CIO 2012:
On a Collision Course
with Business Operations

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Agenda

- Current Business Environment
- The Switched-On CIO
- CIO to COO: When, why, where, and how?
- W. P. Carey
- Questions
Corporate Wisdom Watch

“It is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change”
–Charles Darwin

- Need to Adjust (GM versus Toyota)
- Empowered Customers (Priceline, Froggle)
- Regulation (ChoicePoint, Morgan Stanley)
- Quarterly results (Google, Microsoft)
- Global Competition
- Smaller Margins

Business Agility: Executing necessary strategic changes efficiently and effectively
-MIT CISR
The Three Types of CIO

1. **Those who fail and get fired** (a.k.a. Reactive: Awaits instruction from “the business” about which IT solutions to pursue. Significant focus on IT operations, not solutions, not involved in company-wide strategy)

2. **Those who do a good job of pedaling in place until they get bored or shuffled out**

3. **Individuals who do a great job, take on more responsibility, and get tapped for more senior jobs (Switched-on*)!**
   - Identifies business opportunities
   - Solicits buy-in and resources to pursue initiatives
   - Views technology as one of many potential tools
   - Little to no distinction between IT and “the business”

*The Promoting Kind, Joan Indiana Rigdon, CIO Decisions, March 2006

**“Switched-on” CIO was coined by noted IT futurist Thornton A. May**
Toolkit: The Switched-on CIO uses much more than technology
CIO’s are at the center of business transformation

- All firms are seeking to improve performance and efficiency
- All firms need to overcome barriers to change
- Technology is incorporated in nearly every aspect of today’s enterprise
- Because of our vast CIO business perspective and tools, we can:
  - Envision and pursue new business opportunities
  - Actively and demonstrably deliver value to all aspects of the business
  - Report to the CEO (or CEO-led Steering Committee) because of our strategic impact and need for intuitive alignment
- The challenge is for business leaders to build organizational support for change and execute in dynamic fashion
- “There is no profession in the last 40 years that has provided more opportunity to make a difference”
  - Darwin John, one of the first CIO’s, former CIO of the FBI, December 2004, CIO.com
The Chief Operating Officer

● The COO has a wide view of the enterprise (key processes and information assets) and is generally responsible for using that perspective to create efficiency and business opportunity

● However, the COO job is defined in relation to the CEO as an individual

● Actual responsibilities vary widely

● There is not a “COO Magazine”

● Several types of COO’s. 3 most relevant profiles to CIO’s are:
  ● The Executor (leads the execution of strategies developed by top management)
  ● The Change Agent (leads a specific strategic imperative, such as a turnaround or an expansion)
  ● The MVP (offered as a promotion to an executive too valuable to lose, particularly to a competitor)

● Personal chemistry between the COO and CEO is key, as well as trust

Source: HBR, Second in Command: The misunderstood role of the Chief Operating Officer
Today’s CIO will become tomorrow’s COO

- The position of “Switched-on” CIO shall merge and evolve into a COO role, creating a more powerful executive who can understand and accelerate the business ways no other executive can.

- Rare is it that other executives have the staff apparatus to effect change, where CIO’s have a well-established teams, especially in dealing with technologically-involved projects.

- **Why now** this evolution from CIO role to COO

- Strategic Imperatives/Competitive Dynamics

- Opportunity more acute for mid-market companies, where the demands on all executives are more expansive and transferable.
Real World Examples

- At a recent conference roundtable of CIO’s, half had taken steps to weld IT more tightly into business operations (e.g. pushing staff from IT into business units)

- The list continues to grow
  - Asiff Hirji, COO at Ameritrade, formerly CIO
  - Michael Capellas, former COO and previously CIO at Compaq
  - Dennis Jones, COO at Commerce One Inc., formerly CIO at FedEx
  - Steven J. Randich, COO at NASDAQ, formerly their CIO
  - Mike Palmer, CIO and EVP Supply Chain at Allied Products
  - Steve Bandrowczak, former CIO and SVP Supply Chain at DHL
  - John Legatte, CTO/CIO and SVP Supply Chain at British Petroleum
Factors for Success

1. **The Right Company**
   - A CEO who understands the value a cross-functional executive capable of delivering complex change can bring to the enterprise
   - Willingness to invest in change (e.g. training, consultants, budgets)
   - Board awareness and focus on IT (e.g. FedEx)

2. **The Right Industry**
   - A sector which necessitates members firms to make significant changes in strategy and/or execution *(or else don’t make the switch)*
   - Intense real goods or information supply chain dependencies, such as manufacturing, consumer packaged goods, media, and consulting are prime candidates
   - Increased competition and/or downward pressure on margins
   - Complex regulatory environment

3. **All of the “Essential Skills”**
Essential Skills for the CIO/COO

- **Must be a business leader, whose specialty happens to be information technology**
- **L²M² (Learner, Listener, Mentor, Motivator)**
- **Competencies that must be part of one’s DNA**
  - Business Savvy
  - Communications (business English, gravitas, charisma)
  - Technology (**Absolute Must!**)
  - Operations
  - Risk Management (the four pillars: security, business continuity, regulatory compliance, and internal controls)
- **An skilled entrepreneur and effective manager**
- **Have the business savvy to build credibility as an advisor**

*From Warren McFarlan, Professor, Harvard Business School*
The Essential Skills have not been Easy to Master

- Only 5% to 10% of CIO’s move beyond technology to senior business roles*
- Companies have to agree that in-depth technical acumen is key to business success
- IT leaders must demonstrate exceptional business savvy
- Deep relationships with the Board of Directors and other executives
- Detailed understanding of the CFO role

*Estimate from Karen Rubenstrunk, Senior Client Partner, Korn/Ferry
Additional Hurdles to the Evolving CIO/COO Role

- The “Business” versus “IT” problem. Verbiage must change
- Too much brand emphasis on technology. Rename the corporate technology function to IS (Information Systems)

**IT and Business Alignment**
- Must quickly become yesterday’s problem
- I would rather be at a standstill with W. P. Carey IT and send staff home that not be aligned
- Can be solved quickly if IT leaders evolve themselves and their IT functions into business-focused contributors (staff should read filings and financial reports)

**IT Agility**

- Operations: Still the CIO’s Achilles heel. CIO’s need to use their vendor clout to press for fail-proof systems
The Chief Strategy Officer Validation?

- Is the CSO a stepping stone to COO?
- Almost all CSO's took on the role in addition to being CIO
- Most were already doing it

Examples
- Scott Wesson, CIO and CSO at Aimco
- Randall Poppell, CIO and CSO at UniGroup
- Marv Adams, CIO and CSO at Ford Motor
- Richard McMahon, CIO and CSO at Bed, Bath, & Beyond
- Jeff Chasney, CIO and CSO at CKE Restaurants

Additional reading: The Promoting Kind: Some CIOs are destined for success as business leaders. Meet four of them – and learn how they got there, CIO Decisions magazine, March 2006;
Why a CIO makes a good business strategist, CIO Magazine, April 1, 2006
Something to think about: CIO as the new CEO?

- “The post-geek hybrid business technologist will inherit the earth”, -Ade McCormack, Financial Times, April 2006

- **Examples:**
  - Michael Capellas, former CIO and then CEO, MCI
  - Gene Hall, CEO at Gartner
  - Bob Martin, former CIO and then CEO at Wal-Mart
About the W. P. Carey Group

- Public real estate investment company
- Acquire commercial and industrial properties worldwide
- 650 commercial and industrial properties worldwide
- $7.8B of real estate assets
- $170M revenue in 2005
- 110,000 retail investors
What does world-class IT mean at W. P. Carey?

- Intuitive alignment of IS with all company activities
- S.W.A.T.
- Business changing projects
  - Articulating the information supply chain
  - Data quality management
  - Company culture (communications)
- Compare ourselves to other organizations
- Business savvy, from Helpdesk to the CIO
- ‘Straight to the Top’ includes a number of great ideas
Personal Roadmap

- Technical and Business DNA, MIT Sloan undergraduate
- Entrepreneurial experience: first company when 16, second when 21
- Choosing between banking and technology: Lead the turnaround
- What lies ahead: melding of operations and IT
Walk-away Points

1. The COO Role is entirely within reach for CIO’s with the right skills, at the right firm, in the right industry

2. Understand the business, promote executive and Board understanding of the business value IT brings, and seek to take on more operational responsibilities

3. Participate in thought-leading forums, like this conference, on the range of business challenges that can be addressed by the Switched-on CIO

4. Consider practical evolutionary changes such as creating a company-wide PMO, rather than one solely focused on technology
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**Case study break-out sessions**

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<td>Dominic (Nic) V. Roberts VP of Information Services GreenStone Farm Credit Services</td>
<td>Geoff Cooper Senior Vice President and CIO Sunrise Medical</td>
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<td><strong>Costa Del Sol Salon AB</strong></td>
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