Recruiting a CTO is getting harder for mid-market businesses

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Ambitious businesses are increasingly investing in custom software to seize new opportunities, to disrupt their markets, and to amplify their value. To read some examples, see our case studies on Dekra, Simplify Digital and British Pathé.

This is driving the need for more commercially focussed, flexible, experienced CTOs (Chief Technology Officers) who can make a real difference.

Over recent years we have seen 3 phases of IT focus:

- In the past, many businesses' best hope was that the IT team would keep their laptops working and networks secure. Success was measured by avoidance of outages and minimisation of irritation!

- As infrastructure became more reliable, businesses were able to focus on back office systems to automate their processes and provide management information. So IT leaders needed to focus on systems implementation and integration, information processing and organisation challenges.

- Now, increasingly, many mid-market businesses' channel to market is online and they can build competitive advantage and raise their valuation through digital initiatives based on custom software.

Infrastructure and business systems are still vital. Getting the basics right is always a challenge and there are many opportunities to boost efficiency, effectiveness through well structured, integrated systems, processes and organisation. Having up to date, accurate information available to management is never easy and relies on a solid foundation of data, technology and processes.

But, in addition to these challenges, many businesses now want an IT leader to be focussed on custom software and digital. This often means overseeing both internal and external software developers, representing the company credibly with external

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funders, understanding market opportunities and regulatory issues, and helping drive new revenue growth.

IT leaders who are focussed on software development and digital are often called CTOs (Chief Technology Officers). The terms CDO (Chief Digital Officer) and CIO (Chief Information Officer) are also sometimes used but, in this content, we'll stick with CTO.

What exactly does a CTO do?

There is no accepted definition of a CTO role. But, put simply, a CTO or Chief Technology Officer owns all aspects of the software development and digital vision for the company. A CTO bridges the gap between the business and the tech and ensures the business plan is delivered.

An effective CTO does not live in a technical bubble – they must understand the business's USPs and positioning, the size and need of the addressable market, pricing and value proposition, conversion mechanisms, advertising and promotion approach, and the competition.

Critically, high quality CTOs clarify and share the vision and challenge other leaders and stakeholders to ensure they are really on board for the whole journey. The CTO should be heavily involved in developing business plans because they are accountable for ensuring the ideas are effectively turned into working software.

Of course this requires an in depth understanding of technical architectures, tools and approaches. They must recruit and develop internal staff or appoint external developers; oversee all key technical decisions; and ensure that the software is well designed, well engineered, secure, properly tested and compliant with contractual and regulatory requirements.

And the CTO must ensure that all software is properly hosted and supported, that costs to build, run, support and maintain are in line with the business plan.

In order to deliver, the CTO may need to establish close partnerships with other companies, which may include technical partners (like Amazon, ebay or Google), but also potentially non-technical clients and suppliers as well.

As well as working well with the rest of the Board, a CTO must be able to deal credibly with external investors and advisors.

Why Are CTOs So Hard to Find?

It's no surprise that many strong technicians are fascinated by technology rather than people and business. But for CTOs to be successful they need a very strong technical background as well as commercial acumen and a willingness to engage with the complexities and ambiguities of organisations and leadership.

Ambitious companies need an IT leader who can take part in Board conversations on an equal footing with the other Board members. A CTO needs vision, authority and confidence as well as excellent technical knowledge.

The demand for credible, proven CTOs is increasing.

How did we get here?

Large, long-established markets have become complicated, labour-intensive and slow. Meanwhile, in a range of markets new business models are being launched on the back of digitised, automated platforms. This is particularly true for finance (especially payments), property, insurance and retail/ecommerce.

> " Companies are finding ways to remove time and effort, to disintermediate, simplify and disrupt entire markets, and to create new value. "

New marketing channels and new, integrated experiences provide opportunities to attract and keep customers. This offers new opportunities for ambitious organisations and new threats for incumbents.

It's been a quiet revolution

Over the past few years, without fanfare, consumers expectations have shifted and almost every market has seen radical change.

Companies are finding ways to remove time and effort, to disintermediate, simplify and disrupt entire markets, and to create new value. This often involves replacing outdated systems, overgrown spreadsheets or other risky and labour-intensive processes. Every sector is seeing innovation and the UK is a leader.

A number of factors have been lining up to drive this change:

1. **Competition** – Established channels like high street shopping and telephone-based services that have been stable for many years have now become old-fashioned and threatened. At one extreme is the ambition to be a sector leader and, at the other, to simply survive.

2. **Strategic thinking** – Following the global banking crisis, many larger firms became reactive and new product and service initiatives struggled to survive whilst they were preoccupied dealing with the requirements of demanding regulations and compliance. As a result, they now need to move fast and innovate to remain relevant.

3. **Regulatory and tax regime** – Regulators in the UK have been (relatively!) open-minded and encouraging to new ventures. And tax and grant schemes have been positive influences.

4. **Mobile devices and infrastructure** – Use of smartphones is now ubiquitous, trust is increasing, and "mobile first" is the norm. If your plans don't include mobile and social media then you don't really have a plan!

5. **Value** – The value of successful new ventures is being recognised and success stories are driving further interest for entrepreneurs. Companies that can present themselves as fintech, proptech or x-tech can reposition their value upwards!

6. **Capital** – Funding in the UK is generally more available than the rest of Europe, though to attract development capital and move through Seed funding to Series A and beyond needs significant evidence of innovation, adoption and credible management.

7. **Talent** – The UK, especially London, is a centre for incubators, consulting and finance so software development talent is more accessible.

8. **Technical platforms** – the plethora of cloud platforms and tools now means that start-up and scale-up technical platform costs are low, platform contracts are short-term, flexible and not capital intensive. However, choosing the right ones and getting them to talk to each other is the key to scalability.

Areas where growth has been particularly strong include insurance, property, finance, and health. These are very large, well developed markets with complex processes and regulations. Often the result of decades of expansion, acquisition and consolidation by large players has resulted in a slow and old-fashioned customer experience. As a result, there are opportunities for major disruption from innovative, tech enabled companies who understand what modern consumers expect.

So CTOs for fintech, insuretech, proptech, ecommerce and healthtech are particularly difficult to find.

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The challenge for CTOs is greater

Whereas larger companies have the luxury of being able to recruit senior IT leaders focussed entirely on one skillset, for mid-range businesses their CTO must oversee custom software development and digital initiatives, but also lead business system integration and infrastructure as well.

Most businesses have a "fulfilment" function which consists of provision of products or services. These may be internally provided, or based on partnerships, or a combination of both. But these systems must be fully integrated with websites, mobile apps and with each other.

And, of course, management information must be readily available and ordinary IT like finance systems, document management and mobile phones haven't gone away! And cyber-security and regulatory compliance have to be part of the strategy at every stage.

For mid-range businesses, the CTO must provide leadership and coherent thinking across these issues as well. So the challenge is even greater.

Options for Finding a CTO

Experienced and commercially astute CTOs are notoriously difficult to find. Very few individuals have the magic combination of technical and real business experience, or in-depth knowledge of areas like finance, insurance, property or retail.

Often this is because strong technicians simply have limited interest in the commercial and business objectives and some are poor communicators. Although they may be very successful developers, they are not suitable for senior leadership roles.

New ventures may search for interim CTOs to engage for a defined period as a means to access a market of more mature and experienced individuals. However, interim culture is based on a "hired gun" mentality, their engagement with the business is fleeting, and their commitment is simply based on a day rate.

Some companies, especially early stage, look to recruit CTOs at less than market rate but with the promise of equity. This approach is often compelling but invariably attracts the inexperienced.

Often the CTO will be asked to represent the company in front of investors, clients and business partners. Credibility and experience dealing with these types of situations becomes increasingly important as the business grows and the stakes get higher.

Many new propositions are borne out of a small group of industry experts. They are able to create a clear vision for the opportunity, to analyse the market, to create momentum and build the back-office and marketing. Some companies end up relying on one of the directors to run the software team even though they are not software experts so their understanding of the issues is not strong, and their patience with developers generally begins to quickly wear very thin!

At worst, companies have no CTO and rely on outsourced providers, consultants or run a software development team with a lead developer but no higher level technical direction. This at least allows software development to progress, but ultimately there is a disconnect between the business, the long-term strategy, and the software design. Experienced investors understand this and will never back a software business without a credible CTO.

> **We continually invest in the attraction, screening, assessment and development of a team of CTOs who all work on this basis and develop their approach accordingly.**

Part-time or fractional CTOs

Freeman Clarke's approach is to provide CTOs to work flexibly with our clients over the medium or long-term and to be a fully committed rather than just another consultant.

We continually invest in the attraction, screening, assessment and development of a team of CTOs who all work on this basis and develop their approach accordingly.

Our CTOs (Chief Technology Officers) engage on a flexible basis, to own and drive software solutions and deliver digital transformations. We make these changes happen.

Our CTOs have first class experience and knowledge of:

- Software and systems architecture, design and development
- Team resourcing and leadership
- Programme direction - including user experience design, development, test, dev ops, support, hosting, and back-office process design, whether it's insourced or outsourced
- Board level experience – advice and guidance to enable critical decision making
- Commercialisation and Goto Market - a product mind-set to ensure rigorous focus on what matters to customers and what adds value
- Valuation – familiarity with funding mechanisms and how to work with external backers.
- Uniquely our CTOs are able to immerse themselves in your business as well as being able to genuinely be part of your senior team and to represent you external when required.

We are the UK's largest and most experienced team of IT leaders. We recruit the highest calibre CTOs and provide them to our clients on a part-time basis to lead their digital and software initiatives in order to drive their business growth.

Freeman Clarke: The UK's largest and most experienced team of fractional IT directors, CIOs and CTOs.

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