

Interview with: **ANTHONY J.F. O'REILLY**

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MIS Quarterly: What do top executives, in general, expect from their information function compared to what they do receive?

MR. O'REILLY: The first thing about information systems that strikes me is that one gets too much information. The information explosion crosses and criss-crosses executive desks with a great deal of data. Much of this is only partly digested and much of it is irrelevant to what I believe to be the fundamental objective of business information which is simplification. Many data base systems that grow up within organizations reflect the interest of the information officer in the wide range of statistical correlations that can be made. Many such persons are by nature complicators rather than simplifiers.

What I want from my information system, particularly from my financial information system, is simplicity. I had to design, for my own edification, a "high spot" statement which gives one a snapshot—a statement of what is happening and the key ratios in all of our affiliates all over the world on a monthly basis. This is the primary document by which I manage my business. In other words, what I want the information system to throw up to me is the exceptions. As much as I would like to luxuriate in the successful areas of our business, they've got a momentum of their own. The key function I perform is the

tactical one of trying to correct deficiencies when they occur and strategically to try and evaluate where the resources of the corporation will be directed for the short-run and long-haul.

There is often a proliferation of paper which makes it extremely difficult to separate the forest from the trees. What I'm looking for from my system, and this is the key word, is simplicity. Simplicity means if you can't put it down on one sheet of paper then give me a maximum of two. The high spot statement is a reflection of this.

MIS Quarterly: Do you feel that there has been any improvement in the last few years?

MR. O'REILLY: Yes. I think that the speed with which we are getting out the information and variance analysis is now enabling us to do something which ten years ago we could not do. I'm also wearing another hat and interested in the newspaper industry and can give you an example from this industry. We have a completely computer-based operation for management accounts. We closed our books on the 31st of December this year and had a Price Waterhouse certificate on the accounts by the 12th of January. To close the books of a company that operates five manufacturing centers, in two countries, in twelve days, and have the Price Waterhouse certificate on it is, I consider, almost optimal. The annual report was published today, the 20th of the month.

I think that increasingly we're going to be able to get what we want—less information more quickly and tailored to our need. We want codification, not proliferation. Often data processing wants to show you the extraordinary range of correlations and information horizons that can be opened only if one fully understands the sensitivity and range of the data that is available.

MIS Quarterly: Is the majority of the information that is really relevant to you as a president obviously computer-based? If not, what is your principal source of usable information?

O'Reilly

MR. O'REILLY: It's the Finance Department's analysis of the monthly accounts. It is the market share data of our principal varieties. It is the test market characteristics of new product launches. It is the crop profiles and weather statistics of corn and potato crops. It is the legislative thrust of either protective or interruptive legislation that's going to affect the harvesting of individual crops such as tuna fish. It is measuring the impact on the tomato production in California which suffered badly because of rains in the tail end of the season last year. So I would name the main areas as: the finance market data, political-economic data, and agricultural data.

MIS Quarterly: Since information systems impact on all parts of the company and have a particular relationship with planning, should the management of systems or management information systems be a participant in the planning process or is it the recipient of the end results?

MR. O'REILLY: We don't have a management information systems office, as such. What we have is a codification of our requisites emerging from the Director of Corporate Planning. He says, "I want the following information, and I want it on the following dates and I want to apply universal criteria to all corporations and here are the questions I will ask you." We apply these criteria to the five year business planning function within the corporation.

MIS Quarterly: So the information services function is responsive to requests from planning and in return it is the recipient of the end product of the planning?

MR. O'REILLY: Right.

MIS Quarterly: How do you measure the effectiveness of your information function?

MR. O'REILLY: In the finance area I measure it by accuracy, exception and by the capacity to get a Peat-Marwick certificate on our accounts. Our variance analysis has shown the capability to promptly illustrate problems and indicate remedial action.

MIS Quarterly: How would you evaluate or measure the performance of the lead information executive in this company?

MR. O'REILLY: First I would describe him as the Chief Planning Officer. He is the Director of Corporate Planning. I see him as the catalyst. The information officers, *per se*, I see as tributaries to the Chief Planning Officer. They are the technicians who will devise the system to give the replies to the planner's questions.

MIS Quarterly: What do you see as the incremental benefits from having superior information?

MR. O'REILLY: Obviously, if you have superior information to your opposition then you ought to be able to make use of it. The marketplace we operate in is a very public one. The food market, for example, is very well structured. In all except the institutional food service area, most of the evaluation processes we use are publicly used by all our competitors. Nielsen data is an example. It is extremely difficult for any of us to get a leg up on our opponents. Where we have used our information system with some unique effect, is in the area of what we call high impact stores. We try to get a reading from our computers of the impact of marketing programs in individual markets where shelving, store position, competitive activity, and projections of the amount of money we're spending on promotion are critical to store take-out. We call this our high impact system and our computers give us this information on a weekly and monthly basis. Certainly none of this gets to my level, but I know that the sales and marketing people in the Heinz USA Company use this information base. They are now trying to apply it to the institutional food service area. This is a far less well-charted area than the grocery product area, and here we may be able to see the use of a superior information system.

MIS Quarterly: If you were looking for a head of your information services function at a corporate level, what would you look for?

MR. O'REILLY: I'd look for a trained marketing man who had good financial knowledge. The man I want at the head of my planning system is the man with an interrogative cast of mind who understands that this company can only operate if it gets products with good margins, a strong brand share, and a national distribution profile. And that requires a man with a marketing ambience who also understands financial implications.

MIS Quarterly: How do you determine the allocation of resources within the information function?

MR. O'REILLY: It doesn't come up to my level. What comes up to my level is the discussion with the Chief Planning Officer about the sort of information we need for a five-year business program and good monitoring of our monthly, quarterly and semiannual budgets. The central planning officer, simply says, "This is what I want," and each individual Chief Executive Officer or Chief Financial Officer within his affiliate company decides how he goes about getting that information.

MIS Quarterly: Previously you were talking about the need for simplicity in terms of the reports which are presented to you. Some companies have gone to the chart room, board room concept. Do you see this as a trend and, if not, how do you think this information will be assimilated in the future?

MR. O'REILLY: As I say, it requires rigorous and constant evaluation on the part of my Chief Financial Officer and the Chief Executive Officer of the need for the information that's coming out of the information systems within the company. I know precisely what I want each day and each week and each month. I don't want any more than that. In truth, I want less than that.

MIS Quarterly: We're trying to get a feel for what the presidents of major corporations feel about the information that they need to run their company. Actually, anything in this regard would be very useful to our audience.

MR. O'REILLY: In October and November of each year we visit all of our affiliate companies, all over the world, and we ask them to project for us a five-year business plan. We lay down the ground rules for them for preparing the plan. They produce the five-year business plan and we then collate the five-year business plans of all the affiliates. This always involves a certain amount of blue-sky, the "what if" type thinking that you don't get in the budget process. Each one of our companies proposes its plans and the Director of Corporate Planning pulls it all together and produces in March, a five-year business plan. This five-year business plan attempts to lend a spurious illusion of precision to the future. We have this plan presented over a five-day period at our annual planning meeting with all the visual aids necessary. For example, we have been concerned about cash management for the last three or four years, so we started to examine cash, cash flows, operating working capital, and inventory turn in our various organizations. Inventory is the key area. We have a total balance sheet with shareholders funds of 600 million dollars. We have inventories of about 430 million dollars so these become an area of tremendous concentration. We started to break out the information on inventory. In other words, we focus on a particular area of operational danger or neglect and our systems are good enough to allow us to open inventory out like an onion and unpeel layers, i.e., inventory of raw materials, inventory of packaging materials and finished goods inventory.

MIS Quarterly: In making these analogies, do you use sophisticated modeling techniques to assist you?

MR. O'REILLY: Yes. Many of the so-called sophisticated systems are technically sophisticated but the premises on which they rest can be very tenuous indeed. It is very, very difficult to rely on these systems. I've never yet seen a comprehensive system that can tell you how a new product is going to do.

MIS Quarterly: In terms of things like inventory, has management science methodology been utilized?

O'Reilly

MR. O'REILLY: Absolutely no problem there at all. Where there is an element of automaticity and regularity in the business, we have very good computer models.

MIS Quarterly: Do you have an information services executive at the staff level of the corporation?

MR. O'REILLY: Not *per se*.

MIS Quarterly: If you were to be addressing our Society, as a keynote speaker, what messages would you want to give to these people? Any admonishment or encouragement?

MR. O'REILLY: Stop empire building and cut your costs. What can you not do? I'd be initially a negative influence.

I would, however, be very enthusiastic if a man came to me once every three months and said, "You'll be glad to know we've dumped two more programs this month. But we have come up with one new program that will identify, for example, new product and repeat purchasing trends three months earlier than before with a 90 per cent probability factor." I'd be very impressed.

MIS Quarterly: Do you have any concluding comments?

MR. O'REILLY: I hope it doesn't dismay you that I see information services as the hand-maiden. You can see how essential I believe it to be, but I see it as the servant of primarily the marketing and finance function, and to a lesser degree the production area. There is a high degree of automaticity in large sections of our business and therefore new information within those areas is not that necessary. What is necessary is strong executive action based on the actual information we're getting at present. We know when to close factories, improve efficiencies, and explain variances. However, in the areas of new product development and post investment audit, I think we could do something more to have better information systems.