

Weathering a Perfect Storm

Thriving through shared services with a cultural mesh



The tightening economic market in 2008 will encourage banking and financial services organisations to challenge their CIOs to reduce their costs and put right some of the organisational sins created in high-growth periods when operating at speed is more important than operating by the book.

But how easy will that be to achieve? Challenged to reduce their costs, some CIOs will happily pull out a spreadsheet and show that their costs have been going down for the last few years as business has been growing. They're the lucky ones.

What the current climate will do is demand that CIOs take radical action and be inventive.

"I think times like this will make the CIO look not just within his own silo within the organisation, but also look at the broader complexity within the overall organisation. There are very few financial services firms that have one CIO: all of them have at least 5 CIOs, covering insurance, retail banking, investment banking, and probably a group CIO running a federated model. The CIO who really wants to reduce cost and complexity must look outside their own space," says Peter Josse, Head of Global Infrastructure and Service Delivery at ABN Amro.

ENHANCED AGILITY

Josse and his ABN Amro management team already operate a shared services model that has driven out cost and complexity, and enhanced ABN Amro's agility. He believes other

organisations could consider adopting the same model.

"If you look five years ago, each of our divisional CIOs did many things their own way, and to take people on that journey of giving up control of certain functions has been quite tricky. What we've done is to identify anything that is a commodity out of CIOs' silos, wrapped them in a shared service, and that allowed them to focus purely on business technology which adds greater value to the overall organisation.

"These commodity services have been standardised, priced and catalogued. Now, anything you want, you can find in our service catalogue, and if you're one of our CIOs, that is the service that I would supply you. It creates a relationship that's based on deliverables and service, rather than reactive IT," says Josse.

"The general principle – and the easy option – for CIOs looking to cut costs is that they usually look inside their own silos and simplify the inside. That's the easy bit, consolidating your DBA and Wintel groups together. What is trickier is looking across other IT divisions within your organisation, and along all of your CIO functions, and simplifying the shared services between them," adds Josse.

Agility and costs will be key issues in financial services this year, and shared services can be rolled out quickly, but needs top management support.

Some CIOs might push back against such a shared services model, arguing that standardising actually gives them

less agility than they had in the past. But for many, such an approach, in the long term, is unsustainable.

CULTURAL INTEGRATION

Whichever model they adopt, mergers & acquisitions and globalisation have all sharpened the CIO's need to assimilate, understand and integrate different cultures.

Meshing together these different cultures requires a strong focus, akin to getting the different elements in a magnetic field to point and work together in the same direction.

That may not be an easy task. For example, after a merger, some people may not appear to be interested, especially when the acquiring company acts as a predator, ignoring the acquired company's culture and values, or when the integration of the

in banking, and (3) underpinning functions, such as IT or HR.

"In this structure, management must decide which dimension dominates the others, and under which conditions. Revenues come from customers who buy according to local culture and values. However, with increasing globalisation, common products help propagate success, and a successful credit mechanism in one country is likely to work well in others. Finally, common support functions greatly improve simplicity and cut costs. A single IT platform for credit cards is far less expensive to roll-out, interface, and keep compliant than 4 or 5 different platforms," says Lafue.

Giving equal weight to the dimensions makes it hard to determine priorities, drive decisions and resolve conflicts or ambiguity. Yet

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acquired company drags on.

Then, acquired employees believe the acquirer is not really serious about integrating them, and they are implicitly encouraged to maintain allegiances to old bosses, colleagues or business strategy in preference to those at their new company.

Gilles Lafue, CIO of Barclaycard has seen it happen before. "The later the integration starts, or the slower it is implemented, the more difficult it is. Then the ill effects of procrastinated integration simply multiply in numerous acquisitions over time."

A MULTI-DIMENSIONAL MATRIX

Lafue says an effective way to structure the complexity of large organisations is through a two, three, or even multi-dimensional matrix, along (1) geography, e.g., Europe, Japan, and the US; (2) business lines and/or products, e.g., retail, corporate or investment management

there is no universal solution, and all permutations are possible, depending on the global scale of business and customers, and whether products are commodities or specialities.

All of these issues plus a challenging economy are precipitating 'a perfect storm' that must be weathered by the CIO throughout 2008, and beyond.

And most financial services CIOs will already say they don't have enough capacity, people, data centres, networks and certainly not enough money to deliver what the business needs.

The "Keep it Simple mantra" might help. If your products, processes, organisation and platforms can be pared down, perhaps through a shared services model, they will be less expensive to implement and manage, providing a welcome refuge in challenging times. ■

Reining in the New Year budget

After a successful 2007 when most CIOs spent comfortably and yet within their initial budget projections, 2008 may be more of a challenge, leading some to rethink the IT budgets they put into place weeks or months ago. Forrester Research recently replaced a projection for IT budgets to grow by 8% in 2008 with a more modest 4.6% projection.

As it's wise to think strategically about what makes a healthy and lean 2008 IT spending plan, here are a few of my suggestions for CIOs' New Year's Resolutions:

1. Be part of the solution, not part of the problem. That means working harder than ever to transform management's view of your department as a cost centre to one that can generate money. What investments in technology or services could improve sales, profits, and cash flow?
2. Don't be afraid to try new things, such as software as a service or server virtualisation, that could potentially save your company lots of money. Baby steps are always possible for risk-averse CIOs.
3. Value your smartest and best employees, and let them know you value them early and often. People who understand your business and develop smart, strategic applications and processes aren't people you can afford to go without.

✉ **Three New Year's Resolutions For CIOs, CIOs Uncensored blog, Dec 26, 2007**

📄 http://www.informationweek.com/blog/main/archives/2007/12/three_new_years.html

Getting your Board aware of e-Discovery

Over a year after the institution of the revised Federal Rules of Civil Procedure, about two-thirds of U.S. businesses remain unprepared to meet strict court requirements for the discovery and handling of electronic evidence, according to a data storage researcher, Osterman Research.

"Unless some company gets hit by a \$15 million judgment, it is difficult for an IT manager or a CIO to go to his board and say, 'We might be liable under the new laws for not keeping all our e-mails and Word docs'. The 'potential' problems often don't get addressed," said IT researcher Michael Osterman of Osterman Research, in Black Diamond, Washington, adding that one UK company has already had a sudden change of mind on the issue.

"The CIO had gone to his board in April 2005 with a £265,000 purchase order request for e-discovery and archiving software and services. He was turned down. In September of that same year, one of the company's competitors was hit by a large court judgment. Three days later, the first company's board approved the CIO's original request," Osterman said.

✉ **Businesses Generally Ignoring E-Discovery Rules, eWeek, December 17, 2007**

📄 <http://www.eweek.com/article2/0,1895,2236400,00.asp>

CIO pay up, tenure down

CIO magazine's 2008 State of the CIO survey shows pay is up, business strategists are valuable and the average tenure is down.

Of the CIOs surveyed, 51 percent say their primary focus is being a "transformational leader" with 37 percent listing "function head." Only 12 percent of respondents considered themselves to be "business strategists." 41 percent of CIOs report to the CEO, 23 percent report to the CFO, and the average tenure of a CIO is four years, five months.

The bigger the company the more the pay. The average salary for a CIO at a company with less than \$100 million in revenue is \$148,300, up from \$134,200 a

year ago. For companies with revenue of \$100 million to \$1 billion, CIO pay averages \$213,500, up from \$184,000 a year ago. Companies with more than \$1 billion in revenue pay CIOs an average salary of \$344,400, up from \$281,900 a year ago.

According to the study, the top five technology priorities for the coming year include integrating/enhancing existing systems and processes; business intelligence; ensuring data security and integrity; new business services/products; and collaboration/knowledge management.

✉ **State of the CIO: Pay is up; tenure is down; transformation is in, ZDNet, Between the Lines blog, December 12th, 2007**

📄 <http://blogs.zdnet.com/BTL/?p=7327>

Hiring Picture? Still strong

The trends that shaped IT's hiring landscape in 2007—including low unemployment, a limited talent supply, increasing reliance on technology and demand for business acumen—will remain in play during 2008. And that means rising salaries, increased benefits and a choice of employment opportunities for job hunters who have the right skill sets.

"It's a good time to be a technology professional," says Katherine Spencer

Lee, Executive Director of Robert Half Technology, an IT staffing provider. "It boils down to simple supply and demand." CIOs, on the other hand, will still be locked in a fierce struggle to recruit and retain the best and brightest IT workers in their quest to drive competitive advantage.

✉ **No Break Seen in the IT Talent Wars, CIO Magazine, December 19th 2007**

📄 http://www.cio.com/article/166850/No_Break_Seen_in_the_IT_Talent_Wars/1

Benchmark benefits

Two decades of research have revealed a new gauge of IT effectiveness to enable CIOs to see whether their IT investments are really adding up.

Measuring IT spend against two factors - operating expense and net revenue - is a better metric than measuring solely against net revenue, according to Howard Rubin, president of Rubin Systems.

Enterprises spending slightly more than their peers tend to have better business results. But after a certain point, that extra spending does no good. This sweet spot of extra but not exorbitant spending has been labelled "optimal IT intensity," with IT intensity curves enabling CIOs to see if they are under-investing, investing an optimal amount or over-investing.

✉ **Benchmarking helps correlate IT spend, business value, CIO Magazine, Jan 15,**

📄 <http://www.cio.co.uk/news/index.cfm?articleid=2499>

Virtually Secure

2007 will go down in history as the year that vaulted virtualisation into mainstream consciousness and to the top of every CIO's "must-do" list.

But now that everyone's caught on to the benefits this technology can deliver,

chiefly, the ability to reduce an organisation's datacentre footprint by a factor of six, eight or 12, the focus is turning to making sure all these efficiencies and cost savings don't come at the expense of data availability and security.

Just like any other software installation, committing to a

virtualisation project requires not only an appreciation for the technological vulnerabilities inherent in any operating system, but also a fundamental understanding of exactly which applications and systems are used the most, which are the most critical to operations, when they're used, and how to

orchestrate the workload of all these applications running on both physical and virtual servers.

✉ **Virtualisation Craze Brings Business, Security Risks, Internet News, December 27, 2007**

📄 <http://www.internetnews.com/ent-news/article.php/3718596>

CIO Coaching with JCA

We are delighted to announce an agreement with **JCA Group** to provide executive coaching for CIOs and those either aspiring to be on a Board or imminently doing so. If you would like more information please contact **Neil Pullen** on +44 207 969 2745.

If you'd like to contribute to future issues of the CIO Bulletin, or give us your thoughts on this edition, email: npullen@freestone-executive.com