Fueling Business Strategy through IT/Finance Alignment

An Overview

Executive Roundtable Series
June 7, 2005
Fueling Business Strategy through IT/Finance Alignment

Thought Leadership Summit on Digital Strategies
An executive roundtable series co-founded by the
Center for Digital Strategies at the Tuck School of Business and Cisco Systems, Inc.

The Thought Leadership Summit on Digital Strategies recently convened for the tenth in its series of roundtables. This discussion focused on how CFOs and CIOs can work together to create business value, and on the challenges and opportunities that Finance and IT face together. The sessions included business leaders and academics from American Express, Cargill, Cendant, Cisco, Citigroup, Eaton, IBM, Staples, the Wharton School, Whirlpool, and the Tuck School of Business at Dartmouth.

Key Insights Discussed in this Article:

- CFOs and CIOs must think broadly about performance management, using metrics to launch a dialog about end-to-end value creation in the business. Metrics decay over time, however, and must be refreshed as the business evolves, especially in key categories (operational, financial, customer, and employee-related).

- Performance management should be culturally ingrained, and built on a foundation of high integrity and consistent data. CIOs can help enable performance management by laying the technology foundations for enterprise-wide ‘single version of the truth’ data.

- Controls should be ‘baked-in’ to enterprise processes and IT infrastructure at a low level to embed compliance and avoid costly distractions. Management should simultaneously try to inculcate a controls-oriented mindset throughout the organization.

- Sarbanes-Oxley has helped CIOs push through previously unfundable initiatives that made long term business sense, such as standardizing and globalizing systems and processes. But both IT and Finance should be careful about hiding behind compliance or using it as a means to achieve other ends.

- CFOs and CIOs are concerned that the recent wave of regulation may be creating a risk-averse environment and hampering corporate innovation. Will U.S. companies be reluctant or unable to move fast in the battle against global competitors who aren’t similarly encumbered?

- CFOs want CIOs to reduce ongoing maintenance costs to free up funds for new projects, and to develop a more variable labor cost structure. But how close CIOs can get to a 100% variable IT labor structure is subject to intense debate, given the learning curve for company-specific processes.

- CIOs should maintain a two-way dialog with the business about needs, and ‘overcommunicate’ throughout the lifecycle of major IT projects. Getting buy-in and alignment on goals and expectations—and communicating this throughout the ranks—is crucial to IT project success.

- Risk management is an increasingly important dialog within large enterprises. CFOs and CIOs should work together to determine an appropriate level of IT infrastructure spend based on a risk model, external benchmarks, and other frameworks for ‘value preservation.’
Introduction
CFOs and CIOs have increasingly become key partners in a variety of initiatives critical to business success in large enterprises—from compliance to performance management to effective allocation of constrained investment resources.

How do CFOs and CIOs view the opportunities and challenges that lie ahead of them? How can IT and Finance work together more closely to create business value? What are best practices in compliance, performance management, and the alignment of IT investments with business priorities? A broad discussion of participants’ experiences and views yielded some compelling insights.

Performance Management
How do CFOs and CIOs view performance management, and what are their respective roles in developing performance-oriented cultures, metrics and systems?

Staples’ John Mahoney began by saying he thinks CFOs increasingly play “a critical role in helping develop and implement strategy,” since many companies begin the strategy process with financial metrics or aspirations. “What the market thinks of you is often driven by your ability to portray financial characteristics and then deliver against those characteristics,” he said.

Cisco’s Betsy Rafael said finance should be an advocate for “maximizing long run shareholder value,” and help facilitate business partnerships at top management levels rather than simply taking a narrower control and compliance perspective. “A lot of companies are starting to have their whole organizations focus more on the fiduciary parts of their responsibility as opposed to the business partnering,” she noted.

Participants agreed that leading an internal dialog about metrics and performance management is a key role for CFOs, with support from CIOs. The group discussed a wide variety of metrics used in their companies, agreeing that special focus on financial, operational, customer, and employee-related indicators was important.

“What we’ve been trying to drive towards is a set of key performance indicators that are not negotiable, after getting input from all of the business units.” said Staples’ Mahoney, “I think there’s a tendency to measure too many things. So, number one, keep it simple. Two is if you’re going to hold people accountable for it, what ability do they actually have to influence or change that metric?” Mahoney highlighted customer satisfaction as one of the key indicators Staples measures, through customer surveys and mystery shoppers on the retail side of its business.

Cargill’s Craig Ekegren suggested workforce attitudes as an important benchmark, calling Cargill’s employee engagement survey “a pretty important part of the fabric and philosophy of the corporation.” Cendant’s David Rapsas and Andrew Napurano said their company measures retention of franchisees as a key performance indicator. Cisco’s Bob Taccini cited operational measurements such as development and schedule activity. And Eaton’s Bob Sell noted that his company measures leadership. “We measure strategic planning in terms of ‘do you have a plan,’ and ‘can the people in the department articulate what your strategic plan is?’” explained Sell.

IBM’s Carlos Passi argued for focusing on leading indicators that predict future performance rather than trailing indicators, and added that “measurements need to be standard, and definitions have to be consistent.” Tuck’s Anant Sundaram highlighted the importance of also looking outside the business and
benchmarking against industry comparables and competitors. “With the competition you only have trailing information, not leading information,” he noted.

Participants also debated the relative merits of short- and long-term metrics. When Citigroup’s Cliff Verron broached the importance of financial metrics such as net profitability by customer segment, Staples’ Mahoney responded that while profitability is useful for measuring short-term value, it should be augmented by long-term measurements. “What kind of investments are you making to signify that you’re able to achieve that level of profit longer term?” he asked. “What’s the ability to sustain the model?”

The group also grappled with how to define metrics that measure innovation, part of a broader discussion about how to measure future potential. “You can look at patents or how much of your revenue is coming from your new products,” suggested Cisco’s Rafael.

The conversation quickly turned to metrics to measure sustainable financial health—metrics ranging from profitable sales growth to earnings per share to return on gross investment to free cash flow generation.

**Making Metrics Meaningful**

While participants acknowledged that a ‘balanced scorecard’ or basket of functional metrics is worth developing, they agreed that the best way to measure overall business performance is by focusing on broader process ‘end-to-end’ value creation.

“It’s really easy to get trapped into measuring what you can measure, as opposed to what you should be measuring—the things that are much more holistic around the end result,” said Cisco’s Betsy Rafael. “Metrics around the end-to-end are critical because you can sub-optimize, and in fact, do horrible harm when you concentrate [more narrowly],” agreed AEFA’s Salow. “On the technology side the leading metric that works for us is what our end consumer perceives as the availability of their system. It’s about what the consumer sees….If I just measured component availability, I would make absolutely the wrong investments.”

Staples’ Mahoney said his company has developed an end-to-end metric called ‘the perfect order,’ which means that “the order that came in today was delivered next day in one package fully complete.” Until Staples started using this benchmark, he said, they would find that while an individual function like the call center might be doing a great job against their metrics, “they were creating lots of problems at the next step down the line in the distribution center when they passed the orders on.”

Several participants told stories of seeing metrics gamed or manipulated, leading the group to conclude that tactical metrics have a finite shelf life and must be constantly refreshed. “Customer satisfaction metrics can be gamed,” said Cisco’s Brad Boston. “I just bought a new car, and the salesman said ‘here’s the form you’re going to get in the mail, and here’s how I want you to answer all of the questions.’ Once you get to the point where you’re not comfortable that it’s really reflective of what’s going on, coming up with a new measure is a good idea.”

Tuck’s Eric Johnson told of a grocery chain he worked with to benchmark distribution centers (DC), where one DC had a standout 100% order fill rate because its manager would simply call stores when he went out of stock on an item and tell them not to order that item. “Everywhere people tinker with metrics, it’s just amazing,” said Johnson who added that while metrics often remain in use for many years, their relevance can decline rapidly. “Metrics decay, but people get attached to them so they accumulate,” he said. “How do you take metrics, move them into maintenance, or maybe take them out of the picture?”
CIOs can play a major role in ensuring the integrity and business value of metrics, the group agreed, by helping ensure that the data underlying those metrics are timely, accurate and unified across the company. IT systems are critical in the search for the ‘single source of truth,’ said Cisco’s Bob Taccini. “It’s kind of basic, but it is a challenge: how can we pull our disparate systems together in a comprehensive way so that we can report data repeatedly with accuracy and integrity?”

Cisco’s Brad Boston noted that ‘single source of truth’ is both a systems and an organizational management challenge. “We had literally hundreds of systems that extracted data out of our transaction systems and had subtly different interpretations of that data,” he explained. “You know the saying, ‘no one ever lies, they just don’t volunteer all of the information.’ And when you don’t have it all available you can make it look however you want.”

While the group agreed that corporations should choose fewer, more meaningful metrics (with 5-10 being an optimum number for any given management level), there was also broad agreement that metrics work best as a conversation starter, as a way to focus the business on desired outcomes. “We’ll start off with the metrics for the purposes of level setting,” said Staples’ Mahoney. “Why are they where they are, and what are the drivers behind it?” Agreed IBM’s Passi: “Really metrics are intended to drive behavior, which means we have to be careful how you measure them, and exactly what you want the outcome to be.”

Managing Compliance Processes
Has Sarbanes-Oxley and the recent corporate focus on compliance changed the CIO role and strengthened the CIO-CFO relationship? Several participants felt that CIOs, who shoulder significant compliance responsibility, have had to become more process-oriented, in some cases even becoming process leaders and consultants within their organizations.

“We’ve sort of become the process engineers for the company,” explained AEFA’s Salow. “Section 404 makes you really look at end-to-end process and think about things in a process mode. We ended up having to supply an awful lot of process capability into the organization, far beyond simply ensuring the technology was there to support the controls. We ended up being the control consultants.”

“It’s happening by default, whether you’re declared a business process expert or not,” added Staples’ Scott Floeck, noting that enterprise architectures are increasingly modular, forcing IT into a process view of the world separate from compliance issues. Eaton’s Bob Sell agreed that IT’s prior experience with security and architecture made it easier to take on recent compliance and control challenges.

But others felt IT was the toughest piece of Sarbanes-Oxley compliance, because it was a prerequisite to finance certification and unfamiliar ground to the auditors. “Finance kind of led the challenge on SOX 404, and we struggled at the end with the IT piece,” said Citigroup’s Cliff Verron. “How do you know the numbers are right coming out of the system? How do you know you’ve captured all of the trades? The auditors weren’t clear as to what we needed to do…they kept moving the bar.”

Several participants noted that cultural and mindset gulfs existed between the auditors, finance teams, and IT teams—gulfs which at times impeded the certification process. Finance and IT people, for example, felt the auditors often cared more about the letter of the law than about what was actually an effective control in a specific situation. Eaton’s Bob Sell, for example, told how Eaton had reconfigured a development process to achieve the same control effect as the separation of duties the auditors sought, but without having to hire a redundant person to move code into production.
“AS400s were designed so that the programmer can move the code,” explained Sell. “So, what we did for compensating control there was any time a programmer was doing that, they call back to a corporate help desk, get a special ID, they move [the code] in, then the IDs shut-off. So, that’s an example of how we are getting control…you’re adding some inefficiencies but you’re not adding a lot of cost.”

“One of the big challenges is that the auditors have taken the interpretation of key controls to a pretty low level,” said Cisco’s Rafael. “You lose perspective about what really is important and pretty soon you just have way too many. You get in these circular arguments where they just want to keep adding more. We kind of needed a little bit of insecticide, and we got a nuclear bomb.”

As for IT, the group felt that IT staffers often couldn’t easily speak the auditors’ language, because technologists have a different way of thinking about risk, and the systems they work on are complex and exception-prone. “IT people are generally not risk thinkers,” explained Citigroup’s Hillary Gal. “So you can’t start with self-control, you have to start with what are the potential risks to this process. Then they can adapt and think through putting controls around it. So they need to be retrained that way, to think of the risks.”

AEFA’s Glen Salow proposed that the best way to cost-effectively manage compliance, to avoid constant one-off projects and negotiations, is to institutionalize controls by embedding them as deeply as possible into the IT infrastructure and around key information flows. For example, email retention should be built into the infrastructure by vendors, said Salow, because there’s no competitive differentiation in email retention. But in the absence of an industry-standard solution, every enterprise is forced to expend resources devising their own.

“We’re trying to put compliance lower in the stack so that it’s automatically there, rather than relying on reacting to a set of new regulations,” Salow explained. “It’s making us think about architecture in a whole different way.”

Cisco’s Brad Boston said that this architectural re-think is essentially the reverse of what happened in the 90’s. “Ten years ago most of my legacy and financial systems were on mainframes, we had all of these controls, and all of the programmers kept migrating to new technologies because they didn’t want to live with the tyranny of the controls,” said Boston. “And what are we doing now? We’re taking all of those same controls, the things we did twenty years ago, and applying them to all of the technology we have today.”

From Controls to Business Value
The compliance discussion sparked a broader dialog about driving change and business value in the organization, and the challenges faced by both IT and Finance in pushing for transformation. Whirlpool’s Esat Sezer used Sarbanes-Oxley as a lever to push through initiatives that previously eluded him such as systems standardization, systems consistency, and data accuracy. “Not control for the sake of control, but to leverage that as an opportunity with the Executive Committee,” he explained.

Several participants also noted that Sarbanes Oxley had been an opportunity for CIOs to reassert some influence over technology that had proliferated outside the sphere of IT—as Cendant’s David Rapsas put it, “reel in some of those departmental mini-systems, and apply process and rigor to things that were totally out of your domain.” At which Tuck’s Anant Sundaram joked, “I thought SOX was an auditor conspiracy, but actually it’s a CIO conspiracy!”
Several participants stressed the importance of thinking beyond the limited scope of Sarbanes-Oxley, instead focusing on the broad spectrum of risk and related opportunities for business value creation through improved systems and controls. “I spend a lot of time thinking about what’s the more general framework,” said AEFA’s Glen Salow.

Managing enterprise-wide data more effectively was the most promising silver lining to the compliance process, participants agreed—with the primary obstacles being human and organizational rather than technology. IBM’s Paul Loftus described his company’s decentralized strategy for enterprise-wide data management, and the importance of individual ‘data stewards’ in the quest for data quality.

“You get chaos if you try to do it centrally,” he said, noting however that IBM’s distributed approach is vulnerable to “cultural and organizational elements” such as “not having the process maturity in place behind the data stewards to ensure that when that hero leaves or moves on there’s an appropriate hero that can come in behind him.”

Cisco’s Brad Boston identified another obstacle to optimizing enterprise-wide data management: the lack of a business imperative to fix it. “We had a whole list of things we found that were broken, and we couldn’t get any energy to fix them,” said Boston. Although IT had identified the opportunity, it took a new business initiative requiring access to unified customer data to rally the required participants including sales, marketing, engineering, and finance.

“All of these geeks basically got together and said, ‘we need to fix this now,’” recalls Boston. “Whereas before I couldn’t get them to agree on definition of a customer, definition of a partner…it took the business wanting to do something.”

Clarity of ownership, the group agreed, is a key to enabling enterprise-wide initiatives like data standardization—and an opportunity for CIOs and CFOs to work more closely together. “You’ve got to get multiple cross-functional people to get an agreement,” said Whirlpool’s Sezer. “Maybe you have one business owner in one business unit, but how do you get all the other business units to agree on something that has to be globally managed and globally owned?”

“People don’t see the benefit initially—you know, what’s that going to generate for revenue?” said Cliff Verron, describing a decision Citigroup faced about integrating two different data platforms after a merger. “At Citi, it’s become the CFO’s role, because recently they rolled up technology and operations and finance all under the CFO. He’s actually taking charge and directing projects, and, you know, getting people rallied together to get it done.”

But Eaton’s Bob Sell said that while he thought the CFO could drive ownership in the financial data area, he saw customer data as a more ambiguous area. “You know, is that the marketing group, the sales group, the finance group?” he asked. And Cisco’s Betsy Rafael noted that the CFO and the CIO are sometimes part of one team, and sometimes they’re not. “I do think they have to work together to try to make that happen,” she said, “because it’s both a business as well as a system architecture that have to come together.”

Does SOX Drive Risk Aversion?
The discussion about business value and compliance prompted Whirlpool’s Esat Sezer to express his concern, shared by several participants, that an environment of heightened control might limit U.S.
companies’ ability to move quickly and innovate in the face of external business challenges such as global competition and the rising cost of raw-material inputs.

“We’ve got to constantly find a way to put differentiated capabilities into the market,” said Sezer, noting that the processes being created for compliance adds to the cost structure significantly. “We are institutionalized, in our organizations’ development, deployment, and support structures…we’ve got to reorganize our mindset.”

“I’m not sure that I see it as bureaucracy per se,” responded IBM’s Loftus, with a different take on the same concept. “I see it as massive risk aversion. People will not take a risk.” Staples’ Scott Floeck had a different spin: “People are thinking about how do I grow again—how do I balance cost effectiveness with growth, with what I’ve got to do from a regulatory control perspective,” he said. “You’re going to be asked to do all three. That’s the pain point.”

Cargill’s Rita Heise, acknowledging the danger of groups hiding behind SOX or compliance issues as an excuse for inappropriate tactics or inaction, said she thinks the answer lies in making compliance “systemic as part of the culture, part of what we do every single day” so that it will be less disruptive to the business agenda. She and Craig Ekegren together noted that Cargill, as a private company not requiring certification, has been able to invest more resources in training to get employees to internalize a basic controls mindset. “We’re making very systemic cultural behavioral changes,” she said.

Glen Salow ended the conversation on an optimistic note, saying he thinks Sarbanes-Oxley will be no more disruptive to business innovation than was OSHA when it began. “All of a sudden you had to have safe factories,” he said. “We figured out how to deal with that, right? These things are a pain in the neck if we address them under the existing models. You’ve got to move them down as fundamental capabilities of your organization so they are handled as a matter of course.”

Prioritizing IT Investments
What’s driving technology investments in an environment of renewed focus on productivity, business value and performance management? What are CIOs and CFOs doing to align technology spending with business goals? Participants spent time talking about these issues from both the IT and Finance perspectives.

First and foremost, volunteered Whirlpool’s Sezer, all IT capability investments should be prioritized in alignment with the key goals of the business. “Customer loyalty—that’s the mission for Whirlpool,” said Sezer. “We would like to be the company in every home, everywhere. Seventy percent of customer touch points require IT capabilities, such as Whirlpool’s branded web site in India, or www.KitchenAid.com, for the home enthusiasts in North America.” Sezer also described the service scheduling process as another crucial loyalty-related area enabled by IT.

Secondly, said Sezer, IT initiatives should be designed to create new incremental resource capacity through simplification and consolidation, without increasing operating expenses, noting that Whirlpool’s IT spend has decreased over the last four years while the company’s topline grew $1B per year.

“The move towards standardization, architecture-based kinds of capabilities, is important,” agreed Cisco’s Rafael, noting that dollars spent on maintenance and support constrain the ability to fund new projects. “Because of our previous over-exuberance and the kind of technologies we have in place, our cost of ownership is so high. We have to think differently about how we’re going to manage it going forward. What are we getting for those monies, and how to drive more productivity?”
On the infrastructure side, participants agreed, some spend falls into a ‘risk management’ bucket—such as disaster recovery—and is tougher to justify quantitatively. Here Cargill’s Rita Heise advised having a risk model and doing external benchmarking, and was seconded by AEFA’s Glen Salow.

“The so-called infrastructure stuff has got to be done, you’ve got to maintain a certain level of infrastructure,” said Staples’ Mahoney. “The aggregate investment has to make sense in the context of our total capital budget. It’s the CIO’s job to make sure that we’re spending regularly on that stuff, so that we don’t have this big bubble some year.”

Mahoney added that budgeting holistically was crucial for non-infrastructure IT projects as well. “You get people from the business coming to you all the time with a great plan that’s going to deliver huge benefits. And they all add up to much more than the business is going to do in improvement for the year. So then you start to make the trade-offs among whether you’re going to open stores or whether you’re going to put in new systems.”

Participants agreed that tying projects to hard or soft savings metrics is crucial, and then following up on those projections after the fact to measure ROI. But every once in a while, noted Cisco’s Boston, “you’re just making a bet. If the airlines had done an ROI on yield management, there is no way they would have funded that project. [American Airlines CEO Bob Crandall] made a bet and fundamentally changed an industry.”

What’s the role of the CIO in initiating and prioritizing IT investments? “It’s rare that I initiate spend or take the lead in presenting spending proposals, unless they’re fundamental infrastructure,” said AEFA’s Salow. “It’s the business head with the IT backing them up.” Cargill’s Heise agreed: “Very few of our investments that come forward are IT only. We might have a multi-million order-to-cash initiative going on, and a third of it would be the IT component.”

Yet CIOs must increasingly try to think, and even act, like CFOs, because their investments are so inextricably linked with the company’s financial health. As the discussion turned to the increasing significance of labor costs in IT projects, for example, AEFA’s Glen Salow made a controversial statement: “the expectation is that I am 100% variable…that’s the standard I’m held to.”

Salow said that thanks to increased resourcing flexibility he can ramp his staff up or down 30-50% a year as necessary. “It’s just an assumed capability…it’s the company’s strategy of flexibility,” he explained.

But others questioned this model, both the efficiency of constantly ramping outsiders up and down on company-specific knowledge, and the wisdom of outsourcing what could be competitively differentiating applications development. “We outsource maintenance of the business, and then move those people to deployment of new capabilities,” said Whirlpool’s Sezer. “I can’t find consultants good enough to both understand my processes and to challenge what I am trying to do…it takes time for me to scale up their understanding. Instead of contractors, we invest in our people.”

**Getting Business Value Out of IT Investments**

Participants discussed key success factors for IT investments, first from the CIOs’ and then the finance executives’ perspectives. Cargill’s Rita Heise highlighted the importance of clearly identifying key business-side champions and sponsors, and agreeing on objectives up front. “It’s never about the technology, it’s how much share in the game do you have,” she said. “How do you make sure you’ve got your leadership team and..."
people behind it? Show the personal vested interest, set the expectations of the other constituents. Goal them on it.”

“You may have a vision for something,” agreed Cendant’s David Rapsas, “but two or three people on your staff are going to do all the heavy lifting. And if you’re not showing your commitment, those people aren’t going to be marching.”

Cargill’s Craig Ekegren said the business side needs to make sure they do their homework and look at the bigger picture up front, especially “on how their vision ties in with other business units that serve common customers.”

Participants also noted the importance of making sure the organization has the business-side capacity to utilize a new capability before making the investment. “The demand from the business far exceeds my ability to deliver it,” acknowledged Cisco’s Brad Boston. “But my ability to deliver capabilities far exceeds the business’ ability to use it all, so what’s the real constraint here?” Boston argued that CIOs should be empowered by their CEOs to shut down any project where they can’t clearly identify the business-side team managing the project implementation.

Others said frequent requirements changes and micromanagement can also diminish the business value of IT investments. Cargill’s Heise said, “You should start with what are you trying to solve, what are you trying to do…and then let the people who know how to use the technology and understand the processes come up with products.”

The finance executives pointed to lack of communication and business understanding in IT as a key roadblock to realizing IT value. “There’s a lot of the right thinking at the senior leadership level, but that doesn’t get translated down into the organization,” said Cisco’s Betsy Rafael. “And so the people that you’re actually interacting with are still living in the past, in terms of how IT should be operating.”

“The best IT people I’ve worked with,” said Citigroup’s Cliff Verron, “are guys that actually understand the business side as well as the technology side. They prevent people from going down the wrong trail.” Cendant’s Andrew Napurano added that he thinks IT tends to undercommunicate, “which leads to people not believing in the project that’s going on,” he said. “They become disinterested, and by the time it eventually does roll out, people already have pushed it behind them.”

In the worst case scenario, participants agreed, the business begins to doubt IT’s capabilities, starts to view IT as just an order-taker, or starts pushing for outsourcing, making it hard for IT to facilitate a discussion about enterprise-wide needs and synergies, or how to balance business and functional needs.

Cisco’s Rafael suggested IT needs to do a better job of publishing metrics such as overall system availability, percentage of dollars spent on reducing support and maintenance costs, and cycle time for project delivery. “Educate users on what it is that IT does for them,” she advised. “What improvements have been made? Give them some facts, and trend it over time.” Citigroup’s Cliff Verron added that getting delivery dates right would also improve perceptions. “Be realistic on when you’re going to deliver,” he said.

On the subject of marketing the value of IT infrastructure investments without an obvious value-creating business benefit, Craig Ekegren advocated a concept used at Cargill called ‘value preservation.’ “Since Enron, it’s been much easier for us to publicize and market value preservation,” he said. “It’s the things that people
take for granted, the privacy, or leakage of information, or loss of intellectual capital…if they go wrong, its extremely damaging to an organization.”

Looking forward
The day ended with a focus on the broader dialog about risk that Sarbanes-Oxley has catalyzed within finance and IT, and its potential impacts on the business. “There’s certainly a wide range of maturity around risk out there,” observed Tuck’s Eric Johnson, “but the last few years has pushed all of us down the curve on risk.”

“I’m very nervous about the risk aversion that might be caused by new controls,” said Wharton’s David Wessels. “If you want to be a low cost business you have to have people throughout the organization continually throwing things out, changing the way business is done. You need to compete against people that potentially don’t have these same metrics in place.”

Participants were also concerned that the recent wave of regulation and a risk-averse environment would hamper corporate innovation. Would U.S. companies be reluctant or unable to move fast in the battle against global competitors who have fewer restrictions?

One participant suggested that this could be used to tremendously empower the organization, pointing out that most risk aversion comes about because of unclear owners in the processes, and concluding that companies may actually benefit from the current environment if it forces them to clarify how people get things done in the organization.

Whirlpool’s Esat Sezer added that the regulatory environment has created a focus on process which may help expedite an evolution to more competitive organizational models. “Everybody’s struggling trying to differentiate what’s core vs. non-strategic in their businesses,” he said. “The maintenance of business activities is probably 80 to 90% of the resources. How do you take this and move it out? It has to happen if you’d like your resources behind core mission critical activities which differentiate you. You’ve got to continue experimenting, and you’ve got to continue innovating.”
# Participant List in Thought Leadership Summit on Digital Strategies

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<th>Name</th>
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<td>Carlos Passi</td>
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<td>Bob Taccini</td>
<td>VP, Finance&lt;br&gt;Cisco Systems, Inc.</td>
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<tr>
<td>Cliff Verron</td>
<td>Managing Director and Deputy CFO&lt;br&gt;Citigroup Corporate and Investment Bank</td>
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<tr>
<td>David Wessels</td>
<td>Assistant Professor of Finance&lt;br&gt;The Wharton School, University of Pennsylvania</td>
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<td>(moderator)</td>
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