



Interview with
Dr. Markus Müller, CIO,
Deutsche Telekom AG

Telekom IT: More than Just an IT Service Provider

Mission possible: Dr. Markus Müller, CIO at Deutsche Telekom, must simultaneously raise the quality of IT, reduce the costs by one billion euros, and deliver IT projects right on time – all by 2015. And he is well on his way.

IT operations at Deutsche Telekom were originally divided among three divisions. That changed in 2012. The corporation set up a central IT department under the responsibility and leadership of a single unit, with unified objectives, a consistent portfolio, and low-cost production. The restructuring improved quality and reduced IT costs permanently. Telekom IT has a workforce of 7,300 employees today. Under the direction of CIO Markus Müller, it manages an IT budget of two billion euros. The responsibility for CRM and billing systems which handle 250 million invoices a year and eleven million customer queries a month belongs to Telekom IT; it also operates the joint platform of the European Telekom subsidiaries and realizes substantial scaling effects. And Telekom IT has a challenging goal: the reduction of IT costs by one billion euros between 2012 and 2015, the improvement of IT quality, and the on-time delivery of IT projects.

At the same time, it must complete an important mission which has been designed to lay the foundation for implementation of the group's strategy. Determined to make Telekom the "leading telco", the division is using the broadband network gateway to provide the "IP production platform" for the mapping of new IP products in the architecture. This architecture secures the bundling of fixed and mobile networks. It creates a standardized "power strip" allowing the integration of attractive partner services and products in the Deutsche Telekom product portfolio and enables the integration of offers for business customers. The establishment of Telekom IT was desperately needed – and yet it required a massive effort. Dr. Markus Müller spoke to Detecon about the progress that has been made and the targets for the near future.

DMR: *You have already brought about a lot of changes since taking over as CIO. Since the founding of Telekom IT, costs have been cut by more than €800 million and the number of significant system failures has declined by about 80% since 2012. This would not have been possible without far-reaching and profound changes – structurally, technically, and in the minds of the employees. What motivated you to take on this task?*

Dr. Müller: This challenge was very alluring to me. After all, Deutsche Telekom is a DAX corporation. A giant with the largest IT division in its industry. Before we established Telekom IT, there were three different IT teams, each of them with its own delivery and performance relationships, with completely different IT systems which could not work together. This could not help but affect our customers. You might say that our IT was even at that time a team with great prospects, but this team was laboring under adverse conditions. Changing this was a task unlike any other I had ever been asked to handle. It was a new challenge. And I must say, I have never for one day regretted taking it on.

DMR: *You must realize cost savings totaling one billion euros by the end of 2015 – and you are already well on your way to achieving this target. How have you done that?*

Dr. Müller: There have been a number of levers we have been able to use. The most important of them include the reduction in the number of external employees, strict prioritization of the IT projects, optimization of application management, reduction of license fees and maintenance costs for existing applications, and greater use of near- and offshoring opportunities.

DMR: *You were charged to merge various divisions of the Telekom group into a single unit. Were you confronted with any cultural differences?*

Dr. Müller: As I said, there were three IT teams with different target groups and objectives. On the demand side, there were teams for Telekom Deutschland and the international organization, which the IT team at T-Systems used on the supplier side. You might well ask yourself how an organization like this could ever be allowed to develop. All three teams had long and divergent histories in the group. One focused on Germany, one on international cooperation. One focused on demand, one on supply. Replacing the various orientations with a single set of objectives demanded courage from the employees. But I would say that we have succeeded in putting together a genuine team over the last two years.

DMR: *Let's stay on the subject of culture for a moment. What do you believe is decisive for the creation of a new culture? And, in our concrete case here, for the creation of THE one Telekom IT culture?*

Dr. Müller: I believe that one of the things that helped was the way we designed the organization of Telekom IT: the complete end-to-end responsibility for the group's IT. We oriented the various solution areas to our internal customers. Colleagues who were once separated into supply and demand now work hand in hand. Moreover, we brought into being an extensive change and communication program. It provided a forum for employees to express themselves, communicate with one another, give vent to their criticisms, and obtain feedback. We bundled structural changes in this program and rolled it out as a package in a five-month cycle. In this way, we made the transformation more understandable for the employees and carried the people along with us. Finally, we actively sought open dialog, using calls and sounding boards, for instance, as well as during our annual road show through the states in Germany. The successes achieved by our team are the proof: we are on the right road.

DMR: *The market and its demands do not change anywhere else as fast as they do in the telecommunications industry and the ICT sector. You have the difficult job of always being state of the art. An agile and highly flexible culture and organization are a must. How can that be achieved with so many employees?*

Dr. Müller: I don't see the headcount as being decisive for the level of agility. Putting people in the right place where they can make the best use of their skills is far more important. To ensure that this happens, we initiated an extensive qualification program which is oriented to the market demands and the strategy of Telekom IT. The program had a budget of €7.9 million for the qualification of more than 3,000 employees in 2014 alone. One important point: we rely on our team, not on externals.

DMR: *How have you managed both to raise the level of quality for customers and to reduce costs? Aren't these two tasks mutually exclusive?*

Dr. Müller: No, not at all. I like to compare this with cooking. If I want to be a good cook, I need good ingredients. But that alone will not guarantee a good meal. I need know-how and the right equipment. What this means when transferred to our situation: we invested in quality. In new hardware and an exact analysis of the software so that the major system failures mentioned earlier could be reduced significantly. We also trimmed the fat from the coordination processes and eliminated redun-



Dr. Markus Müller, born in 1962, earned his doctorate in computer science from the University of Passau. He began his career at McKinsey & Co., where most of his activities in Germany and the USA focused on the financial sector. In 2000, Markus Müller moved to Allianz and was initially responsible for the e-business strategy of the Allianz Group. He then took charge of building up the Group IT before joining the Dresdner Bank where, as chief operating officer IT, he took over the management of the IT restructuring and direct banking. Among other work, he focused on cost optimization accompanied by simultaneous heightening of quality and performance. After his return, he became Head of Group IT and assumed responsibility for the development of an international IT shared service approach in operational insurance business. As chief executive officer of the European data center, he successfully guided the Europe-wide consolidation. In 2010, Müller took over the position of chief information officer of Allianz Holding. Markus Müller has been CIO at Deutsche Telekom since 1 June 2012. In his position as managing director of Telekom IT, the internal service provider at Deutsche Telekom, he is in charge of one of the largest IT service providers in Europe, employing a workforce of about 7,300 and managing a budget of €2.05 billion.

dancies. In addition, we stopped using external employees. By taking these and other measures, we saved €200 million in the first year alone without suffering any loss in quality. Another major item concerned the software licenses. Licenses which were no longer needed were rigorously terminated, and we renegotiated the terms for licenses we still required.

DMR: *Today, Telekom IT is on a good course and is well positioned in terms of organization. Nevertheless, there is still a need for further transformation and restructuring. Why?*

Dr. Müller: There are two reasons. For one, the responsibilities of Telekom IT are growing. For instance, very recently we took charge of the so-called power strip, the international standard interface for the integration of third-party service providers. But beyond this, I think it is important to reconsider constantly whether one's team is well positioned. If I might return to Telekom IT's end-to-end responsibility for the group's internal IT: the task of defining interfaces a little more clearly, bringing colleagues from other units to our division, or to transferring colleagues to other units never ends. But these are not massive reorganization measures and as a rule the employees can take them in their stride.

DMR: *Restructuring and efficiency programs always have the negative connotation that people can lose their jobs or have to accept new assignments. It is virtually impossible to avoid skepticism and uncertainty. How were you able to motivate your employees despite this?*

Dr. Müller: This is never an easy task for anyone. And every challenge which a team has to face makes it more difficult. In addition, it is a well-known fact that Telekom IT must reduce headcount so that it becomes leaner and more efficient. My manager team and I attempt to motivate the staff by giving them a target vision. The IT is an elementary element of the core business at a telecommunications company. We are among those shaping the future of our company – as innovators and business supporters, not “merely” as IT suppliers. We have interesting work in the group and in business or in the government to offer to many of those who must change, and we cover any need for qualification which may arise.

DMR: *One final question: What will be the greatest challenges for Telekom IT over the next five years? In what direction would you like to steer Telekom IT?*

Dr. Müller: The greatest challenge is in providing the best possible support to the business transformation of Deutsche Telekom. We are pursuing a clear vision in our new IP world. In the future, our customers will use a customer ID to communicate with us, to order and pay for our services. We make sure that standard Deutsche Telekom products – voice, data, TV – or third-party products like Spotify are flexibly mapped as product bundles and offered at appropriate rates and can be billed on a single invoice. And because we separate the lines and the services, our customers can take our services along to any location without any red tape. Processes which continue to be extremely complex today will become substantially simpler – when moving, for instance. The customers' dealings with us will also become noticeably more convenient. All of this will be made possible by a gigantic rebuilding program. We will break through old structures which have grown up over time, determined by product and customer groups and distributed between fixed and mobile networks, and will put in their place one IT for all products and customers which will make simple processes possible. This will require a thorough housecleaning in an IT landscape of about 930 applications and platforms and the introduction of new technologies.

DMR: *Dr. Müller, thank you for this interview!*

The interview was made by **Dr. Christoph Lymbersky**, Senior Consultant, Transformation & Peoplemanagement.