

MINI CASE

Creating a Process-Driven Organization at AgCredit¹

Kate Longair knelt on the floor of the CEO's office as she unrolled the twenty-foot-long diagram of all of the processes and systems in the company and how they interconnected. Dressed in "Saturday casual" jeans, white shirt, and boots, she looked more like a suburban soccer mom than a high-powered, up-and-coming banking executive. But Saturday was the only day she could get a couple of uninterrupted hours with her boss, Jim Finney. "I never thought business transformation would be such physical work," she joked as the two of them struggled to move the furniture so they could spread out the huge document and pin it down so it wouldn't roll up again.

This was the culmination of three months of nonstop work for Kate and her team, and she knew it would be a key decision point for AgCredit. Would Finney get it? He wasn't a technical person, and although he had agreed to be the corporate sponsor of her Enterprise Integration Program (EIP), there was a chance he'd be overwhelmed with the detail on this chart and simply abdicate responsibility to his chief of operations. That would be the kiss of death for EIP. The COO, Steve Stewart, was a great guy, but only the CEO would have the clout to push through the radical changes Kate was proposing for the company.

Kate began her spiel by reminding Finney why she was here. "Three months ago you asked me to fix AgCredit's 'systems problems'." Briefly, she took him back through her mandate. AgCredit, the MidWest Agriculture Credit and Loan Company—a midsize financial institution focusing on agribusiness—had grown significantly in the past few years and was holding its own against other, much larger banks because of its extensive customer knowledge. But Finney had recognized that its people and processes were taxed to the hilt.

"We can't keep throwing people at our problems," he'd said to his executive team at the time. "We've got to get some better technology in here to support them."

That comment had opened a can of worms. "IT's a mess," complained Stewart. "Nothing works well and nothing talks to anything else. Whenever I ask anyone to do anything, they tell me it's going to cost a million bucks. I vote we outsource the whole thing." Paul Manley, the senior vice president of e-business, agreed. "Our IT is completely broken. I wouldn't ask any of them to solve our business problems. I could do a better job!" The others chimed in with their war stories of project delays, bad information, customer complaints, and IT staff who didn't know which end of the business was up. The upshot of the meeting was that all of the business executives wanted much better systems integration, but not one of them had any idea where to start or the time and skills to do the job. So Kate had been given the mandate to form a team and figure out the best approach to achieving systems integration.

"We began by interviewing the executive team about their business strategy and the barriers they saw in achieving it," she explained to Finney. "The first thing we noticed was that everyone knew what he wanted to do and how it would add value to the company, but no one understood how their business strategy would fit with everyone else's to deliver enterprise value. The second thing we realized was that we didn't understand our business processes and how they worked together. And if we didn't understand these, it was going to be impossible to get the right systems in place to support them." IT had been saying this for quite a while, she reflected silently, but it simply didn't have the credibility with the business to be believed.

¹Smith, H. A., and J. D. McKeen. "Creating a Process-Driven Organization at AgCredit," #1-L07-1-001. Queen's School of Business, September 2007. Reproduced by permission of Queen's University, School of Business, Kingston, Ontario, Canada.

Mini Case: Creating a Process-Driven Organization at AgCredit

"That's when we realized we had to understand our key strategic drivers and how our current business processes worked to enable them." These processes had never been written down before, so most of the previous months had been spent trying to understand and document them in workshops with key business subject matter experts. At the same time, some members of her team had documented AgCredit's systems and what they did. The result was the twenty-foot chart at their feet. The top part showed all the current business processes, and the bottom part showed all the systems that supported these business processes. When the north-south linkages between systems and processes were added to the chart, the problems became readily apparent.

Using a laser pointer, Kate walked Finney through just how many systems the frontline staff had to access for a simple business process, such as renewing a loan. All these connections made the diagram look like a plate of spaghetti. "What a mess!" he commented when the presentation was finished. "We've got to do something to fix this. What do you recommend?"

"Well . . ." she began hesitantly. "This is a bit radical, but I'd like to stop all new systems development for at least six weeks until we get a better handle on what our desired future business processes will look like. We've got about \$40 million worth of projects on the books, but until we know where we're going as an enterprise, it's hard to tell what's worthwhile and what isn't." Because each of the four business divisions had its own pet projects, the only person who could make this call was Finney. "Let's do it," he said. "We've got to get this situation under control if we're going to be able to compete the way I want us to." Finney was referring to AgCredit's key strategic drivers, which included continuous growth, expanded customer relationships, the ability to spend more time with the customer, the ability to cross-sell between business divisions, and the ability to provide a consistent customer experience across all delivery channels.

With Finney's unconditional support, Kate was able to avoid much of the political fallout of the system development halt. "I wouldn't have survived without it," she commented to a colleague over lunch a few weeks later. "If he'd thrown me to the wolves, we'd have been toast. Everyone would have sat on the fence and waited

for me to fail. At least this way, they have to work on this with me." Over the next few weeks, Kate and her team developed a high-level vision of AgCredit's future business processes that fully supported Finney's enterprise strategy and led to the creation of a roadmap for transforming how the business operated, but the IT portion of the chart remained a problem.

It was clear to Finney that he needed a CIO who could work with and support the EIP team with technology, someone who had the complete trust of the business and who was a highly effective executive capable of driving both a business and an IT transformation agenda forward.

No sooner was the need articulated than the answer walked by his office. "Paul, have you got a minute?" Finney called. As Manley entered the office, stepping carefully around the chart still spread across the floor, Finney dropped his bombshell. "You've often said you could do a better job of running IT if we gave you the chance. Now you can put your money where your mouth is!" This was said as a joke, not a challenge. If anyone was up to the job, it was Manley. "Wow!" said Manley. "I guess you're desperate." It was a gutsy move because Manley had little formal technical expertise, although he had masterminded AgCredit e-business initiatives for the past three years. Both Finney and Manley knew it. This move would be watched very carefully, and both of their personal reputations were on the line. But Manley relished the challenge and accepted the offer without hesitation, wasting no time diving into the confusion and disarray.

The first problem Manley faced was buying some time to figure out what needed to be done in IT, so after consultation with Kate and Finney, the stoppage on all systems development was extended for an additional forty-five days. This was not a popular decision, but it underscored the importance of making some changes in IT and also getting some agreement on the new key business processes and the transformational roadmap—which was proving to be a challenge—before spending any more money on IT solutions. "At least," he said wryly to Kate, "working on their priorities will distract the business from what I'm going to be doing in IT."

Manley's first survey of his new "empire" was discouraging. IT was in a significant state of disarray. IT governance was nonexistent, and

Mini Case: Creating a Process-Driven Organization at AgCredit

there was no architecture plan. IT was organized in silos to mirror AgCredit's divisional structure, and each business unit owned and governed its own IT projects. This resulted in business unit leaders making IT decisions based on their current needs and essentially "mortgaging the future" because they wouldn't fund the foundational work needed to operate IT at an enterprise level. Furthermore, because IT was considered a necessary evil, the company had outsourced chunks of it, sometimes for the wrong reasons. As a result, Manley's IT staff felt highly disengaged from the company, scoring 30 percent versus the overall company engagement score of 69 percent. Many staff were unclear of their roles or were performing roles for which they were unqualified. There was a significant lack of technical skills in certain areas, and the organization was also missing senior IT managers who could be "thought leaders." Finally, many vacancies remained unfilled because the company couldn't find qualified staff for what it was willing to pay.

A key problem was the applicationcentric approach the organization took to its work. Businesspeople would come to IT and say "I need a new system." Most businesspeople had been trained by IT to think in terms of existing systems. And IT staff were always injecting "IT reality" into business thinking, telling others that they couldn't do something because "the system wouldn't allow it." This had led to a complete data mess, among other things. AgCredit had four major systems, each with its own database, and special interfaces had been built to enable each to communicate with the others. As a result, the company now had a Tower of Babel where the same information appeared in different formats, which were difficult to reconcile. This was a significant challenge when creating accurate reports for banking and other government regulators.

Now Manley had the high-tech guru he'd hired in his office telling him that going to a service-oriented architecture (SOA) was going to solve all his problems! Dirk Schader's eyes gleamed as he laid out the benefits of this latest technological panacea. "If we adopt SOA principles in IT, everything will be deconstructed into separate 'services.' We'd have foundational services, such as forms management and identity management; internal services, which would decompose applications into small pieces of functionality, such as

loan servicing or changing customer address; and finally, we could buy external services, like credit rating. I think this is just what AgCredit needs!"

Manley struggled to get his thoughts together about this. Theoretically, the case for SOA was compelling, but would it really work? Schader was a highly reputable consultant, and services would match with processes quite well, but was the company ready for this? Was IT? Was the technology ready for prime time? "I think you've got something here," he said cautiously, "but I want to think this through carefully. First, we have to make sure it's the right technical approach and not just another high-tech fad."

Schader interrupted. "I don't think there's any other way, to be frank. You need to integrate different technologies and platforms without completely replacing them, right?" Manley nodded. "So SOA is technology neutral. It's really an approach and principles for technology design, and it supports Web services, which is a language that works across all technologies."

"We've traditionally bought and customized software packages and integrated them at the back end," stated Manley, showing off his newly acquired technical knowledge. "How would SOA be different, and would our existing packages work with SOA?"

"Good questions," answered Schader. "Almost all vendors say they can handle SOA, but many of them can't. We're going to have to be very careful about who we choose to buy components from. Some of these guys say their stuff is based on open standards, but when you get into the guts of it, you find it's got some proprietary code built in. SOA is tough to do—no question—but given all the good business process work you've done and the fact that you are going to completely redesign and restructure IT, I think you've got a shot at making it a success."

"I agree," said Manley, "but we're going to have to prove it to the executive team, and we're going to need some basic foundational work on our data. Before we even start this SOA stuff, we have to get a handle on that. Can you work with Kate to put a plan together for creating a single set of customer information that would work with each of our systems temporarily? Maybe if the two of you 'bang a few heads' in the business, and now that we've got Finney's support, we can finally make some progress in this area. Then you could

Mini Case: Creating a Process-Driven Organization at AgCredit

get started on creating a single customer information file. If we can get this far when no one else has been able to, I bet they'll trust us to try out SOA with a small business process."

Schader nodded. "Sure thing, and I'd like to get Samantha Secord involved with this. She's got some really good business analytical skills, which I think could be developed. She's been stuck coding, and it's not really her thing."

Manley groaned at the reminder that his staffing was a mess. "Go for it," he agreed. "I'll work something out with HR." SOA and customer information were great ideas for the future, but his bigger problems were going to be getting at the nuts and bolts of IT transformation. He now understood the function's current problems, but without a new IT organizational structure and governance, agreement from the business, and supportive corporate processes, nothing was going to get fixed permanently and they'd have no hope of supporting Kate's business transformation. "We've got to develop our capabilities, and the business has to see we can do what we say we'll do," he muttered to no one in particular. "And we've got to do it quickly." He turned to his PC and began to sketch out a plan.

Two days later Manley called a meeting of all his managers to explain the need for the new IT organizational structure. "Our first critical success

factor is not going to be whether we can develop new systems or use new technologies, although those are important. It's about how to position IT to be successful in a processcentric organization. I'm going to need all your help to do this properly. We've got to work in partnership with the business, but we've also got to recognize the strengths we bring to the table. This won't happen overnight. Here's what I have in mind. . . ."

Discussion Questions

1. Propose an organizational structure for the IT department that you feel would support the transformation of AgCredit into a processcentric organization.
2. Outline a project selection process for AgCredit to ensure alignment with the enterprise business vision.
3. How should Manley "make the case" for SOA to ensure that the executive team at AgCredit buys in?
4. What new internal IT capabilities will have to be developed in order to create an IT department to support AgCredit's future business architecture?
5. What aspects of IT governance do you think would be important in supporting this transformation?