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Creating a business-integrated services company:

An interview with UniCredit's Paolo Cederle

Paolo Cederle, CEO of Milan-based UniCredit's new multiservices company, is pushing to make IT and operations work in tandem with the bank's business divisions to improve the customer experience.

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Paolo Cederle embarked on a transformation journey daunting in both scale and scope when UniCredit Business Integrated Solutions was launched in January 2012. The multiservices company, created by integrating and consolidating 16 existing UniCredit services companies, now has 11,000 staff in 11 countries, from Singapore to the United States, and manages a cost base of €2.5 billion. The mission: to provide UniCredit, one of Europe's biggest banks, with global services in information and communication technology, back-office operations, real estate, security, and procurement.

Cederle's to-do list ranges from reducing shared-services costs by 16 percent by 2015 to achieving faster and more flexible delivery of innovative products and services that improve the customer experience.

In this interview, Cederle talks about banking customers' rising expectations and the cultural challenges of integration across what used to be siloed entities.

McKinsey: *Can you describe how UniCredit's shared-services journey has evolved?*

Paolo Cederle: UniCredit has grown since the mid-1990s by acquiring other banks, primarily in Italy, Central and Eastern Europe, and later in Germany and Austria. These banks naturally had their own services staff. The first step, at the beginning of the 2000s, was to centralize by country operations and IT services as well as real-estate services and procurement.

Takeaways

To transform the way UniCredit serves its customers, Paolo Cederle is bringing together IT and operations staff in a new model for providing global service.

"We are introducing a new services-manager role," Cederle says. "For any group of products and services … one person is responsible for both IT and operations; for managing services delivery, people, and costs; and for driving innovation in an end-to-end value chain."

Early response indicates that service delivery is faster and more flexible, and as the model evolves, the focus will be on clearly defining accountability, simplifying processes, and getting all employees on board.

The second step was to create shared-services units across national borders and to form global functions that guaranteed synergies and harmonization of services across countries. For instance, we started a company responsible for the infrastructure, development, and maintenance of all information and communication technology (ICT) applications in all our main countries. We also started a company for back-office activities in these countries. This allowed us to develop banking products such as credit cards and consumer loans in specific "factories" that served the main and sometimes all the countries in our group. Information and communication technology, back-office functions, and other support services were centralized to locations where we had the best human and other resources for the tasks at hand.

Building on these moves, we've now taken the third and most challenging step—a transformation that rests on six pillars: flexibility, agility, time to market, innovation, transparency, and cost efficiency. The aim is to increase the value we can create for UniCredit Group by reducing costs further and truly integrating the services side to better support the commercial side in the development of solutions that benefit our end customers.

McKinsey: *What role did the market environment play in the decision to create UniCredit Business Integrated Solutions?*

Paolo Cederle: As we all know, since 2008, banking has gone from being a steady business to being a volatile one, especially in Europe, and it's critical to keep costs down while responding rapidly to market changes. Customer expectations are rising dramatically.

In Internet banking, customers expect an ultraconvenient and personalized experience.

Moreover, a cultural change brought on by digitization also affects the physical-banking world. My father and his generation, for example, are not addicted to the Internet, and when my father approaches his local UniCredit branch, he is not looking for Web solutions. However, his expectations are colored by his experience of the choice and convenience of other digital services such as on-demand television. Traditionally, the branch would have shown him a standard catalog of products to choose from, but that's not what he wants today. He expects a dialogue with a salesperson who considers all the needs of his situation and guides him through the various options the bank can offer so that he can build his own personalized solution. In a sense, he wants an Internet 2.0 approach in the physical world and with a physical interaction.

Most consumers now expect more from banks, so we need to keep pace with their constantly evolving expectations. To do so, we must find ways to improve our agility and flexibility in interacting with each customer and speed up the time to market of innovative products and services. This, in turn, requires close collaboration among the commercial business lines, IT, operations, and other services staff.

McKinsey: *How does the organizational design of UniCredit Business Integrated Solutions help foster business-integrated solutions?*

Paolo Cederle: In the past, we had to work across silos for operational processes, IT appli-

It was a disruptive [cultural] change because, in effect, we were asking our people to change their identities, not only their places in the organizational chart.

cations, procurement, call centers, and fraud management—to name a few—to define and improve the customer experience. That's no longer the case. For any group of products and services, our new operating model puts all the service areas involved under a business-focused single point of accountability. One person is responsible for both IT and operations; for managing services delivery, people, and costs; and for driving innovation in an end-to-end value chain. It's very different from the organization that we had before, where IT and back office were separate legal entities.

McKinsey: *Can you give us an example of how it works when the business and services sides work together with a single point of accountability?*

Paolo Cederle: Developing a new credit-card product typically involves banking service lines such as application development, operations, client support, IT infrastructure, and IT security functions. In our model, the head of the cards unit within the global-products business line (exhibit) is directly responsible for all these functions and acts as a single point of accountability for the UniCredit business division. This way of organizing the work allows us to be part of the business rather than just a support function.

There is also another important aspect to consider: we don't want to lose the value of

the past cross-country standardization while we deeply transform our way of working. That's why we have a service-line organization. These banking service lines are departments in charge of having an integrated ICT and operations view across business lines in our matrix organization. Their main responsibility is to set guidelines, set ICT architecture and operational principles, and control implementation in the different areas of Unicredit Business Integrated Solutions. By doing so, we can be sure that the business lines are working in the same direction and leveraging best standards and experiences while acting with a lot of autonomy and specialization day-to-day. Keeping this matrix tuned is not easy, of course, but it helps us create more value by combining the appropriate level of standardization with a high level of focus and specialization.

McKinsey: *What were the cultural challenges of shifting to a business-integrated organization?*

Paolo Cederle: It was a disruptive [cultural] change because, in effect, we were asking our people to change their identities, not only their places in the organizational chart—so even though our IT staff, for example, would still be using their IT skills, they would no longer only be part of an IT organization. Another challenge was to group people with very different backgrounds. You can imagine putting a procurement person together with

an IT person. They are quite different when it comes to skills, how they organize their work, and how they interact. Add to that 11 countries, a range of managerial styles, and a complex matrix design for our multiservices organization. Despite the challenges, we were sure we had chosen the right direction. When I told an executive at the bank what we were trying to do, he said, "I think it's really difficult to

do that. But if you succeed, it will really help me serve my customers."

McKinsey: *How do you communicate change across a multicountry organization with different languages and cultures?*

Paolo Cederle: We communicate a lot and in many ways. One of the first decisions

Exhibit
UniCredit Business Integrated Solutions is a matrix organization.

Governance layer												Country manager (legal entities)
Legal and compliance	Human resources	Identity and communications	Chief security officer	Strategy and services coordination	Foreign-branches management	Risk management	Planning, finance, and adminstration	Organization and logistics				
Factory layer		**Business lines**							IT governance			**Germany**
		Commercial banking, mature markets		Commercial banking, Central and Eastern Europe	Global products		Global markets		Global enterprise services			**Austria**
Banking service lines		Multichannel and core banking	Credits	Securities		Payments	Other transaction services	Cards	Trading and treasury	Post-trade services	CFO	CRO and support platform	Human resources		
Market development															
Innovation															
BRM[1]															
ICT[2] applications															
Operations															
Client support															
ICT security															
ICT infrastructure															
Security															
Infrastructure service lines															
Real estate															
Procurement															

[1]Business-relationship management.
[2]Information and communication technology.

Source: UniCredit Business Integrated Solutions
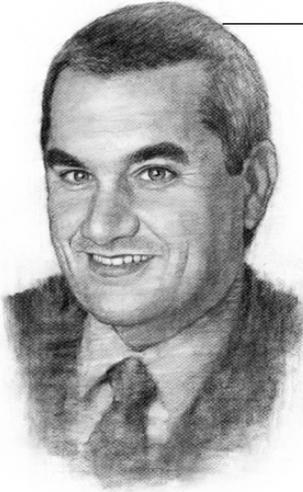
Vital statistics
Born in 1961, in Crema, Italy
Married, with 3 children

Education
- Earned a degree in mechanical engineering at Politecnico di Milano
- Completed Harvard Business School's Advanced Management Program

Career highlights
UniCredit Group
(2012–present)
CEO of UniCredit Business Integrated Solutions

(2008–12)
Head of group information and communications technology and operations

(2007–08)
Head of department banking services

(2005–07)
Head of group area global sourcing

(2001–05)
CEO of i-Faber

Fast facts
- Cofounder of CommerceNet Italia
- Board member of Audiweb
- Member of the executive council of ONCE, a global e-marketplace association

Paolo Cederle

we made was to take advantage of digital technologies—the Internet, PC-enabled videoconferences, and narrowcast videos about the concepts of the transformation, for example. Every executive also has to spend at least half a day every six months interacting with all his or her people on our internal social network and have an open online discussion on different topics. Moreover, executives can set up dedicated blogs. I have my own blog, where I can interact with all employees. We also organize regular webinars. But communication does not only take place on the Internet; for example, executives need to visit each location where they have staff at least once a year.

McKinsey: *How does the new organization affect what is required of managers?*

Paolo Cederle: We are introducing a new services-manager role. If you're head of mortgages, for instance, you're now responsible for both IT, with its complex projects, and back office, which is quite different and involves managing a lot of people and processes. While difficult to do, the benefits are compelling. An end-to-end view of the value chain makes it possible to properly leverage technology for process improvement, which has immediate impact on overall levels of productivity.

To help develop the kind of managers we needed, we established a set of governance functions. For example, the human-resources group spent significant effort supporting managers in understanding their new role and how to drive the transformation. What's more, we provided training for our top 300 managers to help them develop the skills that are required. We also have change agents in various locations—employees who, in addition to doing their ordinary jobs, help their colleagues understand the new concepts and ways of working.

McKinsey: *Looking back on the transformation so far, were there any events that energized you and made you think that the transformation was going to work?*

Paolo Cederle: Yes; the first one was a meeting of the new managers of UniCredit Business Integrated Solutions. They came from very different backgrounds and included the CEOs of the shared-services companies that we were integrating. It was evident that many had doubts and were not clear on where the new organization was going. Nevertheless, there was eventually a moment when I could see in their faces a recognition that the direction was right and that they would all have a go at working together toward a common goal. This meeting became the launch of a new and informal network that made things happen.

Other energizing moments were when internal clients spontaneously noted that something had changed and started to give us positive feedback. One business-division manager told me, "You have delivered in three months what you earlier could not deliver in a year. Having a single contact person on the services side, who I can discuss all business topics with, increases the level of accountability on both sides."

McKinsey: *What has UniCredit Business Integrated Solutions achieved so far?*

Paolo Cederle: As suggested by customer reactions, one result is that we are faster and more flexible in reacting to market changes. Another is that we are more effective on the cost side. Even with the start-up costs of bringing together thousands of people from many companies and countries, we managed to beat the challenging 2012 cost target that UniCredit leadership had set for us. A third result is that we have taken the first steps in building an organization where the distinction between IT and operations is disappearing. People still have different skills, but they are beginning to work together rather than just doing their own thing.

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McKinsey: *What are your biggest future challenges?*

Paolo Cederle: Collaboration among departments with one person accountable for end-to-end service delivery is the core of our concept. It's happening in many areas but not in all of them. It takes time to achieve because the organization is really complex, and what we are asking from our people is a huge undertaking. So my main focus in the next few years will be to define accountability more clearly and to work on simplifying processes to build a more adaptive organization.

Sometimes we are slowed down by too many processes and rules. Instead, we should be more focused on defining accountability, especially at all the intersections of the matrix organization: setting general guidelines and giving each manager the autonomy and responsibility to act.

We also need to put more energy into sim-plifying the organization itself as well as its processes. This is a never-ending effort

that requires top-management commitment. One of our top programs next year is to slash internal activities—for example, reports and meetings—which do not indisputably add value. do not indisputably add value.

A second challenge is to get all our people on board. All 11,000 staff must understand and accept the pillars of the transformation. We have prioritized our managers in the first phase. We now need to help each employee internalize the thinking behind UniCredit Business Integrated Solutions so that every person can apply the concepts daily. We have a lot to do in this area, which is another important step in building an adaptive organization.

The third big challenge is to diversify our business or service models by, whenever useful, aggregating activities that will represent an end-to-end value chain. We call each set of aggregated activities a "business component," and each has its own information system, processes, and performance indicators.

To each business component we assign what we call a "competitive profile strategy" to allow UniCredit Group to maximize competitive advantage from the ongoing transformation of the financial-services industry and from emerging opportunities in the services market.

We have identified three competitive profiles. The first, "compete by differentiation," is characterized by the fastest time to market and strengthening human capital to achieve sustainable competitiveness. The second competitive profile, "smart agility," builds on limited customization by leveraging existing market solutions. The third profile, "standardized excellence," is characterized by optimized standards and reducing costs to achieve wider scale.

McKinsey: *If you could do it again, what would be the most important thing to do differently in the early stages of the transformation?*

Paolo Cederle: I would involve not only managers but all our people in the transformation. I didn't travel as much as I wanted to because there were simply too many priorities competing for my time. But when I did get a chance to meet, listen to, and speak with nonmanagement employees—including those in frontline positions—about the issues they face, I sensed that the impact was far greater than when we simply communicated our vision to them. A transformation can't succeed without buy-in across the whole organization and a keen mutual understanding of what the issues are. Such buy-in requires not just communication but also a lot of interaction. We probably didn't do enough of that. ○