Boiling the IT Frog
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The Fixers

Three turnaround CIOs tell how they get troubled IT groups back on track – fast.
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CHANGE THE IT MIND-SET

WAYNE SADIN HAS MADE a career of fixing IT departments in the financial services industry. At Houston-based Bank United — "a bunch of failed Texas thrifts that were merged together" — his biggest challenge was to develop an e-commerce strategy. Sadin says he had one year to complement the bank's traditional delivery channels with Internet, e-mail and call centers to improve customer service and cut costs.

Like Knecht and Jones, Sadin typically brings along a team of loyal lieutenants who have worked with him before to create an enterprise architecture and work on alignment. The existing IT management team usually moves one level down. "They generally know something is wrong, even if the former

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WAYNE SADIN

CIO, Aegis Mortgage Corp., Houston, 2004-2006

CIO, Bank United, Houston, 1998-2001

CTO and director of IT, Michigan National Bank, Lansing, 1992-1998

CIO didn't," he says. "I get them to stop talking about users and start talking about clients or customers."

If IT staffers are responsible for mainframe applications or the network, for example, Sadin adds a business unit like retail banking or human resources to their responsibilities. "They get stuck thinking in terms of technical stacks that don't match up with the business," he says. "I put them in charge of a business group of customers and tell them to go make friends and develop contacts."

Sadin says a turnaround CIO should sit on the executive committee but do more listening than talking. And even though he may have a very short-term focus, it is still important to build relationships with other leaders. "The key is to understand what they're thinking," he says. "If you don't know why they're doing what they're doing, you will always be playing catch-up."

Jones adds that listening for conflicts among senior executives is key to prioritizing activities at the beginning of a turnaround. "Often after a merger, you have a lot of finger-pointing and an 'us vs. them' mentality," he says. "It's critical to

What Makes a Turnaround CIO?

Companies "want to have their cake and eat it, too," says Marc Lewis, CEO of Westport, Conn.-based Leadership Capital Group LLC, an executive search firm that has placed several turnaround CIOs in large corporations.

What does Lewis look for in a turnaround artist? Agility is key, he says. Candidates must be able to work in companies of various sizes across a range of industries and geographies. From the outside, he says, past success is the best indicator of future performance, so companies looking for a turnaround CIO "would like to see some notches on the belt, and preferably more than just one."

From the inside, turnaround CIO Roger J. Jones says it's important to be a quick study and to be decisive. "You have to make quick decisions and accept that you're going to get some of them wrong," he says.

It also takes a different career perspective. Jones and his peers "don't have careers," he says, "just a series of assignments with freelance consulting jobs in between."

– DAVID RATHS

understand which [of the] decisions they can't agree on are going to have serious technical consequences and which aren't. Some things can be allowed to fester, while others have to be resolved."

Turnaround CIOs also have to be able to shoot down unrealistic proposals. Sadin recalls an experience at booming subprime mortgage lender Aegis Mortgage Corp. "We were growing so fast, they asked if we could spend $10 million and add 100 more people right away. I had to tell them we couldn't absorb that kind of growth right away without getting dysfunctional."

BUILD DISCIPLINE; SHIFT PRIORITIES

WHEN HE JOINED Blue Cross Blue Shield of Wisconsin in 2000, Knecht had to deal with a chargeback system that was broken and an IT group that was $8.6 million over budget and didn't deliver projects on time. "No one had respect or confidence in IT," he recalls.

Knecht implemented an IT project/resource-tracking system that fed the chargebacks into a PeopleSoft financial system. He reduced the budget by 20%, and in 2001, he eliminated the IT group's deficit for the first time in five years.

And as he had in earlier turnarounds, Knecht shifted IT's priorities temporarily. "I freeze the funding on low-priority maintenance projects and apply those resources to more significant projects that will make a difference," he says.

Usually, he says, it takes about a year for executives to notice that IT is starting to deliver on its promises. "Once we get to that level of predictability, then we have line managers eager to come to us with a second tier of strategic issues they'd like worked on," Knecht says.

TERRY KNECHT

CIO, The University of Iowa Foundation, Iowa City, 2004-present

CIO, Blue Cross Blue Shield of Wisconsin, Waukesha, 2000-2002

CIO, United Payors & United Providers, Rockville, Md., 1997-2000

CIO, Lexi International, Los Angeles, 1995-1997

At that point, he gets funding to deal with those strategic items and turns to the lower-priority maintenance items. "By that time," Knecht says, "I'm almost ready to declare victory and leave."

And unlike "caretaker CIOs" in stable situations, turnaround CIOs start thinking about successors very early in their tenures. Jones says that sometimes a CEO will tell him that he has a few really good people in IT and that if it were a stable situation, he would promote one of them to CIO. "That is nirvana for a turnaround CIO," he says, "because you can probably trust their opinion and you can start grooming [the candidate] to ultimately take on that role." ■

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