



Technology by Nature

Aligning business & IT through an operating model

Introduction S.M. Wijdeveld

CIO day 2011





Introduction

- **Who am I?**
 - IT Director EMEA and Global Program Director Process Standardization & ERP
- **Who is Watts Water Technologies?**
 - Leading manufacturer and supplier of water-related products like valves and products that control the flow of water in commercial, residential, industrial, and municipal applications.
 - Founded in 1874 in New England (MA, USA) and headquarter near Boston (MA, USA). Public company (NYSE: WTS) since 1986
 - In over 100 countries in 3 main regions (North America/Canada; Asia; Europe), 8,000 employees and \$ 1,5 billion annual sales (850 NA / 650 EMEA)
 - Since 1986, more than 50 companies joined Watts
 - The majority of our Product / Market combinations are regionally (or even locally) due to regional differences in public infrastructure, energy markets, and related certifications



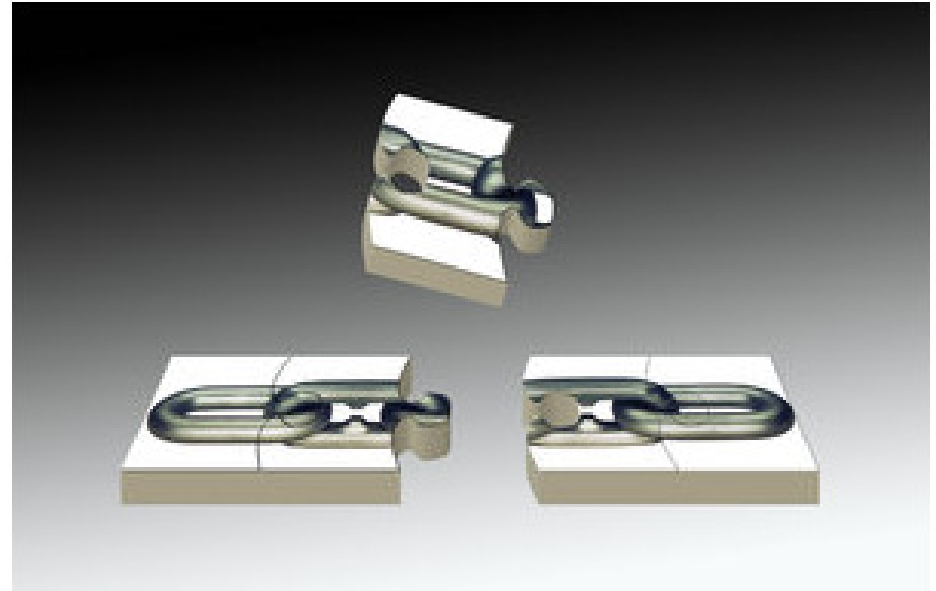
Times are changing within Watts

- **From Industrial to Portfolio to Corporate company**
 - The company was managed for almost a century as typical industrial company
 - Since the end of the 1980's, the company evolved into a portfolio holding (50+ acquisitions!)
 - Since 2008, the company is evolving towards a corporate organization
- **From Local to Regional to Global**
 - Initially the operating model was mainly focussed on the individual company
 - The USA organization started the consolidation of the acquired companies into NA organization in the end of the nineties of the last century
 - The EMEA organization started the consolidation into country organizations in 2004
 - The EMEA organization started creating pan-EMEA disciplines as of 2008
 - New CEO (as of January 2011) is aggressively pushing forward with a globalization strategy and is creating a global organization
- **Strong external headwinds**
 - Strongly impacted by the financial crisis and related downturn in commercial and residential real estate markets
 - Raw material prices (metals & plastics) are rising and difficult to translate to customers



From strategy to execution: a missing link

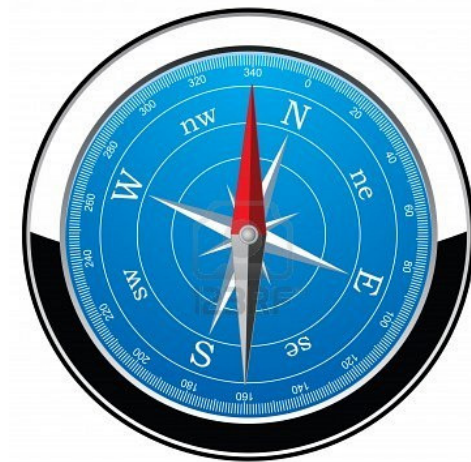
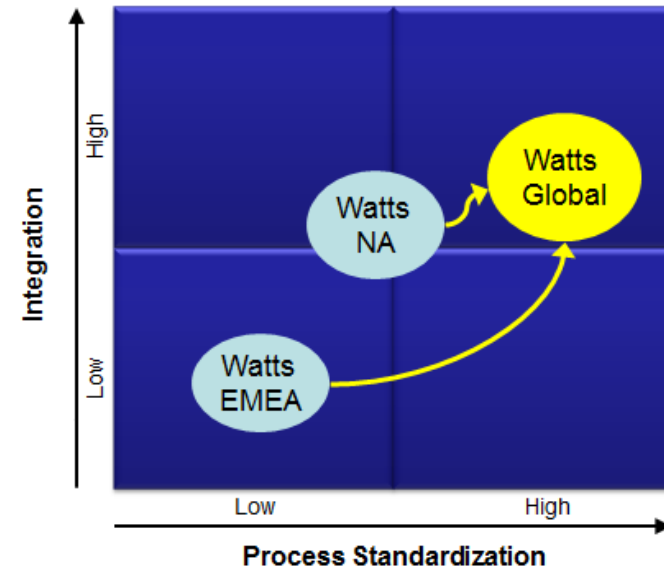
- **Our corporate strategy should be the guiding instrument to align all strategic initiatives and prioritize our IT investments, however...**
 - Our corporate strategy emphasizes what markets, what products, what geographies, and more importantly what financial objectives, but hardly address **HOW** we want to operate...
 - Strategic initiatives (Lean & 6 σ , S&OP, Shared Services, ERP, Footprint consolidation, Acquisitions,..) all aim at changing the way we operate
- **The alignment between the business and IT was re-active and tended to be more structured around the strategic initiatives:**
 - Sub-optimization of IT investments
 - Although these strategic initiatives are important, they tend to be short to mid-term oriented and subjective to change





How to structure the transition?

- **Need for a long term view on the structure of the organization. We asked two basic questions to the board:**
 - What level of process standardization do we want (or need)?
 - How integrated do we want (or need) our organization to be?
- **The as-is state today differs:**
 - NA is more-or-less integrated with a degree of standardization
 - EMEA is diversified into local organizations with limited degree of standardization (financial reporting)
- **The board decided to opt for a high degree of process standardization with a regionally integrated organization:**
 - Transition plans (**the COMPASS**) for NA and EMEA were defined which provide clear direction to the prioritization of IT investments, and align all strategic initiatives to a **COMMON** understanding of the current- and desired way we operate
 - The transition plans also define where we do not want to be standardized and/or integrated (e.g. as we have many local product / market combinations)





Why is this important to the CIO?

- The leadership role of IT is no longer limited to delivering technology. Or in other words, **delivering technology is management, not leadership.**
- Business-IT alignment is a **two-way street**, so we as CIO's need to bring structures, methodologies, metrics, and leadership to the table to ensure we have the right architecture for our company
- Although the operating model is owned by the business, IT is to a large extent depending on it. So, if you want to have control over the IT agenda and priorities, **take control!**



OR.....