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Action Points

I. IT Succession
Succession is one of the most critical long-term issues that IT leaders contend with.

II. The Bottom Line
Building a deep, diverse IT organization is a key competitive advantage.

III. Must-Have IT Evaluation Benchmarks
The organization's perception, your financial performance, and innovation are the key metrics.

IV. The Golden Rules for Building a Future Vision
Partner with the CEO. Ground your IT vision in customer service. Involve middle managers with business leaders.

V. Essential Take-Aways
Succession planning is easy to ignore, but without it, long-term success is nearly impossible. Your succession plan should cascade to every position and provide a mechanism for communication and growth.

Three top IT leaders from Autobytel, La Madeleine, and ACT share their expert insights on:

Succession Planning in Your IT Organization

John Petrone
Senior Vice President and CTO, Autobytel, Inc.

George R. Popson
Senior Director, Information Technology, La Madeleine

Arthur C. Peters
Vice President, Information Technology, ACT

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I n many IT organizations, inadequate succession planning is a time bomb — easily ignored in the short term, but with the potential for disaster in the future. Robust IT succession planning begins by formulating a solid future vision for the IT division and the entire business. Partner with business leaders to create a shared vision of the future, and align your department with the service needs of the business. Work proactively to create the structures that will feed your future service and growth: mentoring, tutoring, leadership training, and executive involvement in management development. Investment in the future must permeate every level of IT culture, starting at the top. Only total future orientation can ensure the continued success of your IT organization. ■

About the Authors

John Petrone
Senior Vice President and CTO, Autobytel, Inc.

As SVP and CTO of Autobytel Inc., John Petrone oversees a world-class technology infrastructure that includes over 100 IT professionals, multiple product development teams, and four data centers nationwide.

Mr. Petrone is responsible for the ongoing development of Autobytel's diverse technology offerings, including its award-winning dealership CRM solutions, dynamic online advertising/marketing platforms for OEMs, proprietary search engine optimization software, and intensive customer 'scrubbing' system. Under Mr. Petrone's leadership, Autobytel was recently recognized by California Innovation Corridor Partners as an Innovation All-Star.

In 2006, IDG's *Computerworld* Magazine named Mr. Petrone one of the nation's Premier 100 IT Leaders. His team at Autobytel has also been honored with an AeA High-Tech Award for product innovation and the 2005 Stevie Award for Best Product Development Team.

Mr. Petrone brings to Autobytel 20 years of experience in full lifecycle systems development, including project management and systems architecture design. Since the mid-1990s, he has been the senior technology executive for a range of e-commerce and IT companies. He has served as CTO of Audiobase, an audio streaming solutions provider, and Alibris, an online seller of rare books, for which he developed a successful technology turnaround plan.

Early in his career, Mr. Petrone served as CIO of Della & James, Inc., an online gift registry funded by Kleiner Perkins and Amazon, where he was responsible for all software development, systems integration, and technical operations. He was also executive vice president and CTO of Preview Travel, Inc., spearheading all technology activities for the online travel company, which, during Mr. Petrone's tenure, grew to a run rate of $400 million per year with 10 million registered users. Preview Travel enjoyed a successful IPO in 1997 before merging with Travelocity.com. Prior to Preview, Mr. Petrone held senior technology positions with Oracle, Lotus Consulting, Price Waterhouse, and Andersen Consulting.

Mr. Petrone attended the University of Maryland, where he received his B.S. in Aerospace Engineering. He has presented at a number of prestigious technology conferences, including the Business Week Technology Conference (New York), the Travel Technologies conference (San Francisco), and Internet World (Chicago).

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George R. Popson
Senior Director, Information Technology, La Madeleine

George R. Popson has over 15 years of experience directing and managing information technology for large, multi-unit restaurant companies. He is currently the senior director of information technology for Dallas-based La Madeleine.

During his tenure at La Madeline, Mr. Popson has managed the implementation of a large number of IT initiatives, including pioneering handheld technology and ERP systems implementations. He designed and installed the networked communications from restaurant sites to corporate offices.

He has selected and implemented point of sale hardware and software and data warehousing solutions, as well as designing and implementing a customer loyalty program.

Mr. Popson has redefined the information technology organization and strategy to support the business, and positioned IT to support rapid growth through acquisition or internal growth.

Prior to this position, Mr. Popson served as a director in information technology for Rock Bottom Restaurants, Inc., of Louisville, CO. Previously, he was CIO/vice president of information technology for Houlihan's Restaurant Group, Inc. He has also served as a senior director in product development/system support for TGI Friday's Inc., and as a director of information resource management for Mary Kay Cosmetics.

Mr. Popson also has five years of experience working for an ERP Vendor, and 20-plus years of IT experience.

☛ *Read George's insights on Page 6*

Arthur C. Peters
Vice President, Information Technology, ACT

Arthur C. Peters is vice president for information technology for ACT. He manages a professional staff of 210, a budget of $25 million, and 450 simultaneous IT projects. Mr. Peters has over 25 years of experience developing, leading, and managing technology teams. He has achieved success in numerous industries, and has demonstrated excellence in growing and leading multi-site international teams for large, mid-size, and emerging companies.

Mr. Peters aims to produce hardware, networks, software, and systems within the discipline and internal processes of large companies. He also serves as a hands-on manager in emerging companies. He is an expert at establishing a team strategy and maintaining focus.

Prior to ACT, Mr. Peters served as VP and CIP for HIS, a health care services company, from 2001-2003. There, he transformed the IT organization from a dysfunctional staff into a high-performance team that delivered the highest business efficiency and customer satisfaction for the entire company.

From 1999-2001, Mr. Peters was VP and general manager at Mentor Labs. Prior to that position, he served as VP and CTO for Online Technologies group, and as VP of research and development at McCabe and Associates. Mr. Peters began his career with IBM, where he held a variety of positions of increasing responsibility from 1979-1997.

Mr. Peters has produced over 50 products, using market segmentation and analysis to determine the best customer solution for a target market. His solutions were successfully evaluated and met the requirements of customers in the automotive, banking, education, financial, government, healthcare, insurance, manufacturing, petroleum, technology, telecommunications, and transportation industries.

☛ *Read Arthur's insights on Page 8*

John Petrone

Senior Vice President and CTO, Autobytel, Inc.

Evaluation Standards

Some of the standards we use to evaluate our IT management team are more formal than others. IT primarily provides services for the rest of the company. Whether IT is supporting the product development organization, internal business functions, or external customers, a good piece of an evaluation ends up being driven by the organization's perception of us. In particular, we are affected by whether people see quality and speed improving or declining.

Our financial performance plays a big role in our evaluation. We are in business to make a profit. If we are not driving in the right direction and revenue is not increasing, then we are not achieving our most basic business goals.

While cost containment is always a focus, there were times in the past when that mandate was our main priority, impacting our focus on innovation. At other times, particularly in the last year, we have had more focus on innovation and new product development, which is critical to staying ahead of the curve in the fast moving online industry.

Grooming Employees for Advancement

My decision about which employees to groom for advancement is based on whom I can envision

Failing to focus on succession is like playing Russian roulette: sooner or later, you are going to lose.

John Petrone
Senior Vice President and CTO
Autobytel, Inc.

sitting in my chair in the next 12–18 months. I have to determine what kind of mentoring it would it take to get someone to that place, and whether or not those efforts would be achievable in such a short period of time.

Autobytel has been doing some formal skills enhancement for key middle management within the company. The program includes all of my direct reports. They have been participating in a year-long leadership program to develop the skills they need to move to the next level.

Other than our skills advancement practice, we also work with HR to do formal assessments and gain input throughout the business units. HR drives the entire evaluation process for the company.

We have recently become more formal about the process at the executive level, particularly with senior management. It is too easy

John Petrone
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"Our overriding goal is to strike the ideal balance between cost containment and innovation."

- *Infrastructure includes over 100 employees, multiple product development teams, and four data centers*
- *Company named Innovation All-Star by California Innovation Corridor Partners*
- *Teams have won AeA High-Tech Award for product innovation, and the 2005 Stevie Award for Best Product Development Team*
- *Named by* Computerworld *as one of the nation's Premier 100 IT Leaders, 2006*

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for a busy executive staff to avoid giving specific and formal feedback to middle management. If that happens, it can adversely impact their development over time.

Communicating Appointments

We are currently in the process of filling an open spot for the head of software development. We made a decision at the executive level to look for somebody who had more experience and skills than the person who left the role.

We specifically want to make sure that the new person can be groomed to move into my position

at some point in the future. As part of the process, we communicated to the rest of my direct reports that we were not only looking to replace the original head of development, but we were also working to enhance the skills of the overall management team.

Filling Positions by Promotion

In determining whether or not a position can be filled by promotion, we first make an assessment about whether anybody in the organization has enough experience to assume the position that the promoted person is leaving. We want to make sure that we are not just promoting from within because it is easier than searching outside the organization.

Periodically, we want to bring in fresh talent with new ideas and different experiences to keep us from being completely inward-focused. At the same time, we are cognizant of the need to demonstrate an ability to move up within the organization.

Gaining Consensus

The CEO, the senior executives, and other stakeholders always work to come to consensus on a successor for any executive-level position. We try to be as inclusive as possible, but in the end, the CEO and I make the decision if other parties can't agree.

If too many people have to agree on a decision, it can significantly delay the process. If there is significant discord or disagreement, it is probably a signal that we need to take a closer look at the person or the role that we are trying to sell. The two people who are going to be impacted the most are the CEO and the CTO, so it is most important that we ultimately agree on a candidate.

Challenges

When replacing the CTO or CIO, the top challenges we face are finding people with the right experience, finding people with the drive to grow a business, and finding people with the right blend of technical and executive skills. These challenges are typical for our industry.

In order to overcome our challenges and ensure that they are controlled, we focus on crafting highly-detailed position descriptions. We make sure they capture all of our needs. We use established recruiting firms to find the right people. We also look for people in similar industries to make sure we are not asking someone to make too much of a jump.

Measuring Progress

We measure progress based on whether we feel comfortable that

IT Evaluation Standards

- Innovation
- Financial Performance
- Business' Perception of IT
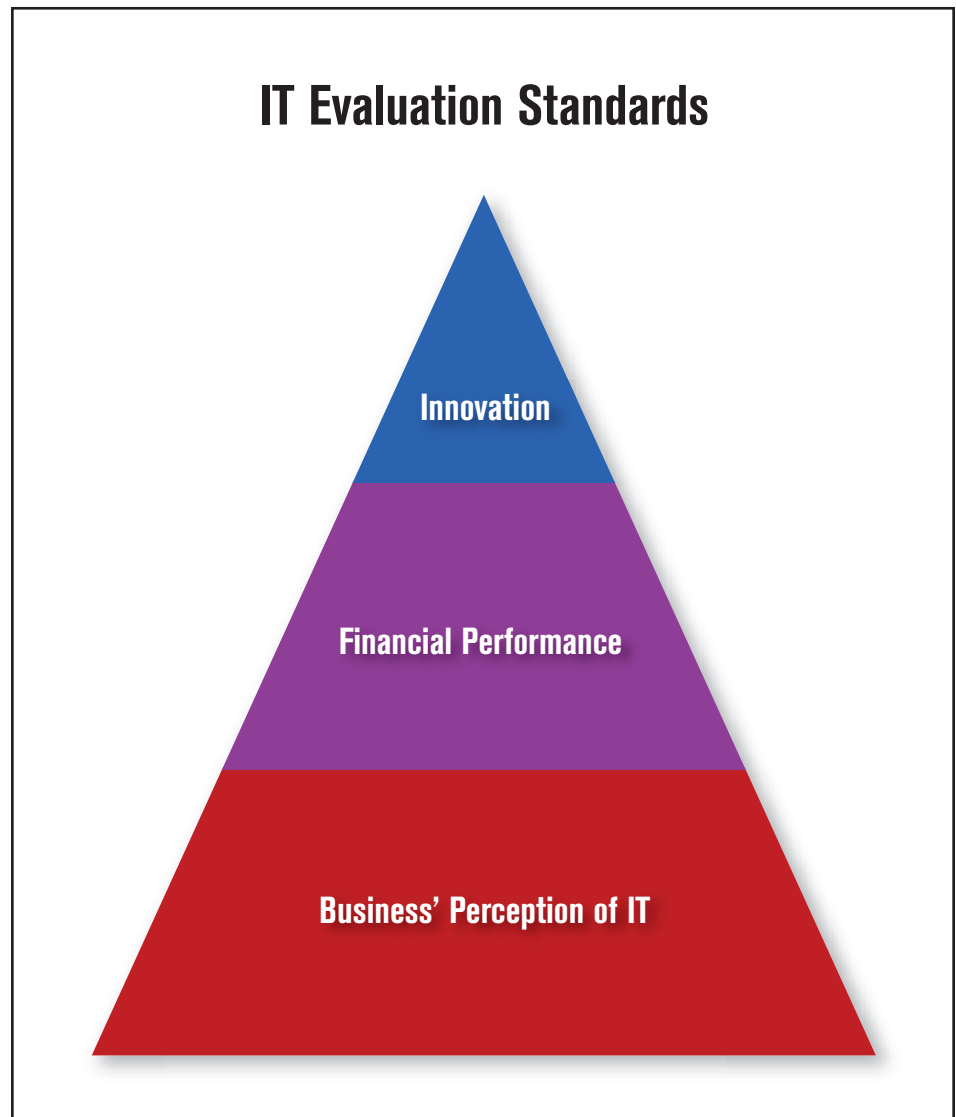
employees throughout the organization can move into vacant roles and do the same or better job. Periodically, we assess our succession planning process throughout the organization to make sure there are no single points of failure. We'll ask ourselves what we would do if an employee were to leave. We want to make sure we are covered.

It's not always easy to focus on succession planning, because it concerns what might happen, not necessarily what we plan on happening. Because of the day-to-day pressures of the business, it is easy to ignore it; however, we have to remember that failing to focus on succession is like playing Russian roulette: sooner or later, you are going to lose. ∎

George R. Popson

Senior Director, Information Technology, La Madeleine

Evaluating the IT Management Team

We are a small organization and we don't have a lot of positions to consider when we look at who should be replacing whom. As far as standards go, we use reviews. We look at whether people meet deadlines and how they treat customers.

Financial performance plays a big role in our organization. The tools that we support provide our

We provide them with the job description, responsibilities, duties, and years of service that we need. They use many means for recruiting, while we simultaneously use all of our sources inside the industry.

Ideal Qualities

Our new hires need to have a good approach to customer service. They need to be able to interact at all levels within the company, from

> *When we don't promote someone from within, we actually sit down and discuss why.*
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> George R. Popson
> Senior Director, Information Technology
> La Madeleine

employees with the ability to collect money for our sites. People can process that money and sell our products because of those tools. A great deal of our financial performance depends on the functions that we support.

Best Practices

We use our own recruiting area for hiring unless a job is at the highest level. In those cases, we outsource the search. Anything below the CEO level is typically done through our own internal recruiting department.

administration all the way up to the CEO. They need to have the right attitude toward providing customer service. They also need technical ability. We are looking for actual experience.

We look at how they perform on a project and we get feedback from our users about how new hires interact with them. We also get feedback from our department heads quite often. We want to make sure our people are staying on top of any issues on hand. We need people who can identify issues and be proactive.

George R. Popson
Senior Director, Information Technology
La Madeleine

"Most of our employees are good people, and we work to ensure that we hold onto them."

- Over 15 years of experience directing and managing IT for large, multi-unit restaurant companies
- Five years of experience with an ERP vendor; over 20 years of IT experience
- Redefined IT organization and strategy to support the business

Mr. Popson can be e-mailed at george.popson@execblueprints.com

Promoting from Within

We post every open position. We have a policy that every job is posted internally so people in the company can apply. We talk to people about the behaviors that we are looking for and the responsibilities that we need them to take on in order to prove that they can move forward. We emphasize customer service and accountability for projects that come our way.

When we promote from within, we have a track record to consider. We can be fairly confident that a person is capable. Promoting from within tells people on our staff that there is an opportunity for them to

Expert Advice

We are currently developing tomorrow's IT executive and management team through exposure to high-level projects. With high-level projects, people have a chance to see where they can contribute to the bottom line of the business. They can understand how the function of IT strategically fits into what we are attempting to do with the company's initiatives. We don't have any formalized programs for developing management, but we do use some technical training to make sure people have the right technical skills.

We want people who can identify issues and be proactive.

George R. Popson
Senior Director, Information Technology
La Madeleine

move up. If we always hired externally, people would start looking for opportunities outside; they wouldn't feel that there was growth internally.
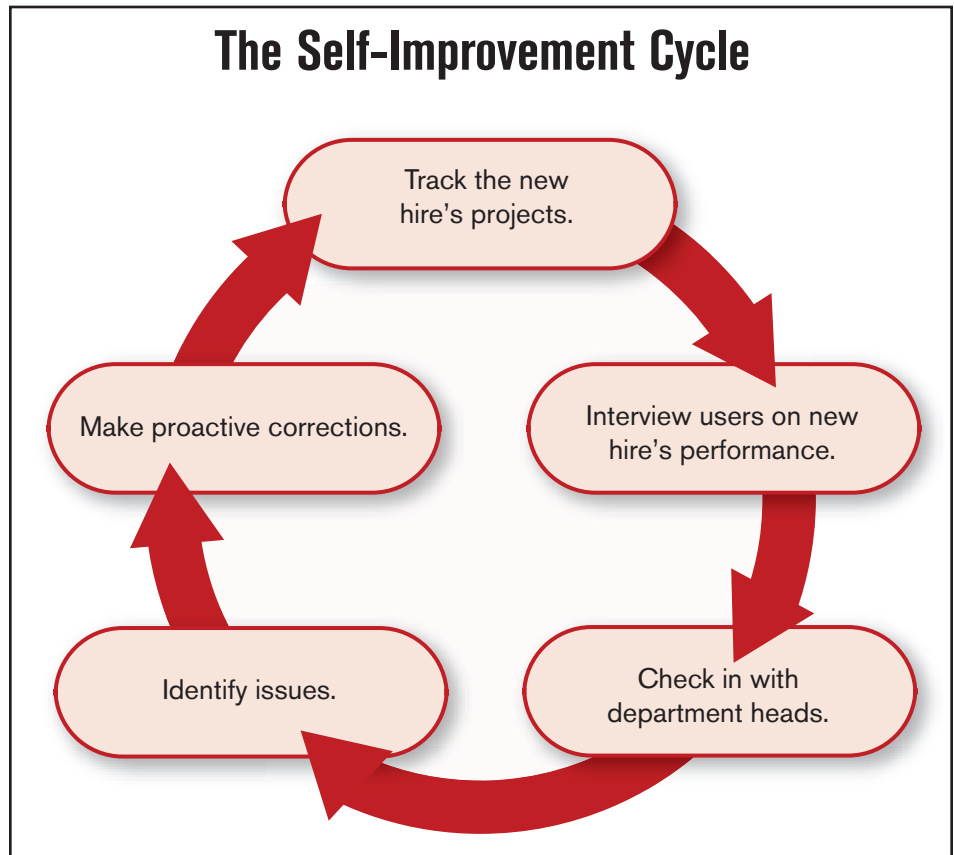
When we don't promote someone from within, we actually sit down and discuss why. It might simply be that no one has the experience level we need. These discussions allow people to understand what experience would have allowed them to move upward so they can strive for future opportunities.

Benchmarking

When people have been promoted, we look at how they progress and whether they are able to grow after their promotion. We review them after six months to see where they are and determine whether we made a good decision.

We usually find that we were successful. Sometimes we determine that we need to augment someone's background with assistance on how to handle larger projects. We may need to provide someone with the right tools or we may even determine that we made a bad decision.

Every year, we look at our staff and figure out what we can offer them to keep them. From a company perspective, we want to keep each person challenged so that he or she will want to come to work. ∎

The Self-Improvement Cycle

- Track the new hire's projects.
- Interview users on new hire's performance.
- Check in with department heads.
- Identify issues.
- Make proactive corrections.

Essentials for New Hires

- Technical Ability
- Work Experience
- Customer Service Orientation

Arthur C. Peters

Vice President, Information Technology, ACT

Evaluation Standards

My expectation for the management team is not that they can necessarily do every job in their particular area, but that they can technically understand what is going on. They have technical duties and responsibilities, much like individual contributors.

On top of all of that, I expect my management team to provide leadership for their people and to develop and train the staff. I hold them to a higher standard.

Bad things happen when the CEO and the board of directors or other stakeholders can't agree on a successor for an executive position.

Arthur C. Peters
Vice President, Information Technology
ACT

In many organizations, the only way for an individual to advance is to leave his role as a technical person and go into management. That is sometimes the worst thing that someone can do. If you take a highly productive individual out of his zone and put him into a role where he has no preparation or insight, he will fail.

I carefully screen and interview all management candidates with an eye toward understanding their motivation. At the end of the day,

I look for people who thrive on technical excellence and who are trying to make a difference on the teams that they lead.

Important Roles

The CEO and HR play important roles in IT management and executive evaluations. HR provides guidelines, framework, and consistency across the company. The CEO sets the standard and tone for what is going on within the

company. Everything starts from the top and works its way down.

As the demographics in the United States change with the aging of Baby Boomers, roles will begin to migrate. We will see more personal situations that will lead to complex team approaches and require more of managers from a leadership perspective.

Choosing Successors

I require each of my reports to have a succession plan for every position. We review the plans on an annual basis and use them as a mechanism for communication with individual staff members. We need to know what would happen if someone won the lottery tomorrow or got hit by a truck.

As we are building a bench for tomorrow, we have to add additional

Arthur C. Peters
Vice President, Information Technology
ACT

"In all cases, we have to make sure we hire someone with a vision and a culture that is consistent with the company's needs."

- *Over 25 years of experience developing, leading, and managing technology teams*
- *Has produced over 50 products*
- *Manages professional staff of 210, budget of $25 million, and 450 simultaneous IT projects*

Mr. Peters can be e-mailed at arthur.peters@execblueprints.com

capacity and head count today. By the nature of outsourcing, we end up with additional management capacity, which helps with succession planning.

The process of choosing successors is very competitive. In building an organization, you need to have a diverse pool of talent with a difference in ideas and perspectives. Diversity leads to a better organization with smarter solutions to issues.

Filling Vacancies

Independent of promotion, whenever we fill a position, we post it.

Expert Advice

Depending on the level of an appointment, there is a meeting between me, the second line manager, the new manager, and the team. A broader appointment could result in area meetings and formal communication from me or even the CEO.

We follow HR practices for recruitment. If we can't promote from within, we encourage people to apply. If they aren't selected, they receive a personal letter thanking them for their time and interest.

Around 75 percent of our current IT management team was promoted from within. Half of them were relatively new hires who had received at least a single promotion that took them into management for the first time or into a second line management position. That means that out of the initial pool, only 35 percent of my managers were legacy staff.

Discord

Bad things happen when the CEO and the board of directors or other stakeholders can't agree on a successor for an executive position. Executive roles are critical to the performance of an organization.

When executive roles are vacant, the organization is running at less than optimal efficiency. People try to make do the best that they can. Depending on the level of the vacancy, that can lead to anything from overworking existing line employees to confusion caused by lack of leadership.

Hiring Management from Within

75 percent of our IT managers are hired from within, but about half of those are recent hires who quickly moved into management positions.

Challenges

The top challenge that we face when making executive decisions is when the predecessor was very successful and charismatic. We have to make sure we bring in someone who can compliment the void that the person before them left. If the predecessor was a personal disaster, we need to make sure we hire someone with the people skills to take the organization in a new direction. ∎

Ideas to Build Upon & Action Points

I. IT Succession

Succession is one of the most critical long-term issues that IT leaders contend with. Intense competition for technical talent and increasing demographic pressures make proactive staffing essential.

Succession planning offers IT an opportunity to create proactive alignment with the business and maximize its future value.

- IT leaders should look at succession planning as more than just a staffing issue.

- Succession planning is a way to build a future-centric department, grounded in business needs and customer service.

II. The Bottom Line

Building a deep, diverse IT organization is a key competitive advantage.

- The payoff goes beyond simply avoiding productivity losses from vacant positions.

- It allows your IT staff to become a competitive lever, ensuring the agility and flexibility to serve business needs in any conditions.

Measuring and enabling staff growth is essential for maintaining long-term performance.

- Measure the success of each staff member and actively augment weak areas.

- Provide staff and middle managers with constant challenge and room to grow.

III. Must-Have IT Evaluation Benchmarks

Consider the organization's perception.

- Because IT is primarily a service function, the perception of the end user is a key measure of success.

- Measure whether the business feels that quality and service are improving or declining.

Focus on financial performance.

Cost containment and maximum efficiency are important long-term measures of IT's contribution to the business.

Keep an eye on innovation.

- At times in the business cycle, the innovation mandate becomes IT's top priority.

- Product development and new system implementation are critical for staying ahead of the curve.

IV. The Golden Rules for Building a Future Vision

Partner with the CEO.

- As the key owner of the business' future vision, the CEO is the most important partner when looking forward.

- Close collaboration between the CTO and CEO is essential if succession planning is to be effective.

Ground your IT vision in customer service.

- Determine where the business is heading, and position yourself to provide the support it will need.

- Evolving business needs, not technology, must be the foundation of all your planning.

Involve middle managers with business leaders.

- Today's middle managers are tomorrow's tech executives, so they must be trained to interact with the business outside of IT.

- Drive alignment with the business at every level of IT to build a shared, cooperative vision.

V. Essential Take-Aways

Succession planning is easy to ignore, but without it, long-term success is nearly impossible.

- IT leaders must ensure that succession planning is given the focus and investment it deserves.

- Operating without it is a risk that no business can afford.

- Your succession plan should cascade to every position and provide a mechanism for communication and growth.

- Succession planning will allow you to take a proactive approach to your entire organization. ■

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10 KEY QUESTIONS AND DISCUSSION POINTS

1 What standards do you use to evaluate your IT management team? What role does your company's financial performance play? What role does degree of technological innovation play? Have these standards changed over time?

2 When deciding whom to groom for advancement, on what basis do you evaluate your team? What procedures do you use? Who developed the procedures – your department, HR, or a combination?

3 At your company, what roles do the CEO and HR play in IT management and executive evaluations?

4 What are your department's best practices for choosing successors for executive positions, including the CTO/CIO? Why have they worked? What could be improved? How are candidates researched and chosen? What role does the board of directors play in the selection process?

5 How are new management appointments communicated to your IT staff? What are the advantages and disadvantages to using meetings, e-mail, and intranet as channels for communication? If the position was filled by a promotion, what process do you use to fill the job that the promoted person has vacated?

6 What percentage of your current IT management team was promoted from within the company? Does your department have a policy regarding promoting managers from within versus hiring from without? What criteria are used to determine whether an open management position will be filled by an internal or external candidate?

7 In the next 12 months, do you plan to make any changes in your selection criteria for key management positions? In what ways are current technological trends influencing these changes? What new skill sets and experience will you need?

8 What happens when the CEO and the board of directors (and/or other stakeholders) cannot agree on a successor for the CTO/CIO position? How are these resolution procedures similar or dissimilar to what has been used in the past?

9 In the next 12 months, do you expect to fill any key management or executive positions within your IT department? If so, which positions will you need to fill? Is this number the same or different from previous years? Will structures, practices, or functions in the department also change?

10 In what ways are you currently developing tomorrow's IT executive and management team? What training and development programs do you offer? How effective are they? What is measured? How often?