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Unique Viewpoints from Industry Leaders

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Editor's Note: *Mike Norris graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the city office and in 1986 became Computacenter's top account manager. Following appointments as Regional Manager for London Operations in 1988 and General Manager of the Systems Division in 1992 with full sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter. Mike also led the company through floatation on the London Stock Exchange in 1998. Mike was awarded an Honorary Doctor of Science from Hertfordshire University in 2010.*

To give our readers a bit of a background, how did you get to where you are now?

I started running Computacenter in 1995. And I've been at Computacenter since '84. I was only seven when I started, I promise! So between university and Computacenter I worked for one company for one year. The only thing I can tell you, pre-running Computacenter and being at Computacenter, is I ran stuff. I was captain of my school rugby team, I was captain of my school cricket team, I was head boy at school (which is very British), and I was president of sport when I was at university. I kind of like running stuff.

And, more importantly, people that I lead like me running stuff and I don't find any objections to me being the leader of the team. People quite like it. Even when I try not to be a leader of the team, I feel a psychological pad in the middle of my back being pushed forward in the front of the queue saying, "Yeah you tell them." That's what I love: leadership roles. I always have relished it. Some people do, some people don't. I don't have to be the best player in the team; I have to make sure I get as much out of the team as possible for as long as possible.

A lot of other CEO's have previous experience in other IT companies, but you built your experience in one place. How does this affect your ability to lead?

There's clearly a lot of people in this industry who are really good at getting hired. That seems to be a talent. It's a little bit less than it used to be—there used to be serial CEO's who went from company to company, and I wondered how they could get any jobs. But no, I wouldn't profess to be any better than anybody else at any other company—that's not the point. I think I'm the right guy that runs Computacenter. But if I don't think I'm the right guy to run Computacenter I'll put my hand in the air.

You're one of the few people to take an IT company public and continue in your role rather than moving on to a new company. How do you stay motivated and continue to apply a fresh perspective as you enter each year at Computacenter?

There are broadly two ways I do it. Firstly, you keep trying to do new things. For example, we are talking about going to the U.S. and it's new and exciting. Secondly, it's about growing and achieving higher numbers. We want to continue to build this business. It's clearly not the same business it used to be. Technology changes and it's a changing industry, but building it is most important to me. It's my life's work—it's my Sistine Chapel. It's more important than going somewhere and just doing a job for three or four years; that would feel shallow and without enough meaning.

"You keep trying to do new things."

How are you able to continue to address Computacenter's challenges?

If you look outside of my Finance Director, founders and myself, while Computacenter has a stable management, we've made quite a few changes along the way. You have to keep refreshing the team, making sure we have the skills and capability to step up to any new challenge. Also, members of the team want to move on and have their own challenge, like Martin Hellawell, for example, who worked closed with me at the time of the IPO and now runs Softcat.

My relationship with our team today is different because there's a significant age gap. Martin and I are more similar (he's a bit younger than me, though he looks materially older).

The challenges your team are facing now have also changed drastically since you started Computacenter in 1984.

As a public company the challenges change. I am slightly different in my outlook to conventional thinking. I think at a public company our outlook is materially more long-term than most private companies I come across—certainly private equity-backed firms. Most private equity-backed firms I come across are always on a three-to-five year time scale to either change or refinance. We are trying to run a corporation that lasts forever. We want an earnings stream that continues to grow and we want shareholders to buy shares and keep them forever.

Obviously we have some short-term earnings requirement to hit market expectations, keep growing and keep it moving in the right direction. However, there is no end point; we are forever trying to do better. You will never reach the horizon.

Money's the way you keep score. Our earnings per share is the way ultimately I keep score. I'm not concerned about the share price tomorrow; I'm concerned about earnings per share over the long term. This is the way I ultimately judge how I'm doing. It's not the goal, it's the result that tells you how well you've achieved. The goals are winning customers, developing propositions, adding value to clients and motivating my staff. They're the objectives. The number is simply the result.

"There is no end point; we are forever trying to do better."

Let's talk a bit about M&A. I want to explore what you are looking for in a target and why now is the right time for you to make a U.S. acquisition.

Well, we have worked with partners in the U.S. up until the end of 2015. And those partners helped us look after our European-based global clients in the U.S. Because that was of significant scale, we decided to step in, and with the support of the partners, transfer those staff and the business to our own hallway and our own subsidiary, which we executed successfully in 2016—and then again in the early part of this year.

So we are delivering what we used to deliver through partners ourselves. However, to deliver a more complete range of services, we need to do some things through acquisition, which we can't do organically in the U.S. And those relate specifically to product fulfillment and technology support.

We're looking at the East Coast because that's where our clients are today. We are moving into a different stage of our development. We were in a situation where if a European client asked us to look after a U.S. requirement, we'd have two criteria. One, we have to have their European business because frankly

"The more M&A is simply about acquiring the people, the less I like it."

you wouldn't run someone's U.S. business without running their European business because there's no money in it. Effectively, for most of our clients, if you say, "Can you look after our European business?" "Yes." "Can you look after our U.S. business as well?" "If we have to."

Setting up the U.S. business has been quite successful. We've grown U.S. subsidiaries into reasonable scale, and we now are turning to some of our European clients and asking for their U.S. business, being proactive. We are not simply reacting to their requirements. However, we are not yet in a position to approach a client cold in the U.S.

Would you say that then your European connection is your differentiating factor now?

To an extent, yes! We are offering large European companies the same leverage over their supplier that they are used to in Europe where they might not have the scale to achieve this in the U.S. alone. We are allowing them to leverage their global scale.

Let's talk about M&A vs. organic growth. You talk about how Computacenter has a strong history of achieving sustained organic growth. When is M&A advantageous over organic growth—and vice versa?

The more M&A is simply about acquiring the people, the less I like it. There has to be more to a company that you are buying than just a bunch of smart people. Remember, this is a people business so it's always going to be about the people to some extent. But if all you're doing is hiring people with no intellectual property or no capability beyond their skills, it is difficult because of cultural fit, and if people are your greatest asset—which is usually true—they have the ability to get up and walk away.

We are in a time of almost full employment in the IT industry so there's not a lot of IT people out of work right now in many parts of the world. If staff don't like working for you they will go and work for somebody else. Just because you bought a company doesn't mean you bought people's loyalty—you have to earn that. I do think that acquisitions are good if you're breaking into new market areas—whether it's geographic expansion or expanding your portfolio.

"You have to be much more agile to customize to their particular corporate standards."

Our successful acquisitions were when we acquired the GE business in Germany, France and the UK in particular as we were going into a new market. In France and the UK we had to go through an integration phase because we had subsidiaries there, whereas in Germany it was a standalone business effectively until we had integrated it into the group.

Let's talk about your customers. Your customers have historically been primarily in the large enterprise space rather than SMB space. Why keep this as a differentiating factor?

I keep it as a factor and it remains as a factor. I want to develop propositions and capabilities that suit that market segment. And I think the SMB business is a great business—it's just not my business. So we are very focused on those clients; we think they are incredibly sticky. We can sell a breadth and range of services and offerings to them. We have built services and capabilities around that target market. We're very focused on developing our offerings to that specific client base. We think those offerings are very different to the SMB market.

How would you say that customer needs differ across the various geographies and markets you serve? You serve global companies —do they have similar needs or do you find yourself having different strategies and approaches?

They don't differ by geography but they do differ by industry. If you go to an investment bank where the vast majority of people work in one big office and they don't travel an awful a lot, as opposed to a roving sales force or people in far-flung oil refineries, they obviously differ by industry. If clients worry about client activity and data protection and cost, I think smaller clients have different requirements. I think they're worried about availability and getting the thing—they're not necessarily worried about the standards, because they don't exist to such a degree. They are prepared to compromise on things a lot more than some of the big global corporates will.

So I think that's where they differ. The SMB marketplace to me is about proactively selling what you've got, whether that be a range of products or a range of standard service offerings. I think when you deal with huge global corporates, you have to mold to their requirements much more. You have to be much more agile to customize to their particular corporate standards, and we do that well.

You mention security is something that global companies are very concerned about. What would you say is the role of the channel in providing IT security solutions?

The appetite for security is huge. I can find an awful lot of people that can tell you you have a problem and not a lot of people who can solve it for you. And I think that's the important thing—coming up with solutions and not restating the problem for clients. That's the role of the channel—taking the technology and adapting the technology.

Security is like a lot of products that we sell; we want to deliver a solution. We are a service company as well as a reseller of products. I love our product resell business but I'm not just a product reseller—and you can see that by such as a small percentage of my workforce that are in sales. We've got a big delivery engine.

"That's the role of the channel—taking the technology and adapting the technology."

From a broader perspective, let's look at the role of the channel and the challenges the channel has faced throughout your time at Computacenter. Would you say it's at a good place now?

I think it is, actually. I think the threat of vendors selling direct is at an all-time low. We probably have more choice and we have more new market entrance—whether that be the plethora of different security, new software, different cloud environments, or diversity of operation systems. We haven't had this much diversity for a while.

I believe customers having choice makes the channel more important. You give the customers more choice, you need the channel more. And customers have a lot of choice now. It's a challenge—especially dealing with big customers— because you're sitting there between huge global corporate manufacturers, like Dell EMC, HP, Microsoft, or IBM on one side, and then you've got these huge global corporate clients on the other side. It's easy to get squeezed in the middle—even when you're the size of Computacenter, which is quite a chunky organization, you can get squeezed between two tower blocks. So you've always got to adapt to the market, but I think the channel is in a good place right now. If anybody thinks that life is tough at the moment, they really need to worry. Because it shouldn't be. We are in good times. This is a good time right now.

What's your opinion of Microsoft's direction today given its pivot toward solutions and the full stack?

I think I'm an admirer of Microsoft's strategy at the moment. I think the way in which they've changed their business model and adapted to the cloud is admirable. I didn't think they'd do it and I think they've done it very well. I think they're super smart.

I would say my only negative at the moment is that the Windows 10 environment is going to be incredibly challenging to support for large corporates. And I don't think they're being as open about that as they should be. I think the whole evergreen world is going to take a lot for corporates to get their head around, which I think will drive our business.

"Macroeconomic change drives investment in IT."

If I say to a customer at the moment, "Microsoft Windows 10 is going to be more costly to support, on an in-year basis, than Windows 7—but you won't have a capital cost every three years. Get ready; your budget for supporting Windows 10 in 2018 will need to be higher than you've spent historically," they don't believe us. If you say to corporate it will cost more to keep the lights on, they don't like that. I don't blame them, but it's a fact; you know Windows 10 will cost you more.

Do you think competitors like Microsoft can catch up to Amazon or would you say that market share isn't the determining factor and there's more than one winner?

I do think there will be more than one winner because ultimately once you have a certain scale, you will be competitive. You can't be a small provider because you're not going to be economically viable.

Is it too early to determine how Brexit is going to affect you?

It's way too early. However, any effect to date has been positive for a number of reasons. Firstly, our business reports in sterling. And the weakness of the pound has effectively pushed everything up as we convert our non-sterling revenues and profits.

Secondly, macroeconomic change drives investment in IT. Regulations, separations, mergers, things like that—this all drives the need for IT.

And thirdly, if companies are relocating across Europe—if someone wants 1,000 people in London or 1,000 people in Frankfurt, I don't really care. I have a big office in Frankfurt, in London, a reasonable one in Dublin, and a pretty big one in Paris. I think as we move things around Europe, this is probably more good news than bad news. Clearly, if the UK does a poor job of exiting, and it affects growth in the UK, that will have an effect on my business. But my business is only 30-40% UK and I can get growth elsewhere. I see more opportunity than threat for Brexit.

What's a piece of advice that has been shared with you earlier in your career that has been meaningful? Martin Hellawell cited you once telling him "Keep your gunpowder dry."

"This is a marathon, not a sprint."

It's kind of him to say this.

This is a marathon, not a sprint. There's a thing called the Marathon Des Sables where you run six marathons in six days—that's short compared to running a business.

You will be doing this for a long time. There are times where you need to react very quickly. Seize moments, be decisive, fix customer problems. You need to be very decisive. But in my experience, more people make mistakes by overreacting than underreacting. So I think keep your gunpowder dry.

Also, the mantra has to be you're dealing with people. And you're motivating people all the time. And people are different. Different folks, different strokes. All that kind of stuff. How do you do that? Ultimately the mantra has to be, "Treat people as you expect to be treated yourself." Put a mirror up. If that's what you'd expect, they'll find you're probably making the right decisions.