channel executive magazine

SEPTEMBER 2017

VINCE DELUCA
CEO, Logicalis US

Digital Transformer

Inside $1.5 billion Logicalis' transition from mega-VAR to leader of the digital transformation phenomenon.
p. 20

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CONTENTS

Welcome to

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SEPTEMBER 2017 VOL. 33 NO. 8

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Features:

Insights:

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VIJAY BASANI

Good service providers understand how to create opportunity out of ignorance. Vijay Basani's column on page 36 is a case in point. The piece details the precarious position small to midsize enterprises find themselves in due to a lack of cybersecurity investment, and Basani is well-qualified to advise the channel on its prospects for changing that reality. Prior to launching EiQ networks, he founded AppIQ and WebManage, which were acquired by HP and NetApp, respectively. He also co-owns five IT architecture and design patents.

TOM CLANCY, JR.

On three occasions, Tom Clancy co-authored new releases of the Mac OS X Bible, which underscores his tech chops and legitimizes any reference to himself as "the author" Tom Clancy. He's CEO at Valiant Technology and a close friend to *Channel Executive*, where he serves on our editorial board. On page 7, Clancy shares some really sound advice on sales territory and account management for VAR and MSP execs.

DAVID COREY

This issue of *Channel Executive* goes long and heavy on digital transformation, and rightfully so. It's perhaps the most promising trend impacting channel services monetization, at least in the long-term. David Corey might agree, but he serves as the voice of reason in the discussions that follow. Corey is VP of IT Services for Advanced Technology Services, Inc. and author of the column on page 38, where he contends that your customers are less ready for digital transformation than you think they are.

BRAD SCHOW

It's a safe bet that any business challenge you face as a tech solutions and services provider has already been wrestled to the ground by Brad Schow. He started his career as a solutions provider technician before managed services were en vogue, then climbed his way rung-by-rung to service leader, operations leader, president, and partner. Now he's sharing the gifts of his knowledge and experience with countless solutions providers as COO at HTG Peer Groups. On page 12, Schow offers some practical advice on breaking through the plateaus of entrepreneurship.

On Selling Digital Transformation

MATT PILLAR Chief Editor

TechTarget defines digital transformation as the reworking of the products, processes, and strategies within an organization by leveraging current technologies. MIT Sloan and CapGemini define it even more simply as the use of technology to radically improve the performance or reach of enterprises.

By those definitions, channel partners might be inclined to do one of two opposite things: They'll either shrug it off as another enigmatic, flash-in-the-pan buzz phrase, or they'll embrace it headlong as an opportunity for growth.

I would suggest the latter, and I'll tell you why. The leaders of the businesses you serve — from board and C-level decision makers in large organizations to owners and line-of business managers in smaller organizations — increasingly understand the operating capacity improvements that result from ubiquitous digital connectivity. Their digital familiarity is at an all-time high and only getting higher as more digital natives move into prominent business roles. Recent research from business operations and IT services research firm HfS revealed that just six percent of business leaders from 270 surveyed organizations feel threatened by the business impact of technology. Most, says HfS Founder and CEO Phil Fersht, see it as an opportunity to "skill up," improve, and become more effective.

This concept — that better-connected associates, integrated communications systems, and seamless exchange of data among software applications can propel business growth — is quickly gaining acceptance. As it does, the appetite for point solutions and highly specialized providers is waning.

But, as a services and solutions provider, how do you wrap your brains and your arms around such a broad concept? How do you package it into something you can sell?

For most, the first prerequisite to monetizing the demand for digital transformation will require deep vertical expertise. Let's say your client portfolio includes retail, manufacturing, healthcare, government, and education. Digital transformation looks dramatically different from one of those markets to the next. Attempting to sell it as a single concept to your entire client base is akin to swallowing the ocean — you can't simply take an order for digital transformation and turn it over to your implementation team.

The most direct route to unpacking this broad concept and translating it into meaningful, prescriptive action is to assess what it means to a specific set of customers — the set you know best not just from a tech infrastructure standpoint but from that customer segment's business perspective. To do that correctly, you'll need to shore up your vertical market expertise. Maybe that expertise is already on staff. Maybe it requires hiring a subject matter expert from inside the target market. These are the beginnings of a vertical-specific consultancy, which is the tip of the digital transformation sales spear.

Deep vertical business expertise is imperative because getting your customers on the digital transformation train requires conversations that are very different from the ones you're likely having in sales engagements today. They're in-the-weeds discussions that assess the way people, processes, and data move around an organization to make it hum. They're conversations that should be billable, and that should contribute to the development of a roadmap that gets customers from point A to point B on their digital transformation journey. Each point of interest on that journey equates to a technology, integration, and services recommendation — and a host of sales opportunities for your company.

Are you finding success selling the concept of digital transformation? I'd like to hear about it. Drop me a note at matt.pillar@ChannelExecutiveMag.com.

Have a response to our experts' answers?
Send us an email to atb@channelexecutivemag.com.

Q What sales territory/account management adjustments have you implemented at Valiant since launching the company 15 years ago?

A AT A SMALL SCALE, the typical MSP owner is the "account manager" (aka the "VCIO") for all accounts. If they're good at their job, the client base expands, and eventually the boss gets overwhelmed. Clients get cranky at the lack of care and feeding beyond the basic helpdesk, and a new account manager must be added from outside or promoted from within.

Wash, rinse, repeat. Great, right? Except for one problem — no one "VCIOs" as well as the boss does. Plus, clients generally don't take kindly to being handed off to the "newbie." It takes some seriously fancy footwork to extract the boss from his role as trusted advisor on existing accounts. Thus, unless you hire before you get overwhelmed (which is financially unsound), you'll have clients with a bad taste in their mouths.

Valiant has tried time and again to scale our Account Management team beyond the owners, and in the end, each account eventually hits "jeopardy" status (because they all do, eventually), and they become property of "the boss" once again, never to be handed off again. The "newbie" account manager is left with a bunch of fairly quiet accounts and not enough to do, as the bosses run around in circles.

Sound familiar?

We've decided that the tried-and-true model of "*Dedicated Account Manager to a Fixed Number of Accounts*" just doesn't work. The solution we've settled on is to build a real team of pros, each with different roles. Our six-person account team is *role* based, not *client* based.

We have the most junior resources spell-checking and formatting proposals, quoting warranties and contract renewals, and putting finishing touches on Quarterly Health Reports. The juniors also handle booking all of the meetings and prepping printed materials and snacks for the meetings as well, which is a tremendous time saver for the more senior resources.

The senior resources are the folks who really dig in and prep detailed quotes, craft the first draft of all narrative proposals, and handle the finer details of both opening and closing opportunities in our PSA tool.

Our goal was to enable our team to scale. We needed to give our executives a job description that focused on *consulting* with clients on business initiatives, identifying gaps in efficiency, and paving over those gaps. Rather than making a very senior resource serve as the complaint department or expecting a junior resource to be able to field big questions, this new team structure ensures that everyone does what they're best at, while giving everyone insight into the rest of the process, so even the most junior team member can grow to one day be a big gun in their own right.

TOM CLANCY, JR.
As Valiant's CEO, Tom charts the course of the business and ensures that the team loves the tribe they've joined. Tom is a frequent speaker at industry trade events, including Autotask's Comm Live, Business Solutions Network events, and the AIA's New Practices continuing education series.

EAB

Editorial Advisory Board

We're hiring! The pay isn't great — in fact, it's zero — but the rewards are. The leading channel executives on our editorial advisory board have a vested interest in contributing their expertise and opinions to shaping *Channel Executive Magazine*.

Are you a progressive channel business leader who's interested in contributing to the effort?

Drop Chief Editor Matt Pillar a note at **matt.pillar@ChannelExecutiveMag.com**.

Partner Programs: Before You Enroll...

DEDE HAAS Contributor

High-tech sales professional and Channel Executive contributor Dede Haas asked two ASCII members to ruminate on a couple of questions regarding the onboarding of new vendors. Haas is well qualified on the subject matter herein—her company, DLH Services, focuses on sales solutions for IT vendors and their partners.

JOE MOLICK

The President/CEO of Molick Enterprises, Incorporated started his career in electronics with the US Navy. After completing his service, he worked for Burroughs/ Unisys as a field engineer. In 1989 he started building computers for customers, which started his business.

BROOKE JUSTICE

Brooke Justice is President of Justice IT Consulting LLC and has been in IT since 1998 in a corporate network/systems engineer role. Brooke officially founded Justice IT Consulting in 2015 as a managed service provider and IT consulting firm and has enjoyed growing a client satisfaction driven business.

QUESTION 1: The CEO of an SMB solutions provider, while attending a channel industry conference, met a channel manager from a large, well-known vendor — a software company — that currently has thousands of channel partners. After a lengthy discussion about their program features and benefits, the vendor encouraged the solutions provider to fill out an application to join. What advice would you give the solutions provider about enrolling in such a program? What questions should they ask the vendor?

MOLICK: Review the contract with an attorney prior to signing it. Understand the investment you're putting into the organization. Inquire about training. Whether that's offered onsite, offsite, or online will affect those costs. Another thing to consider is how many engineers you need to have on staff, if there's a requirement for that, and the cost associated with it.

JUSTICE: Consider what you already have in place. Is there any overlap? I'm a big believer in using one solution to its fullest. That elusive "one pane of glass" can streamline labor costs and control product costs. Buying more from one vendor also makes you more important to them.

The next question they should ask the vendor is, "Why am I important, and do I get assigned a specific rep?" You may get assigned to a pool of reps. You don't necessarily get the best support and the best response from those kinds of setups.

You can also ask if there are peer partners, such as another ASCII member, that they can point you to for a reference for the company. If you're part of the forum, you'll understand why you would trust their opinion.

QUESTION 2: What kind of advice would you give channel managers when they approach a solutions provider to talk about their channel program, encouraging them to join?

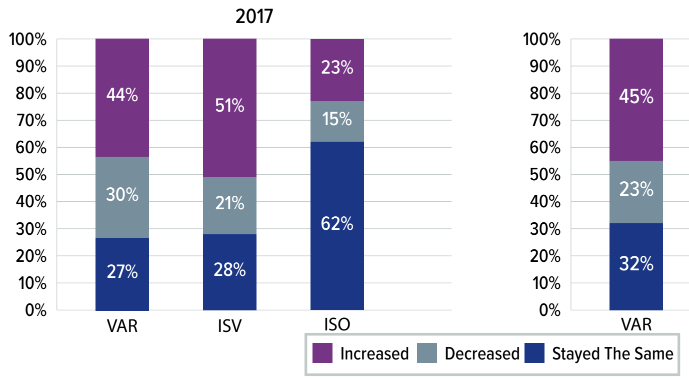
MOLICK: Tell us the truth if you are providing help desk service. Are you going to provide answers on the first call? Are you going to answer the call? As vendors for these clients, if we have a question, we'd like to have it answered. And, "yes" is not always the correct answer.

Tell us if you don't ever answer your phones. Tell us if email is a better option. Be honest about it so that expectations are managed.

JUSTICE: Really understand the company you are trying to sign up. Understand what their business is, what they're doing, and where they're going. These vendors want to have a relationship with us, just as we want to have a relationship with our clients. Relationships and trust work a lot better if you take time to truly understand your client and be a better business partner.

Follow The Money

New research from Piper Jaffray reveals your best bets for payment processing payback.

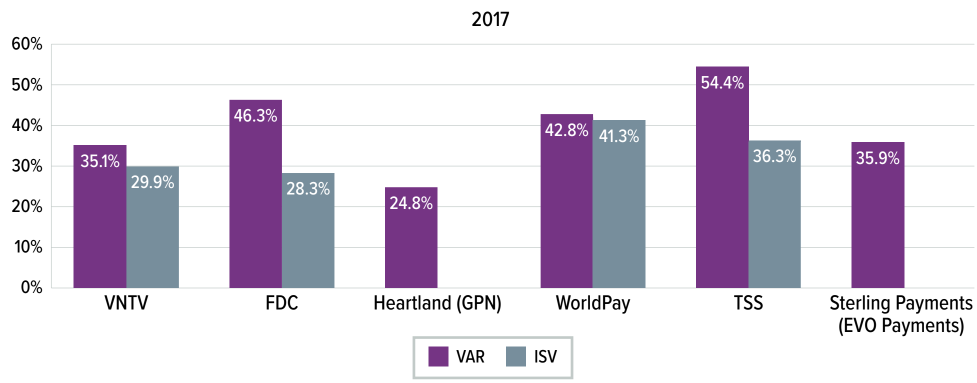


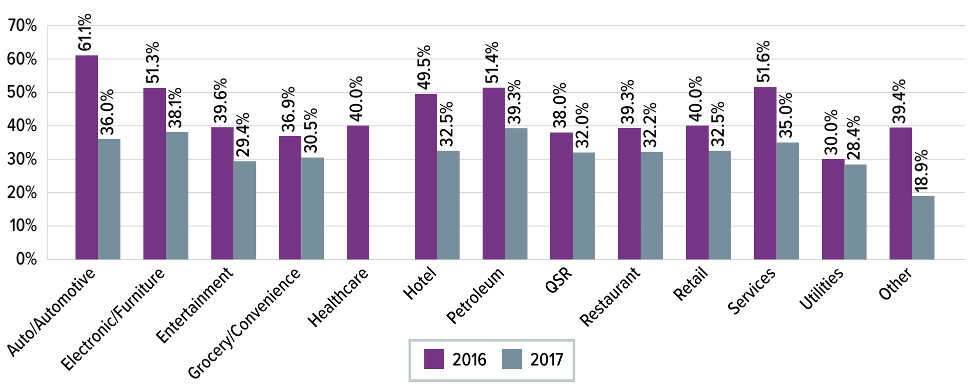
ECONOMIC-COMMISSION SPLIT TRENDS OVER THE PAST YEAR BY DISTRIBUTION CHANNEL

The percentage of VARs reporting that their economic-commission splits declined was 30% vs. 23% last year, while the percentage of ISVs reporting that their economic-commission splits declined was 21% vs. 15% last year.

AVERAGE ECONOMIC/COMMISSION SPLITS BY PREFERRED PAYMENT PROCESSOR

Total System Services (TSS), WorldPay (WPG.LN), and First Data (FDC) offered the highest economic-commission splits. Piper Jaffray notes that results could be impacted by survey demographics given a higher sample size for VNTV.





AVERAGE ECONOMIC-COMMISSION SPLITS BY INDUSTRY VERTICAL

Certain industry verticals appear to generate higher splits for VARs-ISVs. Piper Jaffray analysts believe merchant processors have had to compete more aggressively for VAR-ISV distribution partners in those industry verticals.

Why The Unacceptable Digital Channel Partner Experience Has To Change

We live in a digital-first world, and the shift has happened very quickly.

JAMES HODGKINSON

Let's consider our personal lives. In the span of a few short years, we've found a huge proportion of our time is now spent engaging digitally. Whether or not it's updating social platforms such as Facebook, creating content on blogs or photos on Instagram, or making plans on travel sites, all of a sudden, we are all operators and creators of digital content. How did that happen?

And our working lives? People are now *hired* on the back of digital engagement. HubSpot skills make marketers more employable, Oktopost is requisite knowledge for social media gurus and everyone's on Slack. Any number of other of SaaS applications have changed the way we do business in so many ways.

But what about interacting with our tech vendors? Here, we have a long way to go.

THE PROBLEM WITH PARTNER PORTALS

At present, solutions providers are forced to access multiple glorified websites (partner portals) and must try to remember their login details for each.

You might have 10 or more vendor partners, all of which provide a different interface and set of functions. Almost always, these portals are limited in value, poorly designed, and full of errors.

Even a basic requirement, such as finding content to help support a sales cycle, can be incredibly challenging. With vendors utilizing a myriad of different distribution sources, including their website, Twitter, YouTube, LinkedIn, etc., it can be a far from simple task for a channel partner to get basic access to something as simple as a case study or technical datasheet needed for a particular RFP. In turn, this creates overhead for the channel managers who support partner relationships. A lack of self-service in the portal means we resort to sending email attachments back and forth — or even picking up the telephone! It's no wonder those portals see minimal use — it's only worth the effort of logging in if you *really* need something.

> **"This lack of consistency, quality, and cohesion is no longer just a tolerable burden. It is, according to analysts at Canalys, the single biggest pain point in the channel."**

This lack of consistency, quality, and cohesion is no longer just a tolerable burden. It is, according to analysts at Canalys, the single biggest pain point in the channel, ranking ahead of old favorites such as rules of engagement, rebate complexity, and speed of deal approval.

This is directly impacting the top and bottom lines for solutions providers and vendors. It is unacceptable, and it has to change.

WHY IS IT LIKE THIS?

The market for partner relationship management (PRM) software has been around for some time. Players such as Impartner and Relayware (now repackaging as Zift) have long focused on helping software vendors manage their channel programs at scale. Salesforce.com has become a standard for collecting data, but its "management by dashboard" culture has led to solutions providers being asked to provide ever-increasing amounts of information with little gain in return.

Somewhere, we have lost track of the key tech opportunity that has emerged: taking the friction out of our engagement through improved, high-quality digital interaction between vendor channel managers and the business partners they support.

A few years ago, we saw a major shift coming, based on four clear trends that together had started to create a perfect "digital storm."

1. THE SHIFT TO A DIGITAL-FIRST EXPERIENCE, which was going to replace the old ways of engaging in the channel.

2. THE PARTNER ROLES EXPLOSION, which has moved very quickly away from the days when we could fall into simple boxes of distributors, VARs, and retailers. The contemporary solution sell can involve multiple players of all different shapes and sizes, often with people playing multiple roles. Working deals in rigid vendor-to-partner silos just doesn't cut it anymore.

3. THE APPLE EFFECT, which has resulted in users having zero tolerance for bad software and expecting everything to be easy and no more than two or three clicks away. The disparity between using a clunky PRM interface and a consumer app on any device has become too great.

4. CHANNEL RESOURCE CONTRACTION, whereby everyone is doing less with more. This is tough in the context of any business, but it becomes further amplified in a channel model, where we often see a reality where a handful of vendor resources is dedicated to supporting hundreds (if not thousands) of diverse business partnerships.

THE DIGITAL-FIRST CHANNEL

Understanding these trends and listening to the pain of solutions providers, it's clear that a new opportunity is emerging.

There is an opportunity to bring a new digital-first future to channel engagement, setting standards for experience that could be introduced across multiple vendors, in turn providing solutions providers with a consistency and level of quality that are light years ahead of today's reality.

This new digital-first channel needs to quickly move away from the website portal approach that is so prevalent across the industry today.

Intelligent personalization (through a tailor-made digital experience) is the key to future channel success. Rather than accessing a one-size-fits-all portal, imagine being able to get straight to key programs, content, and systems via an individualized view that is truly unique to your precise needs, based on who you are and what you need to drive success.

I'm not talking about token web personalization. Think less is more. If, as a referral partner, all I need are two buttons and three documents, that's exactly what should be served to me. If I'm a gold partner selling one line of business in one country, why should I be seeing hundreds of documents that I don't need? If it's not relevant and impactful, it's just noise.

IT'S TIME TO KILL THE PARTNER PORTAL AS WE KNOW IT

Working with vendors, including NetApp, CA Technologies, and Intuit, we've begun the process of addressing this unacceptable digital channel friction. We're working with some 50,000 channel partners, united by a common goal to fundamentally address and embrace an enhanced solutions provider experience. We recognize that there's a long way to go. One day, this will all be one big system. No separate portals, one login to every vendor. All the content and processes in one place, with best-of-breed technology companies powering a single, unified experience.

Reducing digital friction in channel partner programs is a bottom-up proposition. It will take the solutions provider community to put this on the agenda at vendor organizations and drive the information and experience standards that will help unite the industry and turn the digital friction problem into a digital first, channel game changer. C

JAMES HODGKINSON is chief evangelist at Webinfinity, the SaaS-based channel experience company he founded on the heels of his own experience as a channel solutions provider. He's currently building a channel partner advisory council, and he'd love to hear from you at james@webinfinity.com.

Has Your Growing Business Plateaued?

Is your business stuck? Have you reached a revenue plateau? The first step to moving forward is understanding where you are on the entrepreneurial journey.

BRAD SCHOW

At HTG, we have the honor of working with over five hundred companies. One common scenario is for the owner to question why he/she has been stuck at a certain revenue number and can't seem to break through. Depending on the revenue mix, we see plateaus at various levels. One million. Two to three million. Five million. Ten million. Twenty million.

Various strategies are put in place and focus is applied to the area that seems to be a bottleneck. Progress is made and revenue begins to rise; unfortunately, the progress is only marginal and often revenue slides back down to "normal" levels.

Having watched many companies fight this phenomenon, we began to identify a pattern. Let's start at the beginning. Many of today's IT services companies began with a talented individual. Usually somewhat technical, that individual had a few friends or business acquaintances who wanted help. The soon-to-be-entrepreneur did good work taking care of a few clients. Word of mouth spread, and the fledgling company picked up a few more clients. Things were going well — well enough that the individual hired a few people and relatively painlessly had a pretty successful business!

During this stage, his or her success is generally based on sweat and a gut feel for what works. Most of these solopreneurs have no formal business training and figure things out independently. As they hire people and business volume increases, more sophistication is required. They "figure out" how to get help with accounting and taxes. At this initial stage of the journey the entrepreneur works hard, moves and shakes, continues to grow the business, and hopefully makes some money. We call this the "Muscle and Feel" stage.

The Muscle and Feel stage is exciting! The entrepreneur realizes that certain something inside them — the ability to run a successful business! They're out building new relationships, closing deals, making sure service is delivering on what's promised, checking with bookkeeping to make sure invoices are going out, and fielding any complaints from clients.

Eventually, something happens. The entrepreneur begins to realize they're running out of time daily. They begin to struggle fulfilling all the leadership roles in their business. While the company has good people, nobody has really stepped up and taken ownership of anything important. Growth has slowed or stopped. It's not as much fun as it used to be.

As the entrepreneur realizes they can't do it all, they take one of their key employees and give them "responsibility" over the area in which that employee works. This attempt to break through the Muscle and Feel stage usually starts with service, and the job of organizing service falls to a technician with above average skill.

This is where we see the first of many failed attempts at breaking through the plateau. Here are a few scenarios we see played out:

- No clear expectations are set for the new leader. Because there is no clear definition of success, the leader is forced to react to the latest "long-term strategy of the day" that the entrepreneur puts in place. If a client calls because of poor service, the focus needs to be on customer service. If the financials for the month come in and sufficient margins aren't there, the focus is on utilization and techs getting things done.
- That talented service leader is mismanaged by the entrepreneur, who really does not understand good people management. Perhaps the entrepreneur does a "dump and run," whereby ownership of an area is assigned with minimal training. The dump and run sets up the isolated and underprepared employee for failure, causing the owner to take back authority under the flawed thinking that "I'm the only one who can do this."
- Perhaps the entrepreneur does the opposite and micromanages. That talented tech is stuck under the overly watchful and careful eye of the owner. The new leader never really gets a chance to make a difference because every decision is being questioned and the job is really being done by two people. The "ownership" the leader has been given of his/her area is not really ownership at all. It's more of an assistant role assigned to be the eyes and ears of the entrepreneur. There is only marginal increase in results, and the entrepreneur is just as stuck as they were before. The growth plateau remains, and the entrepreneur is still stuck in the Muscle and Feel stage.

Often the problem is that the entrepreneur is trying to delegate the running of the department based on gut feel. They expect the new leader to understand and have the instincts it took the owner years of practice to hone. That isn't effective.

So, what does work? What do successful entrepreneurs do to break through the Muscle and Feel stage, where they're running everything? They figure out how to "Manage to What Good Looks Like." They learn to take the successful results they've experienced thanks to their instincts and quantify those things into behaviors and numbers by which a manager can manage. During the Manage to What Good Looks Like stage, KPIs and processes are crystalized and a manager is put in place who is accountable to a defined set of numbers.

This can be a difficult transition for entrepreneurs. Their instincts have served them well, keeping the money coming and food on the table for themselves, their families, and the families of their employees. Patiently riding out the transition from the Muscle and Feel stage to the Manage to What Good Looks Like stage can be very difficult. Many times, at the first sign of trouble, the entrepreneur takes back control, reverts to the Muscle and Feel approach, and stays stuck — both in revenue and the inability to free up their time.

If the entrepreneur can successfully transition from Muscle and Feel to Manage to What Good Looks Like, they have discovered something powerful. After successfully navigating this transition once, they should be able to do it again with another department. If they can build a team of leaders and train a manager who can run departments independently, they're on the verge of being part of a team that runs the business, a business that now has unlimited growth potential.

So, what's the next step once a few leaders are in place? What's the key to having a successful, replicable process to continue to grow and transform the company?

The businesses we work with that continue to grow through any plateau they reach have an entrepreneur who is focused on three things:

1. Building leaders into a team that can not only manage today but also can execute a strategy together.
2. Communication and vision casting within their business.
3. Cultivating and maintaining a strong culture.

We call this the "Teamwork, Strategy, and Culture" stage. Once an organization reaches this stage, the growth potential is unlimited and the entrepreneur can focus on building what we at HTG think is the most important stage of all, because it's the area that ignites transformation in every other area of life and business. We call this final stage "Leaving a Legacy."

Every company we work with in HTG is on the entrepreneurial journey somewhere. Not everyone is a founder or an entrepreneur who feels stuck at the Muscle and Feel stage, although that describes many. We have members who purchased an already established company, others who serve as a GM for an entrepreneurial owner, and still others who have successfully progressed through the first few stages. However, no matter where on the journey one is found, there is a plateau ahead.

BRAD SCHOW is part of a team of coaches and consultants serving the IT industry. Prior to joining the HTG Peer Groups staff, he spent 20 years helping grow a solutions and managed services provider. He loves investing in people, thinking ahead, building teams, and helping others find success.

Living (And Betting) On The Edge

Why Black Box Networks is going all in on edge-of-the-network solution sales and support, and how it plans to win there.

MATT PILLAR Chief Editor @MattPillar

Black Box Network Services division, where VP of Global Retail Markets, Jay Lanners, Sr., thrives, is effectively a mega-managed services provider, boasting 140 international offices supporting more than 3,500 primarily field service and engineering employees around the globe.

While the company identifies four key verticals for the provision of "edge" solutions — finance/insurance, healthcare, manufacturing, and retail — the quickening pace of tech adoption in the latter is driving high expectations for Lanners' group.

WHY RETAIL IS RIPE FOR EDGE-LEVEL MANAGED SERVICES

In retail, the fallout from a lack of customer centricity and differentiation at many stalwart brands has been swift and furious. By June 20 of this year, 5,300 stores had closed. According to Fung Global Retail & Technology, that's triple the rate of store closings during the same period last year. Stores haven't dropped off at this rate since the Great Recession in 2008. Back then, Credit Suisse tallied 6,163 closings for the entire year. We're on track for 2017 to earn the infamous distinction of the worst year on record for brick-and-mortal — er, mortar — retail.

Clearly, we have no recession to blame this go-round. The unprecedented eradication of underperforming stores over the past nine months is not the result of consumers spending less; it's the result of their expecting more. If the great culling of 2008 didn't reach far enough into the coffers of those brands that ignored the demand for differentiated customer centricity, this one certainly will.

Interestingly, among the more sophisticated of the IT services providers attending to the retail industry, a declining retail store count is no cause for alarm. On the contrary, it's a sign of a market ripe for restoration. Those retail brands inclined toward self-preservation realize store transformation is inarguably urgent.

We sat down with Lanners for a look inside the seemingly ailing retail market that's driving business at Black Box—and for some insight into five strategies his division is employing.

1 CHOOSE PROSPECTS WISELY

What's a better prospect: an IT leader with an immediate need for your technology, or a business leader with a problem to solve?

As commitment to the business case behind an IT project goes, there's historically been no team less committed than the IT professionals tasked with the selection and rollout of tech. Order takers and order placers are what they've been, and the sales strategy at Black Box for a long time reflected that reality. "Our early bread-and-butter was answering the call when a merchant IT department needed 20 cable drops across 1,000 sites or a wireless infrastructure design replicated across 500 stores. And, we're still absolutely happy to do that," says Lanners. Increasingly, however, Black Box is doing bigger business and landing better projects by getting away from answering calls for immediate needs and getting closer to solving problems. That means getting closer to line of business decision makers across the customer's org chart. "Retailers' IT purchasing decisions used to be made by the IT department. Now you've got the marketing department, merchandising, store operations, loss prevention, and other departments in the mix, and they've got an increasingly direct influence on the technology being purchased," says Lanners. That's particularly true among more progressive retail brands, the ones that realize the sort of tech agility—and risk tolerance—necessary to meet the aforementioned consumer demand for customer experience differentiation. Those are the retail customers you want—they're inclined to buy more technology but, more importantly, they're predisposed to solution seeking. They're the types of customers that open the door for solutions providers like Black Box to sell technology and managed services and consulting, a trio of offerings that tend to work cyclically. And ultimately, their tech investment decisions are made by innovative and progressive business leaders, not IT departments. "Our best sales opportunities start with a problem and a retail executive who wants to solve it," says Lanners. "Then we get to step in and play a fun and creative game with that executive, their appropriate line of business owners, and their IT department. Information technology is the board on which the game is played."

> **"Among the more sophisticated of the IT services providers attending to the retail industry, a declining retail store count is no cause for alarm. On the contrary, it's a sign of a market ripe for restoration."**

Lanners points to WiFi in the QSR (quick serve restaurant) space as a case in point. Five years ago, he says, IT leaders in the QSR space might have scoffed at the idea that in-store WiFi would soon be driving revenue. But the combined application of WiFi networks, mobile loyalty programs, and analytic software serves as the IT backbone that supports creative ways to increase QSR sales in very specific ways. Lanners illustrates: "A noontime rain is a plague on a sandwich shop, but if your QSR client has collected customer contact information over WiFi via its loyalty program, and it has some very basic analytics software capability, it can launch a promotion to customers in the specific ZIP codes where the rain is falling and offer a 10 percent discount good for that day only." It's ideas like this that create the customer experience differentiation retailers are desperately seeking, and it's ideas like this that Black Box is selling. Ideas that solve a problem recognized by business leaders rarely come from IT but almost always require IT. What's more, they almost always require a sometimes complex combination of IT technologies and services, which leads to Lanners' second point: expand your solution set.

2 ACQUIRE WHAT YOU NEED

While Black Box isn't likely to walk away from that aforementioned order for 20 cable drops in 1,000 stores, Lanners says those calls for a single-service provider are increasingly few and far between. "Multi-site merchants don't want to manage several separate network, POS, and WiFi vendors," says Lanners. "Single-thread providers won't find much success in the upper tiers of the retail industry—not if they're listening to their customers. If you're a one-trick pony, you'll either have to grow via acquisition or organically to make it in this space." Black Box has done it both ways. The company has made more than 30 acquisitions—some transformative, some incremental—to complement its heritage while broadening its reach.

That aforementioned rainy day promotions example illustrates the company's expansion strategy. Black Box was in its comfort zone building complex WiFi networks. That was its core competency as an IT services provider, after all. Rolling out a solution that enables targeted couponing when it's raining in specific ZIP codes? That's a business problem solved by a software application that rides on the IT service backbone. Today's Black Box offers all of it in managed services fashion. "To move from having an IT and rollout discussion toward one that includes the business unit that owns the problem that needs to be

> **"To move from having an IT and rollout discussion toward one that includes the business unit that owns the problem that needs to be solved, you've got to stock up the tool bag and embrace a different sales process."**
>
> JAY LANNERS, SR., VP OF GLOBAL RETAIL MARKETS
> BLACK BOX NETWORK SERVICES

solved, you've got to stock up the tool bag and embrace a different sales process," says Lanners. You also have to ensure that the once-disparate elements of the solution, which had previously operated as separate business entities, are gelling to the benefit of your customers. To execute on that effort, two years ago Black Box committed to a consolidation process that has taken all those acquired companies spanning the globe from Ireland to Melbourne, each a legal, regional entity of its own, and condensed them to eight companies running on centralized systems — most notably CRM.

An analysis of the acquired companies reveals that each plays on or near the edge of the network, where Black Box is focused. Some are national and multinational providers of applications that Black Box was previously contracted to deploy. Others are focused on voice and cabling infrastructure. Some played at or near the point of sale. Another deployed wireless network infrastructure. "Through our acquisition efforts, we've been able to leverage the people and the expertise that came with each company and quickly apply that expertise to our lineup of products and services," says Lanners. The consolidation of these entities is lending to the company's success at cross-training associates, most notably on the sales side. Once-regional reps are now getting global experience and bigger opportunities. Reps who once sold software exclusively now have comprehensive portfolios of tech, service, and consulting products to sell. Its centralized CRM system, says Lanners, gives Black Box reps consistent sales support whether they're in Dallas, London, or Sao Paulo.

3 PRICE FOR TIER-ONE SUCCESS

Just as a single tech or service offering is unlikely to win big business in retail, a one-dimensional pricing structure for new tech rollout is a surefire walk to the door among the top 50 percent of retail that Black Box serves. "It's not uncommon for a retail rollout to involve 500 or more stores in a year. It's also not uncommon for a rollout of that magnitude to be managed internally by just two client project managers," says Lanners. "If you have a 50-state rollout and you give them 500 different prices, they'll never be able to manage that." Of course, he also recognizes that resellers and service providers will see a wide variety of physical store footprints and infrastructures across those 500 stores, so he certainly doesn't suggest crossing fingers and hoping a flat per-store rate works out in the end. Your offer will be more palatable and the project manager's life will be much easier, says Lanners, with a tiered pricing model based on square footage and other price estimation factors. "We consider two primary factors when determining the price structure. It's very common for tier-one retailers to operate anywhere from two to four store footprints based on size of market. That has an obvious impact on cost requirements. Trickier to estimate and account for in the tiered-price approach, he says, are location-specific variables. "State and municipal codes and requirements can vary significantly from one site to the next and the costs associated with them can add up quickly in multi-site projects," says Lanners. "Union wage rates, where they apply, are another wild card. They're considerably higher in New York City than they are in Milwaukee. These geographic nuances come with higher rollover costs that have to be addressed on a per-site basis."

The company's growing line card of subscription-based software sales, on the other hand, calls for a far more prescriptive pricing structure. Analytics packages, such as the one used to automate those rainy-day promotions to loyal sandwich shop patrons, are priced per user, typically on a three-year contract. WiFi is billed by license and per access point.

4 BUILD DEAL-SEALING SALES TEAMS

To win big, multi-pronged projects with big, multi-site merchants, it takes a team-oriented sales effort. Recognizing this, Black Box created a CRM application that invites the participation of the entire Black Box team. "We developed our CRM package with the singular goal of building and maintaining a customer-centric view as opposed to our view," says Lanners. "The classic component of any CRM package is the ability to manage prospective sales through sales-stage classification," he explains. "In the classic CRM model, stage one might represent a fresh prospect identified by an account manager. The account manager moves the prospect along at their discretion to the close in stage five. Our new system turns that approach on its ear."

Rather than leaving prospect movement to the sales rep's discretion, the Black Box CRM application lets the activity that takes place dictate where the prospect or customer falls on the continuum. "There are up to six criteria per stage that determine account movement, and we either meet those criteria or we don't. If six boxes get checked off in stage two, for example, the project automatically moves on to stage three. It takes a lot of guesswork, assumption, and labor off the hands of sales reps," says Lanners.

The activity that leads to those boxes being checked off isn't limited to sales reps, either. When an account manager enters an opportunity, he or she hit a few checkboxes that represent the required solution sets. That data goes to a centralized clearinghouse, which disseminates alerts to team members with the appropriate expertise to support the sales effort or project.

"I liken the system to an internal dating service," says Lanners. "Account managers are typically generalists. They understand a bit of technology and our managed services offering, but in the event there's a prospect with 500 locations whose needs are based around a wireless LAN system and complex analytics, that customer wants input from technology experts. This system makes that engagement seamless." Because it facilitates deep data capture from customers, it also acts as a catalyst for consultation and upsell opportunities. "In that same example, where the initial opportunity was based on wireless and associated analytics, when the first opportunity goes well we build on it. When the customer expresses satisfaction with our buildout and maintenance, the system documents that and prompts the next relevant or corollary opportunity. Perhaps it's end-to-end managed services, in which case the system alerts our managed services experts, who take a deep dive on that offering with the customer." Lanners says analytics and reporting pulled from its CRM system help the company to "keep its crystal ball polished" and stay in front of hot demands from its retail customers.

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5 EXPAND FROM THE IT BACKBONE TO THE IT BRAIN

One of the trends made evident over the past 12 months is the recurring analytics theme that weaves its way through the conversation with Lanners. Yesterday, he says, it was important for Black Box's retail customers to know how many people came into their stores and converted into a sale. "Today, the question isn't simply how many came in and what they bought. It's 'How many walked in at 10:00 on a Tuesday, were they male or female, how old were they, and what department(s) did they linger in?'" Black Box has proven its proficiency at providing networks and edge-level hardware—the "backbone" that facilitates the software a merchant needs to answer those questions. Moving forward, Lanners plans to focus on the technology that can actually provide the answers. "We're seeing demand for tremendous understanding of consumers, and that's driving our direction today and moving forward. That's the analytics component. It's software-driven, and we're positioning Black Box to meet that demand."

That's an important pivot that shouldn't be lost on retail VARs and MSPs. If the technologies and services you're selling today are largely considered brick-and-mortar capital expenses, you face a steep and rocky climb. The edge-level where users live and work—and the software components they live and work with—are what turn the core IT infrastructure you sell into a moneymaker for solutions providers and their customers.

DIGITAL TRANSFORMER | By M. Pillar

VINCE DELUCA
CEO, Logicalis US

Three times in 2010, a headhunter contacted Vince DeLuca to pitch the COO position at Logicalis US. Three times, DeLuca turned it down without even taking an interview. At the time, DeLuca was SVP at Wipro-owned Infocrossing, a $500 million IT outsourcing business. “I didn’t know Logicalis, but I knew the category it was in,” says DeLuca. “I considered it a VAR, and I had used similar firms to secure infrastructure in previous roles. Not only did I lack VAR operations experience, I didn’t necessarily find the business model interesting,” he admits.

On the fourth attempt, the recruiter convinced DeLuca to take a call with the management team, including the global CEO at Logicalis. DeLuca finally obliged.

By December, DeLuca was COO at Logicalis US. Two years later, he became CEO, the role he maintains today.

“I learned two things that convinced me to take the job. First, the company’s vision was ahead of the market shift that was happening. The company wanted to become much more solution-and-services oriented. Second, the COO role was a bit of a misnomer. What they were really looking for was someone with a strong solutions and services background, which is where I’ve spent most of my career.”

DIGITAL TRANSFORMER

MATT PILLAR Chief Editor @MattPillar

INSIDE $1.5 BILLION LOGICALIS' TRANSITION FROM MEGA-VAR TO LEADER OF THE DIGITAL TRANSFORMATION PHENOMENON

Effectively, DeLuca was given an opportunity to help reshape the company, gradually wean it away from the reseller model, and lead it into the solutions and services space. Of course, even with the foresight they exhibited in 2010, not even the leaders at Logicalis could have predicted the hastened pace at which software and services would be driving business, and thus, opportunity for those positioned to grab it. DeLuca had to work quickly.

DeLuca welcomed me for a half-day visit at the NY-based company's satellite office in Pittsburgh, not far from where he was born and raised. In short order, I determined that both his Steel City upbringing and his business and tech leadership chops are unquestionable. DeLuca is welcoming and affable, claiming his dad, a retiree of the blue-collar Pittsburgh labor scene, knows little more about Logicalis and his son's role there than the fact that the boy "spends too much damn time on airplanes."

While he may not talk a lot of shop with his dad, as a business leader and visionary, DeLuca is assertive, intelligent, incredibly articulate, and entirely unapologetic about his company's commitment to digital transformation. Here's a look at the company's take on the trend du jour and some insight into how it's positioning to capitalize on it.

THE ART OF THE PIVOT

DeLuca joined a successful company with an inarguably solid reputation integrating infrastructure systems from some of the largest OEM technology providers—Cisco, EMC, HP, and IBM among them—and reselling them to some of the largest government, educational, retail, financial, healthcare, and manufacturing enterprises in the world. Its IT infrastructure sales and integration model was straightforward—the company operated much like any other VAR, but on a more massive scale than most. The company's managed services capacity was limited to remote infrastructure management that it sold on a subscription basis, which was the company's sole source of Logicalis-delivered recurring services revenue. DeLuca estimates that 85 percent of the company's profits were generated from traditional tech sales and integration, while the remainder came from services.

"We operated a small service division that managed integration, but that arm of the company wasn't as robust as it needed to be to drive success in the markets we're in," says DeLuca.

His first order of business was an exploration of natural inroads to an expanded service offering — those opportunities that were directly adjacent to its core product and integration offerings. "We didn't deviate completely from the core of the business immediately. We started to build capabilities that allowed us to provide more consultation and front-end leadership around IT strategy and design services as opposed to simply implementing and integrating infrastructure and point solutions," he says. Simultaneously, he spearheaded an initiative to refine the segmentation of the vertical markets Logicalis serves and clearly define the company's capabilities in each segment. He offers big banks as an example. "From a service portfolio standpoint, some of those Fortune 50 corporations have more IT associates than we have in our entire company," says DeLuca. "We had to define our value to that segment in a very specific manner. We can sell them technology with value-adds, we can integrate their infrastructure, and to a smaller degree in that segment, we can provide some managed services."

As the segmentation exercise moved down market, DeLuca and company realized a greater opportunity to offer more holistic managed services as an extension to IT teams that work in the Fortune 2000 on both project- and annuity-based levels. That's where it capped its position. "We don't reach down below the middle of the mid-market because we can't scale down that well due to the way our organization is built, most notably our fixed cost of sales," he says.

Today, DeLuca says the product/service profit breakdown at Logicalis is closer to 65/35. While that's solid progress, DeLuca is aiming for 50/50 and he wants to get there quickly. "The pace of change in the markets today is so fast; the time horizon is shrinking dramatically. We don't have a lot of time to get there." Why the rush? In a word, disruption.

B2C-LIKE DISRUPTION WILL HIT THE CHANNEL

DeLuca readily admits that worrying is central to the CEO's job. Watching major disruption to traditional and longstanding business models only exacerbates his awareness that disruption breeds destruction to the unprepared and unaware. He points to the way Uber, Lyft, and Airbnb snuck up on the transportation and hotel industries as poster child examples. "These are completely different business models that took shape really quickly, disrupting industries faster than we ever thought they would with a customer experience that's been embraced to the detriment of traditional players," he says. "Four years ago, the medallion a New York City taxi operator needed to secure to operate a cab cost between $1.25 and $1.5 million. Today, they're sold for $250,000, and the price is still falling. Airbnb is effectively the largest hotelier in the world now, and they don't even own any properties."

The analogy to the IT channel bears little explanation. We're well beyond the commoditization of once margin-rich products. Today's money is in differentiated services. The pace of change keeps Logicalis on its toes and feeds its sense of urgency. "We don't know what's being developed in a garage somewhere, unbeknownst

THE POWERLESS CIO?

The notion of a software-defined enterprise — a key philosophy in Logicalis' worldview — is taking a toll on the traditional corporate CIO. Vince DeLuca, CEO at billion-dollar managed services provider Logicalis, sees this as a vexing challenge to his company's sales strategy. "We hear a lot of discussion about how the CIO — who's typically been the tech investment decision maker and therefore our primary sales target — is losing power to line-of-business managers," says DeLuca. "We have a customer board that advises us on what we do, and most of them are CIOs. In a self-preserving kind of way, they're telling us not to go around them — that they can give us access to every line of business resource we could possibly want." That, he says, counters the conventional wisdom in the marketplace, and software-defined everything is exacerbating the challenge. Today, line-of-business leaders can go out and procure virtually any solution or business capability through a SaaS application.

That reality puts VARs and MSPs in a bit of a quandary. On one hand, self-serve SaaS applications are driving a new opportunity for tech solution and service providers. As soon as the line-of-business manager wants to make a SaaS application work with something else — another piece of software or a legacy application, for instance — they find themselves in need of technology expertise. When that happens, DeLuca says Logicalis walks a slippery slope with the CIO and IT department. "The CIO has been our go-to-market target for a long time and still plays an important role for us. It takes some finesse to bridge into those line-of-business functions and solve their problems without alienating the CIO. That dynamic has been a bit tricky for our teams to handle."

Still, DeLuca thinks his customers' chief technical roles — whether they're CIOs, CTOs, or CDOs (chief digital officers) — are more important now than they've ever been. He sees the direction they're providing growing more important in the future. "We see a logical convergence of a group of technology and service leaders coming together who will be sitting at the board of almost every company that exists. Our ability to work with them in the right capacity is key to our future."

to us until it springs upon us, and it's happening all over the place," warns DeLuca.

DeLuca recognizes that the slim, well-defined lanes that comprised the IT channel—OEMs, distributors, large consultancies, VARs and MSPs—are fast becoming wide and fuzzy. "We used to know where our boundaries were, and we knew that we couldn't necessarily infringe on those boundaries, or it would disrupt the entire supply chain," he says.

Now, every player in the channel wants a piece of the annuity pie. Services are the dominant means of earning it. Software, not hardware, is the most meaningful asset to the end user. The entire supply chain is getting closer to the end customer. Enter Logicalis' digital transformation strategy.

SOFTWARE-DEFINED EVERYTHING

Back in 2011, VC firm Andreessen Horowitz cofounder Marc Andreessen wrote a now-famous and proven clairvoyant essay for *The Wall Street Journal* titled "Why Software Is Eating the World." DeLuca subscribes to the notion. "This is an application-driven economy," he says. "Technology in one way, shape, or form is impacting everything that we do. IT used to be the enabler of business strategy, but today it *is* the strategy." That philosophy sits at the nucleus of the digital transformation revolution underway at Logicalis, and it's central to the company's managed services go-to-market strategy. DeLuca admits that the term—digital transformation—is an ill-understood one among most of his company's customers, but he surmises that the term connotes a few important expectations of a tech services provider:

- Everything is mobile, or should be.
- Security is an expectation.
- Software underpins everything, or soon will.
- Digital capabilities and compute power should empower a big company to feel like a small company, and a small company to act like a big company.

These new realities, says DeLuca, are empowering businesses to enter and even create markets at a more rapid pace than ever. "These things that are all coming together at once – and quickly – are where we have to focus our services offering to help our customers get to a better position through tech-enabled efficiency or through new routes to market," he says. To do that, Logicalis is tackling digital transformation in five parts:

1. Ubiquitous connectivity. The technologies that companies use to connect with their employees, their partners, and their customers are traditionally very disparate. "The foundation of the modern customer experience is the connected world we live in," says DeLuca. "The networks and mobility that drives anyone, anywhere, anytime connections and a seamless, omnichannel experience are prerequisite to digital transformation." He sees the service opportunity in maintaining the "wherever, whenever" communication platform that facilitates ubiquitous connectivity.
2. Tech-driven innovation. Per DeLuca's earlier comments, innovators are leveraging technology to create new operating models, new business models, and even build entirely new businesses. "Technology is enabling collaboration, which is making co-creation much more dominant than it ever has been," he says. DeLuca suggests that service providers like Logicalis will be pressed to create more intellectual property — or partner with those in the OEM software communities for it — to continually differentiate themselves. "We feel that co-creation is key for our future, which includes our extension into markets that we never had the capability to access on our own."
3. Ruthless automation. DeLuca doesn't mince words on this point. "We need to automate the hell out of everything that exists out there. We need to take the human factor out and replace that with ruthless automation of every task." He envisions an automation platform, versus a set of automation technologies. "Automation is a huge opportunity for better quality, better capability, and more efficient provisioning. With automation, there's also a degree of artificial intelligence and cognitive science, which will shape digital transformation in a way that's dramatically different from where we are today."
4. Data intelligence. Artificial intelligence and cognitive science lead us to DeLuca's fourth point, which he also considers the most exciting. "Digital transformation is already enabling us to make decisions based on information and data that we didn't even have access to yesterday," he says. He cites a Gartner statistic for some context. "There are 6 billion connected devices today, and by 2020, there will be 20.4 billion. In 2021, 1 million endpoints will light up every hour for some new device or sensor on an increasingly connected network." If you think today's 6 billion connected devices are generating a lot of data, consider that the majority of it is still user-generated. Solving the data intelligence puzzle as that data multiplies by millions in a more systems-generated data environment isn't just key to digital transformation, it's key to competitive differentiation.

TO BE CHEAPEST, YOU NEED MASSIVE SCALE. WE DON'T HAVE THAT. WE DO THOUSANDS OF THINGS WITH HUNDREDS OF PEOPLE, NOT MILLIONS OF THINGS WITH THOUSANDS OF PEOPLE.

VINCE DELUCA | CEO, LOGICALIS US

5. Security. Finally, DeLuca cites the opportunity and the fear around security as a key digital transformation consideration. "As the information explosion continues, security must accompany everything we implement ourselves and everything we sell, integrate, and service for our customers," he says. In an environment where the same automation technology that drives business efficiency can launch an attack on the power grid, the market for secure applications, devices, and programs—and the security services that keep them that way—is evergreen. "On the path to digital transformation, businesses and individuals alike are exposed to a lot of good and a lot of bad. Security must underpin everything we do," says DeLuca.

CONSULTANCY: KEY TO CAPITALIZING ON DIGITAL TRANSFORMATION

Surely, digital transformation reveals some big concepts to ponder, and DeLuca admits, that taken at their face value, these concepts offer little direction for the average VAR or MSP. "As we see these shifts and advances taking place, we assess them within the context of our customer size and vertical market focus," he says. "We can't be everything to everyone, which is why we're focused on growing our consultancy practice to drive digital transformation engagements with our customers," he says.

The fact that Logicalis recognizes its inability to be all things to all markets is central to its success. It's been argued that there are only three real ways to differentiate your offering: You can do it cheaper, you can do it first, or you can do it better. DeLuca is quick to admit that cheapest and first are not his company's forte. "To be cheapest, you need massive scale. We don't have that. We do thousands of things with hundreds of people, not millions of things with thousands of people." While he holds to the earlier-stated position that innovation through co-creation is playing a more prominent role at his company, he admits that innovation in the sense of being first to market with a new product or service isn't the company's modus operandi, either. "We don't have billions of dollars wrapped up in R&D to develop new products and take them to market. Our intellectual property composition is actually relatively low right now, compared to others in the industry," he says.

The way Logicalis has chosen to create differentiation—and sell the concept of digital transformation—is in how it engages its customers through consultancy. "I think people sometimes confuse customer engagement with customer relationships. I don't look at it that way. I see it through the lens of understanding the customer's business and providing the best tool or solution for the imperative or objective that they have," says DeLuca. To that end, the company has launched a consultancy practice. "As this world shifts, our customers are asking us to work with them in a different capacity. Not only do they want us to understand what they're doing on a project, supply infrastructure, and integrate it, they want us to be on the front end, to help them to determine what projects they need to undertake to be more efficient as an organization," he explains.

The consultative approach allows Logicalis to help its customers develop a technology, service, and consumption road map that matches their business strategy. To fund the consulting initiative, DeLuca has focused on making the company's heritage business as efficient as possible by following its own guidance: high degrees of automation, lower costs, and efficiencies like enabling more self-service functions for its customer base. "By doing those things, we've freed up resources to invest in the things that will take us into the future, like the consulting practice."

There's no question that DeLuca is passionate about digital transformation and excited about Logicalis' prospects of capitalizing on the revolution it represents. He is, at his core, a solutions guy. The corporate aspects of the CEO title? He admits he handles them because he must. "The most rewarding part of my job is going out and talking to customers, working with them, seeing how technology influences what they're doing, and how we can help them," he says. "I like understanding the use cases, how we're helping companies succeed. The corporate stuff? It's OK." Sage words from a successful—albeit slightly reluctant—CEO.

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REAL ACQUISITION WORK BEGINS AFTER THE INK DRIES

By A. Sorensen

How an MSP diversified its territory and vertical expertise with four acquisitions in five years

California-based MSP TekTegrity earned a spot on the Inc. 5000 list in three consecutive years, from 2012-2014. Then, CEO Russ Levanway admits, "Honestly, I got bored filling out the application every year." There's nothing boring about a three-year growth rate hovering around 150 percent, but Levanway had a good excuse for not wanting to be bothered by the paperwork. He'd been busy acquiring MSPs, including two between January 2014 and January 2015. These were in addition to TekTegrity's acquisitions of two other MSPs between 2010 and 2011. In the process, the company grew to 54 employees, expanded its regional footprint by opening new offices, and established itself in new niche verticals.

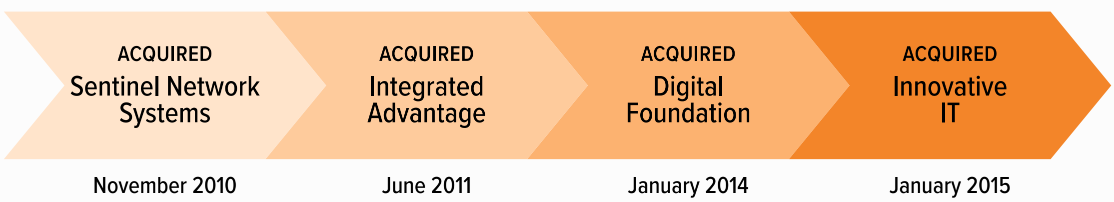
TekTegrity's penchant for acquiring companies is integral to Levanway's belief that an MSP can't be successful without understanding economics of scale. "The reality of providing proactive and preventative support specifically is that you have to have competitive, scalable network operations," he says. Levanway and his co-founder, Jeremy Koellish, understood how to scale long before they signed on the dotted line for their first acquisition. First, they made sure to establish a scalable network operations center (NOC), and they looked to Costa Rica to do it (see sidebar for more details). Once its NOC was operating efficiently and profitably, Levanway directed his attention to growth back home.

Expanding Geographically & Vertically

TekTegrity wanted to own the region that sits between San Francisco and Silicon Valley. Levanway set his sights on the Bakersfield area, about 2.5 hours east of its San Luis Obispo headquarters, because the company already had a few large clients there. Unfortunately, TekTegrity bought office space there in early 2007, and the timing couldn't have been much worse when the recession hit. "It was definitely a mistake," Levanway admits. "One thing I did learn from that was, recession aside, in many circumstances, you're better off acquiring another company instead of starting from scratch in the new territory." Not only does this strategy provide a financial safety net, but it also comes with the advantage of having brand recognition already established. "The experience of the recession has made us extremely careful. Now we really focus on the cost benefit of everything that we do. It was a very painful lesson to learn, but I would say that it was a good lesson to learn."

By 2010, the company was back on its feet and had the ongoing cash flow to finance the acquisition and

TEKTEGRITY'S ACQUISITION TIMELINE



Real Acquisition Work Begins After The Ink Dries

ABBY SORENSEN Executive Editor
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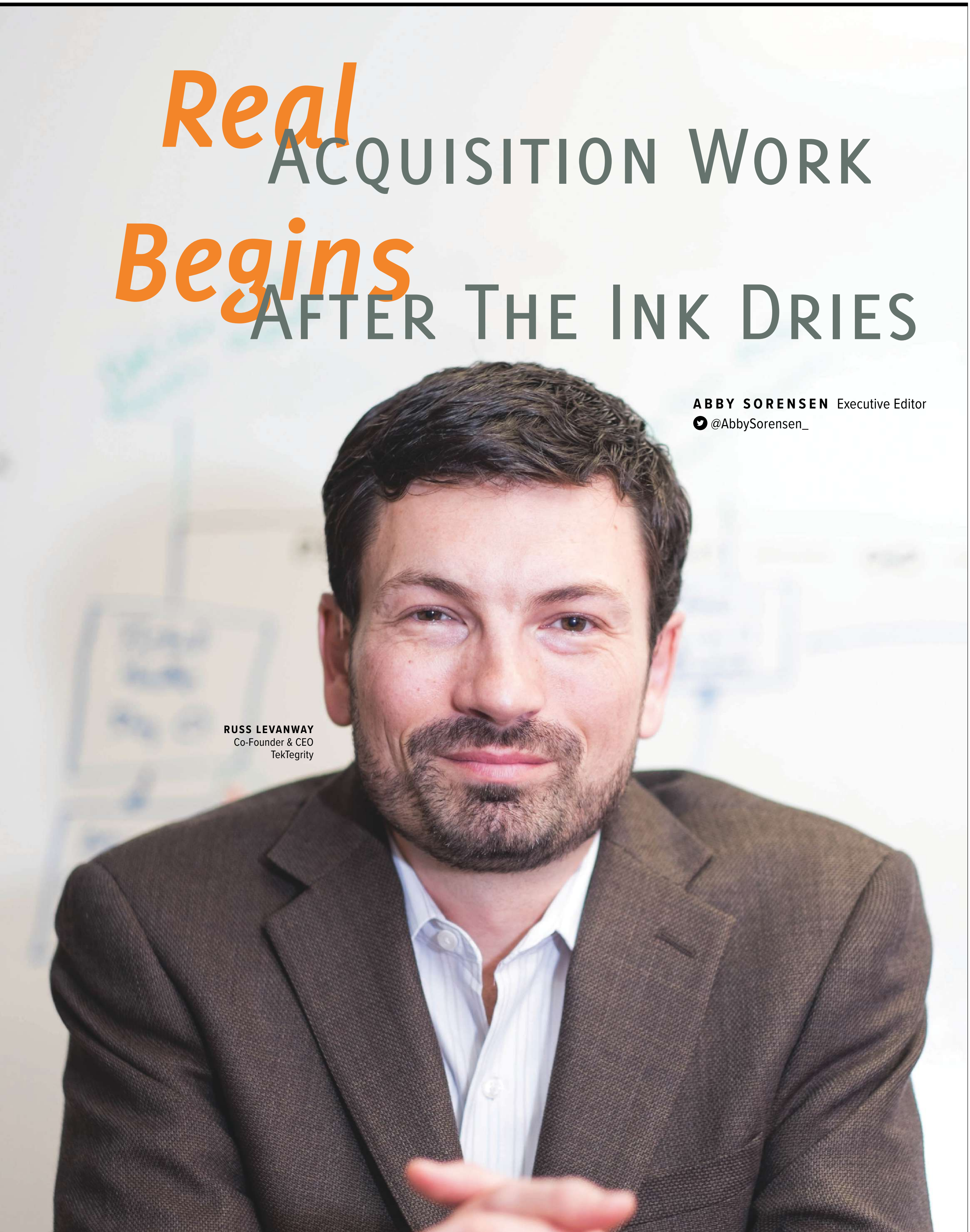


RUSS LEVANWAY
Co-Founder & CEO
TekTegrity

> “If you have to be the one to handle a company issue, and a problem with a staff member, and also do an acquisition, you'll be pulling your hair out. It just doesn't work.”
>
> **RUSS LEVANWAY**
> Co-Founder & CEO
> TekTegrity

earnouts of Sentinel Network Systems, a local competitor. This move allowed the company to better leverage its NOC across a larger client base. Levanway explains, “In our area, where the labor market's not that great, we were looking at acquisitions to spread the cost base out, which was the intent all along, and of course to get great technical talent and great clients.” Sentinel also came with a staff that meshed well with TekTegrity's. The owner and his principal technician had the kind of engineering minds Levanway respected, and they continued working at TekTegrity for years after the acquisition. By 2011, TekTegrity was ready to grow its territory again. The Integrated Advantage acquisition was thanks to an introduction from a mutual acquaintance. It also allowed TekTegrity to put a stamp on the Fresno market, another 2.5 hours northeast of its base.

Now that the company had offices stretching from San Luis Obispo to Fresno, across California's central valley (the Bakersfield office was shut down as a casualty of the recession), Levanway turned his attention to diversification. TekTegrity acquired Digital Foundation in 2014, a local competitor with deep roots in the healthcare vertical. Instead of one large technical team, TekTegrity was able to split its operations across multiple, vertically focused teams. Thanks to this acquisition, the company was growing quickly in the San Luis Obispo market, but that meant Levanway needed a way to jump-start progress in Fresno. He found the perfect solution in early 2015 by acquiring Fresno-based Innovative IT. The MSP also had a strong healthcare focus, making it easy to scale TekTegrity's vertical specialization. This acquisition came with the added bonus of a new niche focus, providing residential internet services for affordable housing projects. TekTegrity has housing authorities and property developers as clients who can earn tax credits by providing free or heavily discounted WiFi access to tenants. Levanway explains, “The wireless projects we perform allow people to be able to learn English as a second language, to study, to apply for work, and to take advantage of everything the internet has to offer. We felt that aligned perfectly with the ‘Lives, Enriched’ portion of our mission statement.”

Trust The Experts & Delegate To Your Managers

Any solutions provider can set a goal to grow through geographic and vertical diversification. Actually pulling off four successful acquisitions in a five-year period to do this, however, takes discipline. For TekTegrity, that meant paying for expert advice, and building a company with a management team that could be trusted to hold down the fort while the executive team was working out the details of the acquisitions. Levanway didn't need to elaborate on the importance of hiring an attorney, CPA, and M&A consultant to help with the process. Without input from third-party experts, acquisitions will fail. Levanway also says, “We built fixed cost and scalability into our company in the beginning. We actually did that in our management team, too. We had a good, strong management team, and I felt like I could disappear for a couple months and they would do a phenomenal job running the company. If you have to be the one to handle a company issue, and a problem with a staff member, and also do an acquisition, you'll be pulling your hair out. It just doesn't work.”

An Offshore NOC In...Costa Rica?

When Russ Levanway and Jeremy Koellish co-founded TekTegrity in 2005, they knew scaling wasn't possible without building out a sophisticated support operation. Koellish had spent time in Costa Rica as an exchange student in high school, so he knew the country boasted more than just a tropical climate and pristine beaches. There's a reason Amazon, HP, Intel, and other tech giants have support centers in the country. The San Jose metro area, also the country's capital, is home to more than 2 million people, including a strong pool of technical talent with a university and technical school feeder system. It wasn't just the cost savings that attracted TekTegrity to Costa Rica. The MSP is headquartered in San Luis Obispo, a mostly rural region of California that doesn't have anywhere near the kind of tech talent as San Francisco (about 3.5 hours north) or Los Angeles (about 3 hours south). This means it's both easier and cheaper to employ technical talent in Costa Rica. Thanks to financing help from Citibank, the NOC was up and running by 2007, and was profitable within a few years.

TekTegrity could have outsourced its entire operation in Costa Rica, but instead it set up an office and employs its own staff. As Levanway describes it, this was strictly a cultural decision, and therefore a quality decision. The company is wary about hiring third-party contractors because it believes customers choose

This doesn't mean Levanway neglected TekTegrity's core business while he was working on an acquisition. There were times when he had to make judgment calls about where to focus his time. During the process of acquiring Fresno-based Integrated Advantage and Innovative IT, he made sure his staff in the San Luis Obispo office had access to his calendar, and he would use the 2.5-hour drive time to schedule check-in calls about the core business because he knew he wouldn't be distracted by the acquisition while on the road. He'd also occasionally ask a member of the San Luis Obispo team to join him for the trip, which helped him get face time with that employee, and helped the two offices get to know coworkers.

No Shortcuts For Employee Integration

Levanway knows the real work begins after the ink is dried on the acquisition paperwork. Even though the TekTegrity executive team cared deeply about building trust and getting to know the values and personalities of the owners of the companies it was acquiring, that doesn't make it easy to transition new employees to an existing company's culture. Levanway and his partners always took the time to meet with new employees one-on-one, and they would put in writing how those employees fit into their existing structure and what their paths would be. That's just step one. "I was too quick to assume that people were falling into their new roles and getting along with new managers," says Levanway. "There was quite a bit of tension and animosity being built up because of the different way of doing things. Our assumption was that the initial communication was enough."

After TekTegrity's first acquisitions, the follow-up process with new employees was retooled. That meant weekly one-on-one check-ins with each new employee for six months, a drastic change from just one initial meeting. TekTegrity split the time burden of these meetings among the three members of its executive team, but that's still a huge commitment of face time. Keep in mind, TekTegrity's most recent acquisition was in Fresno, which is why Levanway says, "Five hours of round-trip driving almost every day was no fun, I'm not going to lie. In some of the early months of the acquisition there are times when things could go one way or another. You have to be really hands-on and engaged. Being there on the ground, you could feel those little shifts, and those epiphanies where new employees have those 'a-ha' moments where they realize 'that's how TekTegrity does things, I'm on board with that.'" To make matters more complicated, TekTegrity also had two Fresno offices with two different cultures. It kicked off what Levanway called a "cultural campaign" referred to as "one Fresno," and the company set a timeline of one year in which to get both offices under one roof, and to establish one set of beliefs and one set of standard operating procedures. Also, weekly updates of the acquisition progress were given to the whole team in morning huddles, and the executive team openly solicited feedback from employees.

Levanway feels so strongly about a shared culture and value system across his offices that he spent hours and hours driving to and from TekTegrity's Fresno office. It's also why he thinks acquisitions boil down to trust, not the numbers or the timing or the structure of the deal. His due diligence is spent uncovering how owners treat employees, how they spend their free time, and what they value from both personal and business perspectives. Today, Levanway sees enough growth potential among the Fresno market and the healthcare and residential internet verticals that he doesn't have any immediate plans for another acquisition. That being said, he's always looking for opportunities that come at the right prices, and with an owner who shares TekTegrity's core values. C

to work with TekTegrity because of its skillset and value system, two things the company can control by employing the Costa Rica staff directly. "If we're caught doing a lot of work with subcontracts, that's going to cause trouble," says Levanway. "We're driven by a specific set of values, and a subcontractor cannot convey them."

Levanway spends about two months out of the year in Costa Rica to make sure this value system is consistent across its offices in both countries, and other company partners also visit regularly. The director of the office in Costa Rica also comes to the U.S. for quarterly planning meetings, and regularly an employee will come up for at least two weeks to work in California. Additionally, TekTegrity's Fresno office has a 15-minute huddle on a daily basis with the team in Costa Rica. Better yet, the winner of the company's "Tech Of The Year" award gets an all-expenses-paid week in Costa Rica. The culture in the Costa Rica office has rubbed off on the U.S. operations, too. A family-like atmosphere is a cornerstone of Costa Rican culture, and employees routinely and naturally have group breakfasts, lunches, and activities outside of work hours, something the California teams have tried to do more of.

That might seem like a lot of time on planes, but Levanway reasons that it's no different from flying to the East Coast (the flight from Los Angeles to Costa Rica takes nearly the same amount of time as a trip to New York City). It also helps that Costa Rica is only an hour ahead of Pacific Time, so all of TekTegrity's offices can communicate during normal business hours. The fact that TekTegrity has an "offshore" NOC is a completely seamless setup, other than the fact that the employees in Costa Rica are traditionally more formal in interactions with superiors – they insist on calling Levanway "Mr. Russ."

Getting Out Of Your Own Way

Learning to delegate helped an MSP owner achieve double-digit growth, more engaged employees, and two new side businesses.

ABBY SORENSEN Executive Editor

Rashaad Bajwa assumed he'd graduate from college and head to law school. A fortuitous speeding ticket changed that fate. At the time, Michelle Yan (now his wife, Michelle Yan Bajwa) was interning for a law firm. Bajwa would occasionally pick her up from work, and the firm caught wind that he had a knack for IT. When a lawyer offered to get him out of the ticket in exchange for IT help, Bajwa delivered – setting up a one-modem proxy server to get the firm online.

His first unofficial client was so enthralled with the new networking capabilities that they started recommending him to other law firms. It was 1997. Bajwa's parents bought him a suit. He quickly learned that he could charge $40 an hour compared to the $60-$80 other, legitimate IT companies were charging at the time. Then he landed a $20,000 project. By the time his speeding ticket went to court, the prosecutor was his client too.

Instead of paying the ticket, Bajwa started building a business. Law school was off the table. Domain Computer Services was born.

The problem with Domain Computer Services, the MSP Bajwa founded as a senior at Rutgers, was that the company wasn't speeding along as fast as he was the day he got pulled over. In the early 2000s, Domain was a solid lifestyle business. The company had grown organically to about a dozen employees through a reputation for good work, the same way it grew in the early days of servicing law firms. But Bajwa was getting restless, and in his early 30s, he was at a crossroads. He wasn't ready to sell, but he didn't know how to grow. "It wasn't the money, we were making good money. It was the time and the mentality that if I walk away the whole thing will crash because I'm so important. That wasn't true, but I had created it that way. I didn't properly develop people who could watch the fort while I was gone."

He joined HTG Peer groups in 2012, in conjunction with hiring his first sales rep, and he assumed this would teach him how to grow by showing him how to structure a sales team. Bajwa had matured since he donned that first suit as a college senior, but he admits he still had a lot of growing to do as a business leader. "It is true in that you do need a sales engine. But what was really keeping us from growing wasn't sales. The big problem was that I was a bottleneck," says Bajwa. At that point, he was micromanaging just about every part of the business, from reviewing timecard entries to handling accounts receivable to being the primary relationship holder with clients. He admits there wasn't an "a-ha" moment to realizing he needed help letting go. Instead, his peer group kept hitting him over the head with that reality. "It's almost a disease some entrepreneurs have, being these control freaks. My highest and best use has changed from being one person who gets glory out of doing everything to getting glory from developing others."

> **"If I walk away the whole thing will crash because I'm so important. That wasn't true, but I had created it that way."**
>
> **RASHAAD BAJWA**
> President, Domain Computer Services

STOP WORRYING, START DELEGATING

Admitting you need help delegating, and therefore need to hire to grow your company, is easy. Taking action requires a completely different mentality. Bajwa talks about the importance of always having "excess capacity," and transitioning from a bank account that provides a safety net to investing and having faith the organization will grow. Domain had the cash on hand to start adding to its headcount, but Bajwa speculates his real fear was something common among other MSPs – he didn't want to hire people because he was afraid he'd have to fire them. What if you bring on a new employee and then the work coming in dries up and you have to let that employee go? He had to recalibrate this mindset to ease his anxiety about hiring, and he started looking at new employees as a year-long investment instead of framing a new salary as an immediate expense on the books. "The general wisdom is that entrepreneurs are big risk takers. That's a complete fallacy. We small entrepreneurs tend to have a tight handle on the pocket book."

When Bajwa started down the path of delegating, it was easy to let go of things like time sheet reviews. He admits, "Literally, it was an addiction; it was no good for me." When it came to his control over purchasing, letting go was harder. That directly impacted his wallet as the business owner. What if an employee spends too much? What if an employee steals from you? The same nervousness applied to client relationships. Bajwa had built his company on his reputation, and to this day, the company's mantra is "Your reputation is your wealth." Now he had to put that reputation in someone else's hands. Even getting out of the technical side of the company was hard. Bajwa grew the company with a value system built around how much it could fix, so he set a goal for ConnectWise billable time reports to show a zero next to his name. Letting go took time, and Bajwa often felt like he was taking one step forward and two steps back. Today he's so focused on the bigger picture, higher impact issues within Domain that he doesn't even know if he has a ConnectWise login. Now, "it's about allowing others to be the primary heroes at Domain." Empowering his employees not only made it easier for Bajwa to take vacation time, it boosted employee engagement too. He says, "When employees were asked to do more and step up, not only did the organization grow, but the employees' connection to the company grew too."

FREE YOURSELF FOR BIGGER & BETTER THINGS

Today, Domain is growing at a healthy double-digit rate and has nearly 40 employees. The company covers the Philadelphia, New York, and New Jersey metro areas, and is the largest SonicWall Security-as-a-Service (SECaaS) provider in the Northeast. Domain has expanded from servicing law firms and now has a foothold in the SMB, healthcare, financial services, and nonprofit verticals. Bajwa now delegates just about everything other than recruiting, hiring, and the general leadership needed to move the company forward. He estimates about 30-40 percent of his time is spent on hiring, a task he feels strongly about keeping for himself.

With all of the time he freed up by getting the company to run without him, Bajwa launched Bizratings, a review and rating tool currently being used by more than 20,000 companies. It's not just a side business; it also helps Domain track what customers think about the company, what employees think about the company, and what employees think about their relationships with customers. Additionally, Bajwa founded the Domain Tech Academy in conjunction with Mercer County Community College. Founded in 2017, this co-op offers paid internships to students and allows Domain to build its talent pipeline (because according to Bajwa, the company is now always hiring).

> **"We think we can do everything ourselves. We think because we're the best we are going to get the best results if we do everything ourselves."**
>
> **RASHAAD BAJWA**
> President, Domain Computer Services

Bajwa has come a long way from that speeding ticket and the suit his parents bought him to sell internet connectivity solutions to law firms. "A lot of entrepreneurs have big egos, and we tend to not listen to advice. We think we can do everything ourselves. We think because we're the best we are going to get the best results if we do everything ourselves. Get an executive coach, a peer group, other business people – just find people who are not you who can give you a dose of reality."

Stay Small, Win Big

How a 28-employee solutions provider wins tier-one business.

ABBY SORENSEN Executive Editor

Bruce Hicks has been selling retail technology to household-name clients for almost 30 years. Ask him if he's interested in selling Retail Technologies Corporation (RTC), and the answer is clear: "We are not on the market. I have a lot of ass kicking left to do in the retail technology space." Hicks, the president of RTC since 1991, isn't one to mince words, and he takes a bold, confident approach to winning and keeping the business of his retail-chain clients.

RTC has come a long way from being exclusively a retail POS vendor in the 1980s. Today RTC has its own data center and has built a suite of software products to complement hardware sales. In large accounts, RTC fills in gaps with skilled technical resources. For smaller chain retailers, RTC often provides extensive technical services, including outsourcing the retail IT operation in its data center. RTC manages these diverse kinds of clients across Canada and the U.S. with a staff of just 28 employees. Hicks says, "The real test to surviving in this industry is how you handle the low tide." RTC has more than survived the last 28 years, and Hicks has positioned the company to continue adapting to a changing channel and changing customer demands. This solutions provider has weathered the storm of the rapidly changing retail landscape by reinvesting in its business and its customers, selling based on relationships and customer ROI, and earning the trust of clients through gradual projects.

INVEST IN DIVERSIFYING YOUR BUSINESS

Hicks has watched more than one competitor go out of business because too much of its business was tied up in a small handful of clients. Even RTC has been burned by clients going bankrupt or being bought by another retailer, sometimes four in one year. "There can be a dark side in large accounts," he says. In retail, that dark side can also take the form of consolidation (like when RTC client Duane Reade was gobbled up by Walgreens). Of course, there are some lower-risk clients in retail that are family owned and not looking to sell the business. The key is diversifying your client base and understanding the long-term business of those clients.

If retailers could acquire their goods and sell them before payment is required, they would take that deal every time to guarantee profitability and growth. Similarly, Hicks learned to parlay his success into growing and diversifying the business starting with a marquis POS deal in 1990. When RTC got its foot in the door at Woolworth Corp. across North America, he spent five years adding up hardware and software projects in the ballpark of $10 million. RTC used that cash to start building new software products, an investment that soon paid off with projects such as store polling software at 6,000+ Wendy's and 1,200+ Little Caesars' locations. At the time, RTC was impressing tier-one clients by accepting letters of intent to build out custom projects. By not requiring up-front investment, Hicks was building the trust of big clients while building RTC's skillset.

The company's R&D ventures kept snowballing from there. By 1995, RTC started building out its data center, long before cloud technology was buzzworthy. It took more than five years before RTC made a dime on that data center. Today, this is a seven-figure operation – one that took 20 plus years to get there. RTC's growth isn't simply a matter of bets paying off. Reinvesting in the business was, and is, a conscious, personal decision.

> “For small businesses selling to large retailers, it is not a sales game; it is a relationship game.”

BRUCE HICKS
President, Retail Technologies Corporation

Hicks says, “Rather than buying that expensive car or moving up to that next neighborhood, you should parlay that money into building assets that are most desirable to your client base.” For RTC, that means diversifying with new homegrown software products, investing in employee retention, and continuing to grow its data center. “As soon as you start spending money to look the part of success, you’ve lost. Most personal assets are depreciable and do not last that long, just like the money you used to buy them. One of the key success factors for entrepreneurs is to stay frugal and stay hungry.”

SELLING ON RELATIONSHIPS, NOT REPS

Hicks doesn’t rely on a hungry sales team to move RTC forward. He doesn’t believe entrepreneurial business needs sales reps per se. Instead, marketing provides leads and sales opportunities, and the executive team at RTC handles sales. “For small businesses selling to large retailers, it is not a sales game; it is a relationship game,” he says. “When we finally get a chance to present our solutions to a qualified client, it is critical that our ‘sales team’ can have any conversation about our competitive advantages and just exactly how we believe we can fix the retailer’s business. The result is most entrepreneurial IT businesses never get invited to the dance, never mind actually dancing on the dance floor.”

Early on in his career, Hicks learned how to build relationships with large retailers. In the early 1990s, a large retail client he was prospecting sent a team to RTC’s headquarters to meet with Hicks. About a year after RTC had won the contract, the client admitted to Hicks that the trip was more than a sales meeting — they were sent to size him up and get to know his personal lifestyle. The client wanted to know the kind of person they were going to work with, not just about RTC’s technology capabilities. They wanted to see if Hicks was investing his money in flashy cars or reinvesting it in his business and employees.

This is why Hicks says, “We do not go on sales calls. We go on interviews.” And during these interviews, Hicks knows what his potential client expects of him. He was born and raised outside of Boston before his family was abruptly transferred to the Atlanta area, so he knows how to adjust to culture. Hicks can hunt and fish with a Southern drawl, but he “can talk as fast as anybody in New York City.” He takes a simple, straightforward approach with RTC’s Canadian clients, just like he would with Midwesterners. He’s comfortable with cowboy boots and jeans in Nashville, and a suit and tie in New York City. This doesn’t mean Hicks is lacking in authenticity. “I take pride in my lifelong cultural diversity, and I have learned how to leverage all those lifetime experiences by better understanding each and every client no matter their geography or culture. Any entrepreneur who can do that can fit in and do business anywhere.”

TIER ONE TAKES PATIENCE

Relationship building is one part of RTC’s strategy to win tier-one business. The key to landing large clients is to be patient, one small project at a time. Even if a retailer’s IT infrastructure is completely broken, solutions providers have to earn trust gradually. “It takes a long time,” says Hicks. “There is no sales cycle with building relationships. It’s painful; but frankly, it’s the only way you get to dance with the prom queen.” To help get its foot in the door and pave the way to a bigger conversation at the executive level, RTC takes on small projects to prove value. The goal is to be a total solutions provider, but that might start with just store polling software or small engagement consulting services.

Hicks cites multiple examples of a retailer losing a key employee on its IT or operations team and turning to RTC to fill in the gaps instead of replacing the position. When that happens, RTC is positioned to enhance the existing relationship and already knows the road map to present to the client. “In a bigger account, you have to earn each and every single engagement, which oftentimes is no more than filling a hole in their IT operation. If I get an opportunity to manage some small piece of business, we go in and we try to make a difference and provide measurable ROI.”

When Hicks put his first business plan on paper in 1989, the focus was on making a difference through customer satisfaction. Since then, some of his customers have sold or closed their doors, and he’s moved on to the next opportunity. Customers’ technology needs have changed drastically, and RTC has grown and diversified because of it — they aren’t just pushing bar code scanners and POS terminals anymore. Hicks is placing his next bet on helping retailers with real-time customer fulfillment and channel management. It’s a strategy that will require the same patience and customization RTC applied to building its data center and its suite of software solutions. C

How To Roll Out Your First As-A-Service Bundle

One of the nation's largest AIDC integrators, Lowry Solutions has created a new managed print services offering for its Fortune 500 customers.

A CHANNEL EXECUTIVE INTERVIEW WITH MIKE LOWRY

Riding trends to business growth is a forte of Mike Lowry's. Lowry founded Lowry Solutions as a general computing shop in 1974, but by 1986, he began to shift the business toward a focus on data collection sales. The timing was perfect, as customers were keen on experiencing the benefits of barcoding in their own businesses, and revenue from supplies such as ribbons and labels was becoming lucrative. The Michigan-based company started as a five-state regional territory for the AIDC vendors and products it sold. Between 1992 and 1996, Lowry acquired four additional resellers, further accelerating its growth and expanding its territory to be nationwide.

By 1990, the company abandoned everything other than data collection and became a pure-play AIDC integrator. In the beginning, Lowry says its revenue breakdown was 80 percent hardware and 20 percent services and supplies. In the years since, Lowry has expanded his business to capture four main sources of revenue: hardware, software, services, and supplies. Today, the company's breakdown is 55 percent hardware, 25 percent software and services, and 20 percent supplies. This is particularly important when you understand that 60 to 65 percent of the integrator's gross profit margin comes from the combined 45 percent of software, services, and supplies.

Knowing that hardware margins will continue to shrink and services and supplies produce higher profits, Lowry recently set out to create a new bundled as-a-service offering for its large Fortune 500 customers.

CREATING A PRINT MANAGEMENT SERVICE

In the past, Lowry says his company would sell a solution that usually centered on printers and, as an add-on to the sale, would try to capture the ribbons and labels business. He would also offer break-fix maintenance contracts to customers.

It's not that this formula hasn't worked. In fact, it has helped Lowry become one of the largest AIDC integrators in the U.S. However, Lowry is endeavoring to combine his four solution pieces into a single labeling-as-a-service bundle that customers can purchase for a monthly fee. Lowry believes the market conditions are perfect for such an offering and can help usher the company to new levels of success.

Lowry says there's been a recent push to move from stand-alone label printing at each location of an enterprise to a centralized approach where one instance of the software is integrated with the ERP system. Having a centralized solution can reduce label management complexities as well as the number of servers that need to be installed and maintained. Additionally, in some cases the systems are moving to the cloud.

As part of the maintenance agreement included with its service offering, Lowry will offer label design services for customers so plant managers don't have to request internal IT support. If you aren't sure if this is a benefit, consider that some of Lowry's enterprise customers utilize tens of thousands of label designs. Additionally, Lowry is including hardware and software and using monitoring tools to watch over printers to predict printhead changes and potential failure in advance. Finally, the company is including ribbons and labels in the monthly fee and providing managed inventory services whereby reorders are handled automatically. The entire offering is available on 3- to 5-year contracts.

"Our customers are in the manufacturing, logistics and distribution, retail, healthcare, and government industries," Lowry says. "They're not in the label business. We want to remove the burden starting from label design all the way to the final placement of the label on the package."

Removing these burdens is one aspect of the solution. The other is turning a capital expense into an operational one. Lowry wants to turn its offering into a utility like electricity. Apart from the efficiency gains and ability to turn labeling into an operating expense, Lowry says its solution gives enterprises the ability to answer a question they've struggled with for years — identifying the true cost for their packaging. In the past, companies would have all sorts of capitalized items that made calculating cost difficult. Under Lowry's model, it's possible to calculate an accurate price per label at the end of a month.

Of course, this service offering wasn't just an idea one day and a reality the next. Before going live, Lowry had a few important steps to take.

LAUNCH PILOTS

Before launching a new product or service in the market, Lowry firmly believes in getting customers involved with the design to ensure needs are being met. For this new service, which is targeted at Fortune 500 customers, its team met weekly with the company's large account beta sites.

"We learned long ago that it's a mistake to think that we can create a product or service on our own without input from customers," Lowry says. In the course of the meetings, Lowry is able to uncover challenges its customers face as well as their desires in a solution. By asking each customer to create a wish list of sorts and combining them all into a master list, Lowry then has all of the customers rank items in order of importance. The result is a service that Lowry is confident customers will find appealing since it addresses the majority of their needs.

MARKETING

With a new solution to offer, two groups must be sold — Lowry's own employees and potential customers.

Lowry explains that employees need to understand why the new product or service is being created and promoted by management. In the case of Lowry's new service, salespeople were shown calculations for a traditional sale and the new sale. "With our traditional sales, we expect a piece of hardware to last five years," Lowry says. "Our history shows that we have a 50 to 75 percent chance of getting a refresh at the end of those five years." However, when maintenance contracts and supplies are involved, renewal is up in the high 90 percent range. With numbers so clear, it became obvious to employees why Lowry is excited about this new offering. Knowing that excitement might not be enough motivation, Lowry provides a 10 percent bonus for sales on the new model.

There's also external marketing to be done. When the service is ready to be sold on a wide scale (it's currently only with a handful of beta clients), salespeople will have access to testimonials from the companies that tested the service. Additionally, Lowry believes strongly in the power of content. The company website will have a landing page dedicated to the new service that includes case studies, white papers, cost calculators, and videos. Moreover, the company plans on holding educational webinars to help generate interest in the new print management service. To further generate interest and sales leads, the company will also launch email campaigns.

PITFALLS TO AVOID

Having built a successful business over the past 40 years, Lowry has experienced his share of failure and learned some lessons he's applying to this new endeavor. For instance, he knows that any company looking to bundle hardware, software, services, supplies, and financing needs to have internal business systems implemented and used effectively. "Minimally, you need to use a CRM system to manage both sales and service," he says. "You need the ability to log tickets and service requests. If you're doing proactive monitoring, you need the right tool for whatever you're monitoring." In Lowry's case, it's using mobile device management software.

Already having these tools in place, Lowry says it's important to test your internal systems while your customers are going through a beta test. "Don't wait until customers are live to see if your business systems and processes are good enough to manage the bundled products and services offering," Lowry advises.

Another lesson that Lowry is applying has to do with following a plan. While it would be easy to get excited about a new product or service and rush bringing it to market, Lowry recommends a measured approach. "Build a method or script for testing the idea and follow it completely," Lowry says. "Build use cases and measure your results during the pilot to see if the product is tenable." If you build a detailed plan that results in quantifiable results and then follow it, there can be no question at the end of the trial whether the solution is a success or failure. C

Cybercrime: The Channel's Chance To Shine

The underserved small to midsize enterprise market provides new opportunities to managed services providers (MSPs) and resellers.

VIJAY BASANI

The looming threat of being hacked, phished, or suffering a ransomware attack has grown exponentially over the past five years, and the results are much more devastating than expected. A recent report from Cybersecurity Ventures states that costs associated with cybercrime will grow from $3 trillion in 2015 to $6 trillion annually by 2021. Even with a vast number of security services and solutions available to organizations, the proliferation of the lucrative cybercrime "market" has forced companies to address the growing and more destructive nature of cyber attacks.

Not only will organizations have to rethink whether they've budgeted enough money for cybersecurity, but they're also going to have to assess whether they're actually getting the most out of the technology already bought and deployed. Security monitoring and vulnerability management remain two of the most important cybersecurity investments companies should make, if they haven't already. Security monitoring provides round-the-clock threat detection, and vulnerability management mitigates security risks through scans to make sure that hackers find no "open doors" to networks and systems.

Our own research, in which we surveyed more than 150 IT security professionals at small to midsize businesses in early 2017, reveals a significant decrease in confidence in the security technologies IT security professionals are relying on to protect their organizations from data breaches and asset theft. As compared with our 2015 cybersecurity survey, when 26.8 percent of IT security professionals expressed confidence in their security posture, this latest research reflects a 15 percent decrease in the confidence that currently deployed technologies will be successful in detecting and responding to cyber attacks. This is surprising to say the least, but what's driving this security insecurity?

One major factor could be how much small to midsize enterprise (SME) organizations are spending on cybersecurity initiatives as compared to the overall IT budget — despite the high risk of being the target of a ransomware, phishing, or zero-day attack at any given time. In fact, 45 percent of those surveyed said they don't have a dedicated IT security budget. Results also point to the fact that companies aren't just underfunding cybersecurity programs, many are also understaffed. More than 28 percent of respondents said they believed they are not well equipped to identify and respond to a hacking incident because of a lack of people resources.

> **"This latest research reflects a 15 percent decrease in the confidence that currently deployed technologies will be successful in detecting and responding to cyber attacks."**

The lack of qualified and trained security engineers and analysts has reached crisis proportions. The competition

> Most off-the-shelf software solutions are too complex to be managed in-house and far too expensive for the standard SME IT budget. We believe that the cloud-based IT security service model is the most effective approach.

VIJAY BASANI
Cofounder, President and CEO
EiQ Networks

for experienced security personnel is also a primary factor in driving up salaries, making hiring cybersecurity engineers nearly impossible for some cash-strapped and budget-conscious small to midsize enterprises.

TURNING LEMONS INTO LEMONADE — AND OPPORTUNITY

Despite the challenges facing organizations that must remain vigilant against increasingly creative and devastating cyber attacks, there is some hope. Companies can turn to resellers, services providers, and managed security services providers (MSSPs) to forge partnerships and create a "force multiplier" for their internal IT and security teams. For companies that don't have the internal resources or up-to-date knowledge of the current cybersecurity landscape or budget to hire the trained security personnel necessary to constantly monitor networks, check for vulnerabilities, patch software and operating systems, and, more importantly, mitigate threats as they arise, partnering with MSPs and MSSPs that already have this expertise brings a lengthy list of advantages. By leveraging an established MSSP's trained security analysts and the proven technology and services they offer, they can fill the gaps left by a lack of people resources, as well as the lack of budget.

> The lack of qualified and trained security engineers and analysts has reached crisis proportions.

As a hybrid Security as a Service provider, we gained expertise in cybersecurity by investing in our infrastructure and the qualified engineers who were able to deliver SIEM (security information and event management) software to larger enterprises. However, we began to recognize that smaller organizations face many of the same security challenges as their larger counterparts but often lack resources and staff. We saw an opportunity to provide affordable IT security solutions to the SME market and made a business model pivot to address those needs. We also observed that most off-the-shelf software solutions are too complex to be managed in-house and far too expensive for the standard SME IT budget. We believe that the cloud-based IT security service model is the most effective approach to providing comprehensive and effective cybersecurity protection to SMEs. Today's MSPs that want to be successful in the rapidly growing cybersecurity market must:

- Find a niche that they will commit to, whether the niche is certain industries or providing specific professional services that will be a value-add to their clients that don't have in-house cybersecurity expertise.
- Either invest in the cybersecurity infrastructure, technology, and experienced personnel to serve their customer base or partner with an MSSP who has all of these qualifications.
- Invest in cybersecurity threat intelligence and fully commit to learning about the cybersecurity market and the challenges organizations are facing today. Keep up with the latest news and trends in cybercrime, such as the recent widespread Wanna Cry ransomware attack.

Channel partners can provide peace of mind to organizations that are currently leaving their business assets open to risk because they aren't investing the time and resources necessary to protect data and networks 24/7/365. It's clear that without the IT security resources and expertise necessary to continually monitor, detect, and respond to security incidents, SMEs are simply exposing themselves to loss of revenue, brand equity, IP, and customer data on a daily basis. This presents a serious challenge to organizations and a growth opportunity for the IT channel that shows no slowing down in the near future. C

Defining Success In The Age Of Digital Transformation

IT service providers are under pressure to assist customers with one of the most daunting technology shifts in many years. What does it mean to be a true partner in this challenge?

DAVID COREY

Whether or not you're familiar with the term "digital transformation," there's no question it's quickly transforming the way we work, shop, play, and live. Forrester reports that Home Depot, Walmart, General Electric, and others are spending upwards of $1 billion per year on the digital transformation process. It's not all storefronts and mobile apps, either; the research company states that brands may find they need to spend $4 on digital operational excellence for every $1 spent on digital customer experiences.

What is digital transformation? Simply put, it's the next phase of the ongoing technology revolution—the confluence of the Internet of Things, cloud computing, Big Data, digital assistants, artificial intelligence, social media, and smart devices. These emerging technologies, when leveraged in concert, will not only simplify and accelerate existing activities for people, but also present a myriad of new capabilities.

Digital transformation is changing almost every aspect of modern life. As smartphones have replaced desktop devices as our primary connection to the internet, people are no longer tethered to one location for daily tasks. Information is ubiquitous and exists on personal, transactional, interpersonal, and societal levels. Paper is a thing of the past; virtually all financial transactions, for instance, can now be handled electronically.

The exchange of data in this new era is making it possible for people, organizations, and even equipment to anticipate preferences, needs, and situations both routine and critical. Devices no longer require human interaction; home appliances, automobiles, factory equipment, traffic signals, health and medical monitors, as well as thousands of other discrete devices operate autonomously and share information directly.

DIGITAL TRANSFORMATION IS EVERYWHERE

The impact of digital transformation stretches from business and industry to governments, education, healthcare, entertainment—virtually every walk of life. And while most people feel the effect most directly in customer experiences, businesses are also benefitting by way of significant new opportunities to increase productivity and efficiency.

> **"MSPs will need to accommodate new platforms, greater volumes of data, and faster computing speeds, all within the same time frame."**

To be sure, there are challenges as well. It's now a real-time world, as people expect to view and accomplish more, in less time. Speed and convenience are no longer seen by customers as luxuries—they're minimum barriers to entry.

Enterprises are seeing systems and processes become decentralized. Departments outside of IT are not only setting technology agendas, but also are building their own apps and managing tech-based business functions independently. This irreversible trend puts IT in the role of facilitator and advisor, instead of provider, for many functions that would have been the purview of IT in the past.

Data security, always a significant concern, has taken on even more importance in the age of digital transformation. High-profile infiltrations have pointed to the damage posed to customers and companies alike, particularly in retail, banking, and transportation. As greater volumes of data move faster and in more directions, protecting personal and corporate information will be paramount.

Most of all, however — and perhaps most importantly to MSPs and all those who provide value-added services — there is the need for a huge increase in agility. Networks, applications, business models, workflows, and other aspects of commercial activity must all be more flexible and scalable. Service providers must be able to respond to both expected and unexpected changes in direction and scope.

SCALING TO MEET THE OPPORTUNITY

On a practical level, the shorter time-to-market for products and services will place a premium on the ability to quickly manage technology change. Silos of data can no longer exist as information must move seamlessly among warehouses and systems, as well as among central repositories and endpoints. Scalability is now a mission-critical imperative as well. Service providers are required to scale quickly, and in multiple directions. As technology grows in size and diversity, MSPs will need to accommodate new platforms, greater volumes of data, and faster computing speeds, all within the same time frame.

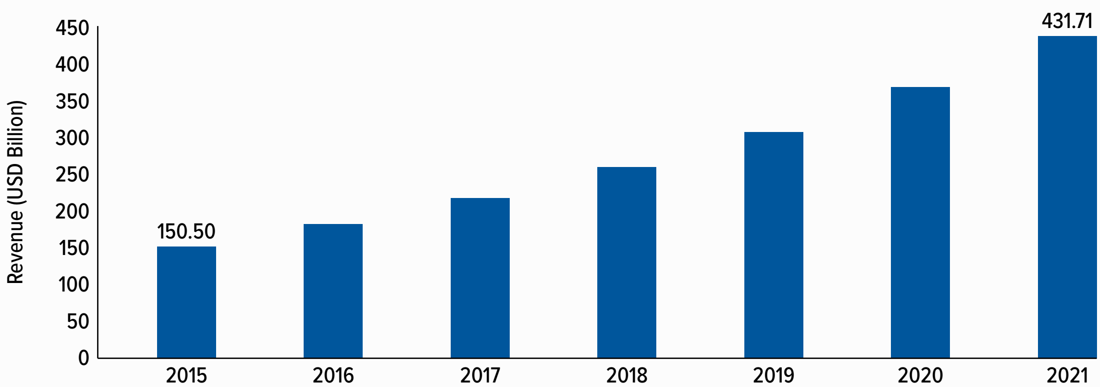
To be successful in the age of digital transformation, IT service providers need to reexamine their value proposition, their business practices, their staff expertise, and the nature of their customer relationships. The world is evolving too quickly for business as usual. As customers enter a new era of operations, forward-thinking service providers have the potential for a more vital relationship than ever before.

> **“IT service providers must shift their corporate mindset to think strategically on behalf of their customers, instead of tactically.”**

Achieving this, however, will require a hyper-awareness of market shifts in technology. Developments in hardware, software, and networks are happening at an increased rate, and providers must be astute and up-to-date regarding the latest trends. (One caveat: Don't just follow the darlings of the transformation process. Despite the high-flyers — some of whom have been created by the media — the most important agents of change often fly under the radar. Every industry has them, and it is wise to find and track them.)

Because of the rate of change, providers can't afford to allow their environments to become dated. Capital

GLOBAL DIGITAL TRANSFORMATION MARKET, 2015-2021 (USD BILLION)



SOURCE: Zion Research Analysis 2016

investments in technology need to have a shorter ROI than in the past. Depreciation must also be accelerated to accommodate shorter life cycles.

Importantly, IT service providers must shift their corporate mindset to think strategically on behalf of their customers, instead of tactically. It's not enough to offer a menu of services from which customers can pick and choose. Because projects are increasingly derived from changing business strategies, providers must address these new priorities first — and then propose customized solutions from their list of services.

This strategic shift points to the need for a new kind of customer relationship. Multi-year contracts are a thing of the past. In their place, customers are seeking a utility-based model that allows them to jump on and off services as needed. Moreover, customers are expecting their service providers to be agents of transformation, helping them move with trends.

Successful service providers are asking for, and increasingly getting, a seat at their customers' table as a full partner in their technology evolution. But to follow their lead, you need to prove your worth. It's critical to understand your customers' business road map, and then align your own plans to your customers' changing environment. Waiting to evaluate your support after the customer changes is simply too late — chances are your customer will find another provider who's already there.

Instead, be the fully integrated partner who is part of the customer's strategy alignment and change advisory boards. That way you're an integral element in the larger business strategy, rather than the outside vendor who simply takes orders.

One final way forward-thinking service providers are changing is in their approach to staff development. While continual training, certifications, and industry involvement are all vital, providers must attract and retain smart millennial employees who can grow with their companies and help drive new solutions and capabilities.

PRACTICAL STEPS TOWARD DIGITAL TRANSFORMATION

Obviously, change requires tangible activity — and for IT service providers, there are practical steps they can take to adapt to this new phase of technology. Many providers, for example, don't know how old their infrastructure is, nor do they have a way to define end-of-life or refresh schedules for their investments. That's why it's important to monitor performance and operational efficiency in real time, addressing any issues proactively. Then, every six to 12 months, a review of systems validity to the marketplace should be conducted to determine market value versus future ROI, based on the changing landscape. The objective should be to determine underutilized devices with an eye to better leveraging existing capacity, as well as to identify necessary purchases and upgrades to ensure value delivery to end customers.

> "Your customers are less ready for digital transformation than you think."

In today's world, SLAs (service level agreements) are aggressive and require greater flexibility. Customers are tying performance to their changing environment, so it's advisable to set and evaluate SLAs/KPIs such as fulfillment time, customer satisfaction, first contact resolution, and so on, with an eye to larger digital transformation and business metrics.

For smaller service providers, it may be easier to gain flexibility by partnering with a larger outsourcer. The upsides are lower up-front investments in human and capital resources, and buy-as-you-go also allows better cost control. Likewise, outsourcers can provide specialized talent that otherwise couldn't be justified from a cost perspective. The importance of senior level executive support — for these and other decisions related to digital transformation and its impact on customers — can't be overstated.

As a new world economy is created through digital transformation, MSPs and other IT service providers can be key players in helping their customer adjust to the new normal. To do so, leaders must keep their heads up and be more aware of the world that's changing around them. Strategies are becoming more important than service sets, and good support has become table stakes. It's the insight and counsel you can bring to your customers' business strategy that will make the difference.

Your customers are less ready for digital transformation than you think. The clear majority of the world's largest businesses have put digital transformation at the center of their corporate strategies, but only a small percentage have arrived. Taking immediate, yet measured, steps to become a digital transformation change agent is more than an opportunity — it's an imperative for the future success of your business. C

DAVID COREY is vice president, IT Services for Advanced Technology Services, Inc., where he manages ELEVATE, the company's IT consulting and managed services division.

By M. Pillar

Vertical Solutions

A growing MSP and *Channel Executive* reader weighs in on KPIs, competition, and customer demand.

WHAT CHANGES IN CUSTOMER DEMANDS AND EXPECTATIONS HAVE YOU SEEN OVER THE PAST ONE TO TWO YEARS?

We have seen a significant change in demand in the small and mid-size business space for cloud and security solutions. Clients are regularly moving part or all of the network applications to hosted solutions. In many cases, we are seeing hybrid networks where mission-critical applications like Dynamics GP are hosted and other systems better suited for local networks stay on premises. This shift to cloud solutions has also driven conversations and demand toward next-gen firewall solutions like those from Fortinet. The public awareness of cybersecurity threats continues to drive home the need to secure the systems that contain sensitive data and depend on the clients' ability to conduct business.

WHAT IS THE BIGGEST THREAT OR OPPORTUNITY YOUR BUSINESS FACES?

Our biggest threat is also our biggest opportunity. IT managed services (monitoring, help desk, etc.) are continuing to be commoditized as services become more available and less expensive. Traditional break-fix VARs are already in big trouble. Traditional MSPs will be in big trouble as well, as competition increases and margins shrink. That being said, I think this could also be our biggest opportunity as we have created a very significant vertical focus in healthcare. That vertical focus, combined with the additional expertise we bring with our Microsoft Dynamics practice, creates much deeper relationships with our clients.

WHAT IS THE TOP METRIC YOU USE TO MEASURE SUCCESS? HOW DO YOU ENSURE YOUR TEAM IS ACHIEVING THIS METRIC?

The top metric we track is our client surveys. We do these with every support ticket and project. The client experience is everything. Most firms have technically competent teams. We strive to ensure that not only are the technical solutions solid but also that every interaction with the client is positive. Every completed survey is e-mailed to the management team and reviewed. Any responses that are below our acceptable threshold are immediately followed up on and resolved. Additionally, we get a lot of great feedback on team members. We share this feedback with the entire team on our quarterly review calls.

WHAT VERTICAL OR NICHE MARKET PRESENTS THE MOST LUCRATIVE OPPORTUNITY IN THE NEXT FIVE YEARS?

I think the healthcare vertical has the most potential. This vertical will continue to be driven by changes in technology, compliance requirements, privacy/security requirements, and the evolving landscape of the Internet of Things (IoT). This is not a vertical for the "computer guy" or the "college kid that knows computer stuff." This vertical requires professional partners who understand not only the technology involved but also the unique compliance requirements.

IN WHAT WAYS WILL MILLENNIALS IMPACT THE CHANNEL?

I think millennials will have a significant and positive impact on the channel. I believe they will challenge the way things have been done and use technology not only to solve problems but also to communicate and engage with clients.

WHAT'S YOUR BEST MARKETING SECRET?

I wouldn't necessarily say it's a secret, but one of the easiest ways to find out about events to attend or sponsor is to ask your clients. If they are great clients and you have services that fit well, ask them what groups, industry events, etc., they belong to, then go there. Nothing like getting an on-the-spot, face-to-face referral from a client at one of these events!

WHAT'S THE BEST BUSINESS BOOK ON YOUR SHELF?

Team of Teams by General Stanley McChrystal.

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Vertical Solutions is a Pennsylvania-based IT managed services, Dynamics GP, and Dynamics 365 partner. The company focuses on providing cloud hosting, IT support, IT project management, BDR (backup disaster recovery), Microsoft Office 365, and Microsoft Dynamics solutions to organizations throughout the Pittsburgh region.

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Why A Common Performance Language Speaks Good Code

REX CONNER

REX CONNER is the author of *What if Common Sense Was Common Practice in Business?* The lead partner and owner of Mager Consortium, he applies the uniquely effective processes of Dr. Robert Mager to the entire spectrum of human performance in the workplace.

When new hires don't work out and the fingers start pointing among HR, training, and the business unit, it's usually a PSL problem — performance as a second language. Everyone knows and speaks enough about human performance to get by, but to really drill down to the roots of a performance problem takes fluency in a Common Performance Language.

There are three actions you can take right now to start establishing a Common Performance Language in your organization:

- All communication dealing with performance is free of subjectivity.
- All people who deal with performance in the workplace apply the principles of skill-will-hill.
- All systems that deal with people are governed by clear performance objectives.

TRANSLATE "FUZZIES," DEFINE SOFT SKILLS

Translate all of your fuzzy performance language into observable performances. Fuzzy language includes terms or descriptions that are open to interpretation or subjective. Also included in fuzzy communication are the "soft skills," the broad topics that typically deal with human interaction. Phrases such as, "Be able to develop applications," "Be good at documenting your code," and "Provide friendly customer service," are just a few examples of the fuzzies that permeate our workplaces.

To translate them, simply ask the originator of the fuzzy, "When you observe me (fill in the fuzzy), what are you observing me do?" The result will be a list of observable performances that aren't subjective.

SKILL-WILL-HILL

Train all managers in human performance principles. For a good start, Dr. Robert Mager has provided a simple, yet thorough, process for a common language when dealing with performance problems. He explains that there are only three components that go into human performance:

- **SKILL** — Confidence that the skill will work when applied on the job.
- **WILL** — A supportive environment, where employees are motivated and their job security is not threatened.
- **HILL** — The opportunity to perform without obstacles — the tools, resources, time, and authority necessary to do their jobs.

If everyone who deals with people applies skill, will, and hill the same way, it pays tremendous results in terms of efficiencies.

Another action you can take immediately is to establish clear performance objectives for all tasks and criteria for evaluating those tasks. The degree to which the task and criteria are described in consistent, objective, observable performances is the degree to which you can bring objectivity to replace subjectivity in any human performance process in the workplace.

WHY IT WORKS

At the root of almost all conflict, inefficiency, and limited production in the workplace is subjectivity: leaving directions, guidance, or evaluations open to interpretation.

How often was a conflict caused because there was something in the work process that was left open to interpretation? How a task should be done, what the outcome should be, and how it was to be evaluated are very common sources of conflict. Left open to interpretation, they are left open for conflict.

The source of productivity problems is not bad people; it's a bad system. As W. Edwards Deming, the "Father of the Quality Movement," put it, "A bad system will beat a good person every time."

Now dream for just a moment — what if you could remove a majority of the conflict in the workplace? What would that do for production? For morale? For retention? For the company's bottom line? For the human experience of the people who have less conflict and are more productive?

Fuzzy and subjective communication and processes are bad for business. A Common Performance Language is good for business and speaks good code!

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