



Timothy McGrath

President and CEO of Connection (NASDAQ: CNXN)

Editor's Note: Timothy McGrath is the president and CEO of publicly-traded IT distributor, Connection. He began his career at Connection as president of PC Connection Sales Corporation, then the largest sales subsidiary of Connection. After his time leading PC Connection's subsidiary, he moved through the ranks of Connection as senior vice president and executive vice president. In April of 2010, he was promoted to president and COO, eventually taking the reins as CEO in 2011, where he has served the last eight years. Prior to joining Connection, McGrath held various management positions at Insight Enterprises, Comark Inc., and Hewlett Packard.

You recently announced record earnings results. What do you attribute this continued success to?

The foundation of Connection's success will always be our loyal customers and our dedicated workforce. Supporting the needs of both our external and internal customers requires organizational clarity around our goals and objectives. In addition, it demands a top-down focus on exceptional customer service that is reinforced by our values and our leadership team. Building off that foundation, we have seen a number of technological advances that have helped to drive growth, including data center, digital, and workplace transformations.

You've been CEO at Connection for eight years now. Can you tell us about your journey as CEO the last eight years?

Since joining Connection in 2005 and taking on the role of CEO in 2011, I have seen substantial shifts in the industry. In general, when you think about the evolution of technology, it's continually undergoing shifts. In my early days at Connection, client server and mobility were in-demand topics. We had customers outfitting their companies with mobile workforce and mobility solutions for the first time. Mobility came of age and became truly mainstream in the years that followed. That's when we started to see the convergence happening—more applications, more data being pushed to mobile devices, which then caused a proliferation of more server, storage, and networking—the next big wave. We then started to see transformations in software, the rise of streaming and changes in how applications and data were delivered. That software transformation then pushed into the cloud, IoT, etc. There have been several surges of technology, and each of them has been a unique opportunity, complete with its own challenges that we needed to help our customers solve. Technology comes in waves, and helping our customers catch those waves and turn them into productivity gains means that we have to learn and adapt quickly

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to the shifts in technology. As CEO, I have been focused on preparing Connection for those challenges, acquiring the necessary resources and growing the in-house expertise needed to build the solutions our customers require.

What do you consider the most important aspect of your job?

I believe my position’s most important function is to serve as a keeper of the culture, to lead the way, and to make sure our customer-focused culture remains a core part of our identity. The culture at Connection is driven by our principles. We’re a values-based organization. Together, we live by our values—integrity, trust, respect, and teamwork—and our actions represent those values every day. It’s how we expect everyone here to conduct themselves. We treat people how we would like to be treated.

How have the challenges Connection faces changed in your tenure?

The pace of change in the IT world is accelerating exponentially. Twenty years ago, an IT refresh cycle looked very different than it does today. Now the rate of technology adoption and the scale at which organizations need to deploy solutions to stay competitive have created new challenges. Many of our customers are using technology as an enabler—it enables their productivity and improvement in their organizations. Helping our customers capture the benefits of those technologies is where Connection’s value comes in—we pull it all together, from design and deployment to ongoing support.

One of our greatest challenges has always been change itself. Our industry is in a constant state of change. We continue to evolve as technology evolves, in order to be a single-source solution provider for our customers. We continually improve our capabilities and expand our offerings. The goal is not a destination; it’s the journey. That’s always been our challenge, and we must continually evolve to meet it. Compounding the difficulty of disruption and rapid adoption, today’s technology solutions are increasingly complex—they touch every area of an organization. We have to be fully integrated with our customers to understand their environments, their goals, and their business challenges.

What trends are you seeing in the solutions provider market that are particularly relevant to Connection?

One of the trends we are seeing is a change in the velocity and size of consolidation activity. While consolidation itself is nothing new in our space, the pace has accelerated exponentially. Companies realized there are economies that could scale, and that it’s important to have

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deeper expertise in things like managed solutions. Companies are looking to consolidate to either gain a competitive advantage, like expertise, or to gain economies of scale, like size. This was our strategy when we acquired SoftMart. It was an acquisition that gave Connection additional capabilities and expertise in the software arena. In addition to consolidation, another industry trend is the increasing complexity and potential for disruption that technology carries today. To help our customers solve their business challenges with technology, we have to be an extension of our customer’s team, understand their unique roadmap, and help them deliver business outcomes.

Has adoption of the cloud affected Connection either positively or negatively?

The cloud ecosystem has created new revenue streams from licensing and subscriptions, as well as demand for a number of IT solutions, including managed services, hardware, and software, that have affected Connection positively. Naturally, we’ve seen some downward pressure in our traditional data center hardware business. This has been offset by the additional revenue streams around cloud licensing and consumption, hybrid and edge solutions, mobility, networking, and security solutions. For example, we are seeing growth as a result of the increase in customers’ needs for the advanced advisory, implementation, and managed services that the cloud demands, especially in blended hybrid or multi-cloud architectures, which are becoming more and more the norm for our customers. These complex environments not only demand strong services skills, but also consulting expertise.

In addition to helping our customers create dynamic platforms that enable agility and long-term scalability, the cloud also presents Connection with an opportunity to secure attractive recurring revenues due to the rules of cloud economics.

You changed your name from PC Connection to Connection. Why?

Our company has come a long way in 37 years. From the emergence of the personal computer to the rise of the Internet Age, we’ve played an integral role in the evolution of technology—and we’ve evolved to keep pace with new IT trends, challenges, and opportunities. Reflecting those changes, we chose to rebrand in 2016 with a name that accurately represents all areas of our business and reflects the fact that we are one unified brand with significant reach, advanced technical expertise, and exceptional customer service. “Connection”

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pays homage to our roots while signaling our mission for the future. We are a 2,500-strong team of experts focused on connecting people with technology to enhance growth, elevate productivity, and empower innovation. We saw a very positive response after the rebrand. Our customers and partners agreed with the change. The word Connection is so much more relevant to who we are and what we do.

You’re exclusively US when many of your competitors are global. What do you do to compete?

While our company is based entirely in the US, Connection has the ability to provide customers with the same exceptional service and support they’ve come to expect from us stateside—anywhere in the world they do business. In 2016, we acquired GlobalServe, a global IT procurement and service management company to serve our customer’s international needs. Now a Connection subsidiary, GlobalServe offers our multinational customers access to a network of 500 partners and 25,000 IT professionals across 174 countries.

Does the global economic volatility impact Connection or its partners?

As with any business, global economic volatility does have the potential to impact Connection, our customers, and our partners. However, Connection has a broad and diverse customer base that includes small and medium-sized businesses, large enterprises, educational institutions, and government agencies. Our diversification can help to minimize this impact.

Do you think economic volatility is having any significant impact on solution providers investment decisions? Has Connection shifted its strategy?

I do not believe that economic volatility is having a significant impact on the amount of solution provider investment, but certainly on what solution providers are investing in. We’re seeing more focus on cloud migration services, hyperconverged solutions, Microsoft Azure, AWS, and managed services.

Customers are looking for help to leverage technology to make their businesses more efficient. Solution providers are becoming even more critical resources to help customers with the changing technology landscape, as they need help with determining what technologies best fit their business needs. We continue to evaluate the technology landscape and talk to our customers and partners regarding their needs, and have shifted investments and plans accordingly.

*“Listen, learn, adapt,
and build a strong team
around you.”*

Finally, what’s one piece of advice you’d like to pass along to our readers?

The pace of change we are seeing in our industry is nothing like we have seen before. We all must have the ability to learn from the past and instill lessons for the future. Listen, learn, adapt, and build a strong team around you.