



Keith Negley

Integrating diverse IT systems:

An interview with the CIO of Credit Suisse

Article at a glance

Tom Sanzone, the CIO of Credit Suisse, says he was originally drawn to his current position by senior management's commitment to the importance of technology—a commitment that is evident by his seat on the executive board.

As CIO, Sanzone helps shape the bank's overall strategy, which is based on opportunities his technology organization has created. He also faces the challenge of bringing together three formerly independent IT units while keeping them aligned with the goals of their respective businesses: private banking, investment banking, and asset management.

The impetus for integration was the bank's realization that it was missing out on top-line synergies and on opportunities to cut costs by building scale in low-cost regions.

Sanzone says that the integration of these IT units resembles a merger between independent companies. The effort involves a search for best-of-breed processes and talent that can then be dispersed across the entire organization.

Tom Sanzone explains how his broad authority within the company helps keep IT aligned with the business strategy.

**Bradford Brown
and Allen L. Weinberg**

Tom Sanzone, CIO of Credit Suisse, says he was attracted to his position by senior management's commitment to technology—a commitment demonstrated by his seat on the executive board of Credit Suisse. In that role, Sanzone helps shape the bank's overall strategy, which is based on the opportunities that his technology organization has created. At the same time, he's bringing together three formerly independent IT organizations while keeping them aligned with the goals of their respective businesses: private banking, investment banking, and asset management.

McKinsey's Brad Brown and Allen Weinberg recently talked with Sanzone about his leadership principles, the challenges of integrating diverse IT cultures, and the evolving role of the CIO.

McKinsey on IT: *What challenges and opportunities attracted you to Credit Suisse?*

Tom Sanzone: Many CEOs talk about how crucial technology is to the future of the company, but then they place IT two or three layers below them in the organization. I think if something's that important, you want to keep it close. I've always felt that if companies are truly technology-centric, IT needs to have a seat at the table. The offer from Credit Suisse's CEO, Oswald Grübel, to report directly to him, to sit on the executive board, and to really be part of the team running the company—that was very exciting to me.

The other unique aspect of this role is that the entire technology organization is structured to report to the CIO. Very often, you'll see business-aligned development groups or sometimes even infrastructure groups reporting directly to the business units. Or companies have the development groups reporting to the business units and infrastructure groups working for the CIO. I think you can do more when you have the whole organization under one umbrella.

McKinsey on IT: *With that level of prominence, how do you view your mandate within the bank's overall strategy?*

Tom Sanzone: When I arrived, over a year ago now, the management team here had already embarked on a plan, which was called the One Bank integration, to integrate Credit Suisse's three core businesses—private banking, investment banking, and asset management—into a single organization. Those three businesses had been run independently, with very little interaction among them. As a result, their respective technology groups also had little interaction.

When you bring three organizations together, there are always inefficiencies and redundancies, some of which you can manage very quickly and others, like systems consolidations, that take longer. My mandate is to help drive that integration and find ways for technology to improve the performance of the company on both the top line and the bottom line. In terms of revenues, we realized there were enormous synergies between the three businesses that we weren't capturing. For example, capturing synergies can mean introducing an



Thomas J. Sanzone

Vital statistics

Born August 31, 1960
Married with 2 children

Education

Graduated in 1982 with BS in computer science from Hofstra University, New York

Career highlights

- Credit Suisse (2005–present)
 - CIO, member of executive board
- Citigroup (merged with Travelers in 1998)
 - CIO, corporate and investment banking, private client; global transaction services business (1998–2004)
- Travelers/Salomon Smith Barney
 - Salomon Smith Barney: responsible for capital markets development; instrumental in merger-related systems consolidations for Nikko Salomon Smith Barney, Citicorp, among others (1997–98)
 - Salomon Brothers: roles included managing director, head of global application development, and senior operating officer for fixed-income and equity sales trading (1984–96)

investment-banking client who has just come into significant wealth from an IPO to one of our private bankers. In addition, we can identify savings opportunities and productivity improvements by bringing the organization together and eliminating overlaps in systems and in the organization.

McKinsey on IT: *So how do you think about the alignment between IT strategy and business strategy?*

Tom Sanzone: Each of the three businesses has a strategy to become the premier industry player over the next three years, and we have technology initiatives that can help the business achieve those strategies.

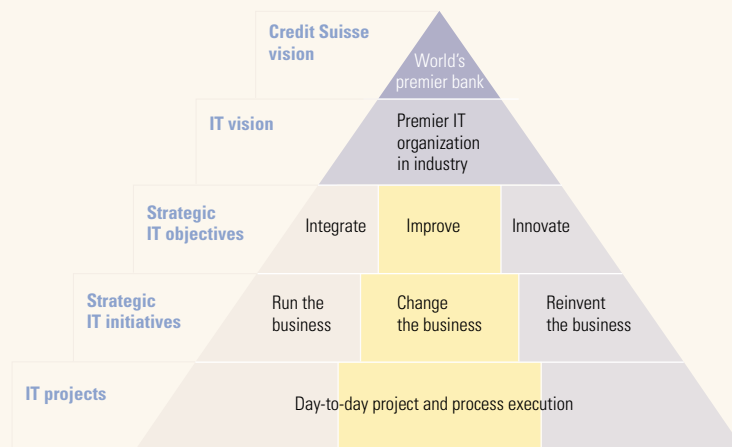
I often use a diagram of a pyramid to illustrate our IT strategy and vision and how the technology and business strategies are totally aligned. At the top of the pyramid is Credit Suisse’s overarching vision of being the premier bank. Aligned below that is how IT supports that vision by becoming the premier IT organization in our industry and by creating competitive advantage for our clients. Our IT vision is in turn supported by three pillars: integration, improvement, and innovation—a strategy we call our three *I*s or *I*₃.

First, we have an extensive strategy around integration. It’s hard, and not every organization can do it. But you can do it pretty quickly as long as you make the tough calls. The process doesn’t take that long if people are aligned to get it done. The second pillar is improvement. It’s mostly about all the initiatives that are aligned with our businesses and

Exhibit

IT strategy and vision

Sanzone’s pyramid illustrates the alignment of Credit Suisse’s IT vision with the bank’s overall business strategy and vision.



Source: Credit Suisse

are meant to grow revenues. So there's a whole portfolio of initiatives within technology to improve profitability, grow revenues, and improve processes. These projects generally take longer before they deliver competitive advantage.

The third *I* is innovation. And while there are certainly initiatives aimed at making incremental improvements in the bank's business, our innovation stream is really about implementing revolutionary change in the way we run our business or in creating significant new efficiencies or revenue opportunities. Technology obviously plays a key role here, since it often acts as an enabler for new processes and services. If we can create a competitive advantage in delivering our IT products to our internal customers, we've done our job. It's then up to them to go out and sell and trade and do business. That's the partnership.

McKinsey on IT: *How have you reorganized IT to pursue those goals?*

Tom Sanzone: I spent my first four months or so getting to know the organization—what the challenges and strengths were—and then formulating a strategy. One of the things I did early on was to ensure that IT was closely linked to the business. Just as I sit on the executive board and work for the CEO, I made sure each business's CIO also sits on the management team of the relevant business. So our head of IT for the private bank sits on the management team with the CEO of the private bank, and the same is true for the investment bank and asset-management divisions.

There are, of course, certain IT functions that need to be leveraged across the organization for maximum efficiency and productivity. Infrastructure, for example, is a key enterprise-wide function, but it also has to serve the specific needs of each business. So in the case of our infrastructure management, we make sure that many key players have a dual-reporting structure—to the function itself as well as to the businesses they serve. Matrix reporting, in my experience, is an excellent way to manage a complex global organization.

You also have the chief technology officer, who sets the technology strategy across the entire stack, from infrastructure through the application layers. More and more, the key to success in platform development is really looking across the entire stack and making sure it all works together.

And you have to build into the organization a powerful risk-management capability—one that meets the highest standards in terms of data security and business continuity. With an enormous portfolio of 5,000 or more projects a year, we are always on the lookout for risk that needs to be managed and mitigated.

McKinsey on IT: *What have been some of the difficulties of bringing these organizations together?*

Tom Sanzone: The biggest issue of integrating an organization is managing its people. Whether it's issues of change management, cultural issues, or differing value systems and

approaches, it is important to leverage best practices across the organization in order to achieve the best results. Each organization has its own culture, and we've spent a good deal of time and energy getting the balance right between those cultures.

McKinsey on IT: *Do you have a structure for bringing new-technology innovation into the organization?*

Tom Sanzone: We have a small R&D group that has developed as part of our investment bank, and it has great relationships with the venture capital community and emerging-technology companies. The R&D group is constantly evaluating new technology to see what looks promising and how it could impact our business in the next 24 months. We have a funnel process where technologies are reviewed and piloted. If the products make it through the rigorous evaluation process, some of them are eventually sanctioned and put into production.

And, of course, innovation starts with the caliber and the commitment of your people, so through newly energized recruiting and retention programs we are making sure our IT employees are the best and the brightest—that they are fully engaged, provided with opportunities for growth and training, and exposed to multiple experiences and points of view. In the end, your people are the raw material of innovation.

McKinsey on IT: *And this R&D group can develop projects that don't have a business case yet?*

Tom Sanzone: Actually, only in the very early stages, in which we're not investing a lot of time and money, would the group be working on something without a business case. It's important to note here that the mission of the R&D group focuses more heavily on *D* rather than *R*. The group understands that, at first, new financial products start out as innovations that tend to offer competitive advantage and high margins, but new products become commoditized over time. It is important to have a flexible and scalable technology model that responds to the life cycle of a product that quickly goes from innovative and high margin to commoditized and low margin.

In our business, a lot of these commoditized financial products require trading platforms that are volume insensitive, meaning they allow you to run huge volumes at razor-thin margins. One of the things that the team is looking for is how do we develop platforms that are highly scalable and attract very little additional cost as volumes grow.

McKinsey on IT: *Is it more difficult to manage innovation than the other buckets, since the risk is higher?*

Tom Sanzone: Yes, there is more risk inherent in innovation. There's no doubt. But the reward is also much greater. Innovation is a critical pillar and the one that is really going to help drive our efforts to become the premier bank on Wall Street. Our ability to gain a competitive advantage depends in large part on innovation. And our ability to anticipate

new technological capabilities and new client needs and to adapt accordingly—that’s what is going to really propel us forward. But, yes, innovation requires experimentation and a willingness to sometimes fail, but most of the time, we hope, we succeed. And it takes significant resources, but it’s the only way forward for us. That’s the nature of our industry.

McKinsey on IT: *And you’re bringing ideas or technology developed in one part of the bank and spreading them throughout it.*

Tom Sanzone: Right. I’ve been involved in many mergers, and our situation here is similar to that. You compare the pros and cons of various platforms and come out with a recommendation, which means that platforms that perform less well will eventually become obsolete over time. You stop enhancing and developing them while working on technologies to replace them. So it has worked very much as the merger of separate companies would.

For example, our private bank is very good at management processes, systems development, life cycles, reporting KPIs,¹ and that sort of thing, and now we can apply those processes across the group. We have a project about to go live that places everyone on one common platform that will be developed out of Switzerland. By sharing this particular platform across the organization, we’ll save \$5 million. In short, instituting best practices raises the bar across the whole organization by making us more efficient and by raising the level of performance throughout.

McKinsey on IT: *A cornerstone of your efficiency program is the development of offshore centers of excellence. Can you tell us what you’re seeing from those efforts?*


Tom Sanzone: When I joined Credit Suisse, I saw that we had a significant opportunity to leverage the global workforce and really reinvent the way we manage our people to support our businesses across the entire bank. It’s much more than moving some functions to lower-cost locations. It’s about rethinking how we organize ourselves to support the business. What you’ve seen traditionally in many companies is that IT has an offshoring program, operations has one, and finance has one. They’re putting people all over the place, and they’re not taking a strategic, business-driven approach to how they think about people and how to leverage the existing wealth of global talent. The crux of the issue is this: you need to take a holistic, front-to-back view of the business process and not a functional view, as has traditionally been done in our industry. Our program is taking this front-to-back view and therefore integrating IT and ops, for example.

Our goal is to develop four or five centers that can support our businesses around the globe—a couple in Asia, one in Eastern Europe, and one or two in the Americas. Part of this model is building, in each center, a culture of continuous improvement, process reengineering, and efficiency. To date, we have seen quick adoption of our centers-of-excellence program and a significant bottom-line impact. In just this last year, we have seen significant growth opportunities in our locations in North Carolina, Singapore, and India.

¹ Key performance indicators.

McKinsey on IT: *How is the role of the CIO changing?*

Tom Sanzone: I think the CIO role is getting even more challenging because the role of technology is becoming increasingly critical to the business, as well as increasingly pervasive and far reaching in scope. The business has changed, and in today's world technology plays a critical role, and we can no longer survive without it. IT services are delivered directly to the end customer, so successes and failures are more transparent to constituencies outside the bank. CIOs have higher exposure to the open market and to the public than in the past.

The people running technology organizations have had to broaden their skill sets significantly. The CIO needs to really understand the business and to contribute leadership outside of his or her traditional area of expertise. Take myself, for example. I'm a CIO, but I'm also a member of the executive board, and part of my job is to play a key role in the company's strategy and to get involved in decisions about which businesses we get into or out of. I'm a strategic partner around the table at the board level. IT is now considered a driver of a company's growth strategy rather than the back-engine supporting it. As a result, CIOs now have more accountability and more visibility than ever before. The CIO's ability to create fundamental business value is now greater than ever. 

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