



McLean Fearnett Jackson

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For rent: Your next CIO

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Renting IT is not a new thing. But did you know you can rent the living breathing person responsible for your IT as well? ZDNet Australia explores the global rent-a-CIO phenomenon.

If you are a small company wanting access to a highly qualified CIO, or if you've merged with or been acquired by another company, have a tricky IT project to roll-out, have a restriction on permanent head count, are tired of bad experiences with full time CIOs, or if you're unsure of your company's IT needs in the coming 12 months, renting a CIO might be the answer for you.

Temporary CFOs and COOs have been commonplace for some time, particularly in the manufacturing and distribution industries, but the recent trend of renting a CIO is picking up pace in Australia.

According to Leo Bleznitsky, CEO of US-based LBA Networking, which offers rent-a-CIO services, tasks for the rent-a-CIO may include screening potential IT staff, designing a wide area network, or planning for security. "You get a high-end individual on an as-needed basis for US\$200 to US\$300 per hour instead of a six figure salary," he says.

"Often the job at hand might leave blood on the floor so an interim CIO is rented to do the dirty work, allowing a permanent CIO to come in at a later date with a clean pair of hands," he adds. The rented CIO's job will be to execute change such as a major integration project or infrastructure implementation before passing the reins to the person hired as their successor.

Sydney-based executive recruitment agency McLean Kerrigan Jackson has a dedicated business unit--MKJ Interim Executives--devoted to the task of placing and renting out senior executives, including CIOs.

Principal Phil Kerrigan was CEO of Fujitsu Australia prior to joining MKJ, whilst Beth Jackson, another principal, headed the telco Equant. The other two principals Peter McLean and Brian Fearnett have recruited many of Australia's top CIOs over the past decade.

David G Ferris, president of US-based Sensible Systems, first became aware of the rent-a-CIO phenomenon three years ago and has provided interim CIO services for companies in the US, Asia, and the Middle East. Bleznitsky says that many of his clients have used his company's rent-a-CIO services for nearly eight years.

"In many cases the relationship is better the longer it lasts. The provider has a vested interest in seeing the client succeed and really gets to know the needs and pains," says Bleznitsky. "It is like a lawyer: most businesses don't have a staff lawyer, but they retain one for their advice as needed," he adds.



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Good times to rent a CIO are during the startup phase of the business development cycle, or after a merger or acquisition, according to Ferris, because this is when technology solutions will be chosen to drive sales, support employees and customers, and perform back-office functions.

"Once the systems are put in place and the business is operational the need for a strategist becomes less important than the need for a manager. As the company grows new issues will arise that are best handled by a CIO, but these events can occur years apart from one another," he says.

"A rent-a-CIO is not unlike a consulting role where the consultant comes in cold, does the job and moves on."

—Bradley Freeman, Cap Gemini Ernst & Young

According to Bradley Freeman, vice president technology services at Cap Gemini Ernst & Young, renting a CIO is happening largely at "the big end of town."

"It is larger organisations, such as financial services companies or telcos that are most likely to hire a contract CIO, and it might be that these companies are outsourcing an individual business unit's CIO role rather than an overall CIO role," he says.

However Bleitnitsky works with companies with between five to 200 employees, who "cannot cost justify a management level IT position." Fearnett agrees that in his experience, the trend is more common in mid sized, tier two companies, as large companies tend to be moving more towards the longer fixed term contracts.

McLean Kerrigan Jackson however is working with a large Australian telecoms provider, which is in the process of reviewing its managed services. "Because it is in the process of reviewing its approach to market, it is keen to have some sort of short-term support from people who have expertise in the provision of managed services in the IT environment," says Jackson.

So where would you look for the right CIO for your organisation? Most contract or temporary CIOs are highly experienced executives who have previously spent time in a permanent CIO role or in a senior management position. Most companies will go to either a consultancy practice, or a specialist recruitment company to recruit someone for a temporary CIO position.

"Some search companies specialise in interim management but I'm not sure how many would be operating in the technical space," says Fearnett. "It is more common to see interim management of financial, accounting or sales staff. However organisations do come to us and ask for an interim CIO for a minimum time of usually three months, but typically for about a year, and if it's a happy union it will often lead to a permanent placement," he adds.

The benefits of renting a CIO are similar to those of hiring a CEO during times of change. For example, CEOs are often brought in to shake things up within an organisation, before grooming a replacement who will be seen as a stable long term leader, focused on stability and steady growth. Similarly, temporary CIOs may be recruited to implement what some may see as drastic or unpopular measures.



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Another benefit of hiring a CIO is that he or she will most have the mentality to move from company to company. "A rented CIO will not be at your company for his or her own career progression but for the reward of doing a particular job well," says Jackson.

Cost versus flexibility

According to Freeman, renting a CIO is rarely a cost cutting measure. "It works out to be more expensive than hiring a full time CIO, but if its part of an overall outsourcing deal, with the CIO thrown in as part of the package, then it might be cheaper," says Freeman.

According to Freeman, if the CIO is contracted from a consultancy firm, it is likely that he or she will be charged out at salary plus margin rather than at consultancy rates. "Individuals may be offered a bonus based on performance metrics but this depends on the reason for their hire," he says.

Fearnett agrees: "If you annualised the income, the cost of renting a CIO is greater than paying a permanent employee but you get the flexibility and freedom to determine the terms of the contract and mutually agreeable separation agreements. Organisations don't hire CIOs as a cost cutting measure. The real motivation is flexibility," he says.

Ferris says his rent-a-CIOs receive wages ranging from US\$200 to \$500 per hour, depending on the circumstances and the length of the contract.

"You will pay a higher price in the short term. But in the long run the money saved from replacing a full-time CIO with a full-time mid-level manager is significant. Add to that the potential savings made from not making investments in systems that are obsolete, not supported or not easily integrated with other systems," he says.

Average contracts last between six to 12 months, though some run to two years. "Any longer than 12 months becomes problematic as it then becomes too much like a permanent role, given the average CIO tenure typically lasts two to four years anyway," says Freeman.

A seat in the boardroom?

Fearnett says that whether the CIO becomes part of the senior management or not depends on the length of the assignment.

"It might be more disruptive to integrate the CIO into the senior management team if it's a three-month contract, but if it is a year, the CIO would probably have a part to play at the senior management meetings," he says.

Freeman believes a contracted CIO should be treated exactly the same way as the permanent CIO, with direct input at a senior management level.

"Hiring a temporary CIO should follow normal recruitment practice whereby, contractually, you should be able to dismiss anyone who doesn't work out. However companies should not be blasé about recruiting for a temporary CIO. In our experience, anyone who has been recruited on secondment from a consultancy company, has also gone through the same rigorous interview process as though they are being recruited for a more permanent role," says Freeman.



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"A CIO on a contract tends to be hired by an organisation as a full time employee but three years down the track, when the contract expires, it is fairly easy to get rid of a CIO by explaining that the contract was not renewed. This is happening more and more for executives of all types," he adds.

Ferris agrees that ideally the CIO needs to fit in culturally with the management team. "CIO personalities must be flexible to get along with the wide variety of people one finds in the executive suite," says Ferris. "The CIO will be handicapped in making judgment calls if he is not given full disclosure in areas requiring his support. Security and privacy are sensitive issues when engaging with companies at this level," he adds.

Jackson claims that companies need a different style of person to stay short term than they would long term, and are often looking for someone who can introduce change more rigorously than a full time employee.

"As with any permanent CIO or senior management role, the candidate should have solid management skills, presence and management style required to lead a team in what might be a difficult time," says Freeman. "The contract CIO is also often responsible for finding and grooming his or her successor. In many respects the temporary CIO position is not unlike a consulting role where the consultant comes in cold, does the job and then moves on," he adds.

Ferris' best candidates are individuals who have retired or do not need a steady income, have significant IT experience in senior management, and have a desire to be of service to people. Fearnett agrees that some CIOs do not want to work full time in a company, and don't want to be part of corporate line management and seek out the depth and variety that offering their skills for rent can offer.

Think before you rent

Before renting a CIO, there are some important things to consider. "If you are looking for a safe pair of hands to maintain the operational side of the business, look for someone who has the attributes which best suit that role, for example someone with previous strong operations management roles or responsibilities," says Freeman. "If on the other hand, you are looking for someone to implement significant change, consider someone with strong interpersonal skills who can adapt to the existing culture as well as be a strong member of the senior management team," he adds.

It is also important to look at the motivation of the CIOs, who often don't want to stay at an organisation for the long term and get enmeshed in the office politics, but rather want to be involved in significant change and relish a challenge. "It is important when hiring a CIO on a temporary basis to have a clear mandate about what he or she is expected to achieve. This must be set down at the outset," warns Fearnett.

Jackson claims that it is important to check the CIO's competence in commercial negotiations, and check that they aren't too entrenched with particular vendors. "Another important point from a governance point of view, is that if you've got a permanent CIO you might be more willing to let him or her sign off \$100,000 without a second signature, but you might want to add a second signatory as a safety nature when renting a CIO," she says.

"The lead IT person must have an established relationship with stakeholders in the company



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—Mary Ann Maxwell, META Group

Ferris screens all of his CIOs looking for character and personality traits that are befitting senior level managers.

"Technology knowledge takes a backseat to business management abilities," he says. "Determine what stage your company is in. For example, if significant changes in the direction of your business are being forced by outside pressures then you probably need experienced help. How will this impact existing staff? Can you afford to take the chance of letting your IT manager make decisions that will affect the success or failure of your business?" he adds.

According to Ferris, a company trying to get an experienced CIO to help them make the right decisions may end up with a network engineer or a systems administrator. "While these people may make decent mid-level managers, they are not CIOs. Our executives typically have twenty years or more experience in senior management functions and understand how to take a look at the whole enterprise before justifying their decisions," he says.

A trust issue

According to Mary Ann Maxwell, managing director of META Group Asia Pacific there are only three reasons why a company would rent a CIO. The first is if it can't find a permanent one. The second is if they have a short term tactical project they want completing, and need leadership for doing that. The third is if the company is going through a period of transition and doesn't yet know if it needs a permanent CIO.

"The first reason isn't really relevant to Australia as there is a very good availability of reasonably experienced CIOs and we don't see as great a turnover of CIOs here as in the US, where the average tenure of a CIO is between 18 and 20 months," she says.

But Jackson disagrees: "There are an awful lot of people who would actually prefer to work on this basis. They might have been in long term employment and found that their expectations have not been met, for reasons often not related to their own performance or even local performance, and are taking a personal stance. We probably know of more people who would like to work this way than not," she says.

In the third case of a company not knowing if it will need a CIO in the future or not, Maxwell asks " what is going to change in six, 12, or 18 months, that you won't need someone who is the main point of contact in the company for IT-related matters?"

"If you believe, and I think most businesses do, that your ability to effectively and efficiently run your organisation depends on technology, then you will need a lead person, a CIO, to run this."

In terms of renting a CIO for short term tactical projects, Maxwell agrees that major changes are often best carried out by an external person, who will not care about how many friends he or she is going to make, but the problem is, she says, this very rarely works.

"The lead IT person has to have an established, or has to create an established, relationship with various stakeholders in an organisation, with the CEO, with the board of directors, with the COO, various business heads, geographical peers and so on," she says.

If a CIO comes in for a short project there is no time to establish these relationships. "It will also usually be quite well known that the CIO is rented and people won't look to establish



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those relationships with them, because people generally want to know that their leader will be there through the good, the bad and the ugly, not just do something and then leave," says Maxwell. "A CIO's job is to establish credibility of an IT department, establish relationships and the basis for ongoing IT investment which is difficult if he or she is rented," she adds.

"This doesn't mean there is no room for consulting agencies, because a fresh external brain does help your company get organised, but these are very different than renting a CIO. It is the responsibility of the internal CIO to execute on the strategy," she adds.

Freeman agrees that the trend is not happening as much in Australia as in Europe or the US, but on small occasions when there is a gap in the CIO role for some reason, then companies may want to plug that gap with a temporary CIO.

"The market is pretty thin in Australia, and there are not that many high-level top-quality CIOs around, and there have not been a lot of reasons that Australian companies would want to rent one --they tend to do it themselves but things are changing," he says.

"We have a pretty mature outsourcing business in Australia, and are early adopters of technology but we have tended to be more conservative when it comes to management, and it's a big step to put the backbone of the company in the hands of someone from outside the company--it's a trust issue."

A real life rent-a-CIO

John Thornborough considers himself a rent-a-CIO. Thornborough was an information systems manager through the 1970s and early 1980s and in 1984 left a large manufacturing and wholesaling organisation (Leyland Australia) to set up his own consultancy.

"I saw the opportunity to leverage my experience into a number of companies who were unable to make the leap from IT as an operational tool into IT as a business enabler," says Thornborough.

In the late 1980s he joined an international management consulting firm (DMR) which enabled him to work with larger, higher-profile organisations and he developed an interest in the creation of IT strategies. After being a practice manager for DMR for a number of years, he was asked to become their first CIO.

"My initial mandate was Asia Pacific and for the last three years of that role, I was also the CIO for the International Division, covering Asia Pacific, Europe, South and Central America—about 40 locations in all," says Thornborough.

Some of Thornborough's recent placements are direct referrals, but he prefers to work through an organisation, such as Sydney-based recruitment agency McLean Kerrigan Jackson, that has a broad business base, rather than just an IT focus.

"There is a re-emerging realisation that IT will deliver value to the business if it is seen as a supporter of business initiatives—rather than as a cost that has to be managed. The outcome is a net improvement to the organisation value, rather than simply a management of IT's costs," he says.



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His contract lengths depend on the requirements of the client. "The establishment of direction and the recruitment of a permanent placement could be achieved in four to six months. On the other hand, some organisations would like to have a CIO replaced every two to three years so that the creativity and focus remains fresh," he says.

One of the benefits for Thornborough of being a rent-a-CIO is the ability to pursue other interests between assignments. "Working 70 to 80 hours a week as a CIO allows few extra-curricular interests and it is important to refocus, or to be re-energised by a different problem," he says.

Thornborough says the key value to clients is to be able to use a proven performer in the time that is most critical—that is a change of direction, or as a checkpoint on progress. "The interim CIO can formulate recommendations and a plan. A resource to carry out the plan in the longer-term need not be as experienced or may feel better working within a framework that has been laid out. This usually provides a cost-effective outcome with high value and agreed content. Also, many organisations prefer to cycle through some of their executive management on a regular basis as a mechanism that ensures fresh ideas and new eyes on the problem," he says.