

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

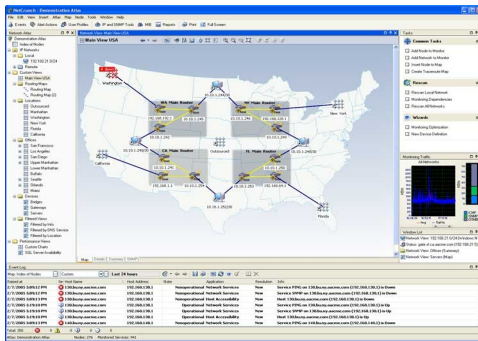
The Three Types of CIO

- 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”

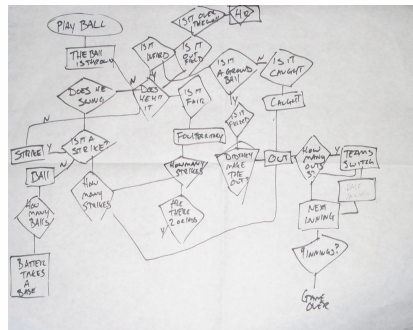
*The Promoting Kind, Joan Indiana Rigdon, CIO Decisions, March 2006

**“Switched-on” CIO was coined by noted IT futurist Thornton A. May

Toolkit: The Switched-on CIO uses much more than technology



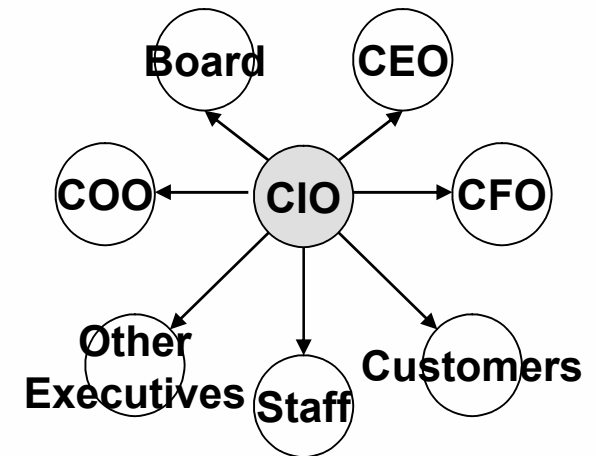
Enterprise Information



Process



Technology



Relationships

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 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**



FedEx



U-HAUL



Actuant



Telcordia



THALES

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

Break-Out Session I	Break-Out Session II
<p>“Thanks for Calling GreenStone” Leveraging Converging Technologies to Provide Superior Customer Service</p>	<p>Sunrise Medical Enables Global Business Processes via Single Instance of Oracle's JD Edwards EnterpriseOne</p>
<p>Dominic (Nic) V. Roberts VP of Information Services GreenStone Farm Credit Services</p>	<p>Geoff Cooper Senior Vice President and CIO Sunrise Medical</p>
<p><i>Costa Del Sol Salon AB</i></p>	<p><i>Costa Del Sol Salon FG</i></p>