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Giving technology the credit it is due IN THE CIO'S CHAIR: **Gregor Bailar** of Capital One: A CIO is expected to be part of the executive committee - and to have a significant strategy programme, reports Paul Taylor

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While many other financial services companies make heavy use of IT, Capital One, the leading US credit card issuer with 46.7m customers and managed loans totaling more than Dollars 71.8bn, built its business around IT.

"Capital One was invented based on an insight into the power of the technology that computational and storage systems would bring to what we now call our IBS, or 'information-based strategy', the ability to do very specific market segmentation for the credit card industry," explains **Gregor Bailar,** Capital One's chief information officer.

Capital One was founded as a new credit card division of Signet Bank by Rich Fairbank (now chairman and chief executive) and Nigel Morris (formerly president and chief operating officer). Four years later, in 1995, Signet spun off its credit card division to create publicly quoted Capital One. Since then the company has been widely praised for its innovation, customer service, information technology and financial management.

"When our founders looked into the credit industry, back in the late '80s and early '90s, there were not a lot of players segmenting - by various credit capabilities, or credit quality. It was a one-size-fits-all approach - essentially there was the blue card and the gold card and nothing in between," says Mr. Bailar.

The IBS enables the bank to sift through customer data and tailor credit offers to individual customers in a much more sophisticated way than would be possible if the bank simply relied on a credit agency database.

"Through the years what we have created is an information analysis and 'credit decisioning engine' that drives our test and learn approach to offering these products to our customers in order to meet their particular needs."

In working to ensure such needs are met, Mr. Bailar has strong views about the changing role of the CIO. "In the old days, you used to be able to be a slide-rule-carrying, pocket-protractor geek and be a good data processing manager. You could get by if you had done card-punch technology and understood how to program in stacks of cards, if you could manage a group of staff who could respond to custom software development and so on," he says.

"We have moved way beyond that. Today a CIO is expected to be a member of the executive committee, as I am here at Capital One. You are expected to have a strategy programme, and a pretty significant one. I have many occasions to work with our board

members on developing our strategy, and they see it as a fundamental - not a cog, but one of the engines. We are sometimes called the central nervous system of the company."

He says CIOs also need to be up to speed with new products and services. "So, for example, I need to be very clued into what's happening in custom software versus what's happening in shrink wrap software, and hardware technology is changing very quickly.

"I spend a lot of time listening. You have to have a bigger ear, I think, than voice, but you also have to have a good voice when it's necessary. All in all, I think the facets of the CIO job have dramatically changed."

Looking forward, he says the bank has three IT priorities. The first is to make sure that its IT systems remain best in class. "When you have an environment that is so driven by innovation, a big part of your activities has to be culling out the things that are turning into commodities and making sure that those get managed as commodities," he says.

Staying ahead is also about enabling the bank's decision-making process to operate even more quickly - in real time. So, for example, when a customer services agent is talking to a customer, a relevant new product offer pops on the screen immediately, enabling agents to sell the new product to them then rather than calling back later.

Mr Bailar insists staying ahead is about more than just adding processing power. "It's a lot more than that because it means that we have analysed what things are effective for that customer base.

So the secret of IBS is not just technology. It's a marriage between our business analysts and our technology team."

The second priority, he says, relates to the bank's business and technology teams, and how work is organised and managed. "Our company has grown fast, so one of the areas that is always a challenge is figuring out what resources we need, how we organise those resources and how we make sure we invest in our people," Mr. Bailar says.

"The last IT priority relates to some specific changes in infrastructure - some new systems including a new card holder system, a new set of systems for our banking products, a new set of systems for some of our intranet self-service applications for online HR services, things like that."

Mr Bailar is adamant that IT investments enhance productivity and help save money.

He cites, as an example, the management of new recruits to the company. "We automated the entire first three or four phases of the life cycle last year, meaning the acquisition of new associates into the company and how that process works on the recruiting side, the appraisal process and feedback processes, which we call 360-degree feedback.

"This initiative has reduced the cycle time by nearly 60 per cent, and the costs involved have dramatically reduced as well."