



John McCarthy

President and CEO of Mainline Information Systems

Editor's Note: John McCarthy joined Mainline in April 2009 and is currently President and CEO. Under his leadership, Mainline has expanded its focus beyond being primarily a hardware reseller to focus on delivering IT solutions, such as business analytics and professional services. Strategically, he has worked on a multi-year plan to transform Mainline from a IBM HW reseller to a true technology integrator that understands and supports varied client environments. Prior to joining Mainline, John served in executive management positions with EMC, StorageApps, CNT, McData and Virtual Iron.

Can you walk us through your early career and speak to how it informs your leadership today?

It's kind of ironic; my first fourteen years and my introduction to our industry was as an IBM competitor. I graduated in 1986, fresh out of Providence College, and the first job I accepted was with a pharmaceutical company, Marion Laboratories. Prior to showing up day one, on a whim, I interviewed with this little high-tech company in a Natick, Massachusetts strip mall by the name of EMC.

I decided EMC was a better a fit than attempting to sell medicine to a doctor who had probably been in school longer than I had been alive. Fortuitous pick, dumb Irish luck? I joined EMC at a time when there was less than 150 employees. Revenues were approximately \$25 million at that point, and I spent my next fourteen years soaking up valuable business lessons. During that time, we went from a \$25 million organization to about an \$8 billion organization. We started in North America and by the time I left, we were a worldwide entity employing more than 3,000 people. My final position at EMC in 2000 was Executive Vice President of Sales for North America.

Needless to say, that was a wonderful experience and although I left on my own volition I loved every minute of my time there. In early 2000, after deciding it was time to leave EMC, my plan was to take some time off. I had three young kids and a fourth on the way. After a month and a half of not working, I realized how difficult it was going from 90 miles an hour to a dead stop. So, my next career move was joining a small startup that happened to be

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located near my home in Summit, New Jersey. My decision had less to do with being a visionary and more to do with accepting a challenge closer to home.

A close business associate that I had worked with at EMC had just joined this startup as Vice President of Sales, and I agreed to a consultancy role. A long story short, after a number of events unfolded, I quickly altered my original commitment and accepted a senior executive position. Thirteen months later, we successfully sold StorageApps to Hewlett Packard for \$350 million.

Although I had a “once in a life time” run at EMC, my eyes were opened to a new sector: The M&A market, and the ability to convert small organizations into large returns was where I wanted to be. That was an invaluable experience and launched me in a new direction.

Let's talk about Mainline. How did Mainline become what it is today?

After the StorageApps experience, one of the things that I really wrestled with was, “Was I going to spend another decade plus of my life building an organization?” I was having a tough time wrapping my mind around that commitment. So, my foray into the M&A space – get in, approve overall efficiency, sell company – became my focus for the next ten years. I successfully repeated that model several times, including small startups and public companies.

Then, in 2008, I received a phone call from a mutual friend who suggested I have a conversation with Rick Kearney, founder and owner of a solution provider in the IBM space who was looking for someone to help run his company. My initial reaction was, “I have no interest in a solution provider and I certainly don't have an interest in representing IBM gear.” I always competed against IBM, so I was still in this mindset of, “Why would I ever go and do that?” Shortly after meeting with Rick Kearney and hearing his successful history – north of half a billion, privately owned, no debt, and his desire to have less day-to-day involvement so that he could pursue his philanthropic calling – it checked a lot of boxes for me. About a month later, we had agreed to a one-year minimum contract, and if it worked for both of us, I would sign up for a longer term. I'm currently in my tenth year.

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But if we look back at Mainline's inception in 1989 where we worked directly with IBM, jointly selling to customers in the Tallahassee area, the company has certainly come a long way. After branching out across all of Florida and specializing in educational institutions, public sector and midrange systems to small and medium accounts, we eventually transformed into a national systems integration company with over four hundred employees, 2500 customers and over 150 partner companies. Under Rick Kearney's leadership Mainline aspired to the highest IBM partnership level and has earned national industry recognition.

How have you been able to manage the shift of being the big IBM shop to a company that is fundamentally different?

I think we've managed it pretty effectively. When I came to Mainline ten years ago, the concept of selling just hardware, or even representing a single OEM, was really at the tail end of a lifecycle. When you walk into an organization that has existed for twenty years, you have a significant amount of ingrained culture that should be respected. Obviously, changes were needed and although my immediate urge was to alter methodologies or restructure organizationally, I was very careful to make deliberate calculated tweaks as not to negatively impact or ruin a culture that was the backbone of Mainline. I think it was fairly obvious that customers were deploying much more complex environments that usually included a multitude of vendors or different OEMs. The business model of representing a single OEM and primarily hardware, eliminates a vast amount of opportunity and potential customers. So, the idea was to make a commitment to our customer as our first priority. We embraced and appreciated our twenty-year alliance with IBM, but it was critical for us to expand our line card and for us to broaden our partnering capabilities with other OEMs.

Early on, with my EMC background, and my history of selling organizations, there was significant concern both internally and externally, specifically with IBM – that our twenty year partnership was going to quickly head south. So, I think IBM was pleasantly surprised after a year or two, as we continued to outperform on numbers, not just in the IBM hardware arena, but software and services as well. We, our customers, IBM and Mainline, saw the benefit of providing a wider spectrum of offerings which allowed us to capitalize on what Mainline was providing to our customers over the past twenty-plus years. From a timing perspective, which I

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believe is always important in career or organizational trajectory, we were at the right place at the right time. We expanded our offerings and did it in a way that was respectful and complementary to our twenty year history with IBM.

What are your thoughts on IBM's initiatives today?

We're excited. When we listen to IBM's vision and think about what they're trying to accomplish as an organization, we support everything that they're doing. We are obviously rooting for them. When you have a long relationship and a significant amount of your success is tied to that parent organization, it's very important that they are healthy, which requires continual improvement or advances. We're encouraged by their strategic initiatives because we think it speaks to that long-term health. Cloud, analytics, security, mobile, social – they're all areas we hear about and discuss with our customers every day.

Any effective solution provider will acknowledge the need to balance, selling offerings that are channel-ready and avoid selling future offerings that are still being molded. They must be channel ready with a clear route-to-market. Mainline is well-positioned to capitalize in certain critical areas. Our security and analytics teams are encouraged with what IBM's security group is doing, and we're positioned to take advantage of those solution offerings. We're excited to see some of the releases around Cloud Private, which arms us with strong solutions in the hybrid cloud space.

Cognitive computing is really the next turn of the crank for analytics and big data, and even though we've stayed very close to those IBM units responsible for those offerings, we'll focus on previously mentioned areas. Although cognitive computing is an enormous white space potential, we are not convinced it is channel-ready. We continually work that balance of what's available, what's channel-ready, and what we believe can help our client base today versus getting distracted with selling a future that doesn't help us make a profit or fulfill a customer need.

What are the biggest growth opportunities for Mainline in 2018? Especially with your M&A background, what are your plans for expansion?

We are constantly thinking about next steps and how to improve our hand. We have a vast number of different product offerings

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based on channel partnerships, OEM relationships and the need to remain relevant with our customer base. Although having a consultative approach, including the ability to represent a diverse ecosystem of partners, IBM remains our largest growth opportunity in 2018.

First and foremost, our core legacy areas of infrastructure include IBM servers, storage and software. We still see a tremendous opportunity and significant customer demand for the Z mainframe product. Storage consumption is another growth area – not only IBM, but other vendors as well. Every click of that button is storing information somewhere. We have an incredibly robust backlog of services to be delivered around storage consumption and the Z product life cycle.

Beyond 2018, we're seeing a lot of activity around the security portfolio. IBM has an in-depth portfolio, something we sell a lot of today. And not only are we doing security within IBM's portfolio, but we have a number of strong relationships with partners outside the portfolio that are filling niche needs. We also see promise and have high expectations in the evolving backup recovery and archival space. It is a great example of a growth area that continues to gain momentum with our customers. It's where many of our tenure legacy hires have deep expertise and an area we continue to invest, making sure our technical talent remains current.

Finally, we're spending a lot of time and focus developing our hybrid cloud practice. We see much greater upside and interest in this sector than we do in the public cloud space. Public cloud is an area we still struggle with, or more specifically, how we can earn an acceptable margin. So for now we will continue to focus on our customers' hybrid cloud needs.

Our philosophy is organic growth paired with acquisition or mass hiring of talent who specialize in our transformational focus areas.

Your competitors have explored private equity or IPOs, a big strategic change. Have you considered it?

It is certainly a conversation that we've hosted a multitude of times over the past few years. As you can imagine, a company like Mainline who has consistently demonstrated over a thirty year period the ability to drive a very profitable business, maintain 2500

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customer relationships, and boosts an average employee retention rate of eleven years, receives many inquiries.

Speaking openly, with my background, if you had asked me during my first year at Mainline if I would still be here ten years later, I would have laughed. Never in my wildest dreams would I have thought that we'd still be an independent organization and more importantly, be happy with our choice to remain independent.

I think a lot of times, when you partner with private equity or decide to pursue an IPO, one of the driving factors is the need for funds. Fortunately for us, we have very deep pockets. We have an owner who is very interested in continued investment and growth. I often feel that I am much more conservative than Rick. He is extremely comfortable with taking calculating risks. Even during tumultuous times in our industry he has reinvested and remained true to his desire to remain independent.

As soon as an organization is involved with a private equity investment, there is going to be some pressure to consider a sale. We don't feel the need or desire to have an outside investor because we have the means to invest in our organization and we have a single vision that begins and ends with our customers.

As far as the IPO question, if I have the choice, which I do, of being in the private sector or public sector, I'd choose private all day long.

A lot of companies that have made the shift that you have are looking to product again, because it represents immediate revenue. Have you looked at that switch and considered bringing back product in a different way?

I think balance is the key. There's no regret of what we've done because we've left no hardware behind. There have been sectors that have disappeared on us or have been dramatically impacted or reduced. X86 is a good example. But what we've done very well is made sure that we didn't throw the baby out with the bathwater. When we saw the need to expand our services and software sales, we remained committed to maximizing every dollar possible on infrastructure hardware transactions. Even in recent years, we have seen a surge in the amount of hardware that we have sold year-over-year. It's similar to the predictions that mainframe is a dinosaur, dead, with no more money to be made. The same has

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been said about infrastructure hardware for the past six years, and yet, there's still a tremendous amount of money to be made. If executed correctly and combined with wrap-around service and software offerings, infrastructure hardware is still wildly profitable.

I think that's what we have done well. Not only have we dovetailed those hardware offerings with our services capabilities, but we've even started to offer new sets of hardware alongside our services capabilities. Networking is a good example. Whether it be with Cisco or with Juniper, we have started to offer, in the last two years, networking capabilities and hardware sales that we had never done in the twenty-five previous years here at Mainline. And all of sudden we find that not only is there a need and a desire, but because we have established relationships and world class presales, we're able to easily flip between our legacy IBM and non-IBM (that may not even be competitive to IBM) to allow us that same rush or immediate profit back from hardware sales.

What separates you from your competitors?

We are in what people would call a commodity space, and yet for thirty years we've been able to carve out our significant share to maintain a very profitable and evolving organization. I think if you look over time, it has a lot to do with the type of talent that we've attracted, developed and kept over that period.

Do we upgrade the team? Continually. Because as we evolve, and new things pop up and new requirements for our customers necessitate that talent, we recruit for that. You look at our results, from surrounding our client with the sales team that has decades of IT experience and, in many times, a direct relationship with a particular account for twenty-plus years, and you wrap presales talent, implementation and consulting managed services around that. You take care of a customer and everything else takes care of itself. We're able to continue to evolve. We have this world class talent. We have these relationships not only with the customer but the ecosystems that we've built up with IBM and other OEMs, or even some of the partnerships that we have with secondary or sub partners that we use. It takes a long time to develop what we have and we've just been in that sweet spot of being able to enjoy some of the fruits of the labor as we continue to tweak where we're going forward.

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Your brother, Tom McCarthy, has quite the Hollywood pedigree. Any regrets not going into Tinseltown?

(Editor’s note: Tom McCarthy directed and wrote Spotlight, which won the Oscar for Best Picture and Best Original Screenplay in 2015. The film is based on the true story of The Boston Globe’s Pulitzer Prize-winning investigation into systemic pedophilia cases and coverups within the Catholic Church).

I would be lying if I didn't admit there is a part of me that would relish the opportunity to star on the big screen. You can see my fleeting brush with acting in the movie The Visitor, written and directed by my brother Tom. I play an award-winning economics professor but if you blink you might miss my moving delivery "Thank you Sheeva."

It has been great to watch my younger brother Tom's career, the middle child of four boys and one girl, our youngest sister Meghan. People often inquire about his overnight success but he is 51 and has been pursuing his career since college. He deserves every accolade and award he has received. His work ethic and perseverance is inspiring.

As you can imagine, his original conversation was with our family – really with my parents, as we were more witnesses to the awkward silence that followed him sharing his intention of making a movie based on the reporters from the Boston Globe (The Spotlight team) who were responsible for breaking the Catholic church sexual abuse scandal.

Unfortunately, my dad passed away prior to seeing the finished product, but I think my brother’s dedication on the stage that night after receiving an Oscar was appropriate. Not only did he dedicate his continued pledge to the survivors but he gave a special shout out to my father for encouraging him to pursue the film.

What is a piece of advice someone has given in your career that you'd like to pass along?

I carry so many from my early formative years at EMC. Maybe one that I live by is especially relevant because it was before the focus on Information and Analytics. Roger and Dick, the “E” and “M” of EMC, would continually say, "He who has the data wins." The statement, in essence, embodied, “Do your homework, gather all

the pertinent facts, regardless of the subject.” If you commit the appropriate time and effort to gather all the facts, your ability to make a well-informed decision increases exponentially. This simple concept has served me well throughout my career.