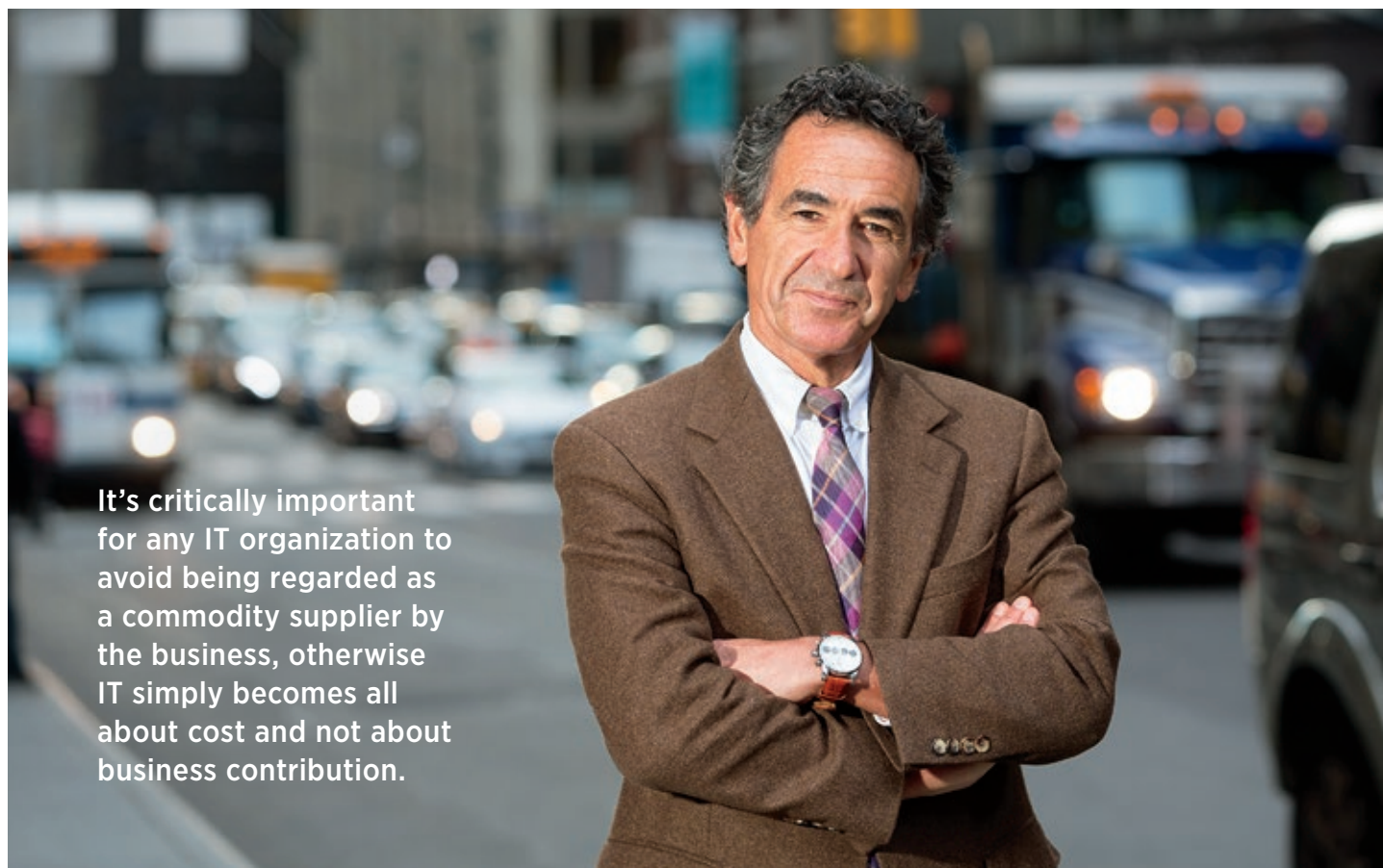


Filippo Passerini

Recently retired CIO of Procter & Gamble Co.

Filippo Passerini served for more than ten years as Chief Information Officer (CIO) and Group President of Global Business Services (GBS) at Procter & Gamble Co. (P&G) until he retired from the company in July 2015. At P&G, he had responsibility for delivering over 170 different business services across 70 countries. Filippo originally joined P&G Italy as a systems analyst in 1981 and went on to hold senior management positions in Italy, Turkey, UK, Greece and Latin America before moving to the firm's corporate headquarters in Cincinnati, Ohio. In 2010, Filippo was inducted by CIO.com into its CIO Hall of Fame and has been the recipient of several high-profile industry awards.



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Filippo expresses his professional insights and personal views on various aspects of Application Landscape Management.

Q. From a vantage point of being a global CIO and shared services leader, how have you seen different IT organizations derive optimum value from their portfolio of applications?

A. In my opinion, it's critically important for any IT organization to avoid being regarded as a commodity supplier by the business, otherwise IT simply becomes all about cost and not about business contribution. My philosophy has always been to differentiate between those IT services and applications

which are necessary to run day-to-day operations, but do not provide any competitive advantage, from those that can build new and profitable capabilities for the business. In the case of the former group, we need to manage these IT services like a production line since they are all about reliability, efficiency and lower costs year in, year out. For the latter group, it is about driving value through transforming the way business is done. Indeed, certain IT applications can be a catalyst or an enabler for changing the business in multiple areas,

such as product design or digitization. As an example, at P&G, we created an immersive visual analytics environment, named Business Sphere, which helped to transform the firm's decision-making by harnessing real-time business information supplied by its operations from around the globe.

Additionally, given the constant pressure on controlling costs in any large organization, the former group of activities will more likely be targeted for cost savings, since they are usually regarded as a commodity service by the business. I believe it's important to separate out these two groups of activities in a very complementary manner, otherwise we run the risk of resorting to blind cost-cutting measures that will in turn inhibit the creation of distinctive business value needed to grow the business. This has always been the danger in IT: if we place everything we do into a single basket and don't differentiate between different activities, in a few years' time, we will not have the necessary resources to re-invest in the business.

P&G greatly benefited from standardizing its ERP systems.

Q. Can you provide examples of what you refer to here as 'commoditized' IT services for a typical business?

A. If you take datacenter operations for example, which will typically involve running servers, network management and application operations support, none of these activities alone provide any differentiating competitive advantage. Some people might say that if you can

run your servers better than before, you can reduce costs. That's fair, but it does not make it a source of competitive advantage.

Of course, cost reduction is always important. At P&G, over a 10 year period we were able to reduce cost by over 1 billion dollars, and at the same time increase the service impact, but this is different from supporting the business with breakthrough capabilities.

Q. Can you give an example of how IT can help a business to become more differentiated?

A. This question links to the future needs of the business. In two or three years the business might need to be significantly more agile and responsive than it is at the moment, simply in order to remain competitive. Consequently, we need to start working now on ways to reduce the cycle time of some of the key processes or look at how to introduce more automation. Supply Chain processes would be an example of that. Looking at another area, if the business need is to understand what is happening in the marketplace, we might also want to apply data analytics to current point-of-sale information from retail customers.

Q. How have you managed to balance internal leadership priorities with external competitive pressures when deciding the IT strategy?

A. I have often been asked as a CIO how do I go about choosing the right technology?. My answer has always been "technology comes last". First, we must look at the trends in the market which are having the greatest impact on our business. Second, from this analysis, we need to concentrate

on those market trends which are here to stay—that are significant and most likely will be with us for a long period of time. Third, we should focus on those trends that afford a strong role for IT, or offer the opportunity for IT to influence the business. Fourth, of those trends which can be impacted by IT, the question is then which IT strategies should be pursued? Fifth and last is the question of selecting the technologies that can best support and enable those IT strategies.

Several years ago at P&G, we realized that it was becoming more important for us to accelerate our product development and go-to-market to ensure we continued to win. The backdrop to this was that innovation, especially in new product development, was accelerating across all industries. We analyzed all of our key business processes and found for example, that collecting consumer feedback on new packaging design usually took several weeks. This was often due of the need to construct many different physical prototypes through multiple cycles. As a result, P&G decided to introduce virtual reality models for much of its consumer research. Consumers today don't provide feedback on a physical mock-up, but on a virtual reality experience. The business nowadays is able to do in a matter of days what in the past would have taken many weeks. This is a good example of a trend: the acceleration of product time-to-market, that is definitely here to stay and which had an impact on P&G, and also where IT was able to influence the process.

Additionally, as a CIO looking at how to develop an IT strategy and what technologies would be needed, my team and I never started from what was considered the 'latest or coolest



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technologies’ at that particular moment in time. Instead, we always started from what the expected value creation needed to be, and ensured it linked to our planned IT actions.

Q. After applying this framework, there would have been many candidate projects that you could have chosen to pursue such as the virtual reality example you provided. How did you prioritize which projects to pursue?

A. Firstly, it’s critical to have a constant and open dialogue with each of the business units. At P&G, we had people who were part of the central IT / shared services organization, but at the same time embedded into the various business units. In effect, they were the ‘ears and eyes’ of the Shared Services Group. An embedded team is better able to understand what is

needed by each of the business units from being able constantly to gather business needs and user feedback. This greatly helped us get a better informed and more comprehensive view of business priorities.

Secondly, we need to look at the intersection of ‘what is needed’ and ‘what is possible’. We might for example, have a number of good processes that could be improved. In this situation, prioritization is based on the greatest chance to make an impact, because sometimes there can be organizational readiness issues that need to be taken into consideration.

Q. For a large global organization, what is the reality around the adoption of a simplified ERP landscape, use of real-time business intelligence, cloud computing or mobile capabilities?

A. Naturally, at P&G we were always open and interested in new technologies and business opportunities, but we deliberately didn’t follow the ‘latest technology’ for the sake of it. Our starting point was always that every new technology was considered to be ‘a commodity’ unless we could prove the value it could create for the business. You could call it a ‘healthy skeptical approach’. We always pushed ourselves to connect all the dots, up to the last mile of value creation.

P&G greatly benefited from standardizing its ERP systems. In particular, standardization helped P&G to integrate acquisitions or execute divestitures, quicker and with higher quality. Also, standardizing the ERP systems has been critical in running a more integrated supply chain, as well as consolidating financial data,

business reporting, etc. This was particularly evident when P&G acquired and integrated the Gillette business ten years ago.

Regarding cloud computing, we need to be really precise on what we mean here. As we know, cloud computing can range from pretty simple data storage, up to running a full stack of applications more seamlessly. As always, it's very important to be clear first on the business value.

Turning to mobile technology and platforms, there is definitely an opportunity to move enterprise applications further towards mobility, and away from only being accessible on corporate intranet-like environments. Looking at how most employees access and work with corporate intranet systems, I believe there's an opportunity now to leapfrog running most application services directly to a mobile platform. This would possibly eliminate the cost of maintaining legacy systems which need continuous modernization, while being more in sync with the way people use technology in their personal lives.

Real-time information is all about a different way to run the business and not just about driving more efficiency.

With regards to how real-time business information can be leveraged, again we need to start first with what is needed by the business. We can see all around us, that businesses today operate in a

world which is becoming increasingly volatile, uncertain, complex, and ambiguous,—sometimes referred to by its VUCA abbreviation. Real-time information is all about a different way to run the business and not just about driving more efficiency. It's more about anticipating and detecting what is going to happen, and then running the business accordingly.

This whole idea of real time information, digitization and analytics is very powerful and at P&G it had been an important area for management over the last five or so years.

Q. As you developed capabilities to support real-time decision-making, did you find that you needed to support the business to adapt to this new way of working?

A. When looking into the capability for using real-time information in business decision-making, it can be very different from a traditional ERP scenario. In any organization, many of the foundation level transactional systems that exist are based on the way people carry out their day-to-day work—where often there is only one way to do a given task. For example, if a supplier is to be paid, there is usually only one way in accounts payable to do it—you cannot pick up the telephone or send a spreadsheet over email, etc. Likewise for customer orders, there is typically a single system that enables you to access orders, and then follow a process to handle the shipment of the goods, delivery, invoicing, etc.

However, in many commercial areas such as marketing or sales, the information systems are historically less structured. In these situations, user adoption is critically important because often people, especially those

working in local country units, will have a choice whether or not to use centralized systems.

Similarly with business analytics: it's important to drive user adoption, since in most cases analytics are open-ended or predictive, and can't be embedded in specific business processes. In order to drive adoption, at P&G we always started with the value proposition – we worked with a business unit to prove the value. From this approach, we could then create the 'pull', where people themselves wanted to adapt and embrace the change.

Automation will inevitably continue to eliminate certain types of manual, repetitive tasks.

Q. What are your views on cognitive computing and robotic process automation in the context of application management and whether automation can deliver real business outcomes rather than simply eliminating labor?

A. It will be both. Automation will inevitably continue to eliminate certain types of manual, repetitive tasks. I believe we are now going through a second industrial revolution. There are several administrative processes that could be fully or mostly automated, by a combination of Artificial Intelligence, and Augmented Reality. This is a fascinating field and the opportunities to transform the business are significant.

Integrating IT operations with business process services is very powerful.

Q. Can you share your insights on how best to synergize service delivery across the entire IT stack (business processes, applications and infrastructure) to ensure flawless execution of business transactions and a superior service integration experience?

A. I believe integrating IT operations with business process services is very powerful as it improves both the efficiency and effectiveness of running the business. An additional benefit on the organizational side is the creation of single delivery units. As a result at P&G, not only did we see significantly reduced costs and better service levels with faster speed of execution, but also more rewarding jobs for our people. Indeed, for the first time people carrying out functional roles (Finance, HR, IT, Procurement, Consumer Relations, etc.) did not necessarily report to someone else from the same job function. They often reported to a person from another function, which most people found to be very engaging and a great learning experience.

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Q. What role does application management have in making organizations future proof?

A. I don't know whether there is such a thing as being 'future proof'. Instead, I'd prefer to answer the question in a different way since what I am seeing for myself is a series of dramatic changes that have taken place over the last six or seven years. I'm not talking here about the emergence of the touch screen on consumer devices or launch of different apps or social media websites, but a definite change in mindset. The world we live in nowadays has created in all of us, an expectation of being served very rapidly. Today, you can get an app launched in just a few weeks and as a consumer have continuous and free access to huge amounts of the latest information available. I believe the traditional business model where a new project in IT has to take dozens of millions of dollars and years to complete is going to be gone pretty soon. In future, I believe we will be seeing fewer large-scale systems deployments and instead multiple releases, each one taking just weeks or months, not years. It's all about managing the project scope to execute fast and iteratively.

Q. What measures have you used to manage applications with overlapping functional capabilities? How does your approach enable both local and global flexibility?

A. We always tried at P&G to be "as standard as we can and as local as is needed". My philosophy has never been to standardize at any cost because we must always do what is right for the business. However, I would say that in my experience, when looking across different markets and

business units, there are often more similarities than there are differences. Therefore we need to really understand what the true differences are. Quite often in my career, I have seen what appeared at first to be complex and unique processes to a specific group or business function to have more similarities than differences after it was analysed.

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Q. Where you take a decision to support these real differences, how do you make sure that the application landscape doesn't become too complex and unmanageable?

In these circumstances, we try to retrofit the differences onto the standard platform. Typically, you might find a country or an individual business unit that could have a few valid differences due to the nature of their market. Of course, in the end it's about striking the right balance between doing some re-work later as needed, with serving the business sooner and faster.

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The dilemma in technology is always the same: how do you derive scale and at the same time, remain relevant for the individual business unit needs?

Q. How can a CIO drive an agenda of seamless access to data, data integration and effective data driven decision-making in a complex application landscape that is composed of legacy and COTS applications (including ERPs)?

A. When we talk about data and data aggregation, it's like 'putting your arms around an elephant'. My comment here also applies to business intelligence for which there are two schools of thought. The first school of thought says that before you do anything with business intelligence you need to centralize the data, standardize the data (or at least harmonize the data); otherwise there is no point in producing any new level of data reporting for the business in the first place.

The second school of thought says that, while such an approach is logical, it will never happen, because you will never get to the point where you will be satisfied that you have centrally aggregated all the data you need. It goes on to say that you need to create an incentive for the business to invest, otherwise everything you do with data will be viewed as an overhead cost. This second school of thought also says it's necessary to create visible value and an incentive for business units to fund building data infrastructure.

At P&G, when we started to build Business Sphere, we only had about 60 percent of the data feeds necessary available to us. However, this new, immersive and visual analytics-

based environment itself became the catalyst for continuing to invest in the data platforms.

I belong to this latter school of thought based on building a value proposition for the business that will encourage it to invest in data management. Of course you need the data, you need for it to be standardized and centralized, but the sequencing has to start first with the business to create the value and then create the 'pull'. Always start with the business questions. The kind of business question you want an answer to; will help determine what data you need.

Q. What about the technology angle in the analytics-oriented innovation you cited?

A. At P&G, we always used commercially available technology. P&G's Business Sphere for example, uses several different commercial technologies. We were able successfully to patent Business Sphere because the business solution was innovative not the technology components. It was the integrated model that was new.

Q. In your experience, what are the best practices in structuring an IT organization to harness the benefits from centralization and localization?

A. The dilemma in technology is always the same: how do you derive scale and at the same time, remain relevant for the individual business

unit needs? In my experience, an effective organizational model to accomplish this is to have IT people embedded in the business units, accountable to the business and for business results, while simultaneously managing the organization in a centralized way. Crucially, this is not about co-location, but priority setting, resource allocation, etc. It's about striking a good balance. Indeed, it's all about balance.

Additionally, I've never seen any IT organization able to deliver on standardization if they hadn't centralized first. Only after you have established a centralized organization, can you then start to look at how to optimize IT delivery. This could involve some tactical sourcing like offshoring. From here, you can move to strategic sourcing which may involve the outsourcing of selected workstreams or activities. The organizational design and the model used can be critically important.

Q. What sorts of business outcome and IT output-oriented commercial structures will be of greatest interest to the business?

A. At P&G we always measured the outcome of our work in business terms. Inevitably, there will be certain metrics tracked which will be for internal use only, because they relate to aspects of operational excellence and productivity. In situations where we had a big new capability to deploy or were installing a new system, the

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speed and quality of execution might be the key performance measures, based on the business outcome that should be generated.

Q. Looking back over your career, what would you have done differently during your tenure as a CIO?

A. With the benefit of hindsight, I would have tried to integrate more IT people into the business organization by arranging for more IT people to undertake short-term assignments in the business units. For example, an IT person who was involved in supporting manufacturing, sales or financial systems, could take a temporary assignment of 6-9 months in that area. This would help to make the IT person a more competent business partner, and would also be a great personal development opportunity. We always had this idea in mind and in fact did do some of it, but we never really got round to doing it in a systemic manner. On that note, we need IT professionals increasingly to

be business people. That is, nowadays it's less about 'talking the language of the business', and more about having business knowledge, passion and the mindset.

In my opinion, IT is today at an inflection point. Now is the time for IT professionals to start playing a greater leadership role in the business. Indeed, there is no other function where three critical capabilities come together: information management, digital technology and project management. However, many IT professionals still need what I would describe as 'self-empowerment'. IT people sometimes expect to be asked or told by business leaders what to do. This is a missed opportunity for all those involved. Overall, I believe that a CIO can generate the greatest value by being a trusted partner of the CEO, bringing him or her relevant capabilities, and suggesting new approaches that help transform the way business is done. More than ever before, the time for that is now.

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