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Executive Perspective®

Unique Viewpoints from Industry Leaders

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Editor's Note: *Bob brings a unique understanding of the technology marketplace, informed by 30 years of experience in all aspects of the channel. A dedicated advisor to technology suppliers (from start-ups to enterprises), Bob helps them conceptualize and build strategic channel initiatives and often meets with CEOs to discuss channel strategy. Bob has deep relationships in the solution provider community and also sits on the advisory board of several high tech start-ups, helping them formulate their go-to-market strategy.*

Leaders come and go in every industry, but in tech in particular, we've seen vibrant and memorable personalities. Who can we credit for making the tech scene what it is today?

The industry has gone through many phases. Back in the early 1980's the folks that were building the early stages of the technology industry wanted to change the world. They made many millions — and billions — of dollars in some cases, but that wasn't what drove them. They really believed that they could change things. So, this class of people — from Bill Gates and Steve Jobs to Mitch Kapor and Philippe Kahn — all of those guys were really interesting. The tech industry is different today. There are still visionaries, but executives today tend to be more managers. They aren't looking to change of the world as much they are looking to create and run a successful business. Even in some of the startups today I don't get the same feel that I did in the early days.

Startups today are led by people that have an objective. Often that objective is to get their business going, drive a couple hundred million dollars in sales, and sell it to somebody, making a lot of money and retiring. That wasn't the case in the early days of the industry. As a result, those guys are still around — the Microsofts, Apples, and Ciscos of the world. Those founders and early leaders were more interested in going public and building a company that was going to last with their mark on it than they were in just making a ton of money — at least, more so than the current set.

The great leaders had different styles. Certainly, Gates was a visionary, but in a different way that Jobs was. Back in the early 90's, I was fortunate enough to be able to participate in an event held by Bill Gates. Each year he took 12 journalists, myself being one of them, to hang out at his second home on the Hood Canal. Half of us would get on a plane with him, and half of us get on a plane with Steve Ballmer — they never flew together in case the plane went down — and we just talked completely off the record about everything. I'll never forget the first year I did this. The plane lands right in front of his place on the water and we get out and go inside and there's Paul Allen, one of the founders of Microsoft. So it's Steve Ballmer, Bill Gates, and Paul Allen — three billionaires in the room with us reporters. And then another 20 minutes later a helicopter lands on the front and it's Craig McCaw. He comes in and now there is 4 billionaires in the room. They hosted us three years in a row, trying to influence us and just wanting to talk about all the things that were going on in the industry. I'll never forget one night Gates was talking about people who are really good at getting their messages across. And Gates says “You know, the best of them is really Steve (Jobs).” Because he would go up on stage, and it would be just like Steve was talking directly to you in a very casual fashion.

And I would agree. That’s one thing that set Steve Jobs apart — the ability to be a presence in such a significant way. But there were so many great leaders in the industry, and there are so many even today. They all just had their different styles. Apple’s was hushed in secrecy and mystery. Microsoft’s was always just the opposite. As soon as something that would be a potential competitor was announced, Microsoft would move in and assert that they had their own alternative, sowing fear, uncertainty and doubt and not letting anybody get ahead of them. There were no surprises coming out of Microsoft — I don’t think they ever announced something that I didn’t know about. Apple surprised you a lot. Even today, when there are leaks — sometimes leaks aren’t really leaks.

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What was your relationship like with these executives?

Gates is pretty much doing his philanthropy right now, but back in that day I met him a bunch of times. I got to know Ballmer as well, and Jobs a bit, but not as much as the others. That was around the time Jobs was pushed out at Apple. Shortly after he launched NeXT Computer — which was a remarkable machine and has its own interesting story. The showmanship that happened on that day was incredible.

When Jobs announced the NeXT, there was a guy by the name of David Norman who was the CEO of BusinessLand, which at the time was the biggest channel company out there. They had agreed to sell NEXT and he was part of the announcement but everyone was just watching Jobs — he was selling. Every minute of engagement with Steve that day you were being sold and it was compelling — NeXT was of course later to become an avenue from which Steve was able to get back into Apple.

But there were many leaders — guys like John Chambers. I remember him saying: “Voice is going to be free over the network.” That was in the 90s, and today he’s right. I don’t know too many people that have a hardline phone — they have a VOIP phone or they just have a cellular phone. People make predictions that I do think come true, especially now. Things that a couple of years ago were more of a concept than anything else are today reality.

One of the funny things about high-tech is no matter what happens there is always another way to come at it, and advance the market. It just never ends. Take a look at the Oil and Gas industry. Every time I see a picture on TV of an oil company pumping oil they’re using the same old technology to pump oil out of the ground they did 50, 60, or even 70 years ago. In high-tech, you can take a look at some of the stuff that happened even just 5 or 6 years ago and it looks archaic. We’re always moving forward. People a few years ago were talking about Cloud as the last big thing. Today we are comfortable with cloud being an enabler of the Internet Of Things which is the next big growth engine in high tech. It just never ends and new billionaires are going to be minted as result of IOT just like all the great technology advancements we have seen before have minted their own set of millionaires. It just never stops.

“The first Windows announcement…really awoke the world to what was possible and how technology was changing our lives.”

How has the role of trade journals like CRN evolved over the last 25 years?

When I first got into covering high-tech it was really just the trade press, The Wall Street Journal, New York Times, Newsweek — none of those guys bothered with it. It was that way for a long time. It wasn’t really until the first Windows announcement, which I think was in 1995 if I’m not mistaken, that things started to change. I remember being at that announcement and realizing that it wasn’t just our industry any longer and this announcement really awoke the world to what was possible and how technology was changing our lives. I’m sitting then in the pressroom and Gates is on the stage and somebody, I think it was Home and Garden magazine, was there asking a question. And that’s the way it was, for the entire 80s until the early to mid-90s. The “mainstream” press, so-to-speak, such as the Journal and The Times, didn’t start covering high-tech the way they do today with dedicated reporters probably until around the mid-to-late-90s. So we trade guys we had it to ourselves for a long time.

It got more competitive when everybody else got in. In the days of print, everybody waited for the trade press. We were all weeklys that hit on Monday and it was always fun to see the competition and whether they beat you on anything. CRN, at that point of time, I think we had 75 reporters focused on high-tech while the Journal or the Times had only 2 or 3 reporters so we regularly beat them all the time with scoops. We were also regular guests on CNBC back then because if the needed someone that knew the inside scoop on the industry we got the call.

The internet came along around ‘93-94, and we as journalists got on it right away. The business side of the house didn’t care about it because print was still so big and powerful back then and was throwing off so much cash. That’s why trade journalism business leaders, whether CMP or IDG or even Ziff Davis, completely missed it. Along comes News.com, and they kind of got ahead of everybody because they really concentrated. It was like that old saying — can you change your business model to the future fast enough?

So, that’s when things started to slip. But CRN survived because we are focused and ultimately made the shift. Today it’s very healthy and still publishes in print although it’s really CRN.COM that drives the business. CRN has maintained its influence in the market because we have never waived from our ultimate duty in life, which is to look at the industry from the eyes of the solution provider, take their heartbeat, and put their interests first — and write from that perspective.

Actually, I think in some ways CRN from a media perspective is far healthier than the mainstream media. The reason is because we have a very close relationship with our readership. We know who the reader is, we talk to the readers all the time, we see them in our events. It’s hard to do that when you are the NY Times or the Boston Globe. The NYT bought the Boston Globe for $1.1B and then added the Worcester Telegram for another $400M. They sold those properties two years ago to John Henry, one of the owners of the Boston Red Sox, for I believe $70M. And the property that the Globe had accounted for much of that value. So, they essentially paid some ridiculously high price, and lost a huge amount of money. And the reason for that is that

"As the complexity has increased, the stronger the channel has become."

they don't understand what their readers want because they never talk to them in a meaningful way. They can't, because they don't know who their readers are. All they talk to are the people they cover. CRN in particular has a great future because they know so much about the reader and their way of thinking. It's a good place to be.

What does "The Channel" mean today as compared with when you first started in the industry?

In the early days, the only real value the channel brought was that it had access to the equipment. Back then, you had what was called an IBM medallion, like a taxi medallion. And if you had one of those from IBM, you could sell it for about $150K. But as long as you had it you enjoyed access to the equipment.

But just having access to the equipment wasn't good enough after a while. So, the next value added was tracking and monitoring the systems that were sold. It wasn't until the HP LaserJet printer and the Novel's NetWare networking software came about and you could share printers so you didn't have to put a printer on everybody's desk. That was the beginnings of the complexity that we see today. And at that point in time if you were at the channel and you had a Novel certification you were worth more, and you could sell yourself for more out there in the market. Then the channel went into client server computing and on and on and today it continues to get more complicated. As the complexity has increased, the stronger the channel has become. Complexity means difficulty and the channel companies can help solve problems for businesses. Today, with the Cloud, it's a great time to be in the channel if you know how to approach it and if you understand what you are really doing is solving problems for the business. It's all about the business.

We are a cloud-powered company — I buy my cloud from our solution provider. We don't have any servers in the building anymore. The cost of my network and having all the equipment we used to have before is about 2/3 less than it used to be. In addition, I don't own the equipment, so I have the option to scale it up or scale it down. And I don't have an IT department either — I can just concentrate on my core competency. I have one guy in IT for 130 employees in a number of different locations, and we can just concentrate on what we do while our IT is managed by a solution provider and our one guy in IT who interfaces with them.

And the result is I look at that solution provider as a strategic supplier. In fact, they are coming in in a couple of weeks and I'm just going to sit down and talk to them about business problems that I see. Together, we will work to solve problems in some of the services business that we have. I'm going to ask them, as technologists who understand my business and already add value, how can we address these issues? Can they do things to help us automate processes and change the way we've been doing them so we add even more value to our own customers?

That's a totally different kind of conversation than you would have in the old days. Then it was, "Hey, I need a bunch of PCs and networks, can you set that up for me?" That's still valuable, but you do that in the cloud now and the greater value is in how can you bring technology that helps clients build

"We're going to end up with something like what we've always had — a full food chain."

better products for their customers and improve their services. That's the conversation which everybody wants to have with the channel. And I don't think you can do that directly with the vendor because they got their own agenda and their solutions may not be the best solutions. The channel can bring you a comprehensive plan stretching across multiple vendors to fulfil a need you never would have been able to solve in any other fashion.

We've seen significant consolidation in the channel, especially in the last couple years. Do you expect consolidation to continue, or will we see new leaders emerge?

The recent consolidations are not the first such instances. I've seen major shifts in the channel before, and it tends to even out with the same rough number of solution provider entities out there. It's also a generational thing. A lot of guys started in the industry very early on and are now about my age. Some of them want to cash out, and not all of them have another generation that is still interested in the business. There are also a lot of people, myself included, who believe that you can make more money as a bigger company. So, if you go back again to the '80s and early '90s, there were a lot of multibillion-dollar solution providers out there.

Then the open-sourcing model came around, and Compaq and IBM and everybody said, "Look, we are not going to go just to you, MicroAge and BusinessLand and ComputerLand — we're going to open up distribution and give our products to the distributors to sell as well." That changed the whole model and those guys weren't ready for it. And these were billion-dollar players, such as ConnectingPoint, Inacom, Valcom, ComputerFactory, and many others — today all of them are gone. And that was because the business model changed.

We are going back to that today, where there are going to be a number of multibillion-dollar solution providers once again. But there is still a lot of room for smaller or more boutique VARs — such as those who are doing 20- 50M — and we are going to still have the superregionals too — 100-150M guys who operate up and down the east coast and up and down the west coast. We're going to end up with something like what we've always had — it's not going to be just ten big guys, and it is not going to be just a bunch of little guys. It's going to be a mixture of all of that — a full food chain. I expect it to continue — it's happened in the past and it will happen again in the future.

2016 has seen few IPOs, especially in the technology space (with the notable exceptions of Nutanix, LINE and Twilio). Why has there been such a limited number? Do you expect it to increase in 2017?

There are two factors at play. The really big guys with the cash, whether they're HP, Cisco, IBM, or Dell, they're so large the innovation has slowed down inside their own organizations. So, they're acquirers now — if they see someone innovating, they start knocking on the door. And, as I mentioned earlier, the founders and the VCs that funded them used to want to go public. That's how they used to cash out. The guys up on Sand Hill Road are interested in getting out faster, and they see selling rather than going public as the quickest way to do that. So, there's a lot of pressure if you're largely VC-backed that doesn't necessarily lead to going public like it did in the early days of the industry. So, a lot of it depends on the founder — how he's

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funded the company, what he really wants to do, and whether he can control it. The VCs take a lot of that business really fast, and once they get control it’s going to go the way they want it to go.

It’s a hard question to answer. The stock market is on a tear today, and if you see the things you saw in the dot-com run-up, yeah I think you’ll see a lot of IPOs again. But we’re probably past that stage. In the dot-com run-up it was easy to go public even if you were losing money. People would still buy stock — I don’t know why, but they did — but today I don’t think there’s that much appetite for companies that are losing money the way they were.

What are your thoughts on today’s unicorns? Are we in a tech bubble today?

I’m actually using one of the Unicorns right now — Zenefits. It gives me a much better outcome than what I had before. I took a cold call and signed up 60 days later — and I’ve never done that. What they were offering was compelling, and everyone has had a good experience since we started.

If unicorns can come up with great ideas — in Zenefits' case, using technology to change the business model in the healthcare management field — it can be a great model. That doesn’t mean all unicorns can survive, or that all are beneficial — but the one I have direct experience with I expect to do just fine.

2015 was a record year for M&A, but 2016 has seen significantly fewer deals. In fact, it has instead been referred to as a “record year for broken deals.” Why is this?

Ultimately, I think the pace of acceleration of new technology in this market is much faster than it used to be. Nutanix and Simplivity are great examples. Hyperconvereged infrastructure, two years ago, was a crazy good idea — and both were ahead of everyone on it. Today, just two years later, everyone is coming up with alternatives. That’s pretty fast — and soon we’ll move on to something else. The technology is moving so fast you have to stay ahead of the game and it’s harder to do all the time. As a result, it’s not going to be so easy to get bought.

Tell me about some of the most transformative deals you’ve seen in your time as a channel observer. How have they changed the industry?

Well, of the deals I’ve seen that have worked for a while, the first one that comes to mind is IBM acquiring Lotus and getting Notes. That worked well, but they ultimately got bogged down in the IBM machine and they were no longer able to innovate. The better deals are historically the smaller deals — those that you don’t understand when first announced but those whose success has been borne out in time.

When Google bought YouTube, that was nothing — but it’s a real business now. That was very interesting from a channel perspective — the channel had nothing that competed in that space.

Broadly, I don’t know if it’s deals that have been transformative so much as moves to new technologies. Look at the rise of Salesforce. Everyone is using Salesforce now. Novel coming out with NetWare was a big deal, but they got usurped by Microsoft with NT. First movers are bigger deals.

"There's huge growth potential, both for the vendor community and the channel."

If I had to pick a transformative "big deal" — Tech Data's acquisition of Avnet's consumer products division is a big deal. Will it be transformative? Yes for Tech Data, not necessarily for the industry. Microsoft bought LinkedIn. Will it be transformative? Or will it end up like Nokia? There have probably been more bad ones than good ones. I think the M&A that happens at a smaller level ends up being more consolidated. One exception would be HP buying Compaq. That probably consolidated the industry. In some ways, you could say that was a success as HP is one of the top PC suppliers these days, but it's complicated, and smaller deals tend to make more sense. HP buying Aruba was a smart move. Smaller deal. Significant, but smaller — and that's looking to be very successful today. Some good ones have happened, but there are few Big Deals to point at.

What are some of the biggest growth areas you see for today's technology companies, both in 2017 and beyond?

I'm pretty jazzed at how this Internet of Things concept has taken off. I think it will really explode. And the interesting thing about it is that it forces the channel to do what it's good at, which is to get really focused in vertical markets and drive good engagements by understanding what the customer's business is about. But it's also going to facilitate new suppliers moving into the channel. A good example is there's a company called KMC Controls that makes thermostats that go in buildings. They're looking for a Data Channel VAR. Thermostats used to be the domain of the electrician. But now they're in the domain of networks — they need to find a channel that's tailored to their needs.

There's huge growth potential, both for the vendor community and the channel. There's a channel player out there called CB Technologies. Kelly Ireland is the CEO. She got together with HP Software to create an Internet of Things business serving the Oil and Gas industry. Oil and Gas companies have facilities everywhere, and it's difficult to keep track of the necessary maintenance. She's working with HP to manage all the data they get through an internet of things solution, and now she's growing so fast she's hiring a salesperson a week. There's a company on the west coast run by Lou Alvarez: Alvarez Technologies. He has an internet of things business serving agriculture businesses, making sure they don't over- or under-water and are maximizing their efficiency.

I think there are examples like this almost in every industry. It's a huge growth opportunity — you just have to think about how you can make it work. And this applies to the consumer space as well — look at the success Amazon is having with Alexa, or Alphabet is having with Nest. That's coming along fast, and as more people graduate from engineering schools and apply these tools, we're going to see even more progress. And these are opportunities for everyone — not just the channel.

We are seeing a lot of new interest in the IT space from private equity. What are your thoughts on their new-found heavy involvement? Are they in it for the long term?

Private equity firms are realizing that the technology space offers strong management, good ideas and other benefits that lead to potential wealth creation. If you're an entrepreneur, private equity can offer you different benefits than venture capital. I think they're definitely in it for the long haul. I expect you to see more funds expressly concentrated in high tech.

What has been the most memorable business advice you were ever given that has shaped how you carried out your career?

When I took my first management job, moving from Boston to New York, my father who ran a small business taught me that success was always about the people that work for you. Nobody can know everything, and if you're willing to admit to yourself that you're not always the smartest guy in the room — and, more importantly, you understand that you don't have to be (you just have to have really smart people with you) you can accomplish great things. It's about building great teams and getting people to want to work with you. You never learn anything when you're talking — you learn when you're listening. It's always about the people — nobody can do it all on their own. Bill Gates built a great company in Microsoft, but he didn't do it all on his own. There were many smart guys who helped him and the other successful entrepreneurs that built this industry and continue to do so. And if you look at things that way you will be successful.