The CIO Series
Change Management — Is the Name of the Game for AkzoNobel's CIO Pieter Schoehuijs

EVOLVING BEYOND
CIO
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Rugby is the sport that best defines the style of Pieter Schoehuijs, the chief information officer (CIO) of Amsterdam-based AkzoNobel, the Dutch multinational maker of decorative paints, performance coatings and specialty chemicals. Schoehuijs, 47, likes to play rugby because it is a team sport whose members bring different skills. "Some people are very strong, some are very fast and some kick well," he says. "They have to work together in a concerted effort and need to be very dedicated to be successful." He shares his insights into what drives him on the job in this article, which is part of a CIO Series produced jointly by Knowledge@Wharton and Wipro Technologies.

AkzoNobel, the $20.8-billion company (2011 revenues) operates across 80 countries, making it "pretty complex," says Schoehuijs, who heads up an IT staff of 950 people and multiple third-party service providers across 44 countries. One of his chief goals for this team is to help cut AkzoNobel's IT annual budget of $300 million by 10% over the next three years.

Rugby makes for "a nice analogy, where you try to achieve something with a team that has mixed levels of experiences and capabilities." He was previously vice president and CIO of household products maker Church & Dwight Corp., and prior to that, global IT director at BASF Catalysts, both in the U.S.

Since Schoehuijs joined AkzoNobel, the company has evolved from one structured around financial holdings to a more integrated company with a matrix structure, where multiple business units and functions collaborate closely. Today, he is also active in a company-wide "functional excellence" program and in recasting its IT team to make it leaner and stronger, among other initiatives.

Alongside those organizational changes, Schoehuijs finds the role of CIO is also undergoing a transformation in recent years, he sees a CIO becoming an "orchestrator of services" provided in-house and externally. It is a change from "a person who makes technology work towards something closer to a broker of services and information." The CIO has to ensure that processes are supported "in an end-to-end way, in a comprehensive and consistent fashion" where the technology becomes more and more like a commodity, he adds.

Those IT roles are already evident in the increasing outsourcing of technology infrastructure, such as data storage and support services from third-party providers. Even standard processes like human resources and finance are becoming commodities, he notes.

Five Themes for the IT Orchestra

At the heart of AkzoNobel's effort to become a more successful company is its "functional excellence" program, set to run over three years through 2014 across the company's 19 business units and multiple functions, such as IT, marketing and finance. Schoehuijs has organized the changes for the IT function around five themes, as follows.

1. **Consolidating ERP systems:** Schoehuijs initiated drastically reducing the number of enterprise resource planning (ERP) systems. The company inherited many such systems from its numerous mergers partners and acquisitions over time, including those of ICI and several business units of Unilever and BASF in recent years. AkzoNobel has in the last three years halved the number of ERP systems to 100, and plans to slash the total to just six systems over the next four years. That means retiring two ERP systems per month for the next four years.

2. **Non-ERP Consolidation:** AkzoNobel also has about 3,000 non-ERP systems, which offer rich cost-saving targets. "You can imagine the total cost of running a system if you add up all the hardware, the software, the licenses, the mainframes and the disaster recovery systems, etc., for a couple of thousand systems," Schoehuijs says. They consume "an enormous chunk" of the company's budget and manpower. The company plans to move more and more of its non-ERP systems to web- or cloud-based platforms. The idea is in part to better use social media and mobile telephony. That will involve "an evolution through [a series of] steps, rather than a full 180-degree turn." He expects the forays into these areas to focus most on business units that interact more with smaller-transaction consumers, especially in decorative paints and coatings. It already has several iPhone and iPad applications for its sales force and customers.

3. **Infrastructure Innovation:** AkzoNobel has already standardized large parts of its IT infrastructure, and moved much of it into shared services and outsourcing. Schoehuijs wants to intensify that effort through the use of data centers, telecommunications, intranet and so on, including moving some of them to "private clouds" (clouds are online resources from which companies can rent data storage and software, among other IT needs, instead of having to own them).

4. **Business Intelligence and Data Management:** "It's not all about saving money," says Schoehuijs. The fourth leg of his IT change program focuses on building better capabilities around business intelligence and master data management. For the former, AkzoNobel is looking at a "federated model," where each business stream will have its own data warehouse feeding into a larger, company-wide data pool. That will include setting up a master data management organization with the appropriate processes, including tooling.

5. **Strengthening IT skills:** Schoehuijs' fifth theme involves bolstering the IT operational model internally. As his team implements various projects across the company, he wants to ensure strong project management. His model emphasizes transparency around budgets, people, systems and infrastructure. It also aims to leverage any company-wide systems, and not limit itself to geographical or organizational boundaries. Essentially, the effort here is to "manage the funnel before things become projects."

Cool and Notable Projects

Some projects get Schoehuijs' juices flowing more than others. One of the "cool things" they have worked on in recent years involves paint-mixing machines at the company's warehouses

and at body shops. Here, the plan was to move paint-mixing technology and other resources from offline to online platforms. Online systems help customers better control their color preferences, and also streamline and cut costs in inventory management.

Schoehuijs also finds exciting a project to implement a standardized procure-to-pay process at his company. Procure-to-pay processes typically integrate purchasing systems with accounts payable, while linking various processes in between the two departments, such as goods receipts or inventory reconciliation. Alongside that effort, the IT team is enabling a "single chart of accounts" to integrate multiple accounting systems into one and have started the next process harmonization, order-to-cash.

Challenges Ahead

The main challenge, says Schoehuijs, is when everything becomes a high-priority task, trying to prioritize "among the high priorities." His second big challenge: to implement projects while factoring in the interdependencies between various business units. Each unit has its own set of projects that form part of the "functional excellence" program. Many of those projects have IT components, and they translate into "a tremendous amount of work" for the IT department, making up Schoehuijs' third big challenge.

To overcome those challenges, Schoehuijs says he tries to ensure that team leaders remain closely connected to other functional managers in order have true clarity around what the business units want to achieve and the expectations from the IT department.

Formal and informal relationship building is an important aspect of making sure Schoehuijs' team is on the same page as the business units. The team has continual conversations on the scope

and progress of projects. He is also a part of the steering committees for many non-IT projects because they have a significant IT component, or have an impact on processes and eventually call for some IT involvement.

One of AkzoNobel's biggest efforts in the coming years will be to move from a predominantly Western footprint to one that is truly global, says Schoehuijs. That means moving IT leadership and other resources to Asia and South America, and attracting talent in those regions. The company's more general focus on diversity and inclusion has led to new systems to track progress.

Counting the Gains

Schoehuijs expects his various initiatives to help cut AkzoNobel's IT annual budget of $300 million by 10% over the next three years while the company grows its revenue by a third. That will come from improved efficiencies and new capabilities, especially in business intelligence, data management and project management. "We will do much more than we do today and with at least 10% lesslocked up in keeping the lights on," he says.

Many such projects "are not so sexy ... but they are big change efforts, and do add up to very big benefits," Schoehuijs points out. Some may not immediately produce visible benefits locally where the work is done, but they do yield benefits company-wide over several years. These benefits come in the form of weeding-out inefficiencies, benchmarking and identifying opportunities for outsourcing. The gains from some projects are not always immediately visible in the marketplace, especially those focused on internal efficiencies, such as a single-chart of accounts or a standardized procure-to-pay system.

Nevertheless, Schoehuijs' team has consistently won kudos in AkzoNobel's annual, company-wide "engagement surveys," where empoyees vote on

their experience. The IT department's score last year was above the company average, and it has improved consistently over the years.

Tips for Aspiring CIOs

Aspiring CIOs might want to take a few notes from Schoehuijs' book. First, he says it is important for a CIO to "be close to the business, and understand what the company does." Here, it helps to know the basics of the business, such as understanding bills of materials and Six Sigma processes in the case of a manufacturing company. He tours every plant he visits ahead of his scheduled meetings at each location to add to his knowledge of operations. And years ago, when he was with a pump and valve manufacturer, he even completed a course in pump repair. "It was important to understand some of the basics, including what flanges and things like that mean," he says.

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