Problems associated with Process Modelling in Merged Organisations

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1 Introduction

In July 1997 the merger was announced of AXA Equity & Law (AEL) and Sun Life Assurance Society (SL) as a consequence of the merger of the respective French parent Companies, AXA and UAP. The overall control of the new global Financial Services company vested in AXA, in the UK the control divested into Sun Life as the much larger subsidiary.

Over the subsequent 5 years I have led a series of successful projects within the resultant Company, AXA Sun Life (ASL) but which were hampered by the legacy of cultural differences from the two previous organisations. The projects, the issues and successful resolutions are discussed in this paper.

2 1998 - Re-organisation of Systems Development Division

2.1 Problem definition - There were a number of given decisions as part of the merger arrangement. One of these was that although the AEL administrative headquarters at High Wycombe were to close and work to be transferred to Bristol and Coventry the AEL Systems Development function was to remain in the local area. This decision was based on the presupposition that IT staff would not wish to make the 100 mile move and therefore leave. At this period the considerable concern that existed over Y2K application changes and as the AEL systems had been chosen for the new emerging Company it was imperative that skills were preserved.

2.2 The situation was also compounded by the lack of organisational synergy between the two System Development groups. See the table below which signifies the level of maturity of the function:

<table>
<thead>
<tr>
<th>'Garage'</th>
<th>Ad hoc</th>
<th>Procedural</th>
<th>Mature</th>
<th>World Class</th>
</tr>
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AEL was centralised reporting to a head of IT. The development programme was prioritised within IT and was determined by the available resources. The staff were organised into functional teams who undertook all work for whatever reason on specific parts of the overall integrated systems architecture.

My view was that they were a **mature organisation**.

2.3 SL had devolved the large part of its development function to the direct control of the business, with the head of IT exercising control over the
principles and standards of development. Work was prioritised on the basis of available financial resource and the benefit to the business. Resources were allocated to projects under the control of project managers and then handed back to maintenance teams. My view was that SL was a procedural organisation.

2.4 Many of the IT senior management within SL held the view that AEL was an Ad hoc organisation, lacking the kind of controls that had only recently, before the merger, been implemented within Sun Life.

2.5 **Solution** - There was a need to preserve the resource pool in tact whilst achieving challenging business targets. Thus the first step was to recognise that whatever level of maturity existed prior to the merger, that this had reduced as a result of the merger and therefore in effect the organisation moved to a procedural position. Systems Development was re-centralised under the head of IT to ensure that the appropriate controls could be put in place more efficiently and effectively.

2.6 To supplement this a programme of AEL skills transference was implemented, however this was viewed with considerable suspicion that this was to hasten to demise of the AEL staff. The project basis was maintained with AEL staff being selected for project management training. Cross-site projects were set up where this was appropriate to utilise the benefits of team dynamics to reduce barriers. However, where possible functional teams were established within SL system areas to show that there was merit in this approach.

3 1998/1999 - Year 2000 Remediation

3.1 **Problem definition** - Prior to the merger there had obviously been two separate teams undertaking Y2K remedial work. Their technical approach to the work had differed; one team had sought to eradicate all risks, the other to minimise risks and then to recover on the spot in the event of failure. The systems configuration was almost entirely different across the two Companies and therefore technical skills were not readily transferable. The levels of testing through code, application, systems, integration testing was also different.

3.2 When I took responsibility for this work it was clear that neither team trusted the other nor understood the approach that the other was taking. As the remediation work was nearing completion the focus was moving towards the testing strategy and Y2K Business Continuity issues.

3.3 **Solution** - Clearly a massive investment had been made in the technical code changes to applications. Work was nearing completion on AEL code and it was important that those staff involved saw the job
through successfully to minimise the risks to the business. For these staff their professional pride was at stake. This was achieved. However, as the AEL team could not see the need for the full integration testing being undertaken by SL, and that Senior Management had deemed that it would be done, the AEL staff were redeployed and replacement staff were brought in with the necessary skills on a contract basis. These resources had no historical baggage and were employed simply to make sure that the job had been done.

4  **Pensions Mis-selling Review**

4.1 Problem definition - the AEL team were very experienced pensions administration staff who had been displaced by the move of offices away from High Wycombe to Bristol. They were very grateful for the work but very bitter about their circumstances. "We'll show that lot" was the attitude portrayed. SL staff were made up of some chosen individuals, some "misfits" from administration departments and some new recruits from the labour market.

4.2 A decision had already been made to adopt common processes for "Phase 2" of the Review but it was clear that yet again there was a discrepancy in the level of maturity in the two teams and therefore the formulation of their process requirements was inherently different. AEL wanted procedures written for Experts to read, inwardly digest and get on with it. SL wanted procedures written for Dummies to follow, step by step, to make sure they get it right. Each team to attempt to get its own way used emotional blackmail.

4.3  **Although this was more than two years after the merger was announced, old loyalties remained intact.**

4.4 Solution - At such an early stage I wanted to avoid alienation of AEL staff who had a "get out" clause to trigger large redundancy payments. So, I gave an empathetic ear to each side of the story. As always there was some merit in each side of the argument. By separating out the main points from the detailed discrepancies, it was then time to establish the ground rules to be followed.

4.5 A judgement showing the Wisdom of Solomon was required. The Process Champions of AEL and SL were required to draft any new processes and get agreement from their opposite number before publishing for use. If agreement were not possible then I would arbitrate, which meant implicitly that they had failed to achieve agreement. Neither party would want to be seen to fail.
5 Summary of the events

Clearly a start-up organisation has great advantages in developing new processes, as there is no cultural legacy to be overcome. But that is not a luxury that most organisations have available to them. The loyalties of a "successful" past are very strong for employees, especially when challenged by what is seen as a more powerful adversary. Careful recognition and handling of these issues will result in successful outcomes. How many founder on these rocks; ignore them at your peril.

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