

STRATEGIC SHARED SERVICES CONFERENCE - BALTIC

12 - 14 OCTOBER - VILNIUS
KEMPINSKI HOTEL CATHEDRAL SQUARE

INTERVIEW WITH TOMMY FAGERLUND, SPEAKER AT THE BALTIC SSC CONFERENCE



As an introduction to the Baltic SSC Conference that will take place in Vilnius in October, we are happy to interview Mr. Tommy Fagerlund, Managing Director of Thule, a shared services center based in Lithuania mainly supporting the activities of Skandia in financial services back office. Tommy started in Skandia in 2015 as a CEO, establishing and running the Thule Operations Center. Previously he worked in Storebrand Baltic UAB SSC, as a Department Manager for more than three years. His career in the financial area has spanned over 30 years, having worked in various banking and insurance companies in different leading roles.

Thank you very much Tommy for taking the time to answer our questions. To start with, could you please shortly introduce yourself?

Thank you. I have been working in insurance and finance banking for the last 30 years, and in the last 10 years I have been working in the outsourcing arena within finance, insurance and banking. I have also been doing some outsourcing activities myself when I was working in Sweden for 6 years and after that I decided to move on the other side of the desk and I am now somehow insourcing from Sweden to Lithuania if I may say. I have been doing that for one year and a half and right now I'm in Thule, a subsidiary of Skandia which is one of the largest insurance companies in Sweden, also dealing with banking activities. We are not the biggest in banking but in insurance, Skandia is a very big player. Now, I am doing here more or less the same as what I was doing with the Norwegian company StoreBrand for a little bit more than 3 years. The difference is that here I have started everything up from scratch, and this, a little bit more than a year ago. Generally speaking, we are doing here back office for financial services.

To get into details and closer to more crucial topics that will be covered during the conference, could you tell us more about the corporate relations between Skandia and Thule?

There is a very tight cooperation between Thule and our parent company Skandia because implementing a shared services center has never been experienced in Skandia before and they are not so well versed in how to do this kind of outsourcing. Of course they have been outsourcing IT and some other financial services, but it was some time ago.

When dealing with outsourcing more critical finance services like the ones we currently have on site, they have decided to embark on a broad cooperation during the transition process from Sweden to Lithuania.

Of course we have to take all this with carefulness and consider whether we should do this or we should do that and so on and so forth.

The cooperation is much needed and it is good because there is a great ownership from our parent company that really wants to achieve very good results with that.

We have to remember though that it has only been one year which means also that they are very much involved in the small things.

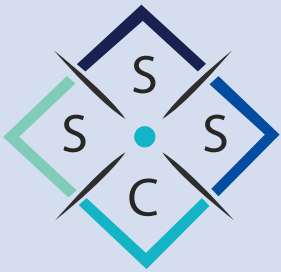
In the long term, they will be more like hands-off and I will only have to, I would say, deliver a result. And the result is more about economic discussions rather than talking about the steps to move here.

“ We very much have to think about how to make the processes more efficient than they are today ”

It is good to hear from you that collaboration is tight at this stage. If we look into the future, could you share with us your vision of the evolution of the SSC industry in the middle/long run?

Well, in the long term, even if it is already a challenge to define what long term is, if we are looking into East European countries, I believe we very much have to think about how to make the processes more efficient





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than they are today. Because I think there is an overall possibility to make most of them more automated, without necessarily changing those very big and heavy IT systems that have been running for years, because it is very difficult to change those systems. However, you can add on some kind of automation, and that way you try to reduce the cost you put in to try to achieve those kinds of tasks while making them more agile.

“ Once smart automation is implemented, it is much easier to train people from scratch to do complex tasks ”

I think you have to look more into it as an industry, not thinking so much about the cost issue. In many ways investment and cost look similar, even though the results perhaps can be different.

But the idea is that once smart automation is implemented, it could be much easier to train another person to learn this when as of now, it could take 6 or 7 months to learn how to do the task.

In the future I hope we can reduce this to a much lower time, because it is very complicated to learn processes.

Thank you for bringing the topic of business process automation to the attention of our readers as it directly relates to the session you will be presenting at the conference. Let's deep-dive more into it to hear about your personal experience in this field.

Even if it might be a little bit different than what I used to do before, I have some good experience and ideas on how to deal with process optimization because I saw many times in the past how mistakes can be made.

So I have taken this experience directly from the start and tried to apply it into Thule. Actually when we started building up the company here, we of course had to learn all the tasks transferred from Sweden to Lithuania, and we did it by waves which somehow made it totally hopeless to be efficient.

So at the same time, we had to have in mind how we can start a process to make things more standardized. And we are still doing it now.

For instance, we keep monitoring the quality level of the services that we have, not only the timing when each task should be done, but also the level of productivity and how we can improve it, how we

can develop some kinds of tools and achieve a result that makes it easier and more secure to make things right.

“ During the transition phase, we had to think how we can start a process to make things more standardized ”

Especially when you have routine things and you just have to put a lot of information through the keyboard to the computer system.

People do that many times a day and with this, you automatically increase the probability to make a mistake. Sometimes, big faults are made, so if you can make those things a little smarter by building this kind of system, which we have already started to do by the way, then I believe it is the way it has to be.

Because Lithuania and the whole Eastern Europe can't think that it will be forever like this with lower salaries, lower overall costs... It can't be like that because the region is running very fast compared to Western Europe, and at some point, salaries will start to equalize. If you sum up all these extra costs that a company has when outsourcing to another country, you will always have some overhead costs that you can't get rid of just because you are abroad.

And in my opinion, it won't take so long to have close to equal costs of operations with Western Europe.

We have so many educated and smart people, and with all the motivation of change and learning new things that they can hear, they feel they can make a difference in how to do things in the future compared to how it is done today.

I used to compare it with the following: If you want to buy an Aston Martin, it is a very nice car, it is hand-made, this is how they make things today, a hand-made Aston Martin, it is a perfect car and it is beautiful but how much money does it cost? Hand-made makes it almost impossible to buy.

If you take a car to only drive you from one place to another, you will take a much cheaper, not hand-made, but machine-made car. And people buy those cars instead.

If we get back to financial services, it is with people's money that we are dealing with, they put lots of money in it and they want this money to go up.





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They don't care if we are driving an Aston Martin or a Volvo for instance. The result is the same, it goes from A to B. For them it doesn't matter, they only want the result.

We can see through your example that process automation is key to not only reduce the probability of mistakes, but also to increase efficiency and productivity. If we now consider a bigger picture, would you have any advice based on your experience to companies looking into setting up an SSC in Lithuania and/or in the region?

Well, even within the boundaries of the EU, you have to consider there are some differences that still remain, particularly when dealing with legal aspects. I also think you always have to consider having a good partner in the country where you are implementing your shared services center.

Starting from scratch is also subject to many possible mistakes and you have to be prepared that it can be very costly. So having a good partner is a key thing.

Otherwise, European diversity is also something that has to be considered as cultural differences represent a big aspect in site selection. But compared to some more "radical" offshoring countries, I think it is not a big problem.

“ Establishing an SSC will always cost you more than planned, you have to accept this ”

You have to have good advice when you start and also to take in consideration that in the reality, even the most pragmatic approach of your business case

and balance sheet will have to deal with underestimated costs. Establishing an SSC will always cost you more than planned, you have to accept this.

And from a very practical point of view, how would you describe the overall business environment with regards to attracting near-shoring / outsourcing activities in Lithuania? How easy is it to do business in the region?

Well, I would say there is a time of adaptation. At first, it seems to be more difficult here if we compare it to Sweden or Norway as it is much more formal. There you can get all types of contacts with authorities directly in a very easy way, and then you can get approval for pretty much everything. Here you have to have a paper, to have it signed, then bring it to a notary and to another administration... This takes times. It's very time consuming and a bit tricky as it is not easy for a foreigner who is not used to this to know how to handle it.

But it is going in the right direction and it very much shows how important process optimization is in the natural evolution of business, service delivery and ultimately, economic growth!

A very nice way to close the loop on the role of business process optimization in the long term development of SSC operations in the region, topic that you will be covering on 12-13 October 2016 in Lithuania during the Baltic SSC Conference supported by the municipality and Mayor of Vilnius. Many thanks Tommy for your time today, we very much look forward to seeing you in the Kempinski Hotel Cathedral Square next Autumn!

Many thanks to you too! I look forward to the event too!

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Find out more about Tommy's participation in the Baltic SSC Conference on www.balticssc.com

