THE 2012 OUTSOURCING WORLD SUMMIT

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Creating an Agile IT Organization

Amanda Sweeney, Director IT Global Service Delivery
Petco Animal Supplies

petco®
where the healthy pets go

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Agenda

What is organizational agility?

What is driving the need to change?

Changing the organization structure

Changing the compensation structure

Re-skilling the retained organization; changing the management style

- Multi-industry experience across Retail, Technology & Utilities at global companies

- Focus in Supply Chain Management, Global Sourcing, Merchandising Demand Planning & Forecasting, Contract & Relationship Management

- At Petco, currently responsible for the Business of IT; work directly with other Senior Executives developing sourcing strategies, integrating IT solutions into PETCO business initiatives and ensuring on-going support and drive for innovation

- Over the past 4 years, acted as an Executive Sponsor overseeing the establishment & migration of multiples outsourcing initiatives within Petco; Contact Center, IT Help Desk, Marketing Data Entry, Infrastructure & Application Management, Human Resources Service Center, Business Analytics, Data Center Migration

- Serves as a Co-Chair of the Southern California chapter of IAOP and is a Committee Member for the IAOP Sourcing & Procurement Subcommittee.

- Largest privately held pet specialty retailer in the U.S.A.

- EPA has recognized PETCO, a leading pet specialty retailer with more than 1,100 stores nationwide, as an ENERGY STAR Leader.

- Adoption First & Foundation Activities
  Our nonprofit organization, The PETCO Foundation, has raised nearly $70 million since its inception in 1999 to help promote and improve the welfare of companion animals. In conjunction with the Foundation, we work with and support approximately 7,000 local animal welfare groups across the country to help find homes for more than 200,000 adoptable animals every year.

- Our Loyalty programs are industry leading!

- Pets are welcome in stores and offices!!

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Petco; a quick look at who we are

flexibility

prompt response

robust

supple

quick

scalable

nimbleness

lean

litheness

prompt

alive

activity

acuteness

swift

alacrity

brisk

celerity

dexterity

liveliness

sharp

alert

expedite

clever

The dictionary defines agility as the power of moving quickly and easily; nimbleness; the ability to think and draw conclusions quickly; intellectual acuity

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Why do Organizations Need to Become Agile?

Focus of the Customer is Changing

Value

Social

Mobile

Omni-Channel

Seamless In-store Experience

Access to data & information is driving changing behaviors in our customers

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Focus of Retail is Changing

- Cost containment & Slow Recovery
- Customer Satisfaction
- Revenue Growth
- Agile In-store Operations

Focus of Information Technology is Changing

Efficiency, Flexibility & Alignment

Cost Containment & Transparency

Business Intelligence & Analytics

Organizations who demonstrate agility are able to navigate and adapt to changing behaviors of the customer, regardless of whether that customer is internal or external
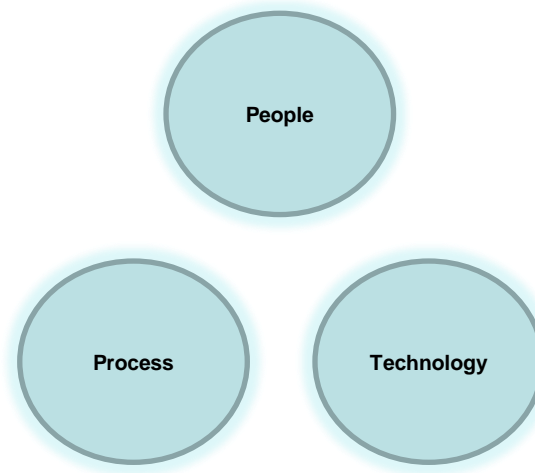
The Traditional IT Response to Customer Needs…

The Traditional Way of Looking at Things…

People

Process

Technology

SILOS DO NOT WORK WELL!

Customer A | Customer B | Customer C | Customer D

eCommerce | Store Operations | Marketing | Call Center

Applications | Applications | Applications | Applications
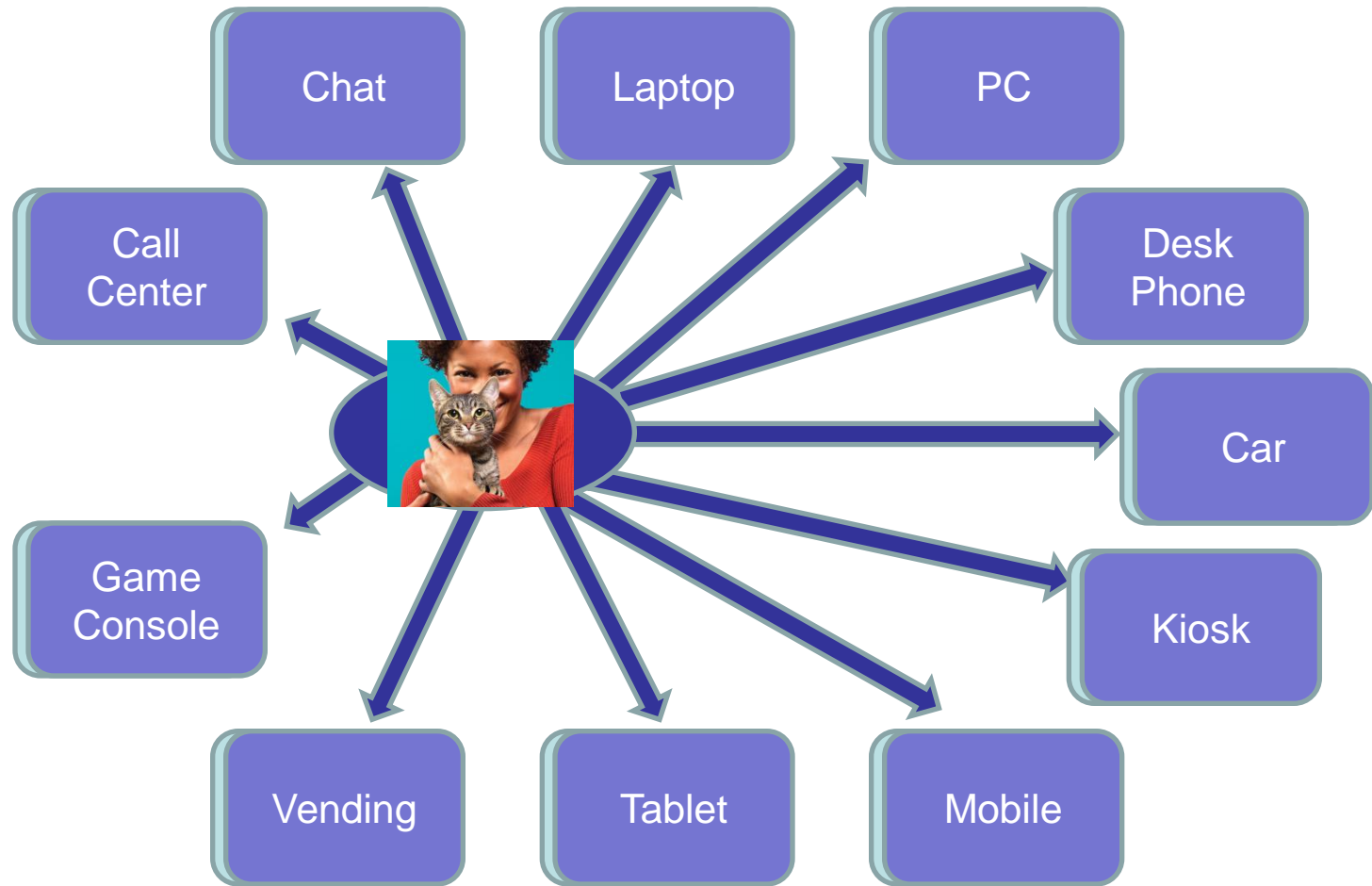
Applications

Infrastructure

The world is more complex…

AND requires a different response from IT…

| Customer A | Customer B | Customer C | Customer D |

| eCommerce | Store Operations | Marketing & Advertising | Call Center Mobile Kiosk |

Omni-Channel

Applications

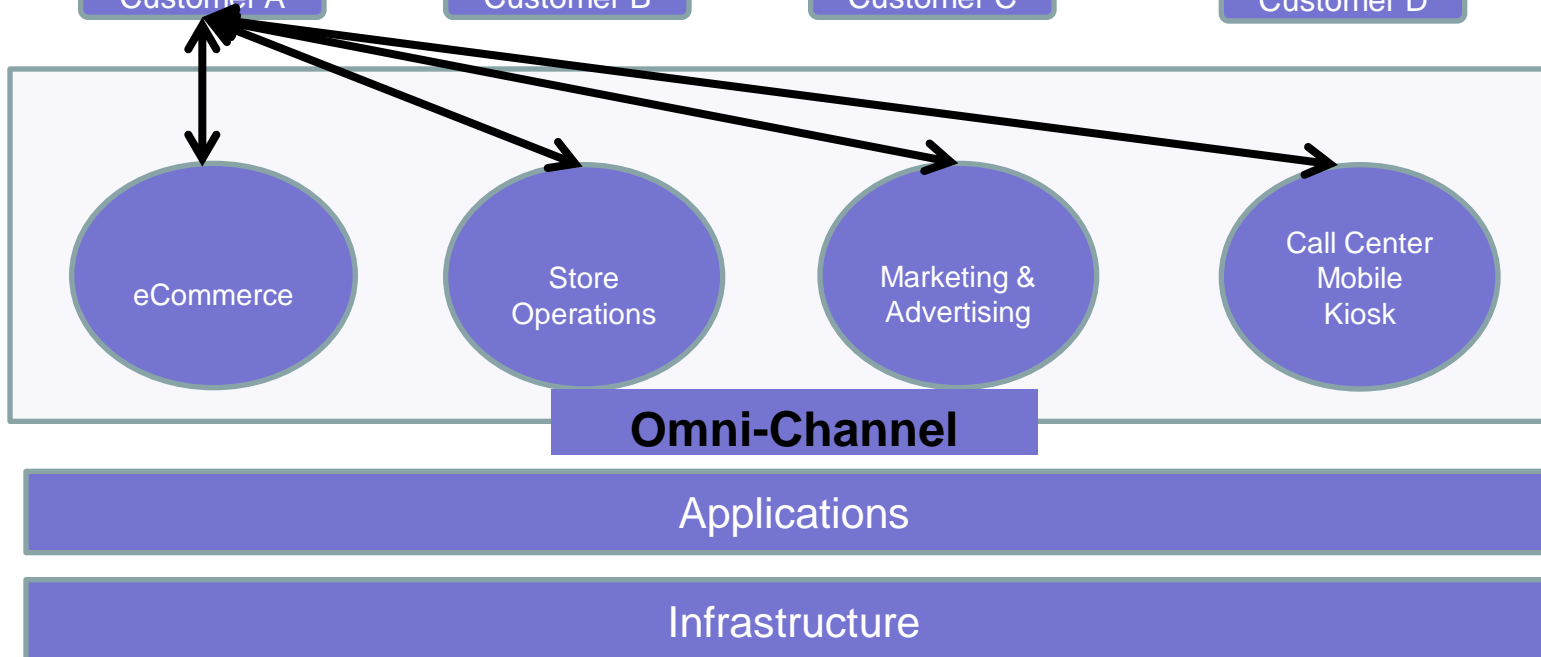Infrastructure
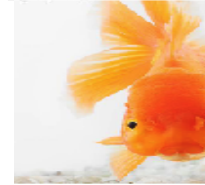
The customer must remain the focus whether internal or external…

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No longer JUST about People, Process & Technology…

Customer & Markets

Go to Market Value Proposition

Channels

People

Experience

Information

Social

Process

Technology

Market Value Realization

Infrastructure

Products
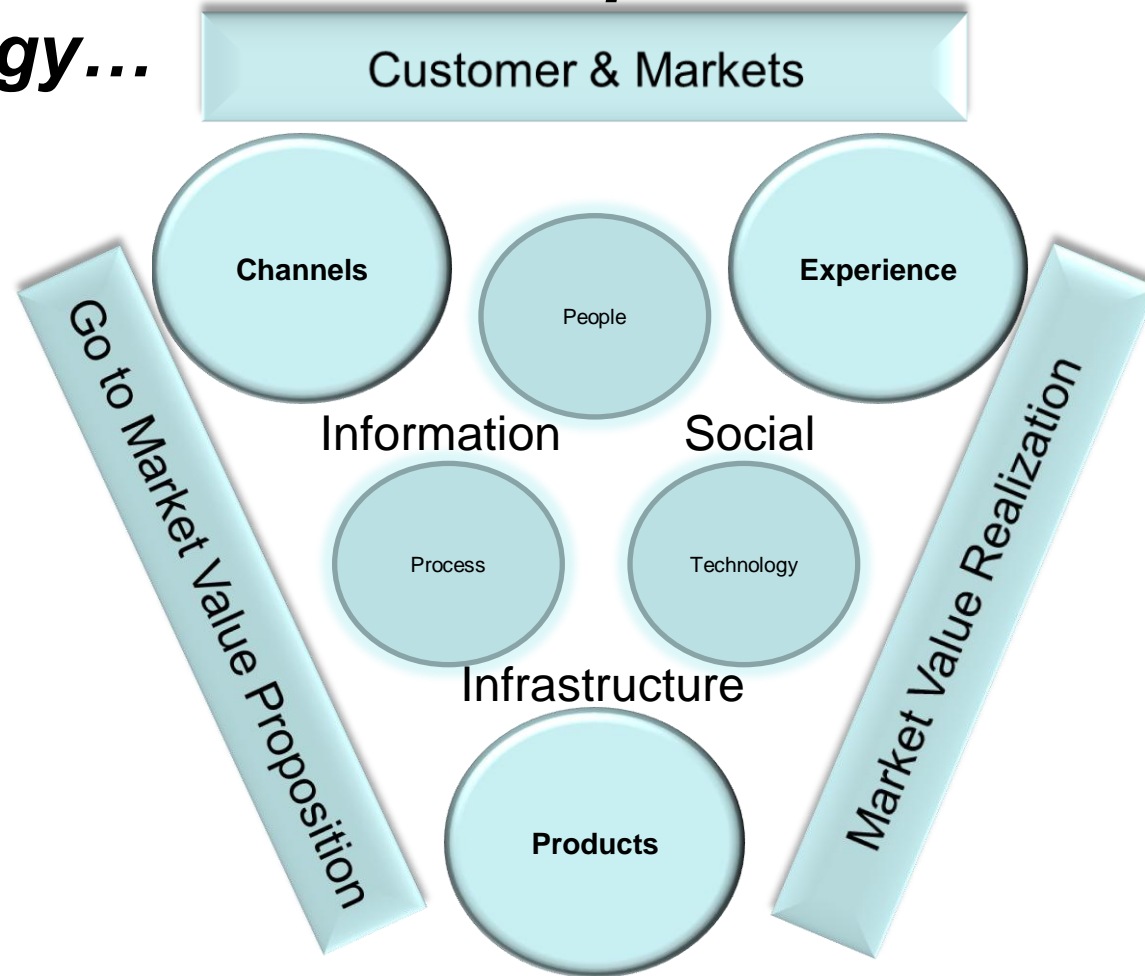
How did Petco Respond?

Listen
Embed IT in the business

Prioritize
Understand business strategy

Maintain workforce flexibility
Demonstrate ability to vary capacity with third parties

Find solutions & present innovations
Know how to find the best solutions

Balance enterprise risk propensity
Security & compliance needs to be evaluated with the business

Govern; Execute & Measure Success
On-time and on-budget; retain responsibility & ownership in IT
Ensure measurements focus on driving business results

Sustain an Agile Workforce
Re-skill and educate continuously
Outsource legacy skills and rotate where feasible
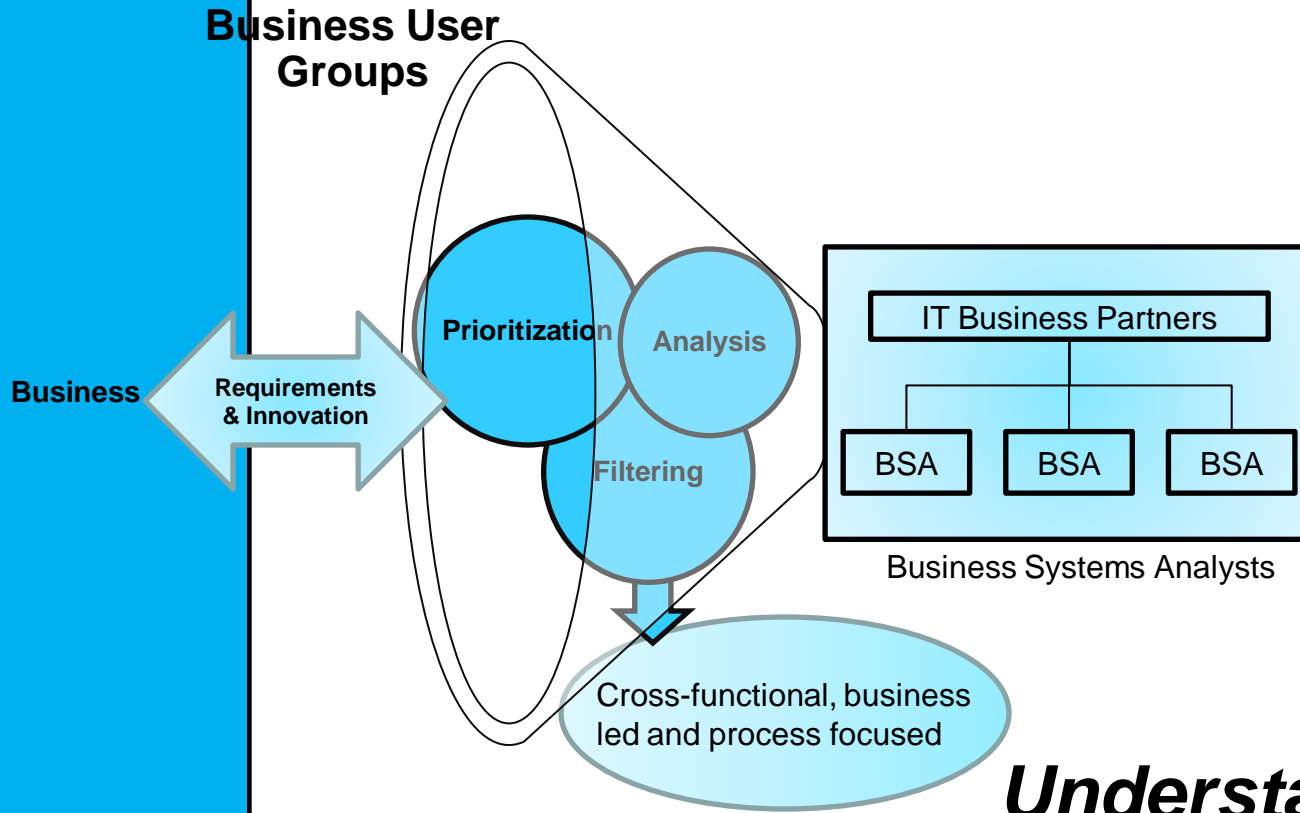
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Embed IT in the business

Business User Groups

Business — Requirements & Innovation →

Prioritization

Analysis

Filtering

IT Business Partners

BSA | BSA | BSA

Business Systems Analysts

Cross-functional, business led and process focused

Understand business strategy

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Demonstrate ability to vary capacity with third parties

IT Operations

Arch   Arch   Arch

Innovation

Technology

Skills

Architect led and technology focused

Outsourcing	→	Onshore/Offshore/Near-shore
Cloud	→	Iaas/Paas/Saas
Contract	→	Consulting
Contract	→	Staff Augmentation

Technology & Third-Party Operations
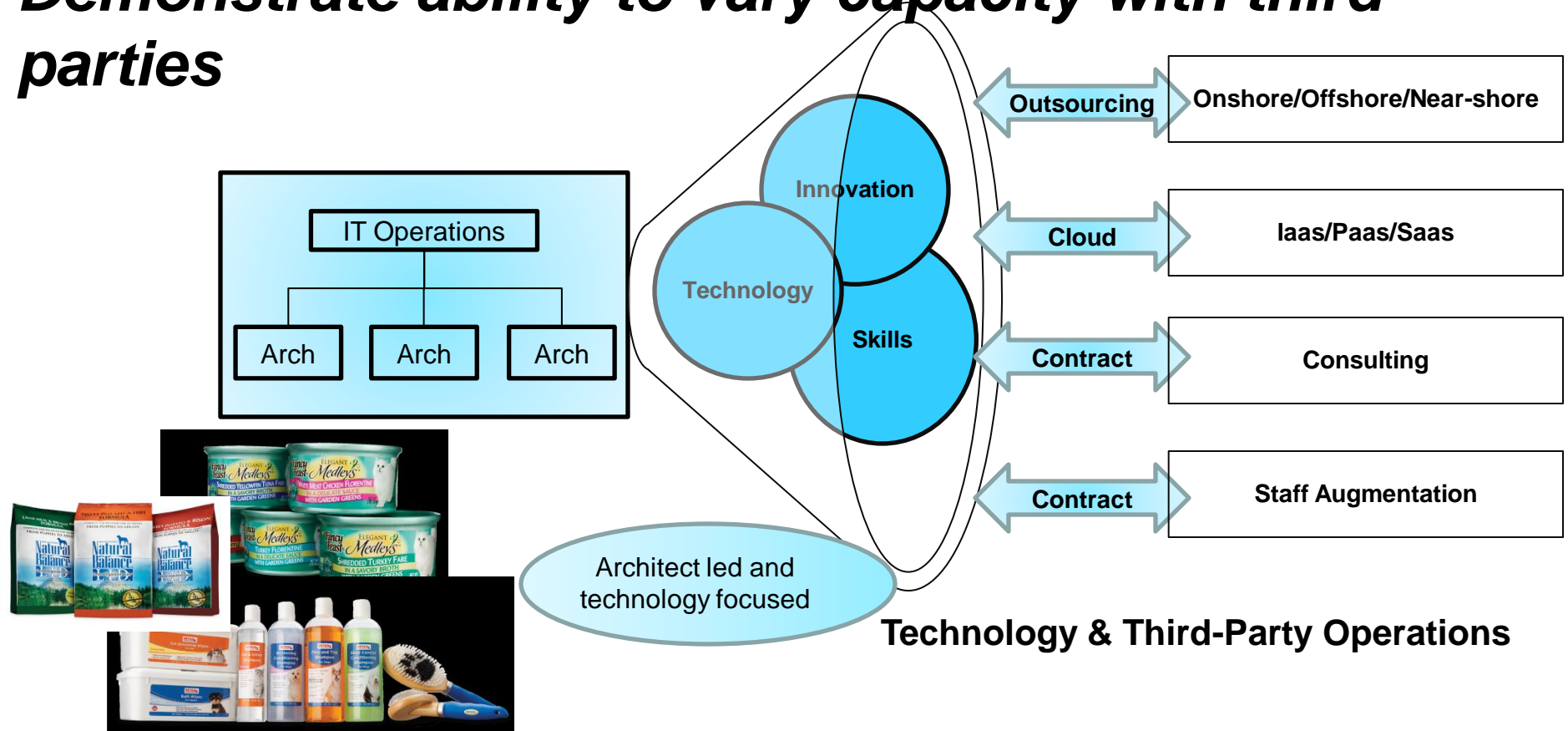
Infiltration of external resources drives innovation, skill-building and changes the value paradigm & thought pattern

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Know how to find the best solutions

Prioritization

Analysis

Filtering

IT Business Partners

BSA | BSA | BSA

IT User Group

IT Operations

Arch | Arch | Arch

Technology

Innovation

Skills

Business User Groups

Technology & Third-Party Operations

And bring innovation

Govern; Balance Risk

Steering Committee

Prioritization

Analysis

Filtering

Prioritization

Analysis

Filtering

IT Business Partners

BSA   BSA   BSA

IT Business User Group

IT Operations

Arch   Arch   Arch

Innovation

Technology

Skills

Business User Groups

Technology & Third-Party Operations

Execute & Measure Success

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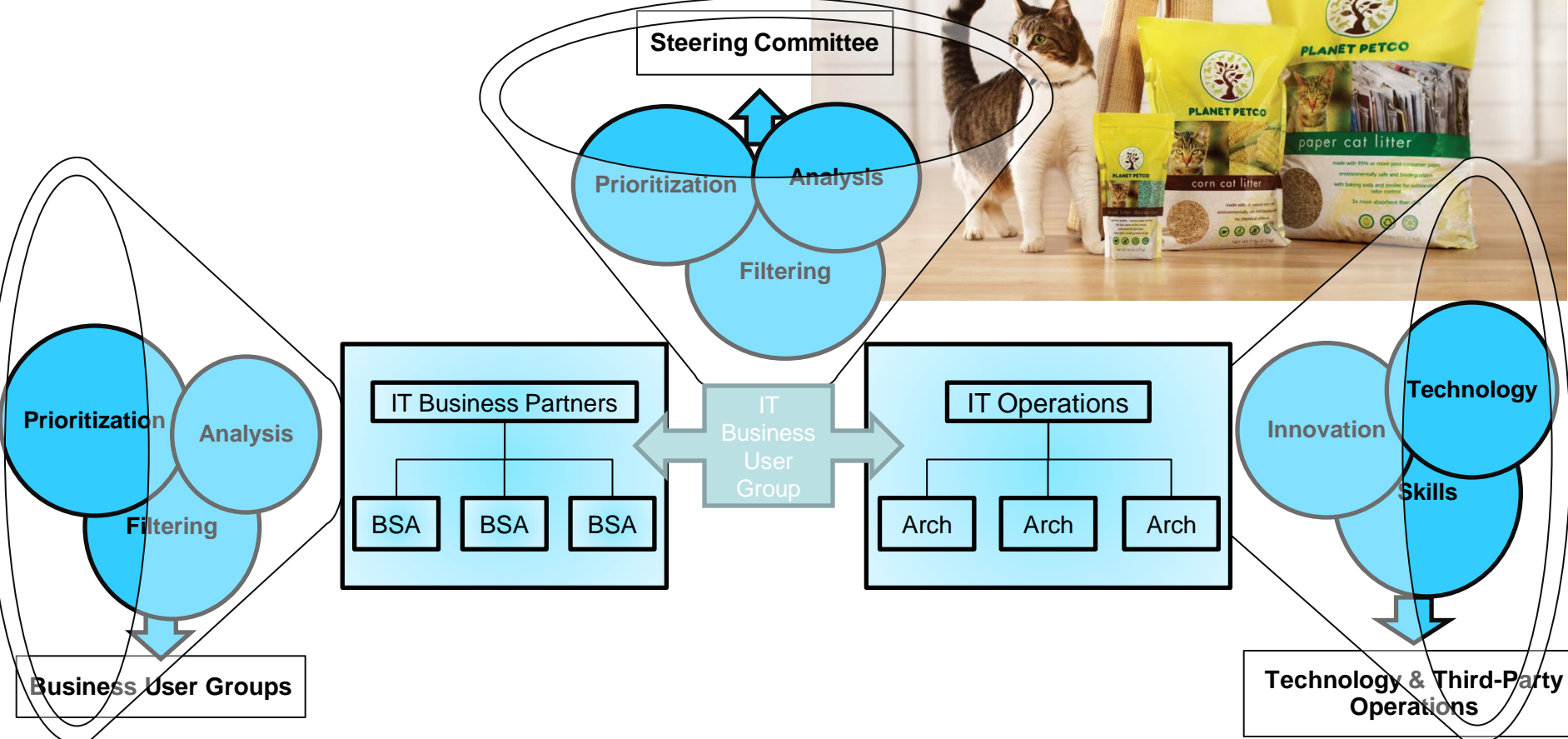
Without People…

there is no Technology

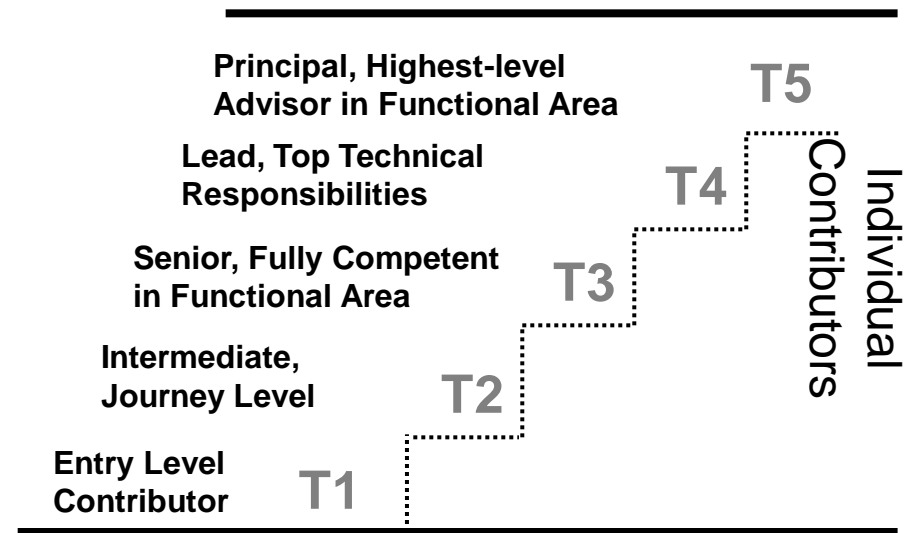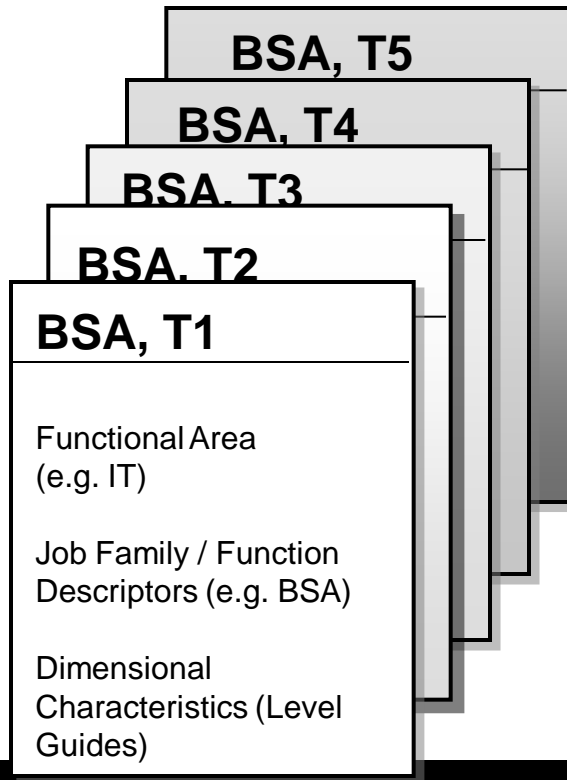# *Creating New Career Paths & Changing the Compensation Structure*

Future focused job profiles and career paths will clarify opportunities for associates within the IT function

With guidance from Mercer, new *job profile* provides the context for movement from one level to another

BSA, T5

BSA, T4

BSA, T3

BSA, T2

BSA, T1

Functional Area (e.g. IT)

Job Family / Function Descriptors (e.g. BSA)

Dimensional Characteristics (Level Guides)

Principal, Highest-level Advisor in Functional Area — **T5**

Lead, Top Technical Responsibilities — **T4**

Senior, Fully Competent in Functional Area — **T3**

Intermediate, Journey Level — **T2**

Entry Level Contributor — **T1**

Individual Contributors

The development of *career levels* is the foundation for potential "paths" for career advancement

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Career levels allow for varied mobility opportunities and fluidity between job families

An associate may cross functions and continue progression as individual contributor

Or…move from individual contributor role to a management role

"Manager Role"

T5

Principal/ Advisor

Career Level:

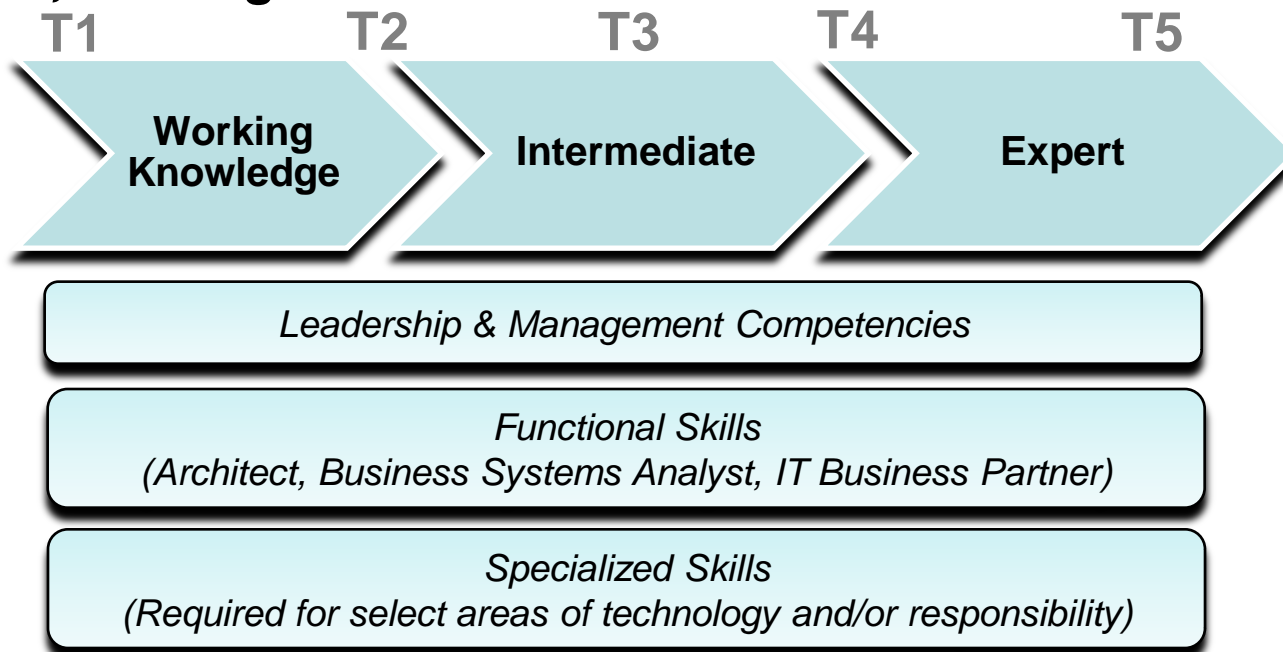|	Infrastructure Architecture	Application Architecture	Business Systems Analysis	IT Project Management
T4	Lead	Lead	Lead	Lead
T3	Senior	Senior	Senior	Senior
T2	Intermediate	Intermediate	Intermediate	Intermediate
T1	Specialist	Specialist	Specialist	Specialist

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Re-skilling; Changing the Management Style

Skills categorization aligns with career framework to enable ease of assessment, training and workforce advancement

T1　　　**T2**　　　**T3**　　　**T4**　　　**T5**

Working Knowledge → **Intermediate** → **Expert**

Leadership & Management Competencies

Functional Skills
(Architect, Business Systems Analyst, IT Business Partner)

Specialized Skills
*(Required for select areas of technology and/or responsibility)*

WORKING KNOWLEDGE – Foundational level of understanding; enables associate to adequately perform job functions while continuing on-the-job-training.

INTERMEDIATE – Secondary understanding of daily activities with some advanced knowledge to perform more difficult tasks and at a higher level of efficiency.

EXPERT- Understanding of advanced concepts, ability to diagnose, execute and mentor.

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Need for new skills was catalyst for outsourcing; now a new IT structure supports the organization

Organizational Alignment

Re-skilling Framework
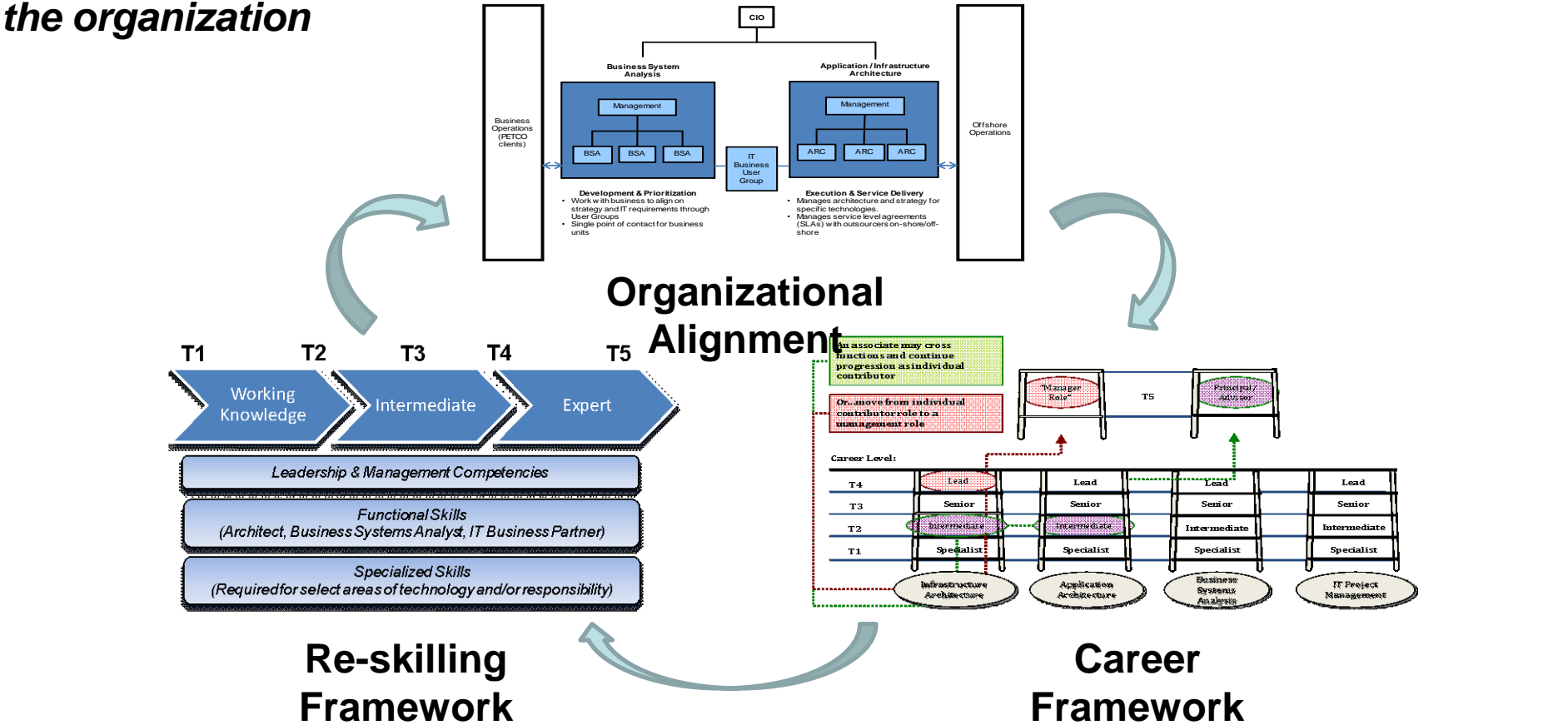
Career Framework

Career and training frameworks integrated and execution underway to further enable building of skill sets and retention of associates

Creating an Agile Organization is about how good your team is at maintaining the customer experience under continuously changing pressures/demands…in other words, how good are you at harvesting growth from fast changing opportunities?

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After all…

If you want to run with the big dogs…

You can't stay on the porch!

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