

CHAPTER 1

The Anticipator: Filippo Passerini

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The weather in Athens, Greece, is pretty nice late in the year. At the very least, it's a whole lot nicer there than in Cincinnati, Ohio.

It was a Friday evening in September 2002. Filippo Passerini—then serving as the Athens-based vice president of marketing operations and corporate marketing team leader for Western Europe for Procter & Gamble (P&G)—got a call from corporate headquarters in Cincinnati. It was the morning, Eastern Standard Time.

P&G's second in command asked him about his wife and family, and how he was enjoying his assignment in Greece. Passerini thanked him and exchanged pleasantries, but after 20 minutes of idle chitchat, he knew something was up.

“What do you really want?” Passerini asked the executive.

The answer to this question was more complex. At the time, P&G was in the midst of an extremely complicated situation regarding their shared services organization. The company had decided to investigate opportunities to monetize the unit. But the deal was becoming too complex, and employees were frightened about their futures.

Would Passerini have any problem curtailing his assignment in Greece sooner than expected to help fix the problem? How soon? “Monday.”

Passerini was in a line-management role, another step in a deep rotation through P&G's business—the kind of opportunity that, given two seconds to think about it, any aspiring C-level executive would drool over. He had made a clear decision to see his assignment through—and to stay away from his background in IT for a few years to get a broader view of business leadership.

The shared services project needed leadership, and Passerini knew it. He was far across the Atlantic, but word spread. Many of the 7,500 people in the organization were voicing heavyhearted concerns about their future.

And Passerini and his family were reveling in their life in Athens. Yet there he was, on a plane back to Cincinnati that weekend, about to embark on a journey that would lead him to perhaps the most prestigious role of any information technology leader in the world.



Passerini, a native of Rome, Italy, began his corporate career with Procter & Gamble in November 1981. The 24-year-old systems analyst climbed the corporate ladder quickly, rising through the IT organization until being named vice president in 1997.

He served in leadership capacities—in IT and various line-management functions—on four continents before taking the helm of P&G’s Global Business Services (GBS) division in 2003 and being appointed chief information officer the following year. Today he sits as group president, Global Business Services, and CIO of the \$83 billion maker of some of the world’s most recognizable consumer brands.

His long-term performance—particularly, his prowess for innovating and creating real business value—have garnered him more awards than he can probably count, including *InformationWeek*’s 2010 “Chief of the Year” and the inaugural Fisher-Hopper Prize for Lifetime Achievement in CIO Leadership from the University of California–Berkeley’s Haas School of Business.

But his ascendancy to that role began with that fateful phone call from Cincinnati in 2002.

A few years earlier, Passerini was watching the IT industry turn on its head. The dot-com boom suddenly went bust. Start-ups, promising new technologies and capabilities to power the era of e-commerce, gobbled up millions upon millions in venture capital money, only to disappear seemingly a month later. Jobs disappeared just as quickly, setting the United States off toward its most turbulent economic decade in more than 50 years.

But there was a silver lining for some: Spending on IT infrastructure and services was projected to rise at a steady clip.

A. G. Lafley, P&G’s acclaimed two-time chairman and CEO, and Roger Martin, Dean of the Rotman School of Management at the University of Toronto (and longtime adviser to Lafley), document this

period succinctly in their recent book, *Playing to Win: How Strategy Really Works* (Harvard Business Press, 2013). As those demands grew, in came a new crop of providers—both domestic and foreign—called business process outsourcers (BPOs). “As the post-crash dust cleared, rapidly digitizing companies were faced with decisions on how much to use BPOs, which BPO partner to select, and how best to do so,” Lafley and Martin explained. “It wasn’t easy; the implications of a poor choice could be millions of dollars in extra costs and untold headaches down the line.”

In 1999, P&G created its GBS organization, essentially pulling together under one umbrella the units it thought could be outsourced. These included IT, facilities management, and employee services. Three years later, the company evaluated three options for the department’s future: keep it in-house, spin it off into a separate BPO, or outsource most of it to one of the active players in the BPO arena.

There was no clear or easy decision. Many at P&G saw an arduous path ahead. Passerini saw an opportunity.



One of the most important motivators for Passerini in this project was the notion of turning a problem into an opportunity. It was something he experienced—the hard way—10 years into what is now his 31-year tenure at P&G.

From his start in Italy, Passerini went to Turkey as a manager of management systems. He moved from there, in 1991, to the United Kingdom, where P&G had its second-largest IT operation, as well as its second-largest profit center. In the United Kingdom, Passerini had to step up what he called his broken English to the Queen’s English. At the same time, most of the team members he was overseeing there were older than he was.

Then P&G decided it would roll out a new order-to-cash system across Europe. The system was the backbone—the veritable nerve center—of everything P&G does, from orders to pricing to payment to the biggest of all: shipping. If P&G can’t ship its products, P&G products don’t land on store shelves. If P&G products aren’t on the store shelves, P&G isn’t selling.

Passerini volunteered to handle the first rollout. “I thought I could easily conquer the world,” he said. But this was no conquest. The rollout went very badly, Passerini said, mainly due to his inability to adequately manage both the change and the expectations. He thought he was finished at P&G. He even went home and told his wife they’d probably need to head back to Italy to find another job.

Clearly, it wasn’t so. Passerini turned it around, and two years later, he was promoted to director and sent to Latin America. He turned a bad situation into a positive one, and now he drills that ethic into the heads of everyone in his GBS organization. “It’s more than fixing the issue. It’s not about playing an even game. If you are 1–0, to use soccer language, it’s not only about how to get to 1–1, but how can you win the game?” Passerini said. “When we have an issue, we always think not just how to fix it, but how to turn a negative perception of a system problem or change management into a success story. This is another element, from a cultural standpoint, that is so critical.”

Fast-forward to Cincinnati, where Passerini was beginning to assess what to do with GBS. The three options were on the table: stay the course, spin it out, or outsource it. According to Lafley and Martin, “Any of these choices might have seemed sensible given the circumstances. But none effectively answered the question of how P&G could win with its global services.”

The leadership team overseeing the outsourcing idea decided, after a long selection process and negotiations, to sell the unit to Electronic Data Systems, then a leader in the BPO space. But that created negative reactions among GBS employees, whose futures became uncertain and confused. In turn, that started a lot of internal swirl.

GBS employees were in disarray. Would they have jobs? If they stayed with P&G, what roles would they be given? Company leaders were getting hundreds of messages a day from these frightened employees.

Things were spinning out of control. Passerini knew he needed to find a different solution, an alternative to the three options put on the table. And the GBS employees would need a little tough love.



Ask anyone who knows Filippo Passerini, and they'll tell you he's one of the nicest guys you'll meet in the business. But he's also a firm believer in tough love.

That term means a lot of things to a lot of people, and most of the time it's just some jargon from business school that seems to fit the occasion. But for Passerini, it's a mind-set, a *modus operandi* for dealing with 6,000-odd people he oversees globally today at P&G.

As he continued to review the options, he saw pluses and minuses, as Lafley and Martin described.

Since the entire issue created so much dissension, they could always keep GBS internally. This was the "if it ain't broke, don't fix it" option. Selling the unit to a BPO would make a big splash, but it could have the negative effect on morale that Passerini was hearing. Outsourcing to EDS or another major BPO offered economies of scale, but would P&G see the cost-effectiveness and service levels it required? Would outsourcing really create an environment that fostered innovation and value creation?

When there's no easy answer, leaders have to get creative. Passerini came up with a better option: "selective" outsourcing. Instead of going with one BPO, he decided to selectively partner each area with best-in-class providers.

"The logic of this best-of-breed option was that P&G's needs are highly varied and that a variety of more specialized partners would be most capable of meeting the needs," Lafley and Martin wrote. "Passerini saw that specialization could increase the quality and lower the cost of BPO solutions, and believed that P&G could manage the complexity of multiple relationships to create more value than it could through one relationship." The selective option also limited risk across partners and gave P&G a clearer baseline for their performance.

GBS outsourced IT support and applications to Hewlett-Packard (HP), then only fourth in the market. Employee services went to IBM Global Services, and facilities management to Jones Lang LaSalle. The benefits to the company were beyond considerable: To date, P&G claims Passerini's GBS organization has saved the company more than \$1 billion since this critical decision.

But as he knew, any decision at that point would yield some emotional responses from employees, given the deep concerns that many people had developed. When some asked why—after so many years of success—was P&G outsourcing at all, Passerini stood firm. He's not in the outsourcing-just-to-outsource camp; cost savings are important, but there were added benefits—benefits that would drive even more value for the company.

“It allowed us to completely reframe the way we think about our role within the business,” Passerini said, 10 years after executing the selective outsourcing deal. “We have farmed out what we consider more of the mundane, commodity cost, and kept in-house the more upstream, strategic value-creation part of technology. And we did it because it would give us more flexibility, it is more strategic for P&G, and it allows us to focus on bigger ideas.”

But the people issues remained. Passerini again stood firm.

Early into the process, he committed to working as quickly as possible to find the right solution and model to solve the GBS crisis. In the meantime, he knew that many P&G employees would be forced to move to other companies, so he worked to negotiate the best terms with the new service provider.

When HP won the IT business, 2,000 P&G employees made the transition—but with equal salary and benefits to those they had at P&G. So despite the turmoil and uncertainty, Passerini said, those employees landed parallel jobs at a top technology provider, and one that could probably offer very strong career opportunities.

“Tough love is important. I learned it's so crucial to give people full transparency about what is happening,” Passerini said. “There is always a dilemma about how much you tell employees when you have a new idea, early on, because it may generate more questions and concerns than benefits. We have come to the conclusion that we share everything immediately . . . things may not always materialize, but we want our people to know that if it doesn't work, we will change again and do something different.”



Passerini will be the first to tell you that he was not exactly welcomed by all when he took over leadership of GBS. Some people were happy, but others saw the appointment of Passerini—who came from outside GBS—as sending a negative message to the leadership of the GBS organization.

There are many ways to right that ship. But another decision Passerini made surprised many of his naysayers—and stood the chance of destroying any credibility he had.

After the decision was made to kill the deal with EDS, a governance committee P&G established to steer the project was dismantled. In the eyes of many within GBS, it was a victory, because this committee was seen as having taken over GBS during the deal. To Passerini, it was another opportunity.

The 15 members of the committee had been through quite a wringer prior to Passerini's arrival. They had deep experience and understanding of GBS. They were originally chosen because of their competence.

So he decided to invite them back into GBS. Passerini told his troops, quite simply, that it would be a waste to lose the group's knowledge. Not all of the 15 decided to come into GBS full-time, but Passerini was able to persuade the folks who fit best to join his organization.

That decision was critical to what happened next: executing the \$4 billion selective outsourcing deal in only 11 months. The shadow committee had worked for 18 months on a solution, and they had crafted the proposal with EDS—the proposal that served as the blueprint for the IT outsourcing to HP.



Not long after the deal was done, GBS employees posed an interesting question to Passerini: “Are we done yet?” Passerini's answer goes to one of his fundamental leadership principles: staying relevant.

Passerini—adapting guidelines Lafley established for P&G executives in his “playing to win” philosophy—asks three major questions of his team before undertaking a major initiative.

The first is, what right does the organization have to win? When it comes to technology, too many CIOs think that buying the latest software or systems will automatically translate to business value. “CIOs will normally think, if I do what is right, it will translate to good for the business. We don’t think so,” he said. “We think you need to start with the end in mind of what is the business value, and then work backwards into all the steps that unequivocally lead to that business value creation.”

But to get to that value creation, Passerini asks tough questions. Does his organization have better skills? Does his team have more passion?

The second is, what needs to happen for the initiative to generate that business value? “What needs to be drilled in to be successful?” Passerini asked. He forces his team to look beyond vendor buzz and spin—and also to acknowledge how fast business and technology are changing today.

The third is the most important: What can go wrong? Passerini says he lives his life by that critical question. And it helps his team understand the concept of *anticipating* issues before they spring up.

With those three—he calls them the rocks of his organization—he forces a larger discussion around relevance. “The only thing we’re interested in is being relevant to the business—creating value for the business,” Passerini said. “What can we do to be more relevant? This is a most critical question, and one that we should ask ourselves every day.”

So, when asked if the organization is done yet, Passerini points to relevance. Instead of thinking about the huge outsourcing deal that was just completed, he refocused his people on what was yet to come. They still had jobs to do, services to provide. If they could stay relevant, Passerini said, then the organization will prosper. “Our future, our destiny, is in our hands,” he told his team.

But these weren’t just casual (or popular) words of encouragement. He broke it down further—if GBS gets complacent or becomes a commodity, then they must compete with other providers in developing nations, and in the process, they’ll lose confidence from the business. That’s the opposite of the relevance he seeks.

“So the question for us is not whether or not there will be more outsourcing,” Passerini said. “The question for us is, what needs to

be true for us to stay relevant in the business? Otherwise we're at the mercy of 'anything can happen.'"



To Passerini, relevance needs to come with a certain degree of humility. He emphasizes to his team to not act like know-it-alls, but to also have the confidence to accept more responsibility and the self-assurance to propose innovative ideas to the business.

Relevance matters. If P&G's IT or GBS organizations weren't coming up with compelling and creative ideas that actually drive business results, then they surely would have been getting plenty of input from business leadership.

The relationship with senior leadership is built on trust—and credibility. One would have to think that's the case because of the success of the GBS organization since Passerini took the helm in 2003.

There were plenty of positive outcomes from the massive outsourcing deals P&G cut, but for Passerini, perhaps the biggest was the capacity to focus on doing what he preaches the most: adding value to the business. That came with farming out the "mundane" IT tasks so they could focus on more strategic undertakings. "It [gives] us more flexibility, it is more strategic for P&G, it allows us to focus on bigger ideas," he said.

Passerini and his team have built up a treasure trove of noteworthy innovations, but he doesn't dwell on any single technology-specific victory. Instead, he harkens back to the vision of making P&G the most digitally (read: technologically) powered corporation in the world.

One of the toughest things for any IT organization is to bring their accomplishments to life. Virtualization can increase server capacity, but that's not something users can touch and feel. Providing mobile access to corporate systems via smartphones and tablets is clearly tangible, but it's increasingly becoming table stakes for modern IT shops.

But walk around P&G's headquarters, and you will undoubtedly see technological innovation in ways that most never imagined 20 or even 10 years ago.

There's the Business Sphere, an oval conference room with wall-to-wall screens. When business teams take their seats, the screens light

up, depicting a globe. An analyst takes them through how P&G products are selling in any location—from Pampers in Portugal to Downy in Denver. Executives can see just about real-time details on every facet of sales and make crucial decisions on supply chain, merchandising, and pricing. P&G has since deployed more than 50 Business Spheres around the world.

Then there are Decision Cockpits, which are something like dashboards on steroids they began developing in 2008. These portals—displaying the quasi-proverbial “single version of the truth”—harness data on business operations and trends, including automatic alerts and drilled-down analysis. End users can customize their portals to help them arrive at faster decisions. Initially, 2,000 used them on a weekly basis. To date, the cockpits have been rolled out to more than 58,000 team members.

Yet another example is virtual mock-ups, which presented a new way to think and rethink the way P&G packages and presents its brands on shelves. In the past, when the marketing team at a product like Tide wanted to redesign the packaging, they had no choice but to create a physical prototype. Then they had to get all the physical competitive products to see how the new design looked when stacked on shelves. Today, the designs are done virtually, allowing brand managers and their teams to make decisions without the cost and effort of creating an actual product. The old way could take more than a month; the new way happens in about two days.



Whatever the project or initiative, Passerini and his team play to win. They strive to innovate. And they don't stop until they've delivered real business value for P&G. The idea of anticipating is equally vital.

Passerini's emphasis on anticipation, in many ways, comes from an examination of history.

Think back to Detroit. Decades ago, a prevailing concept in business was the big fish devouring the small fish. You could see it with the then-Big Three car manufacturers. Their operations were integrated, more monolithic. They owned everything from the plants to the dealerships.

They had a staggering number of employees. Big fish, indeed, and they gobbled up all the upstart competitors who tried to stake a claim.

Then came the Japanese manufacturers, with a new model that stressed agility and flexibility in pricing, manufacturing, and marketing. Slowly but surely, the Big Three found their match. The big fish were strong, but the fast fish were taking over.

Today, Passerini sees a different playing field. To him, it's not about the big versus the small, or the fast versus the slow, but the ones that can network with others, instead of being trapped in the old ways.

The visual is a little harder to imagine, but anyone with even a cursory understanding of today's business environment can glom on pretty quickly. Most business executives neglect to take such an anecdotal view, but for Passerini, it's a reality he can't ignore—and he applies it to every aspect of his organization.

Plenty of CIOs staff up in the usual, classic IT skills like architecture, development, or project management. Passerini and his team continue to seek out IT professionals who can navigate this new, hyper-networked world. That means working with partners, managing relationships to a higher level of win-win outcomes. And he said his team finds this more exciting—which leads to higher morale.

This is where anticipation comes in: He saw the future before it arrived, thanks to the lessons of the past. And you know what they say about those who don't know history. . . .

"I've come to the conclusion that anticipating in life is fundamental to stay in control. This applies across most areas. Think about sports. Skiing, for example. If you're falling behind, you fall. If you're playing tennis, if you anticipate the ball just a bit, you have much more power," Passerini said. "It's about anticipating what's coming. If we anticipate, we stay in control."

It all circles back to getting ahead of the business, analyzing the overarching global trends that affect P&G's business, and creating solutions that keep the company ahead of its competitors. That ability to anticipate influenced his and P&G's belief in leading any initiative with the outcome they desire. When they know what they're after, they thrive—they play to win, as Lafley and Martin say—and that drives how their staff reacts.

“This is what creates a lot of energy in people—they feel like they’re players, not spectators,” Passerini said. “There’s a big difference with sitting on the sidelines and waiting for the business directions. It requires different skills; it requires an agility and ability to respond. So we spent a lot of time crafting the mind-set, the skills of a successful, progressive, innovative IT professional.”



They spent a lot of time crafting the exact qualities Passerini has exhibited throughout his career—though, albeit obvious, he’s far more than an IT professional.

In recent years, much has been made of the *CIO-plus*, a new buzzword denoting the ascension of IT leaders to positions of greater authority and influence, often in areas that have more bottom-line impact to their companies than their original charge.

While many wear the CIO-plus badge with honor, Passerini, a CIO-plus in full, scoffs at the moniker. “To be very candid, the definition of a ‘CIO-plus’ is a self-fulfilling prophecy—a negative self-fulfilling prophecy,” he said. “That means you are a CIO and can only aspire to be something more than that.”

Passerini is one of the few sitting CIOs who is on the board of directors for a public company—in his case, United Rentals, the leading construction rental equipment provider. Passerini was elected to the board in 2009 and currently serves on three committees of the company.

And that’s largely attributable to his own self-assessment: Passerini sees himself as a business leader, not a technology know-it-all. That comes from years in line management, working on various continents, and occupying a long-term seat at the executive table. Ask him about the latest buzzword technology, and he’ll give you an answer you won’t get from most CIOs: “I consider any technology a ‘commodity,’ unless we find a proven and concrete business value.”

That’s what separates him and other elite CIOs from the pack. “If I was thinking of myself as a technology leader, I don’t think I’d be here having this conversation,” he remarked during our interview.

And with that perspective comes some heady advice for the IT leaders of today. As he hears conversations at CIO conferences and reads the latest stories about the role, Passerini admits to being puzzled. There are existential questions about the future. Who am I? Where am I going? Why do I exist? Passerini said, laughingly, “I’ve never heard a CFO [chief financial officer] or CMO [chief marketing officer] asking themselves these questions.”

Passerini’s prescription for overcoming this hurdle is quite simple: Disenfranchise yourself. In more elaborate terms, forget what you know about your technology background and focus on being a businessperson—and how, as a businessperson, you can create value through technology.

It’s the big picture that matters. But with it comes humility. Despite his massive influence over a company that influences our choices as consumers, he refers to his executive assistant as his “angel,” invites close friends and advisors to dinner at “Chez Passerini,” and, while he ticks off the most up-to-date statistics and metrics of his organization, he remains humbled even being considered among the other acclaimed IT leaders in this book.

