

Episode 5 Secure Logistics Services

Length of recording: 28 minutes

Transcription notes

GB: Gautam Basu
PT: Peeter Torim

wo- an unfinished word
(word) an uncertain passage in speech or an unrecognised speaker
(-) an unrecognisable word
(--) unrecognisable words
[pause 10 s] a pause in speech of at least 10 seconds
, . ? : a grammatically correct punctuation mark or a pause in speech of less than 10 seconds

[intro music]

GB: The Operations Leadership Podcast with Gautam Basu provides insights for today's business leaders on creating value through operations improvement, process excellence, digital innovation and organizational leadership.

This episode's guest is Mr Peeter Torim. Peeter is a seasoned operations leader and business executive based in Tallinn, Estonia. He has extensive experience in multiple industry sectors, including banking, finance, payments processing and secure logistic service businesses. He has held various leadership roles in these organizations, where he has had full PNL responsibility and has had to lead, manage and transform large teams of over 500 people across multiple countries. And during his tenure he has led multiple business transformations. These transformations include digital operations improvement as well as organizational restructuring. During the conversation with Peeter, we discuss several things around the importance of physical cash, the assets specificity of the secure logistics service industry as well as transforming an organization from a local one to a regional one. So, we hope you enjoy this conversation with Peeter.

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GB: Hello, Peeter, and welcome to the Operations Leader Podcast. Maybe we could start off a little bit with your background. Could you please tell us a little bit about your background and experience?

PT: Hello, Gautam, and thank you for having. My name is Peeter Torim. I was born in capital of Estonia, Tallinn, and I currently live close to Tallinn. I'm married to a Lithuanian national, and we have two wonderful kids. I have a thirty years long

professional in Baltics and Nordics in banking, fintech and payments as well as secure logistics business.

GB: Ah, very interesting. You have an interesting background, and I know Peeter that you were the former managing director and chairman of the board for one of the world's largest secure logistics companies in the Baltic region. As I understood, these operations combine a variety of components including logistics, security and also cash management services. So, could you kindly tell us a little bit more about how you manage these types of special service operations?

PT: That's right. Secure logistics is often called just as cash in transit or CIT. It's mainly about providing cash logistics, counting and safekeeping of cash for financial institutions and retail customers. In the core of this business is trust. Companies of such kind have to be very trustworthy as they undertake to guarantee safe transport, counting and holding of cash and other valuables.

GB: Very interesting. And maybe something since we're in the digital world and everything is becoming more digitalized, so in the digital age, physical cash, is it still relevant?

PT: A great question. My answer is that yes, cash is still very relevant. Cash has existed for thousands of years and it is not going away any time soon. As per European central banks' statistics, 340 million individuals use daily European banknotes and coins, so there is demand for cash. Some Nordic countries, which have tried to intentionally rule out cash from their societies, have regretted such an approach, and are turning this back by imposing on banks and retailers an obligation to accept also cash. Even though cash might look like something outdated in the modern world, it does have a unique feature like being not dependent on technologies and infrastructure. Given today's unstable world, it is important to have several options to make payments.

GB: Mm, very interesting. As this is combining the security and logistics service businesses, so as it is a secure logistics business, how did your organization approach specifically risk management? Were those risks embedded as internal controls within the processes of your organization?

PT: Yes, indeed. Risk management, including internal controls, are vital functions to ensure that all risks are mapped, analyzed and properly mitigated. So in general, secure logistics business is comparable to any other business which has risks to deal with. You can probably understand that due to the sensitivity of this matter, I can't go into more details.

GB: Right, totally understand. And I can imagine that these assets within the business are quite specific when providing these types of services. Did you have for example the specific specialized assets such as armored vehicles or even for the

labor perspective very trained and certified labor, specialized software etc? How difficult or easy is it to scale such an operation with such specialized assets.

PT: That's correct. Definitely very specialized assets are used, you know, to insure health and safety of employees and secure cash and valuables. For example, special vehicles, firearms and various state of art technologies are used day in, day out. That also includes inkstain technologies, which makes attacking cash in transit crews pointless as inkstained cash is worthless. Of course, staff needs to be trained and licenced, so onboarding a new CIT messengers is a several months long process. Coming to your next question, scaling of such kind of operations. Well, within one country, actually this is quite easy, but cross-region including several countries, is much more complicated.

Drawing an example on Baltics. So, three Baltic countries, pretty similar, however what comes to legislation, applying to CIT, these countries do different quite significantly. As well crossborder valuables logistics requires special licence and need to be in compliance with each countries' local requirement. So, from that perspective, not that easy to arrange and takes extra effort as well costs to do. What comes to software, it's possible to cover of course several countries using one core software. That's not only software what could and should be used across several countries. Also back office functions and external service providers, who are definitely needed to run efficient operations, while they can and should be used across several countries.

GB: Yeah, that's interesting. Since this is an operations leadership focused podcast, I understood that during your tenure there at that specific business, that you managed to transform the structure of the Baltic cash logistics business from a three country centric individual country related to one common pan-Baltic structure. Could you please tell us a little bit more how you went about doing this transformation?

PT: Yeah, sure. I got a very interesting mission. Once the ownership changed in this business, the new owner did very right decision to instead of having three separate country organization, to establish one common Baltic cash business management organization. So just to give some reference on the size of the business, it involved over five hundred of staff and over one hundred vehicles and tens of cash-counting centers across the region to provide services to all the banks operating in Baltics as well as majority of retail customers, about twenty thousand of those in the region. To make all that happen, I had to put in place Baltic management team, so truly regional management team, so find the best talents to do it. And together, as a team effort, we managed to deliver in a very short time period amazing results. So that's it in nutshell what happened.

GB: Very interesting. I could imagine that taking a country-level, three different distinct country-centric operations and putting them into one pan-Baltic structure

can be quite challenging. What were some of the challenges of such a transformation and how did you overcome them?

PT: This kind of transformation definitely doesn't count as a simple change management, it definitely counts as a major business transformation, so in that respect, that's really change of scale. But as in any other businesses, I would say the core are the people and technologies what can and should be used in order to make all that happen. Of course, you shouldn't forget about customers, because at the end, I mean, customer is the one who pays the bills and the customer has to be happy as well. So in that respect, having the talents, right talents, the people who were and are able to run really regional teams. So the talent is able to do it, that's the first challenge to find those talents.

And from there on, looking on the teams, several hundred of staff in countries, with them it's clearly the answering the question why: why changes are needed, why is it does make sense to have efficient Baltic organization instead of historically already being operated, which has been operated in a separate country basis like twenty plus years. So answering the wide question, that was pretty in a way, because definitely it's much more efficient to run a regional operation instead of having kind of, I call it triplicating many of the functions in three countries.

So, that's the main thing, communication, telling why, and making it happen. Making it happen mainly means to drive the efficiency, operational efficiency. For example, we did run massive Baltic lean efficiency improvement program, and that was very succesful. It resulted in major savings and achieving much leaner operations, streamlining the processes and so on. But again, nothing of that kind could happen without good internal communication, recognizing success as well as rewarding the best. If we would not do all that, we wouldn't get expected results. And one of the fears of staff in this kind ownership change and major business transformations is always the question that well, what will happen to me and do I need to work now like several times more I did before and so on. But that kind of stress was eased pretty quickly, because it's not about really working more and pushing employees to work more. It's about working with right tool, working smarter and achieving better rhythm of daily work. So in a way, pretty simple things, but it has to be done regularly and properly communicated. So, that's how it went.

GB: That's an interesting example of transformation, and many companies are undergoing similar things. Maybe a question on metrics. Number one, how long did it take you for this transformation to occur, in terms of months or years? What were some of the metrics or KPIs that you used to measure the success? You mentioned for example lean and efficiency provement, the back office and the front office, so what were some clear metrics and how long did it take you to kind of reach these targets?

PT: Coming from bottom-up, of course everything what we do, right or wrong, does show up in the bottom line. So in that respect, I would say of course, that the main metric was to improve the result of these three operations kind of in a new Baltic combined way. All this lean and efficiency improvements in support of course achieving better results. So that's being mainly of course taking out costs wherever there was waste in organization, and I really have to say there were tens of initiatives what we did find, both on the cash in transit side as well on the cash-counting side, because there are two important pieces in this service chain. So I would say that counting those metrics would be a bit excessive, because these are kind of different in their essence, so CIT being like logistics business and cash-counting being like a traditional production, let's say, kind of factory-like production line operations. From that perspective, it was really truly amazing that in a few months' time, we spotted tens of new initiatives which we started consciously to improve, and I would say these major results were visible in six to nine months' time.

So it does take definitely time to kind of get the buy-in from the staff. They have to understand that well, this is a smarter way. Doing something in a different way, taking out the waste from the process, it makes sense. And we did achieve it, even in covid times, when it was really difficult to travel across the Baltics. Lot of things had to be done virtually, trainings and so on as well tackled some language issues and so on. So, from that perspective I would say the core is the right spirit, and I wouldn't overemphasize even the metrics that much. Of course we did have number of metrics, but again due to sensitivity, I can't really give any specific examples as you asked. But I would say, making people sense the importance and getting the buy-in, that is the core. When that is achieved, then the operational result starts to get really better. It's coming back to the beginning of my response on this question, it does show up at the very end also in the bottom line.

GB: Sure, that's great. Maybe a question on the technology side. How does automation and the improvement of various technologies that are coming out or current or maybe even in the future, how does it actually impact this secure logistics industry?

PT: As any other industry it's really getting quite seriously influenced by new technologies. So in that respect, cash in transit business is no different from others. We have to be more efficient doing, let's say for example in cash-counting centers, the work in much more efficient way, having better, quicker, less-breaking machinery in place. But again, this is something the customers do not see. They feel it, they see everything is fine and everything happens in time, no discrepancies, all good. But what's impacted, I would say even much more than these technologies in the back office or cash-counting areas, is the customer end. I would say roughly last ten years now, smart safes have been introduced. This means that smart safes are devices installed to customer locations which are able to do either just coin-counting or coin- and banknotes-counting, or the best ones, biggest ones, are capable of doing also the recycling function. And that's important for the customers, that by using

such kind of service, they are able to have much better control on the costs, on how much people, their employees, do spend time handling the cash. And many of the customers who started to use this service of such kind are very happy in that respect that given the shortage of staff, this time spent before counting the cash could be much more efficiently used, for example displaying new goods on the shelves or doing some other things what are needed to do. For example in a fuel chain stations that's been very much the case that all the time, a lot of people are visiting those and certain goods are running out on the shelves, so they need to replenish that and so on. If in that time the employee was counting the cash in the back office of that petrol station, it's obvious that it's not good for the business.

Overall, I would smart safes are absolutely the technology enabling customers to work much, much more efficiently and focus on what they should be doing. Allowing technology and service providers, like secure logistics companies, to take care of the rest. No customer wants to take or bring cash themselves from the bank, they want to have low as possible costs for cash-handling and so on. In that respect, the service providers who are able to meet customer expectations by properly designed service do successfully compete with other payment means. So from that perspective, this is kind of a reconfirmation that cash is not going away. Customers, general public does want to use cash. And if businesses use this service, as I explained, there is something what you can make your customers happy, so customers can pay in cash, and a happy customer is, well, the result of successful businesses.

BG: That's very true. Maybe switching gears and kind of compare and contrast, because you're an experienced guy Peeter, and we've heard quite a bit about the secure logistics business, but I also know that you have run operations for payment processing. So, could you tell us a little bit more about kind of the similarities or the differences in terms of the secure logistics business and the operations for payments processing?

PT: That's a true statement. Before I joined secure logistics business, I had a good opportunity to run operations function for one of world's largest payment processor in the Baltics. In that respect, I have really experience kind of two different industries. Looking from the ownership perspective, these businesses were quite similar in a way. Both were US-owned, one being owned by KKR, which is one of the world's leading investment firms, and the other being New York stock exchange listed company operating globally in a hundred countries. My mission in both was fairly similar: through business transformation to achieve much more efficient, lean and aligned structured.

From my personal perspective, these tasks differed just from one being transforming just the operational service delivery, meaning mostly services and costs, and second one being a complete overhaul of management structure and comprised also of full regional profit and loss responsibility. Comparing just the businesses, it's quite different by the nature, of course. Because payments business, it's something which

handles very big volumes. It's really a true scale business, it does make sense to run payments processing as a scale business. But secure logistics, this is more like a local country-specific, and achieving scale is much more difficult, or sometimes even not possible at all.

But again, there is always similarities. You can see that operational excellence applies to both of them. What can and should be done, not on one country but on a regional, global basis, the same applies to products and services development.

GB: Yeah, very interesting. Peeter, this has been fascinating and you've gone in depth into the secure logistics service operations and the industry as a whole as well as told us and enlightened us about the payments processing and some of the technologies and transformations. So, this is a very, very interesting case example in operations leadership and I think one that many of our listeners can glean some insights from. I want to thank you very much for your time and the insights that you've provided us, so thanks again, Peeter.

PT: Thank you, my pleasure.

[outro music]

GB: That's it for this week's Operations Leadership Podcast, we hope you enjoyed it, and until next time.

[outro music ends]