

MINI CASE

IT Leadership at MaxTrade

Richard Fanning surveyed his home office gloomily as he pondered the disaster before him. He'd just completed a month's worth of fact-finding on the state of IT at his newest client, MaxTrade, and he was beginning to realize just how deep the company's IT problems were. As an IT turnaround specialist, Richard was often asked to take on difficult CIO positions on a temporary basis, and he was used to facing management challenges, but MaxTrade (if he took the job, and he wasn't sure yet if he would) would be the toughest of his career. "How could this have happened?" he asked himself. "Money certainly isn't the issue." The company was spending lots . . . but on what? There was no IT plan. Backup and recovery planning was minimal. System outages were increasing. The internal auditors' reports were highly critical of the rapidly escalating operational risks.

MaxTrade is a brokerage firm set up to make extensive use of IT. It was founded by a career entrepreneur who provided the initial inspiration but is no longer involved in daily operations. CEO Bruce Robinson, who holds the next-largest share, developed the company and oversaw its impressive growth. The firm now has six divisions: besides research and analysis, institutional trading, and investment banking, it has other business units that are responsible for different types of trading accounts. Online trading allows clients to make their own trades; discount trading fills buy and sell orders but offers no investment advice; wealth management provides full service. Clients may also view their accounts online without making any trades.

The company is highly profitable; the bottom line is the first consideration in every decision. As Robinson explained to Richard in their first interview, "The one thing that people in this industry are clear about is that they're all in business to make money." And short-term thinking is the order of the day. "In this business long-term planning is where we're going to go for lunch," remarked one business executive

Richard interviewed during his fact-finding. In the volatile and dynamic world in which MaxTrade operates, priorities are constantly changing and whole business units have to be able to turn on a dime to take advantage of new opportunities. Staff make real-time decisions that could make or cost the firm millions of dollars. The risks are extremely high. A solid IT infrastructure, available 100 percent of the time, is essential.

At first, MaxTrade's IT was handled by a CTO, but it had clearly outgrown his capabilities. The initial technology requirements were straightforward: get an online brokerage off the ground by bringing the required technologies together to provide an online trading platform. As the company grew, however, it became evident to the CEO that he was the wrong person to develop the IT department beyond its infant state. Many poor decisions were made, resulting in the waste of hundreds of thousands of dollars in unutilized software licenses, server capacity, and development. Sour relationships with vendors resulted in frequent switching and an integration nightmare.

"Over the last two years, no one was happy—not the business unit heads, not the users, not the CTO," Robinson told Richard. "Finally, he resigned and for the past three months, we've been looking for someone to take the job of CIO. But we're in such a mess, it's been a tough sell. What I need is to have you get us on track again within the next twelve months. You'll have my support, of course, and you'll report to me, but you'll need to get the business unit heads on board as well. They have a lot of independence here at MaxTrade because of the money they make for us. You've got to convince them they can make more money your way than the way things are today."

Richard considered the company's current situation. It was no wonder they couldn't find anyone to take the job, he thought. At present, the politics involved in determining what IT

worked on were so sensitive that no one in IT dared to say no to any new project. As a result, IT had 932 projects on the books that the users *thought* were all being worked on, even though the company had only 152 IT people to do development. Morale was at rock bottom. Turnover was approaching 50 percent annually.

The senior management at MaxTrade clearly felt as though they were standing on a “burning platform” with regard to IT. They were looking to Richard to turn things around, but the question was, did he want the job? Surveying the scope of the problem, the answer was clearly no. The situation was dire, and it was going to be next to impossible to get the whole thing working properly. And yet . . . he could see how much they needed a solution. He had spent hours talking to people in all parts of the company, and he *knew* he could make a difference not only to the organization’s future, but to the lives of many of its staff. And despite the ghastly experiences he knew were yet to be discovered, he also knew that he’d always be sorry if he let such a challenge go by. He picked up the phone to call Robinson. “I’ll do it,” he told him. “But let’s get started before I recover my sanity and change my mind.”

The necessary first steps were clear, and Richard’s first month as temporary CIO was as brutal as he had expected. He began by doing a thorough assessment of the current technology situation at the company. At the same time, he spent long hours in all parts of the firm, getting to know both the business and the people involved. He logged many twelve- to fourteen-hour days, speaking with users, sitting with them and learning what they did, going on sales calls, and finding out firsthand the issues they faced on the job. Socializing was part of this work too, to build up the trust that would be the foundation for the difficult job ahead. “This is something I always do when I start at a new company,” he explained to Robinson. “Many IT people don’t do this, but there is no

substitute for spending the time to get to know the business well.”

Eight weeks into his time with MaxTrade, he at least had the basis of an action plan in mind, but it would take all his leadership skills to pull it off. He believed that the company was not going to be able to use IT effectively in an increasingly competitive marketplace or even keep up with simple business requests unless a number of key changes were made—especially how IT work was done and how decisions about it were made. “These are tough people. Not all of them are going to be receptive to my ideas,” he said to himself. “I’m going to have to put my job on the line to get them to do it differently.”

Never one to pull punches, Richard also had to deliver some tough messages to senior management about systems development. Not only did he need their support for some fairly drastic actions, but he had to get them thinking differently about their own business if he were going to make any headway in delivering new functionality. It was a hard reality that not all 932 projects could be worked on. Somehow the resources available would have to be made to match the work to be done.

The tough talk would have to continue within IT to ensure that it could deliver on these projects. What was needed soon was a culture of customer service to the users of what IT provided. “The immediate challenge here,” he explained to Robinson, “is to build a team capable of providing innovative solutions on a timely basis and to start treating the business units as customers. We have to convince everyone that we all work together and IT is committed to building a partnership with them.”

“It’s going to take a lot to make IT credible enough for that to happen,” Robinson answered, “but, as I said before, you can count on my support.”

“OK,” Richard said, “this is what the action plan is going to look like . . .” ■

DISCUSSION QUESTIONS

The CEO Robinson tells Richard, “What I need is to have you get us on track again within the next twelve months.”

1. What does it mean to be “on track”?

2. What are the next steps?
3. Is one year achievable? Why or why not?