Argyle Conversations

by Argyle Executive Forum^{SM}

The Next Step for the CIO: Driving the Bus

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Shahryar Shaghaghi, partner at Kurt Salmon, discusses pillars of productivity that today's IT executives must focus on and how doing so can help CIOs become value-added contributors.

[Katie Sillo]: Shahryar, your career, while entrenched in operations and technology, is composed of work across numerous industries and throughout several countries, including the U.S. How has this diversity of experience and culture in combination with your background in academia, consulting, and industry head for Citi's Global Operation and Technology and Transaction Services organizations shaped your approach and influenced your advice to key leaders of global companies?

[Shahryar Shaghaghi]: We truly live and operate in a global world today. Everything we do is interconnected, thanks to the Internet and electronic commerce. In my own career, I have been fortunate to experience a paradigm shift from academia to consulting to leadership roles at some of the largest financial services firms and to have the opportunity to work across multiple continents sharing and participating in many challenging initiatives in different industries. This exposure to a diversity of industries and cultures places me in a unique and relevant position to help clients transform their organizations.

My career began in academia, which is where I realized my passion and desire to share knowledge with others. After all, what purpose does knowledge serve if it cannot be applied, shared, or communicated? Academia also taught me leadership, discipline, and structure and those attributes have been put to good use throughout my career. Transitioning to consulting work for some of the world's largest management consulting firms provided exposure to numerous industries and countries, and from a cross-industry perspective, I learned how to share best experiences and practices with my clients. While one capability in a particular industry could be regarded as business as usual, it might be an out-of-the-box thinking for another client in a different industry. Cultural and geographic diversity has rewarded me with some of the most fruitful experiences of my career. What we may call bribery and corruption here in the United States is perceived as business development management in certain parts of the world. Understanding fundamental human elements such as body language, the way people think, and cultural nuances along with complex requirements, such as local regulatory and privacy laws, have significantly contributed to some of my global implementation successes for global clients.

We also need to understand the difference between a "global" company and an "international" company when serving our clients. A global company operates as one because it has broken through many barriers to become effective and efficient. Those barriers may include cultural, language, and regulatory and privacy issues. At the end of the day, core products and services that global companies provide must be consistent in many ways, however, they also must be unique and applicable to their target market segments. An international company simply means that the company has a geographic presence in more than one country; however, it may operate in silos and, as a result, be highly inefficient. Unfortunately, many international companies refer to themselves as "global" without taking the required steps to becoming truly global, and this puts them at a disadvantage if some of their revenue targets are shifting to new markets and geographies.

You were an architect of the Operations Maturity Model in the mid-90s, which is still in use today and serves as a model for similar frameworks. What was going on in the business world at that time that prompted you to build this model, and why do you think it serves as an important model for organizations today?

The analogy "if you don't know where you are, a map won't help you" comes to mind here. If you can't measure, you can't manage. This is really the foundation of some of the process improvement models and frameworks that have evolved over the years. If you go back to the 1990s, the Software Engineering Institute (SEI) established at Carnegie Mellon University, which was initially funded by the Department of Defense (DOD), focused on transforming software development from art to science. This was due to a realization that large government projects consistently went over budget, incurred unexpected defects, and encountered scheduling issues specific to software components of the project. SEI started to develop and incorporate many quantitative methods and techniques that were derived from engineering disciplines into software development. This included new disciplines during requirements, design, and testing phases of the life cycle. They also developed assessment tools to determine the level of maturity of software development organizations based on a defined set of attributes and

characteristics aligned with various levels of maturity. Many organizations then started to apply those models to improve their software development capabilities. During that time, I was very much involved in helping some organizations move their software development life cycle from lower to higher levels of maturity. However, over the years, we realized that while we were improving in design and build, we had not paid much attention to what happens when these applications go live. So the thought came to my mind to build and apply some of the same frameworks to operations organizations and, over the years, I have applied these models to different applications. For example, we used these models to help resolve some regulatory and compliance issues at some major banks. The beauty of these models is that they are very flexible and adaptive and become more intelligent as data is collected over time. They also promote and incent creativity, which is one of the most important requirements of being a good consultant.

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The role of an IT leader today is vastly different from the CIO of 20 or 30 years ago. As someone who is familiar with the CIO agenda, what advice would you offer to an IT executive who is faced with organizational mandates or to someone new to an organization who is under pressure in those first 120 days?

Fundamentally, the CIO role has shifted from a support function to enablement and, in some cases, leads the way with new product innovations and development. Given that today technology is an integral component of most products and services, particularly in financial services, CIOs must own some key processes and sub-processes as they relate to revenue-generating functions. At Kurt Salmon, we have defined the essential areas CIOs must focus on and help them with plan development to place them in a better strategic position within their organization. One of the key areas of our focus these days is in the area of digital transformation. We help our clients' product and market penetration strategies by incorporating various digital capabilities. As for new CIOs, to help establish their priorities in their first 120 days, we assist them with identifying some low-hanging fruit initiatives and more strategic road maps and implementation plans that span across various disciplines, from operational efficiencies to revenue enhancement initiatives to risk management challenges.

Relative to the most efficient ways to "keep the lights on," IT leaders must apply technologies and demonstrate transformational enablement capabilities that have become implementable and more mature today. This could include cloud computing, sourcing strategies, rapid application development, and application of on-demand and utility computing across various layers of the IT stack. Let's not forget risk management, which is another major component of a CIO's responsibility today. Over the past few years, due to a number of events, starting with 9/11 to corporate scandals to economic downturns, CIOs have been in a reactive mode in addressing regulatory and compliance-related issues. This reactive mode has created varying inefficiencies as organizations tend to tackle and approach these challenges in a siloed manner. CIOs can take a step back and start to develop a framework for how they can truly manage their risk management initiatives using an integrated and risk-based approach.

After a presumably successful first 120 days, what are some of the other mission-critical priorities for an IT executive?

Today's CIOs have to start transforming their focus and their level of involvement with the business in a much different way than just addressing technology issues. If you look at the way companies operate, they're very much interconnected. For organizations to be more effective, they have to leverage other organizations in different industries. An example is consumer retail and financial services. In consumer retail, where Kurt Salmon has well-established leadership in strategy through implementation, the foundation for this industry comes from customer experience. In financial services organizations, however, the foundation is based on protecting and processing transactions related to financial instruments. For many years, the focus has been on high-volume transaction processing, security reliability, and analytics capabilities. Given the interconnectivity of these two industries, I believe each can leverage from the other, expanding and tapping into opportunities that one traditionally did not have access to or perhaps did not consider core to their business. CIOs need to position

themselves right in the middle of this; they should own the opportunity and provide direct and measurable value to their businesses.

The amount of digital data processed through our networks creates a significant opportunity for CIOs today. With the level of automation embedded in our lives amassed from numerous resources, including social media and mobile computing, we now have the capacity to process more digital data in just one day than what was once possible to accumulate over decades. CIOs should leverage "Big Data" analytical capabilities to provide their businesses with information that can be used to create new business opportunities and enhance revenues.

Can you talk further about the two pillars of productivity, specifically keeping the lights on and growing the business through various initiatives?

If you take a step back and look at the budget allocated to technology organizations, it translates into different areas. One is referred to as "keeping the lights on" or managing the environment, and the other pillar focuses on revenue enhancement and product development initiatives. In the past, we took a look at both pillars and applied the latest efficiency factors for the pillar that focused on keeping the lights on, ultimately shifting dollars from this pillar to revenue-generating initiatives. Of course, the other side of the equation — revenue enhancement opportunities — must be directly aligned with business priorities and initiatives that focus on high-revenue, high-profit activities. There are several ways CIOs can get in front of the curve and embed themselves into those business initiatives and own specific parts of the process.

The key is to be able to apply the relevancy of their contribution into that equation. By that I mean when you, as a business person, are responsible for developing a new capability, make sure you identify what level of service that particular function requires. For example, a service-level agreement requirement for a particular function could translate into requiring 99.9 percent availability at a cost of $20,000 versus 99.9999 percent at a cost of $2 million. If one does not understand and cannot educate all appropriate parties on the criticality of the application, the expectations may be mismanaged and this can translate into unnecessary costs and unhappy customers. If you're running a batch job in a very non-critical application environment, two days of downtime may be OK. However, if you're running a mission-critical air traffic control application or looking at high-volume banking or retail transactions, such as Amazon, then you obviously need to account for every second or risk losing millions of dollars.

There is considerable focus on risk management these days. What is Kurt Salmon's approach on this topic?

Risk management spans across many different functions, especially in large organizations. If you start to decompose operations risk, you can touch many different spaces, from IT risk and information security to business continuity risk to money laundering. Looking at it horizontally, one can focus on geographic risk, product risk, and so on. When you step back and consider all of the risk functions that exist today in large organizations, they're done in a very inefficient way. This is not necessarily their fault, but organizations are reacting to a massive amount of regulations and mandates that has come down from regulators over the past 10 years. Organizations have a huge opportunity to start looking at the true cost of risk management and develop risk mitigation strategies that focus on where true risks reside to help take out unnecessary spend. Most organizations are under pressure today to focus on revenue and generate additional market opportunities.

This is one area where organizations have been reluctant to act and much of this relates to the fact that they're still chasing the bus instead of driving the bus. Companies need to be in control of their own destiny and be able to translate regulations into something that makes sense. They need to focus on where they are today versus where they want to be, and how much risk they are actually taking out with current initiatives because there are great opportunities in this space and CIOs can significantly optimize them.

You're a strong believer that senior executives in consulting should always focus on client work and competencies should be put to good use. How has that belief served you over the years?

Irrespective of whether one is 'senior' or not, consultants are measured by the value they deliver to their clients. Consulting firms' intellectual properties are tied to their people and to their people's creativity, in addition to their experience. Over the years, I have observed that the consultants who establish a close, trusted relationship with their clients and focus on solving real client issues are the ones who differentiate themselves from the others.

At Kurt Salmon, we are committed to identifying and recruiting the best people, and providing a culture that promotes creativity, entrepreneurship, and team work is essential. We recognize that the core assets and products of our company are our people. Going back to my academia years, mentoring my team, sharing my experiences, and helping them grow is in my DNA and what I enjoy the most.

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BIOS:

Shahryar Shaghaghi:
Shahryar Shaghaghi is a partner in Kurt Salmon's CIO Advisory practice in North America. He has over 25 years of client-focused leadership experience in assisting business executives with integration of processes, technology, organization, and relationship-building with strategic partners. His expertise in the design, re-design and launch of leading edge IT and Operations solutions has helped organizations address the need to increase profitability while managing costs and risk.

Mr. Shaghaghi began his career in academia teaching computer science, moving into leading and managing technology functions, designing and building early on-line registration, admissions, and financial aid systems for the University system. Once he obtained his Masters in Software Engineering from Embry-Riddle University, he moved into consulting as a Senior Manager with Andersen Consulting (now Accenture) in Dallas, Texas. He led some of the largest and global application development projects and developed an Operations Maturity Model (OMM) to help clients assess, strategize and plan their IT Operations roadmap. In addition to many achievements with Fortune 100 clients in the United States, he launched the Technology Competency for some of the emerging markets.

As a director at PricewaterhouseCoopers, Mr. Shaghaghi led the Enterprise Systems Management Services practice where he managed the IT integration which included all aspects of application, systems architecture and infrastructure components for one of the largest airline mergers in U.S. history. He also designed a Service Level Management (SLM) framework and led the implementation of SLM processes which was used to measure and monitor IT effectiveness.

In New York, Mr. Shaghaghi served as partner and practice head for Deloitte Consulting's North East IT Infrastructure and Operations Consulting Services Practice. Using next Generation Data Center concepts, he succeeded in designing, developing and deploying of one of the most advanced data centers in the nation at that time. Other successes include implementation of comprehensive Information Security and Business Continuity Management practices to financial services institutions for more efficient management of IT risks and mitigation strategies.

Most recently, Mr. Shaghaghi was at Citigroup Inc. where he was a director for the Institutional Client Group's Transaction Services Transformation team. While there, he focused on a multi-year transformation effort to create more consistent, industrial-strength and world class processes across all CTS units, including Treasury, Trade, Securities and Fund services. Throughout over seven years at Citi, he led and successfully delivered significant results in the areas of IT Risk, AML, O&T Cost Reduction and O&T reengineering and transformation.

Mr. Shaghaghi graduated magna cum laude from Bethune-Cookman University in Florida where he received his Bachelor of Science in computer science. He earned his masters in software engineering with high distinction from Embry-Riddle Aeronautical University in Daytona Beach, Florida. In addition to serving as a coach and mentor for developing talent, Mr. Shaghaghi champions numerous diversity initiatives focused on fostering leadership skills and career advancement.

Katheryn Sillo:
Katheryn Sillo is a part of the Content and Programming team at Argyle Executive Forum. In this role, Katheryn works on content development and speaker recruitment for events, specializing in the Human Resources space. Additionally, Katheryn oversees the content platform, Argyle Journal. She holds a Bachelor's degree in English with a concentration in Journalism and minor in Political Science from Fairfield University, where she was captain of the Division I Rowing Team and on the executive cabinet for the Fairfield University Student Association.