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Buy or Build?

It's tempting to hire your next IT manager from the crowded job market, but there's also value in building management skills the old-fashioned way.

News Story by Mary K. Pratt

FEBRUARY 07, 2005

[\(COMPUTERWORLD\)](#) - Joyce L.

Young is adding three new manager positions to her 50-person IT group. She wants to fill the new slots by March. It's a tight schedule, but Young has a plan: Promote from within.

"I know I have to go outside for certain technical expertise I don't have inside, but I really try to look internally if I can," says Young, the Chicago-based CIO at CP Kelco, a J.M. Huber Corp. company.

As the list of required skills for technology and management jobs grows, CIOs like Young must decide whether to "build" or "buy" managers. Each strategy comes with its own benefits and drawbacks, so CIOs should weigh time requirements, organizational needs and even retention plans when deciding which way to go.

"There's no black-and-white answer. It's very situational," says Robert Rosen, president of Share Inc., a Chicago-based nonprofit organization of IBM users.

Leading CIOs, recruiters and employment experts agree that whether to build or buy shouldn't be viewed as an either-or question. In fact, they say, the best solution for any organization is one that includes both tactics.

"It's a mixed strategy," says Bruce J. Goodman, CIO at Humana Inc. in Louisville, Ky. "You want a team that has a lot of A players. And you have to identify and recruit A players wherever they are."

Goodman says companies that build management skills in-house are building loyalty and capitalizing on institutional knowledge, too.

He remembers one IT staffer who showed aptitude for leading others. Goodman put him in charge of the company's help desk, where, after some additional training, he proved his ability to run a team and get things done. "If we hadn't done that," Goodman says, "he might not have stayed around."

Statistics support that assertion. "There's a lot of bang for the buck growing them from within," says Beverly Kaye, founder and CEO of Career Systems International Inc. in Scranton, Pa., and

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Kaye's recent survey of more than 1,000 IT workers at all levels found that exciting work and challenges, along with career growth, learning and development, are among the top factors that keep workers with their current employers.

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Barbara Kunkel, CIO at Rochester, N.Y.-based law firm Nixon Peabody LLP, says building skills among existing workers has helped her create loyal staff members who feel passionate about their work.

"People become proud of what they do. You can't buy that. And you can't get it overnight," she says. "And I need consistent, passionate people who can move this organization forward." Of Kunkel's five direct reports, one has been with the firm for 29 years; two others have been there for nearly 10.

Retaining Knowledge

Building a management team from internal staff doesn't just breed loyalty, however. The process also guarantees what Rosen calls "corporate memory" -- the knowledge of where things are, how things work together and the unofficial ways projects get done.

He remembers working at one company that hired a CIO who brought in new managers. Those managers then undertook initiatives that had previously failed at the company. "There were a lot of false starts done by the new people," Rosen recalls.

Bringing new people on board can cost tens of thousands of dollars in headhunter and relocation fees, not to mention the costs of disruption in the office, experts say. But training existing staffers to move into management positions can be expensive too.

Young once worked at an engineering company that put a premium on employee retention. So when Young had to fill two IT management positions, she promoted workers who had spent their careers in the company's business division. She sent them to Northwestern University's 18-month executive program to earn master's degrees in IT. The cost? Nearly \$100,000.

Outside Advantages

CIOs and other employment experts are hard-pressed to come up with studies and comparisons between the costs of building or buying management skills. Data about the return on investment for each scenario is slim, they say, and most information is anecdotal.

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For example, Goodman uses companywide matrices to estimate costs. He says training and development amounts to about 2% of the payroll budget, while the cost to hire workers runs just under 2%.

With those costs about even, Goodman turns to the other benefits that come from external hires. For example, they can bring necessary skills or knowledge to an organization that doesn't have time to build them internally, he says.

Others say hiring new IT managers can also infuse an organization with new ideas, innovative approaches and experience in markets or processes new to the company.

Companies that want to upgrade the level of leadership in a particular role might also have more success if they hire from the market, says Steve Kendrick, president of Kendrick Executive Resources Inc., an IT executive search firm in Dallas. In addition, companies looking for significant change in processes or strategies will likely have more success doing so if they seek management from the outside, he says.

Even those who prefer to build management skills internally readily acknowledge these benefits. Ellen Barry, CIO at the Metropolitan Pier and Exposition Authority in Chicago, says she puts a high priority on training her most talented people and encouraging them "to grow into the professionals they want to become."

On the other hand, Barry says she can't always wait for that to happen. Sometimes you need to bring in new talent to get the skills that you don't have and can't rapidly build, she says.

Barry has had to make the tough call of not promoting people who weren't quite ready for management. In those cases, she hired experienced, qualified managers from the

marketplace. Then she worked with the internal candidates to make sure they were ready the next time a manager's slot opened up.

Pratt is a Computerworld contributing writer in Waltham, Mass. Contact her at marykpratt@verizon.net.

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