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The CIO Series

State Street CIO Chris Perretta Brings Precision, Planning and Execution to IT Projects that Advance Business Strategy



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Christopher Perretta likens a successful IT program to a beautiful golf shot. Achieving such a program calls for aligning the IT function with the business goals of the company. This in turn requires close cooperation with other departments and the ability to recognize customer needs. Such skills are particularly important in a financial services industry that currently faces pressures ranging from sweeping regulatory changes to diminished financial returns.



Christopher Perretta compares his role as executive vice president and chief information officer (CIO) of State Street Corp. to playing the game of golf. "There's nothing as beautiful as a beautifully planned and beautifully executed golf shot," Perretta says. He takes a similar approach to his work at

State Street, the Boston, Massachusetts-based provider of investment management services to financial institutions around the world.

For Perretta, planning and executing an IT project calls for recognizing the needs of major clients and working closely with State Street managers who drive the businesses involved. The goal is "to understand and to make the connection between what [the managers] do and what IT does," Perretta says. At the same time, he seeks areas within technology, and especially with regard to financial services, that can enhance business performance.

Such tasks have become increasingly vital in a financial services industry that has witnessed

"tremendous strain" in recent years, Perretta says. Among the sources of such strain are diminished financial results, sweeping regulatory changes across global jurisdictions, and a heightened need for security and privacy that is growing "by leaps and bounds every year," he says.

Against this backdrop, Perretta has his job cut out for him, leading State Street's global IT operations, with their more than 5,300 employees and contractors worldwide. Founded in 1792, State Street had \$21.8 trillion worth of assets in custody and administration and \$1.9 trillion assets under management as of December 2011. The company operates in more than 100 locations globally. State Street offers investment servicing, investment management and research, and trading services to a wide range of institutional clients that include mutual funds, pension funds and insurance companies.

An electrical engineer by training, Perretta oversees State Street's technology infrastructure, application development and systems architecture. He holds a bachelor's degree from Johns Hopkins University and a master's degree from Syracuse University, and served as CIO for GE Commercial Finance and GE Capital before joining State Street in 2007.



AN IT EXPERT AND A STRATEGIC PARTNER

His job calls for bringing two sets of skills to the table. He must understand what goals State Street wants to achieve, and what IT assets must be deployed to reach those results. Such an understanding helps to flesh out “a long-term plan for technology which fits with the overall context of the business strategy,” he says.

Perretta is thus expected to be both an IT expert and a strategic partner who understands finance, marketing, branding and other business initiatives. “You just have to come to the realization that you’re paid to worry about technology and that’s a given,” he says. “Everybody just assumes that you have competency in that area and that you’ll make the right directions and put them in the business context.”

Perretta begins by identifying IT architecture that can solve an operational challenge or capitalize on an opportunity. “We put that architectural initiative in the context of a business result,” he says. Getting the initiative right “has an immediate impact in the cost of operation and the level of service [State Street] can provide to customers.”

Take a current IT project that aims to provide a single view of the life cycle of a trade as it progresses through the State Street organization. IT advances have made such a view possible and Perretta was able “to demonstrate and to quantify what that really means to the business” in terms of short- and long-term benefits. “It’s a heck of a lot easier to sell that into the business when they know they can [gain] the benefits associated with it,” he says.

It’s also crucial to sell his IT team on the benefits of implementing a project. “You have to convince them that in doing so they’ll be able to deliver more for [State Street] customers, Perretta says.

That’s a key point for Perretta, who attempts to look at projects from the customer’s point of view. For example, “We are a trust bank,” he notes. “Our job is custody. It’s to safeguard things. So first and foremost you have to make sure you have the compliance, the controls and the security,” he says. This is a particularly sensitive requirement in today’s risk-averse financial services business, he adds.

The macro economic environment increases the challenge of getting funding for IT projects. “To be blunt about it, in the go-go years, it was easier,” he recalls. Back then, businesses were focused more on top-line revenues, he explains. “In this environment it’s much more challenging. You have to look at both sides of the equation, the revenue and the cost sides, more like a manufacturing company.”

LEAN INVESTMENTS IN A TOUGH BUSINESS CLIMATE

Such cost-watching increases the importance of keeping IT operations lean. In a time of flat budgets, new product development can get squeezed as the consumption of IT hardware, software, storage and related services increases, Perretta says. “You have to make the case for fundamentally changing the IT model or else you’re going to run out of juice on the development side,” he adds. “And that’s a real challenge because no one’s had to manage through environments like this before.”

State Street’s board and senior management are “very supportive” of IT, Perretta says. They appreciate that one has to make certain minimum investments to achieve the next level of performance, he says. “Frankly, the use of technology is going up faster than revenue and faster than any kind of productivity improvement,” he adds.



Besides setting IT priorities that match business goals, Perretta must establish clear lines of accountability for the work involved. “This seems straightforward, but I need to know what [projects] cost,” he says. “I need to understand that I’ve delivered those benefits. I have to understand the roles that people play in the delivery of the benefits.”

Perretta and his team have tried-and-tested ways to ensure that their technology projects produce strong results. Engaging with colleagues who intimately know client needs is a must, he says. “It’s a cultural shift of freeing people’s time up to really tap the brains of those people who are really on the frontline with clients,” he says. “All the really intellectual capital is locked up inside these people who are just full-out serving customers.”

This engagement helps to bring other departments on board. It can be “a tough sell” to ask [other departments] to rely on others in the organization for the technology and resources they don’t control but just get as services, Perretta says. Other departments must be able to say, “I trust my colleagues to deliver X when I need it, at a certain price,” and that’s tough,” Perretta adds.

State Street has given technology a strong voice by elevating the role of its chief architect to the top of its IT organization, says Perretta. The chief architect reports directly to him. He likens that role to that of a chief engineer at an automaker. “If the physical manifestation of financial products is technology, which I believe it is, then how we build it actually matters,” he says. “Just like a car company has a head of engineering, we have in our case, a head of architecture to make sure that how we build stuff is appropriate.”

State Street uses well-defined performance metrics to keep a close eye on IT project implementation and return on investment. This helps ensure that the investments are sustained,

unlike scenarios in which big projects get pulled because a corporation’s priorities have changed. “We’re seeing more and more measurements of the development process because the dollars are scarce, and so there is more and more reliance on timely delivery of programs,” says Perretta.

TAPPING INTO CLOUD COMPUTING

State Street is currently building a program to tap into cloud computing, which uses internet-based software hosted in their data centers. Cloud computing “allows freer sharing of computing assets to speed development activity,” Perretta says. “We’re seeing in some areas that we can drastically reduce the time it takes to develop an application when we focus ourselves using [cloud computing] frameworks that stress reuse” through sharing.

Such frameworks allow the company to create IT programs quickly while keeping down costs. “Your chief financial officer will always say, ‘Spend less money,’ but the rest of the business says, ‘We want to go faster,’” Perretta notes. “We focus on speed and watch which projects we do, but the real gain for us is reuse,” he says. “By focusing on that cycle time, we’re getting better results.”

Perretta stores away lessons from each of his projects to help guide him and his team in future endeavors. He always gets the feeling that he could have spent more time defining a project, he says. He thus stresses the importance of “very rigorous” data-driven analysis of projects, and cautions against underplaying the need for change-management in his projects.

Above all, each project must have a clear business purpose. “You’ve got to get buy-in on the business [purpose] or else you’re wasting money,” Perretta says. “Of all the things that could shoot you dead, that one is the big one. You just can’t rebuild your systems because you feel guilty



that they're old. You've got to have a rationale for doing it and you have to know how the business is going to operate."

He particularly admires business leaders who "break the mold and really change the industry" in ways that benefit their companies and customers. Such leaders include Apple's cofounder, the late Steve Jobs, and Amazon's Jeff Bezos, who are not "me-too" types, Perretta says. "They have a vision that might be considered offbeat," he notes, "but at their heart they're focused on some sort of customer interaction and that's really impressive."



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