



Thomas Volk

President and General Manager, CANCOM SE

Editor's Note: Thomas Volk is President and General Manager of CANCOM SE. Thomas graduated in Computer Science from the University of Karlsruhe in 1984. Until 2002, he worked at Hewlett-Packard in Germany, the UK, and the US, in various roles, including Vice President Worldwide Sales. He was then appointed Executive Vice President of Sybase before returning to Germany in 2006 as CEO at IDS Scheer. In 2009, he co-founded the Timmaron Group in California, and in 2010 he became Chairperson of the Supervisory Board of P&I AG in Wiesbaden, Germany. The following year, he was appointed Chairperson of the Supervisory Board of SNP AG in Heidelberg, Germany. After a period managing Dell's business in Germany, the United Kingdom and France, Thomas Volk was appointed CEO of Lumesse in the UK in 2013 and continued working there until the end of 2015.

How has your previous experience, spanning software and supply chain companies, influenced your leadership style at CANCOM?

I wouldn't call them supply chain companies; they were IT technology providers like Sybase, Dell and HP. What I learned there was threefold: how to build and manage business on a global level, how to structure organizations, motivating and measuring them on achieving certain goals based on a direction or vision, and understanding how to scale businesses. The last lesson was especially key, because anything you do, especially in large corporations, is only relevant if you made sure it is actually implementable and scales throughout the whole business.

The most important thing I learned, irrespective of company size, has been that you must know what your customer needs and who your customer is—which, from a global perspective level, means understanding differences across industries and geographies and how you can address them. Then, you need to define your story—how are you going to help and support customers as they seek to improve their own business? That's what defines your whole business perspective: making sure you

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succeed with the customers requires understanding success for their business.

Having been at different types of companies, have you noticed different leadership or management structures?

I would say there are more commonalities than differences within the IT industry because we serve the same customers. The customer uses software, services or hardware to solve their business problems or to improve business performance.

It's always a combination—obviously, in the hardware business you're more concerned about how you manage the product road map, or how you set up parts and services. It's about the product concept, and how you achieve it. The software business is more set up around how do you build a strategy around software and its abilities to help customers, ensuring that it is scalable and flexible to customer needs so you can cover as many customers as possible with the technology you have.

Obviously, from a customer perspective, there are different ways of looking at hardware vs. software. When you buy hardware, it's a product; you see it, you can touch it, and you can look at it. Software, you can't look at—so when you buy it, the decision cycles are longer because customers want to make sure that the software really performs toward their expectations, which are often complex (consider ERP or finance software, which have unique, complex requirements). When customers decide on using software, they're planning to stick to it longer. Hardware is replaceable, so it's a different business dynamic.

This drives certain differences: how you build the business and what you offer. When you look at services and IT consulting businesses, which are people-based businesses, there are differences again. This business model is depending on the people you have. Success is defined locally by the customers and how they respect or accept the knowledge or expertise of your people, and how your people work and engage with your customers.

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There are a few different business models, but overall (how you structure your company, how you look at the market, etc.) there are several commonalities.

Comparing a German company like CANCOM to its European or American peers, are there significant cultural differences?

Well, there are a lot of commonalities with other companies in the IT industry. Obviously there are cultural differences. CANCOM is a German company, and the German management style is certainly more conservative and more risk-averse. The decision processes are more about making sure you make the right decisions, while I learned in American businesses that the philosophy is more like, "This doesn't work, we need to change this, what do we do about this, let's get it done." And if your solution doesn't work, you try again. And that decision cycle is much faster than it is in Germany.

Let's talk about CANCOM. CANCOM was founded in 1992 and has been public since 1992. What keeps it around, and why is it worth over €1.2 billion?

Well, it should be worth much more! The reason CANCOM is a success story is they learned from the get-go that the existence of the company is based on the incremental value that the company creates for the customer around standard products. That may have originally involved installing certain applications on PCs so that they were ready to run, or learning that the company needs to add more services and make sure that the different server and storage solutions customers have across vendors and technologies are working together. Today, you need to think beyond "network" or "scaling environment" to consider concepts of security, mobility, scalability, and how to merge new solutions with solutions already in place. These are all considerations and areas where CANCOM was able to add value and respond to customer requirements over the years, culminating in the development of our own IP for the workplace of the future, which has been a tremendous success and a driver of the company's increasing valuation. Today, the company is able to focus on providing higher-value components and not just reselling products.

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What are CANCOM's major priorities heading into 2018? It sounds like one of your primary drivers will be deploying these higher-value services and leveraging CANCOM's IP.

That's absolutely the case. The trend toward cloud-based IT environments is accelerating. All of the associated elements are making sure that customers have the ability to transparently leverage different types of cloud infrastructure—combining it with their own infrastructure and balancing different means of managing their own IP, either remotely in their data center, or in our or another third party data centers or in mixtures of them. All of these elements are key growth areas for us where we have invested heavily and where we will prioritize in the years to come. We believe that customers will continue to buy hardware from us and installation services for their own data centers, but we will need to combine that with external hosting environments or other technology elements to be integrated seamlessly. Our future is adding more technology and increasing our skill set as a higher-level solution for customers to implement going forward.

One of your differentiating factors vis-a-vis your competitors is your high margin. How do you maintain that?

Part of it is what I explained in my previous answer—we're not just selling parts, we're integrating services and providing complete solutions. But we're also increasing sales of our own IP, which increases our margins for the overall business. As our IP sales are actually growing faster than the rest of our business, it's driving our margins further above those of our competitors.

Why do your customers typically choose you over your competitors?

The existing customers we have continue to work with us and buy higher-value services from us because of the experience they have with us and the assurance that we are the leading cloud system integrator in Germany and Europe. From that perspective, working with us is future-proof—and I think that makes a big difference.

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Going into how we get new customers, where we differentiate our self is through our own technology. When customers see the benefits our technology offers, we have an opportunity to expand our footprint and grow from there.

What does cloud mean for CANCOM in terms of opportunity?

First, I'll give you the "Thomas Volk" answer, not necessarily the CANCOM answer. The word "cloud" has been used in so many different contexts that it's not always clear what people mean by that. For me, having your IT in the cloud means you don't have it on your premises—although, people do and call it a "private cloud." Ultimately, it means you're running it outside of your own environment, usually hosted on someone else's platform where you don't know where it is. The cloud obviously is built around the concept of running half or your full IT in an environment which is set up by someone else.

So that's the Thomas Volk answer. What does cloud mean to CANCOM and its customers?

It's a three-prong strategy. Number one, we have our own hosting capabilities and our own datacenter where we allow customers to basically use that capability to run whatever solutions or IT they want in our datacenter.

Then we have customers who want the hardware and the infrastructure not with us but with someone else (including their own datacenter), but they want us to run it. We call that remote management; we run the IT or the concept of their IT for the customer in a datacenter environment that's not ours. So we provide a managed service to the customer, running solutions in their preferred datacenter. And quite often, customers run them in different hybrid environments, which we are able to service.

The third prong is when we provide customers a cloud-based IT environment with our own IP called AHP. This enables all their users to use all applications managed through our technology in a fully secure environment across all platforms. The users don't even notice that the application is not running directly on their device all services; we basically provide customers a full-service

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environment for every user to manage their applications—wherever they are running them—transparently for the user in a fully managed secure environment.

In your annual report, CANCOM talks about its push to digitization, particularly in the fields of mobility, security and analytics. Can you share more information about what this means for CANCOM and how those will add value to your existing clients?

The term digitization, as we use it there, is a translation from terminology used in Germany called ‘Industrie 4.0’. It’s basically the idea that all businesses and corporations should think about transforming their business from a technology perspective, digitizing whatever they can to increase competitiveness. We see a huge value that we create today for customers to run their business, particularly in the fields of security and analytics. We ask ourselves how this concept changes our approach to customers. CANCOM will dedicate more resources to each of these topics, establish a sales team to manage our accounts and position these topics as a business-saving proposition for the customer.

Does CANCOM approach problems and challenges differently than its peers?

In principle, the most successful approach to issues— independent of geography—is to understand how you bring value through IT to the business of your customer. The difference lies in the fact that in Germany, the move to cloud or to managing part of your business outside of your own datacenter has been much slower than it has been in America. So naturally, that requires a different approach to your customers. CANCOM understands that we have to tailor our approach locally towards the needs customers have in their unique geographies and industries. Each time, our mandate is to help customers improve from where they are—whether they’re in Germany, elsewhere in Europe, or in America.

How important is the US market for you?

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The US market is obviously becoming a key market for CANCOM. We believe that our advanced IP solution, if deployed in the US market, can both benefit our customers and benefit CANCOM as we both realize how to deploy it with the highest impact and benefit to the business. From a customer perspective, we see that more and more customers are making global decisions—and by having a footprint in the US market with a strong presence in Germany, we can serve customers on both sides of the Atlantic better.

How does CANCOM identify its target customers?

Traditionally, we were in the mid-market or upper mid-market space. Our typical customer in Germany was 500-20,000 employees. Because of how they thought about IT, we were able to help them the most. Larger corporations in Germany operated differently, and while we paid a lot of attention to them we felt we could not add as much value to them because of their substantial in-house expertise. Today, larger corporations are looking for what we have as a source of differentiation—and, as a result, we expect those companies to become our prospects. A good target customer for us is prepared to or sees the need to transform the business through the application of technology.

How would you say customer needs differ across the various geographies you serve?

We are serving a lot of customers globally—today, many of our typical customers have become international so the lines are blurred. Rather than separate customers between local and international, I would describe them as all international, but the primary differentiating factor is size. Smaller companies cannot afford to build up all of the same skills and expertise, or buy the newest and most advanced technology, as can much larger corporations. But with all of the changes around analytics and other technological advancements like data management or cloud—Microsoft moving to Office365, SAP with its HANA platform, Oracle with Netsuite—even the larger corporations are struggling. In short and as a generic rule, the smaller the company, the more help they need.

What's a piece of advice you were given that has been especially meaningful for you?

Obviously there are several of them, but one that comes to mind is something I had to learn: I may think something is important or it matters, but it's not relevant unless it measurably impacts the organization. You have to always be willing to take a step back and ask yourself what is really essential to deliver the results that are required. That makes you humble and ultimately helps you prioritize—and it's been something I've tried to remember and adhere to throughout my career.