freestone
THE CIO BULLETIN
Edition 5 , August 2008

Shifting Sands

Why economic development of a financial services and tourism Nirvana in the Middle East is creating new executive opportunities

They once called it black water, before they realised it was oil with all the riches that flowed from it. Now, the Middle East is drilling for top executive talent to meet its demand as a growing centre for financial services, and the hunt is on for professionals with a proven track record and demonstrable experience in global environments across the US, Europe and Asia.

The billionair Saudi Arabian arms-dealer and businessman Adnan Khashoggi once said that when growing up as a child, his father pulled out a gold coin and dropped it on the carpet floor. It was scarcely noticed. Then he urged Adnan to go and drop it on a marble floor. "If you want to spend money, go and do it with a bang," he said.

That is exactly what is happening in the Middle East, which is setting itself up to be a financial services capital to rival London or New York, and an entertainment centre to match – and surpass - Las Vegas. Its growing reputation in financial services means it is already attracting the best teams at some familiar names, such as Morgan Stanley and Goldman Sachs, creating a working and leisure environment for them in which they can work and play, including, of course, substantial tax benefits.

A typical expat deal will include housing, schooling, home visits, drivers, and maids, but local double-digit inflation rates are pushing up prices, and for the top performers at a senior level, attrition rates are very high. Good expats are like gold dust, and organisations, especially those based in Qatar and Oman, are stepping up their game by paying top dollar to tempt the best people away from Dubai. Currently, Qatar, the next most advanced state, is 5-7 years behind Dubai in its development.

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When oil was first discovered, the Arab world invested the profits in overseas assets. However, a seismic shift in thinking means the Middle East now wants to increase the value of its own land, creating an industrial infrastructure that is world class, including, for example, building its own refineries rather than relying on BP, Exxon, and Shell's facilities.

The first lever of this drive for economic growth is the creation of a trading hub to match the success of Hong Kong or Singapore, taking its cue from the Western world when it comes to setting up an effective regulatory regime. The model is the mature environment offered by the Financial Services Authority, putting effective trading controls in place.

Alongside success in financial services, the Middle East wants to make itself the tourist destination of choice to match the US, Australia or Europe. In Dubai, exotic hotels and nightclubs, living experiences, spas and shopping malls abound. Marks & Spencer, as an embodiment of Western culture, is everywhere.

To make a mark as a tourist destination, however, the Middle East needs to acquire a service mindset to match the design of some of its new buildings, so visa regulations have been eased to buy in this missing service ethic. The local states have also embarked on a major infrastructure upgrade – including apartments, roads, electricity, and cars – to support the economic landscape the region is developing.

It is not all plain sailing, however. Alongside the challenge of the political instability of the region, the Middle East also has to cope with an economic challenge in that with local currencies linked to the dollar, purchasing power is diminishing. That affects the large number of expats helping build up the region in the face of a lack of local talent.

This paucity of human resources has focused attention on education and training in the region, with US universities such as Harvard, Cornell, Texas A & M, plus the London Business School and Insead all setting-up a local presence.

Such a focus on educating local talent is timely, because local states are trying to encourage the private sector to accept so-called 'nationalisation targets' with a goal that within the overall region, 40% of those employed must be of local origin. Each local state also has its own target, with some more draconian than others. For example, in Qatar it is 40%, but in Oman the target is 90% - and the monitoring of quotas is firm.

To grow the scarce talent pool, multinationals in the region have adopted a dual strategy that incorporates starting to develop local skills alongside offering some selective short-term opportunities for ex-pats. They also want to build partnerships with service providers, perhaps offering to underwrite their resource pool at a time of potentially softening business in Western markets. Such partnerships, however, will necessarily require some insurance that staff will not suddenly leave if the US market eventually perks up.

From an IT perspective, the region also faces some significant hurdles, because the big-ticket service providers are not yet here. Although IT suppliers and software providers have local sales offices, few have put their top teams in the region, so service delivery is not well-developed and the ability to engage IT systems is much slower than it should be. Outsourcing is not a common theme because the newly-formed local economies don't want to see jobs going offshore and leaving the country.

Now is an exciting time in the Middle East, with the areas of financial services, tourism and infrastructure development converging to create a new economic landscape where talent, rather than oil, is the resource that matters.

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If you'd like to comment on Sandeep Chouhan's article, email me at npullen@freestone-executive.com and we'll forward on your thoughts to Sandeep.

CIOs to oversee data quality

Data will be treated as an asset on the corporate balance sheet, and in some countries data governance will become a regulatory requirement.

Those are among the predictions released by the IBM Data Governance Council, a group of 50 IBM customers and partners, including Bank of America, Citibank and American Express.

The group also predicts that over the next four years the CIO will become responsible for reporting on data quality, and that calculating risk will shift from a specialised task by risk officers to an automated IT function.

The predictions are intended to stress the importance of data governance, and how critical it is that organisations invest in an ongoing process for controlling mountains of data, said Steven Adler, chairman of the council.

Financial institutions in countries where central banks are helping them comply with regulations such as Basel II expect data governance to become a regulatory requirement, he said.

CIO role could shift toward data quality, says IBM group Search Security.com, July 9th 2008

http://searchsecurity.techtarget.com/news/article/,289142,sid14_gci1320563,00.html

CIOs take on operations role

Marty Lippert's move to Citi is indicative of a couple of current trends among CIOS.

First, the financial services industry, despite dark clouds, seems to have little trouble attracting top talent. Second, CIOs, in particular those in financial services, are taking on more operational responsibilities, such as HSBC NA's Andrew Armishaw who was recently promoted from CIO to chief technology and service officer with responsibility for security and fraud operations, and other operational functions, as well as managing the IT group.

CIOs Uncensored: Under Pressure: Citi's New CIO As Change Agent InformationWeek, July 8th 2008

http://www.informationweek.com/blog/main/archives/2008/07/under_pressure_1.html

Catching your CEO by the water cooler

How often do you meet with the CEO? Less often than last year, report many CIOs. Is that a good thing or a bad thing in terms of how seriously IT is taken as a business partner?

According to our recent "Tomorrow's CIO" Analytics report and survey, fewer CIOs are dropping by the CEO's office on a daily basis than last year. Most still meet with the big guy (or woman) on a weekly basis, but more have to settle for monthly or quarterly meetings of those ad hoc occasions when you run into him or her at the coffee station or the company barbeque.

CIOs Uncensored: How often do you meet the CEO? Information Week, July 23rd 2008

http://www.informationweek.com/blog/main/archives/2008/07/how_often_do_yo.html

CIO Pay: a bowl of cherries

We in technology have become pretty good at assessing the financial value of projects, but not so much at figuring out what a CIO is worth. Unlike a CEO, whose compensation rides mainly on measures of the company's financial performance, a typical CIO takes home a pay package less dependent on metrics such as share price or return on equity. Generally, it's a mix of base salary and, for hitting soft and hard goals, bonuses. Sometimes there are shares of stock. That's most CIOs.

Incentives

Then there are the heavy hitters, the CIO elite who set corporate strategy alongside the CEO, CFO and other top execs - and get paid like them. Half or more of the total pay for these CIOs is tied to long-term incentive plans, involving measures of the company's performance over time, says Vincent Milich, director of IT effectiveness at Hay Group, a consulting firm. "By conforming to performance measures that are long-term and linked with business success, IT leaders align themselves with the CEO and the enterprise, and change the impression that they're a cost centre and staff job," he says.

With so much at stake, these high-powered CIOs know that to be successful, they need trustworthy people in key positions and commonly bring an entourage of two or three managers with them who "understand what they say, how they say it and what they mean."

Top tier leaders

So who are this year's top-tier technology leaders and what do they make? Securities and Exchange Commission (SEC) figures show that 47 top technology executives were listed at the 1,000 companies, earning together $112,651,463 in 2007. At $435,200, the average salary (excluding bonuses and other compensation) for this group far outpaces average salaries for CIOs generally. CIOs at companies of $1 billion or more in revenue reported an average salary of $344,400. Demand has declined for CIOs as their average tenure increases. And in this poor economy, companies are reluctant to assume the risk of replacing their top technology leaders.

Desoer

No. 1-ranked Barbara Desoer received $10.5 million in total compensation as global technology and operations executive at Bank of America, with $9.7 million of it coming from such sources. The two biggest chunks: $4.7 million in stock and $2.2 million in options.

Desoer typifies several aspects of the technology elite. Financial services firms are built on IT and traditionally pay their IT leaders well. Desoer is more than a CIO. She manages the bank's several CIOs, oversees operations and sits on its management operating committee.

PC World: Meet the Millionaire CIOs July 8th 2008

http://www.pcworld.com/article/148094/meet_the_millionaire_cios.html

A Question of Priorities

A survey by Goldman Sachs gives an indication of 2009 spending plans based on types of IT projects. The survey states: "ROI is the name of the game. CIOs have emphasized to us that they are buying on a need versus want basis, are often downsizing deals to fit with current budget constraints, and are searching for solutions with a high and fast ROI."

The survey also indicates CIOs see the "greatest potential for cost reduction in IT in the area of networking equipment." A full 47 percent of the responders said the most likely area where spending would be slowed would be on purchases of personal computer systems, servers, and storage.

However, what may be bad news for third-party professional services organisations could be good news for in-house IT. Forty-two percent of the CIOs indicate that "they are reluctant to spend money on third-party professional services."

Despite cutbacks in discretionary IT spending, CIOs indicate that server virtualisation and server consolidation are the No. 1 and No. 2 priorities for these multinational companies. Following these two are cost cutting, application integration, and datacentre consolidation. At the bottom of the list of IT priorities are grid computing, open source software, and content management.

Study predicts IT staff reductions in '09 InfoWorld, July 17th 2008

http://www.infoworld.com/article/08/07/17/Study_predicts_IT_staff_reductions_in_09_1.html