Terms of Reference AFKL IT New Deal



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1. Assignment & Objectives

As requested by the CEO Committee, a project is to be launched with the objective to:

1. Revisit the model for collaboration between business, IMO and IT to improve business proximity required to optimize the delivery of IT solutions in the Digital era. In this document this will be labeled as 'Business Proximity'.
2. Revisit the current rules for distribution of IT workload allocation and "fairness" between Air France and KLM. In this document this will be labeled as 'New Rules for Work Allocation'.

The assignment has been given by the CEO Committee to the ITC, see text below:

"In the CEO Committee of July 5th, ISR and the context within IT in general have been addressed.
Recent discussion between KL WC and KL management on one hand, reaction and discussion with AF CE and AF management on the other hand have been shared.

The importance of IT as a strategic lever for both the Group and the Airlines have been confirmed.
It has been agreed also that considering the transformation of the Business and the context with digitization everywhere, AFKL IT has to transform and propose some changes in the operating model.

Consequently, it has been agreed that ISR rationale is logic and to be supported.

But, at the same time, a 'New Deal for IT' must also be designed, including the question of workload allocation, colouring & clustering and how can IT improve its business proximity, in order to be more efficient and effective.

The CEO Committee has decided the following:

- ISR Program to further prepare the RFA, associating all relevant stakeholders including the WC and the CE. The decision will be taken to submit it, when the RFA is finalised (which is expected around September)
- Simultaneously, the preparation of a detailed "Terms of Reference" of a project addressing the "New Deal for IT". This TOR will be prepared with the involvement of all stakeholders including CEO's, CIO's and social bodies. It is proposed that WC and CE work together in a project group with AF and KL IT management to prepare this TOR. Target date is September as well.

On these both 2 topics, the CEO's will be very supportive and will help if necessary."

Figure 1: Report out from CEO Committee on July 5th, 2017

2. Scope

Business Proximity

The scope of this project is :

1. The IT Operating model (as far as it concerns "business proximity"),
2. the interface with IMO and business,
3. and end-to-end IT processes which can be under accountability of other parties than IT.

Group IT works with the Business in a defined organizational construction with IMOs, which are to be considered as part of the business, and therefore a repositioning of the IMO organization is out of scope of this assignment.

To have an holistic approach, all stakeholders (IMO representatives, Business representatives, IT management and Social Representative Group) in charge of elaborating the New Deal will have to stay

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connected to other on-going programs and evolutions around IT and be clear on where concerns/issues have to be addressed (see appendix for an overview of the relevant change programs).

New Rules for Work Allocation

The workload allocation rules concern activities of AFKL Information Services.
The final deliverable should detail which IS activities are included and which are excluded from workload KPI's (for example, there is a current rule that outsourced activities that will never be re-sourced are excluded from the KPIs).

The current rules remain valid and are leading for decisions until the new deal has been validated[1]: A detailed description can be found in the appendix.

3. Objectives and context

The current deal with regard to Work Allocation has been agreed 12 years ago to maximize synergies by converging to common AFKL systems, and the resulting expected reduction of IT workload.

Today, more than 50% of our applications are common (weighted by continuity cost), and the business and IT landscapes have changed. The new world requires:

- Speed, time-to-market, proactivity
- Continuous innovation
- New ways of working, flexibility
- Closer to Group/Airline strategy
- Compose with uncertainty and volatility

In this changed context, the New Deal must allow us to review:

- Clustering/coloring rules
- Workload allocation rules between Air France and KLM
- Ways of working with our businesses, that could also impact ways of working within IS internally

while reinforcing our key assets:

- A central IT with a strong governance at Group level (Architecture/Security, Infrastructure, QoS…)
- Existing synergies and ability to develop new ones, in full alignment with Business objectives
- Strong internal skills and competences

The outcome should lead to :

- Restore trust and relationship between AF/KL on IT topics
- Restore the "Fun at work" of the beginning
- Add more value to Businesses regarding IT
- Improve professional development within IT

[1] See 20170504 IT Coloring and clustering V1.1 (https://www4.klm.com/department/Group-CIO-Office-MT/Strategy%20Development%20and%20Execution/New%20Deal/20170405%20IT%20Coloring%20and%20Clustering%20v1.1.pptx) for historical perspective on rules.

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4. Key principles

Assets we want to keep regarding IT

Hereafter, eleven guiding principles are defined that we will keep unless there are relevant reasons to adjust them on very specific points. If so, this will be validated by the CEO Committee.

1. Group IT is end-to-end responsible for the total IT landscape including parts that are outsourced
2. Group IT is responsible for the IT budget and services regarding “Business Innovation”, “Continuity” and “Development of IT capabilities”
3. There must be clarity for internal staff about their career perspective : sourcing & skill strategy ensures a clear future perspective on the specific jobs
4. Group IT is responsible for the overall skill and sourcing strategy with Airlines responsible for HR management
5. Group IT is composed of four main locations where people are working on different disciplines: Amsterdam, Paris, Toulouse and Valbonne
6. IT global rules must be fair, balanced and sustainable
7. The current rules are valid and applied as long as new rules have not been validated and deployed
8. Group IT is serving Business domains which could be Group and Airlines
9. IT is a matrix organization where Group and Airlines have defined responsibilities
10. Group IT works with the business in a defined organizational construction with IMOs (which are part of the business)
11. Convergence in applications is a decision from the business

Assets we want to build

12. The alignment in the CEO Committee and support of the CEO Committee to the Group IT organization is a key success factor
13. Group IT is responsible for IT processes are defined as common processes (budget & portfolio management, security, Architecture, ITIL,…) keeping in mind business needs
14. Group IT should develop synergies by convincing stakeholders
15. Design a common evaluation process between AF and KL to monitor that the rules are respected
16. Need to have a governance and a process at different levels in the IT organization to arbitrate on day to day issues
17. In the future, platforms and IT services will be more and more datacentres independent

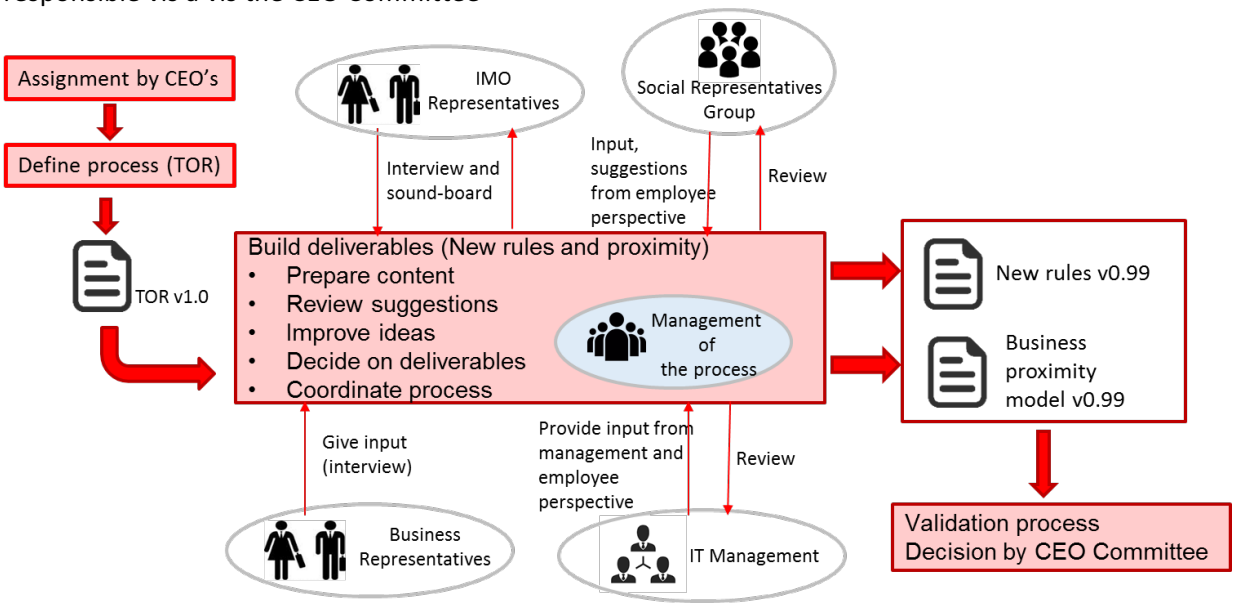
Next to the committed topics, the following drivers for the New Deal will be taken into account (as input, content not to be questioned in New Deal project):

- IT Masterplan
- Skills and Sourcing Strategy
- ISR (Guiding Principles, Target Operating Model)
- NWOW and IT Readiness (project in progress)
- HR function-house (AF and KL)

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5. Process

With the assignment given by the CEO Committee, and once the TOR has been validated, the process to work towards the requested deliverables is depicted below. The ITC is the owner of the process and is responsible vis à vis the CEO Committee



The roles and responsibilities are detailed in chapter 6. See Chapter 10 for a detailed description of the validation process.

6. Stakeholders and responsibilities

- CEO Committee: Project owners. They will make the final validation and/or decision.
- Three CIO's: Project principals: Responsible to organize and steer the project. To deliver the results to the CEO Committee, with strong support/involvement of all stakeholders.
- CIO Office: Responsible for managing the process and the overall consistency of the project through the Core Team.
- AF and KL HR Managers: Support the Social Representatives Group and participate in the Core Team.
- AF and KL CIO's: Chairmen of the Social Representatives Group. The AF and KL "social bodies" (AF IT Comité d'Etablissement and KL GC03) participate in the Project Social Representatives Group.
    - The Social Representatives Group discuss and structure the input provided by the Project Team from social/employability and legal perspective.
    - The Social Representatives Group will report inputs from an employee perspective.
    - The Social Representatives Group will review the deliverables.
    - A communication protocol will be defined during the project.
    - At the end of the New Deal, the Social Representatives Groupwill be free to communicate and present the results.
- IT Management (discplines and airlines) will give input from a management and employee perspective.

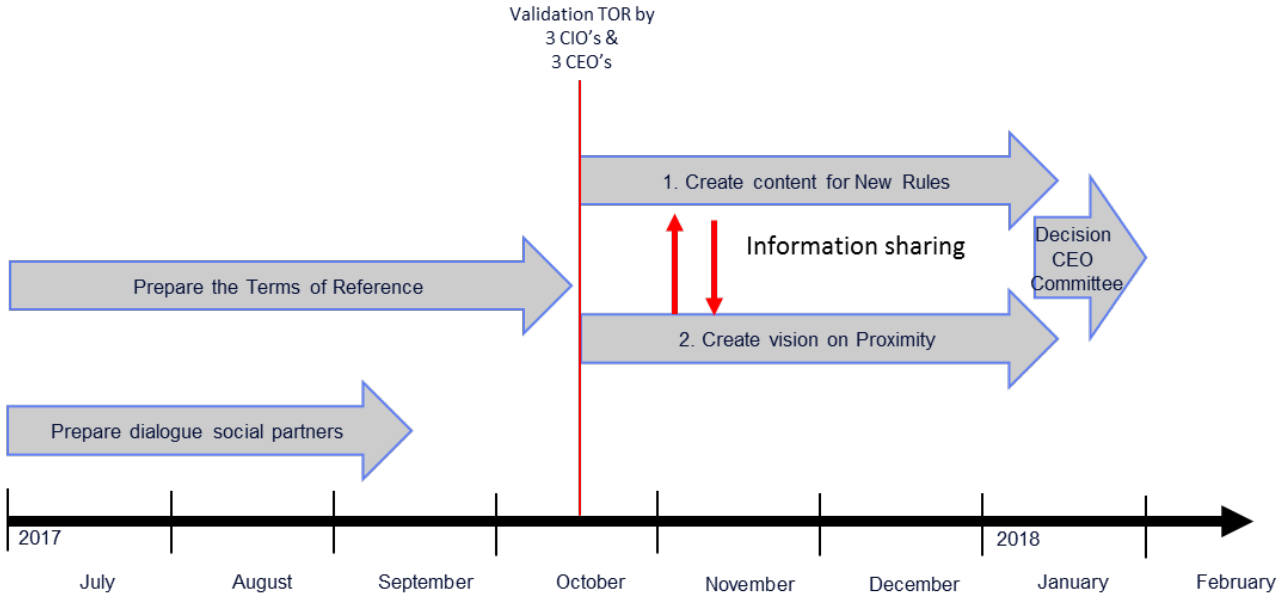
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- Representatives from the four IT Divisions can participate to all tracks for their specific expertise.
- Business and IMO representatives will provide input to the track “Business Proximity”: their visions to improve the relation between IT and businesses.

The project has two objectives: improve business proximity and define rules for work allocation. Not all stakeholders are involved in all topics. This is specified in the table below.

Stakeholder	Business proximity	Rules for Work Allocation
CEO Committee (owner)	In scope	In scope
3 CIO’s - ITC	In scope	In scope
IMO	In scope	
Business Management	In scope	
IT Management	In scope	In scope
Social Bodies	In scope	In scope

7. Planning



If the deliverables are not ready by end of January 2018, the CEO Committee will be informed and an alternative planning will be presented.

8. Project set-up and support

Central Project set-up

The Project will be managed on a day to day basis by the ITC, a dedicated Project Team, supported by a Core Team. External support will be used to manage the PMO and to support the Airline CIO’s in their work with the Social Representative Group.

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The relation with IT Line Management, the disciplines of IT, will be primarily managed in the ITC. The ITC is responsabile for the total project and meets every two weeks to discuss the New Deal. The ITC will:

- Review the deliverables as reported by the Project Team (explained later).
- Discuss and decide on deliverables of both Business Proximity and New Rules for Work Allocation.
- Provide guidelines for communication.

The execution of the project is ensured by a Core Team. This Core Team consists of Edwin Borst, Tina Bergsma, Claude Chicher, Jérôme Picard and Wouter Couzy, and Communication support. The Core Team organizes that the feedback is structured and submitted for validation in ITC. The team monitors and shapes the process and keeps track of planning and sequencing.

The Core Team has at least one dedicated meeting per week, at which the project manager and PMO (see Project Team) will also be invited. The Core Team will guarentee bi-weekly updates from project group to all stakeholders; the ITC decides on what to include in these updates.

The Project Team consists of a full-time project lead, a PMO (from external supplier), and representatives from DS, DEV, OPS, GCIO. They manage the project on a day-to-day basis. Each week priorities are set together with the Core Team. Every two weeks they report to the ITC.

Support

The Project Team will be supported by KeBe consultancy, in the role of PMO and additional expertise if necessary This PMO will also support the two Airline CIO's and the Social Representatives Group.

Relation with Social Representatives Group

Definition

The Social Representatives Group is co-chaired by the two Airline CIO's, supported by HR and external help (KeBe Consultancy), and consist of representatives from AF Comité d'Etablissement (CE) and representatives from the KL Works Council[2] (GC03). The role of this group is to discuss and contribute to the content for both the topics Business Proximity and New Rules for Work Allocation. This group provides input to improve the content and deliverables from a legal, people and employability perspective and has a role in reviewing and commenting the documents.

Way of working within the Social reprentatives group

- All rules must be transparent and known by all
- Respect differences that exist and live with it (HR rules & behavioural differences)
- Regular meeting involving social representatives group and IT management will help to share the same level of information and understand impact and position of every stakeholder, mainly on common programs

Organization

The two CIO's are free to define the process with all involved members at their convenience, taking into account the following elements:

- Meetings with CE/GC03 facilitated by external part

[2] Throughout this document, KLM works council or GC03 is meant to potentially include representatives from the "IT Commissie" and hence include persons from the central OR not being in IS.

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- Organize blocked periods of one or two full days of work to create the content for New Rules with the Social Representative Group (frequency depending of stakeholders availability)
- Shortly after the New Deal validation, Social representatives propose to have a discussion on common Industrial Plan and the Sourcing Strategy to check the consistency on the content with all other strategic projects and to check that concerns expressed during the TOR elaboration phase are addressed.

Relation with the IMO's

A first contribution of the IMO's has been a first intake in MT-ICT on September 15th, 2017 to gather the first ideas. A second in depth interview round will be organized in four sessions, with the objective to get all the input for the design. The four groups are defined as follows:

- IMO Cargo & Commercial
- IMO Operations KL, Flight OPS AF, Ground Services AF
- HR & IT
- E&M and Finance

The contribution of the IMO's will be structured through two sessions, where the design is presented and reviewed and improved.

The scope is primarily the topic Business Proximity. Interviews and follow up sessions are organized by the Project Team.

Relation with Business

Interviews will be conducted with approximately 15-20 business representatives (see appendix for a complete list). There will be a good balance between managers of Group, Air France, and KLM, between EVP's and managers involved in daily project practice, combined with a balanced representation of the businesses.

The interviews will be focused on the topic of Business Proximity. The analysis will be done by the Core Team. Results of the interviews will be input for the topic Business Proximity.

Relation with IT Line Management

Each discipline is represented by a member in the Project Team. It is to the individual ITC members to decide if additional activities are necessary or needed in their own disciplines. Content will be provided by the Project Team. The process can be arranged with the individual representatives in the Project Team on a 'when time available' basis.

Both Business Proximity and on Work Allocation Rules are in the scope of the IT Management. They provide input from the management perspective of the various disciplines. In this role, the management also formulates the key success factors from IT perspective to build together with business an improved proximity model. The IT management groups also represents the employee perspective.

9. Deliverables

There will be two deliverables with the following chapters:

Business Proximity

- Value of business proximity; "why business proximity?"

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- Meaning of business proximity; “what does it mean?”
- Scope of business proximity; “where does it apply?”
- Business Proximity Model; “how and when should it be implemented”
- Roles and responsibilities; “who will be responsible for what”
- Impact of the new Model; “what will change”
- Positioning of concepts like Key Account management (KAM), Business Relation Manager (ISR) and New Ways of Working
- Implementation proposal

Work allocation rules:

- Reasons to change
- Link to business proximity
- New model and Rules
- The impact of the new rules
- Nature/quality of work
- Prerequisites for implementation
- Role of Stakeholders
- KPIs, Monitoring process, Governance and Arbitration

Suggestions for an implementation plan and roadmap are part of the deliverables.

10. Validation and arbitration

With the assignment given by the CEO Committee to the Group CIO, the following validation scheme is proposed for the final deliverables:

- Step 1. Review by ITC
- Step 2: Review with the Social Representatives
- Step 3: Validation by ITC.
- Step 4. Final decision by CEO Committee (report out of the deliverables will be done by the CIO’s to the CEO Committee)

Depending on the decision of the CEO Committee, the decision will be formally submitted (or not) to the Social Bodies according to the locally applicable rules.

Escalation and arbitration, when needed, will be done via the CEO Committee.

11. Language, Confidentiality, behavior and communication

Communication & confidentiality

All meetings and documents (including minutes, mails, etc.) will be categorized as “confidential”.
Communication to the IT community and other AFKL communities is submitted to the explicit approval of the CIO’s. The protocol for communication will be defined within the Social Representatives Group.
No communication is allowed outside AFKL.

Behaviour

Respect differences that exist and live with it (HR & behavorioural).
Open mind about how to apply common vision on IT

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Language

Meetings will be in English, as well as all documents, minutes, mails, action lists, etc. Communication outside the Project (for example information to the IT community, or its representatives) will be done in the usual language(s) following existing procedures.

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12. Appendices

Current rules for Work Allocation

Rule 1:

a) *Balanced distribution of workload, one tier / two tiers at three levels:*
   - *IS as a whole AND*
   - *Development AND*
   - *Development domains: Commercial (B2C, Other Distribution Channels, Marketing, Revenue Management, Network)*

b) *Workload is measured for internal and externals and outsourced (except when never be insourced again, e.g. Altea, SITA)*

c) *Balance to be reached after stabilization of the domain (i.e. exceptional workload related to converging applications is excluded)*

Balanced workload for OPS and DS is not an explicit rule, but mathematical

Rule 2:

a) *IT activities are clustered (according to business logic), and clusters are allocated to one airline (or both)*

b) *The color of the cluster determines manager and work*

c) *In 2008 (Ithaca) there has been an agreement on the repair process (through B2C)*

Convergence yes/no in a domain is a choice of the business. The colorization is under control of IS.

Rule 3

a) *Who develops, operates ("OPS follows DEV")*

The rule has its roots in technical constraints.

The most recent official reports on the fulfilment of above KPI can be found in the Industrial Plan 2015[3], followed by an update presented in ITC in November 2016 (with main focus point DEV).

[3] https://itconnect.airfrance.fr/en/pdf/Strategy/AFKL_IT_Industrial_Plan_2015.pdf

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Overview IT Strategy



List of interviews with Business Managers

The following Business Managers have been, or will be, interviewed on the topic of Business Proximity.

French	Dutch
Alain Bernard (done)	Boet Kreiken (done)
Anne Rigail (done)	Bart de Vries (done)
Frederic Kahane (done)	Liesbeth Oudkerk (done)
Pierre Olivier Bandet (planned)	Pieter Groeneveld (done)
Eric Caron (planned)	Rene de Groot
Stephanie Charlaix Meijer (done)	Kees van Dooren
Rodolphe Parisot or Herve Page	Jappe Blaauw
Catherine Jude	

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