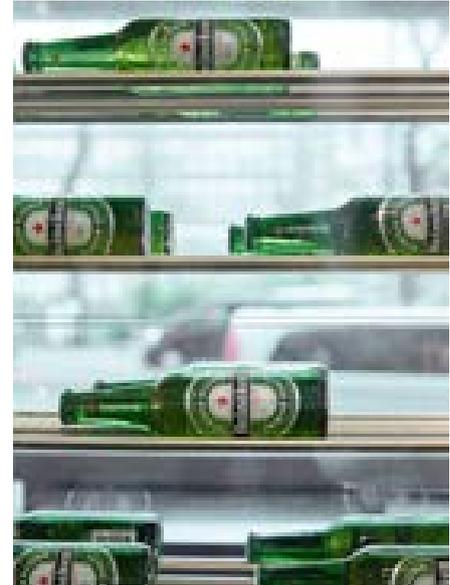
**FA:** Yes, we did have ups and downs. And I think it's important to admit things like this in a partnership. When Anne came in three years ago, we were at an all-time low in terms of how our customers perceived our quality and service. But the good thing is that we were both very open in our discussions about how to fix it. And if you look at the latest figures, the all-time low has brought about an all-time high.

“YOU HAVE TO BUILD A RELATIONSHIP WITH PROVIDERS AND WORK TOGETHER DAY-BY-DAY TO MAINTAIN IT – WHICH IS WHAT’S HAPPENING NOW.”

Anne Teague, CIO, HEINEKEN Group

## **The business**

- HEINEKEN is the world’s second largest brewery group by revenue
- Total production: 178 million hectoliters
- Revenue in 2013: €18.4 billion
- Employees: 85,000



### **What caused the performance glitches in 2012?**

**AT:** We had no consistency in our operations, and the level of quality and number of outages were simply not acceptable. But that was not 100 percent due to T-Systems, it was also down to the HEINEKEN crew. There are always two sides to the coin. Some people in our organization took the attitude: “We’ve outsourced this now, so we can sit back. And if things go wrong, we’ll just beat up the provider.” But that’s not how it works. You have to build a relationship and work together day-by-day to maintain it – which is what’s happening now.

### **Mr. Abolhassan, the quality issues were not necessarily just a problem for HEINEKEN. How has T-Systems’ delivery developed since then?**

**FA:** Last year we took a big step forward: we reduced the number of major incidents among our top 25 customers by 50 percent. If we go back four years in time, this number is even more impressive: compared to 2010, we had 95 percent fewer major incidents in 2014. Achieving this level of quality is a result of the dynamic between products, people and processes. To address the issues at HEINEKEN, we first made sure we had the right people on both sides. Then we clarified exactly which processes we wanted to implement. Since then, we have backed these up with the right platforms and products – including HeiHosting 2.0 and 3.0 for example. We left no stone unturned in our quest to improve quality and build the relationship.

**AT:** Ferri makes an important point: you can have the best processes and products in the world, but if you neglect the people aspect, you will lose out. People are what made all the difference in our case.

### **What milestones have you achieved?**

**FA:** That’s a broad question. Three years ago, HEINEKEN gave us around 40 points on its internal TRIM index. Today, we’re getting scores of around 110. So we’ve almost trebled the original figure. This is a huge step change: the difference is like night and day. And we’re seeing the same trend with our other customers, too.

### **What, in particular, were HEINEKEN’s reasons for renewing the agreement with T-Systems for a further six years, before it had even expired?**

**AT:** First of all, we noticed that switching the team had a really positive impact on performance. At the same time, we were aware that technology, storage capacity, and related pricing had changed. So we asked you guys to come in and make us an offer we couldn’t refuse.

### **Ensuring excellent quality and performance in the transition and transformation phase is one issue. Delivering high stability and availability in the live IT environment is another challenge. How can IT providers achieve competitive differentiation in the operational phase?**

**AT:** Companies like HEINEKEN will never just outsource one aspect of their IT; they will always have multiple outsourced tasks. And it is important for the partners who deliver these services to work together closely. In my view, though, the relationship doesn’t stop at the data center or dynamic workplace; the agenda is much wider than that. It also includes applications, the help desk, and much more. You can only be successful by creating a closely knit team – whether that’s through operational level agreements (OLAs), regular monthly reviews, relationship building measures, or all three.

### **How does T-Systems live up to its promises of fulfilling its SLAs – not only on paper, but in practice?**

**FA:** In a word, it’s down to dedication. Generally in business, if you have a stable system, it’ll run forever – more or less. The problems occur when you start to change the system. At T-Systems, we deal with changes every weekend and this is something that is inherent in our corporate culture. In our case, the entire account management team and even senior employees are aware of what could happen – everybody plays a role in the process. This is sheer dedication and it is integral to our culture. If a customer is implementing change, my entire team is involved in one way or another. It is extremely important to us to have the customer, their needs



“IT’S DEDICATION THAT SHAPES OUR UNIQUE MINDSET AND FORMS THE FOUNDATION ON WHICH OUR TRIPLE P APPROACH – PROCESS, PEOPLE, PLATFORM – IS BUILT.”

**Dr. Ferri Abolhassan**, Director of T-Systems IT Division

and their possible pain points close to our hearts. This shapes our unique mindset and forms the foundation on which our triple P approach – process, people, platform – is built.

**AT:** Yes, he is absolutely right. It’s about walking a mile in someone else’s shoes. We have to put ourselves in our internal customers’ position, and you guys have to put yourselves in my shoes. We’re all about selling beer – simple as that. We’re not in the IT business, that is your job and you’re much better at it than we are – which is why we ask you to deliver your services to us.

**Since you’re talking about brewing beer: how does increasing digitization impact HEINEKEN’s business?**

**AT:** At our first IT Innovation Day held in January, we saw all kinds of potentially useful digital developments. The enthusiasm at HEINEKEN is enormous. And the digitization agenda will be on a similar scale. Big data will have a huge impact, and the consumerization of IT and the Internet of Things will become increasingly important – especially since we’re dealing with a product that is so close to consumers.

**What is at the top of your digital agenda?**

**AT:** Big data and data analysis. And I think that would apply for any food and beverage company.

**FA:** Exactly. At the moment, it’s all about consumer habits. So big data and gaining insight into customer behavior are key.

**To what extent does high-quality IT delivery pay for your digital transformation?**

**AT:** High quality is about having reliable IT systems – and that is our No.1 priority. I have often discussed the importance of IT with the members of our board. If a brewery didn’t brew any beer for a day, it would be a disaster. But if the IT systems went down for a day, that would be even worse. We are growing ever-more dependent on automation supported by IT. From that perspective, high-quality delivery is a business enabler for HEINEKEN. Whatever we do, the quality needs to be extremely high. And that’s why we need a reliable platform.

**FA:** Anne mentioned automation there and that is something we simply cannot underestimate. IT has become an essential element of production processes. Imagine if HEINEKEN was unable to make beer. I think you’ll agree, that would be a disaster.

**AT:** An expensive disaster, indeed!

**Talking of costs, how are quality and IT costs related?**

**FA:** Downtime means extra costs – and that is the case for every customer. There is a direct correlation between reliability, stability and quality. Service providers have no other choice than to deliver in line with their contracts. But they can still be made to pay penalties. And they often need to make additional investments to achieve the right level of customer satisfaction. Since we launched the Zero Outage program, we have increased T-Systems’ profitability by five percentage points – a considerable amount. Previously, we had customers who were experiencing issues with quality, where we were almost making a loss. But now that we’ve rectified the quality situation, without touching the contracts at all, we’re seeing good results. This is partly because we no longer have to pay penalties. But more significantly, it’s because we have reduced our effort as we don’t have to ring-fence everything anymore. And the upshot is that a satisfied customer like HEINEKEN wants to extend its contract – which is great and represents a win-win situation.

**AT:** Yes, the customer needs to adopt this mindset too. I am not interested in penalties; I just want high-quality delivery. Focusing on penalties and criticizing the provider is the wrong attitude. And it impacts the motivation of the provider’s team. It’s as simple as that.

**How do your costs compare to the industry benchmark?**

**AT:** We are on a continuous cost-cutting journey. But it’s not about saving money per se; it’s more about freeing up cash to invest in value-added initiatives. Take our Innovation Day, for instance; we would not have been able to hold this event if the quality of our current delivery wasn’t up to par. I need stable, reliable IT to effectively present my strategies and ideas to the board. In order to innovate, you need to invest. But I don’t want to go to the board and just ask for money. I want to explain my proposal and make sure that we can achieve bigger and better things with the same budgets.

**One of these innovations is your HeiHosting 3.0 program. Can you tell us a little about it?**

**AT:** Sure. It’s a huge program – a logical continuation of our HeiHosting 2.0 initiative designed to optimize all our SAP instances and reduce our server landscape. That went so well that we launched HeiHosting 3.0 to address the non-SAP environment. Within the scope of this project, we’ve also identified another great opportunity that will increase flexibility: the dynamic workplace. My generation embraced dumb terminals. Of course, I’m not going to compare the dynamic workplace to dumb terminals, but these new solutions do offer a level of security, certainty and stability that we currently don’t have. Take the BYOD trend, for example, if you’re working in Africa or Central America and still want to be able to do your job properly, the dynamic workplace lets you. It is a major game-changer for us. Because it allows us to embrace and integrate large groups very quickly. If everything is localized, you don’t have speed and flexibility. So HeiHosting 3.0 is our most important project this year.



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**What steps have you already taken in the direction of future workplace services?**

**AT:** We're initially rolling this out in Europe. So we are talking about 25,000 desktop systems. But our other regions around the world are eager to get started, too.

**Going back to quality, striving for high quality is an ongoing journey. How do you plan to improve quality in collaboration with HEINEKEN with regard to implementing new services?**

**FA:** As I said, the key thing is the culture of high quality within the team. Secondly, you need clearly defined targets: set a goal, find the right team, and then make a plan detailing how the team can achieve its aim. Let me give you some more tangible facts about quality improvements: in 2014, we ran more than 500 unannounced fire drills to test and enhance our outage and disaster recovery mechanisms. We gained prior permission, but didn't give any specific advance warnings – so the systems had to work. In addition, we awarded quality certification to 20,000 people within the T-Systems ecosystem, including partners. In keeping with our strategy of continuous improvement, this is renewed every year. We are constantly asking: “How can we perfect quality?” And that will never change. It is not really something that I or anybody else on the management team drives or dictates, it is just a shared attitude that has become part of our DNA.

**In Germany's key industries, such as the automotive sector and engineering, 'made in Germany' has become synonymous with high quality. To what extent does this apply to the IT industry?**

**AT:** From a data storage perspective, Germany has very strict rules, which is a major benefit. Another key plus is the country's structured, thorough approach and the reputation of its technical universities. So I would say that the 'made in Germany' label is a definite advantage.

**FA:** Let's take the automotive sector as an example. German OEMs consistently deliver high quality worldwide – that's why they are so well respected. However, I actually believe that the IT industry has surpassed them in terms of service. For instance: cutting-edge IT infrastructures are expected to achieve 99.999 percent availability – no more than five minutes' downtime per year. Automotive players simply cannot live up to these standards: just imagine if your car only had to go to the repair workshop for a few minutes once every three to five years. CEO of VW Ferdinand Piëch had a manic obsession for quality: every part of his vehicles had to be perfect. His insatiable hunger for excellence has made him a legend in the automotive world. However, in IT, customers expect this level of dedication as a matter of course. And we have to deliver. This constant demand for perfection has driven our industry forward.

**AT:** That's why I said HEINEKEN is in the beer business, and not in the IT business. Success in IT requires considerable specialist knowledge. We need to know that investments are being made and that our systems are in expert hands. For companies like HEINEKEN, this can make the world of difference.

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