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DOUG GROSFIELD, PRESIDENT AND CEO OF XYLOTEK SOLUTIONS, SAYS HIS IT NETWORKING COMPANY SAW AN \$80,000 JUMP IN NET PROFITS WITHIN 90 DAYS OF HIRING A BUSINESS COACH.

Take Networking Beyond The Data Center

A growing IT VAR finds peer networking and investing \$2,500 per month into a business coach adds \$80,000 in net profit to the bottom line in the first 90 days.

BY GENNIFER BIGGS

When I talk with VARs, nearly all of them admit to struggling with the pure business side of their practice — the financial aspects, marketing tasks, hiring and human resources, and more. The technology is the “easy” part. Such was the case when Doug Grosfield, president and CEO of Xylotek Solutions, decided to launch his own IT firm along with two partners. Now, after joining commerce support organizations and investing in professional business coaching, the company is well on its way to becoming the \$10 million company it strives to be and building its success on a solid business foundation.

“When we first started out, we didn’t know anything about business, and a financial key indicator was — hey, our bank account is going up,” explains Grosfield. “To help, we found business coaches with strong financial backgrounds, and they forced us to look at the right metrics — that process shines a light on things we didn’t even know we were doing wrong.” But before the company found professional help, it started to expand its network of business contacts by seeking groups such as local chambers of commerce and regional IT networking organizations, all geared toward assisting fledgling companies to succeed. Xylotek first joined the Greater Kitchener Waterloo Chamber of Commerce, which Grosfield says was surprisingly inexpensive. One of the largest chambers in Canada, the Kitchener Waterloo chamber, which has 1,900 members, costs Xylotek only \$400 per year. “We felt it was a good starting point for us — as a small business — to access the many resources they have available to help us understand what makes a business successful,” says Chris Pickard, COO for Xylotek. “We were looking for things like tax advice and recruitment advice, and the chamber helped us with those projects,” says Grosfield. Although many members in the chamber are not in the IT industry, most of them face the same challenges as Xylotek. “We are all trying to grow our businesses; we all need help with similar issues,” he adds. “We can take solutions other industries discovered and apply them to our business, so being able to draw on a greater pool of experience has been very beneficial.”

Xylotek also joined Communitex, an industry-led organization that supports the growth of technology companies in southern Ontario. Involved with the organization’s 550-plus members are international technology companies such as Google and Microsoft. Because Communitex bases its membership fees on the number of employees a member has, Xylotek pays only \$500 a year. That investment, according to Communitex, brings a value of \$8,212 — which the organization calculates as the worth of its professional development opportunities (the group boasts of the largest peer-to-peer networking program in North America, with 20 different topic groups), promotional opportunities such as Communitex radio ads and CEO breakfasts, and business guidance through the organization’s experts-in-residence program (for example, Jim Estill, CEO of SYNTEX Canada was the speaker at the organization’s April event). “When we go to Communitex gatherings, there is a rule that what you say

Photos by Pete Gool

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2008 SALES REVENUE: \$1.9 MILLION

2009 PROJECTED SALES GROWTH RATE: 40%

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about your business stays in that room, so you can talk freely about anything,” says Grosfield. “Those gatherings offer access to some of the top minds in the high-tech business world, and those experts are willing to share the answers they have discovered so you can overcome challenges in your own business. It is invaluable.”

Advance Your IT Business With Professional Advice

While Xylotek has reaped the benefits of belonging to both the chamber and Communitel, it was a free, 2-hour presentation

through the chamber a year ago that completely changed the company's growth arc. After Grosfield attended one of ActionCOACH's introductory seminars, he suggested to his partners that coaching might be something Xylotek needed to pursue. “I walked away thinking that I liked what they had to say, but I still wasn't sure we truly needed a coach,” admits Grosfield. When ActionCOACH offered Xylotek a one-on-one session, the IT company's partners got a big dose of what business coaching could do for them. “We walked out knowing it was something we needed to do,” says Grosfield. “They asked us a lot of questions, and they are very skilled at that. It shines light on what you are doing or not doing.” That session illuminated that Xylotek's founders had only a surface-level understanding of business basics. “So often during that first session, I was thinking that I had no idea what the coach was talking about, topics like days sales outstanding and cash flow projections. Then I realized I should know this stuff, and the fact I didn't made me very uncomfortable,” says Grosfield. “After that, we were willing to risk the expense.”

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Virtual Testing Supports Selection Of Disaster Recovery Products

When Xylotek Solutions opened its doors nearly three years ago, its leadership was determined not to make the same mistakes they had seen with other IT consulting firms. One way to do that was selecting a few reliable vendors as partners. “As highly trained IT people, we had the knowledge to determine the technologies and vendors we believe in,” says Doug Grosfield, president and CEO of Xylotek. “That meant a rigorous vetting process for our technology partners. We won't risk our reputation by presenting technologies to our customers that we aren't willing to stand behind 100%.”



XYLOTEK USES CA BACKUP AND DISASTER RECOVERY PRODUCTS, INCLUDING ARCSERVE.

efficient — Xylotek tested various products and examined each vendor's road map for product development and enhancements. “We know our customers' needs, so we try to marry the need and the product capabilities,” he says. To test products, the company doesn't risk a client's network, but rather uses a virtual environment. Xylotek installs a potential vendor partner's product on a virtual machine and runs the application, and then does its best to disrupt, delete, and, in general, crash the system. “You can replicate about anything that could happen on a

network in a virtual environment,” says Grosfield.

It was the CA integrated threat management product line that best withstood the Xylotek virtual war zone, so today the solutions provider uses the CA ARCserve Backup line for data loss prevention and the CA XOsoft product for business continuity and data replication. “Those products are complementary technologies designed to provide a multitiered information security infrastructure,” says Grosfield. He adds that the CA products address his customers' demanding recovery point objective/recovery time objective (RPO/RTO) outcomes. (While some customers can wait 48 hours for disaster recovery, many have real-time, zero downtime needs built on a minute-to-minute RPO.) In addition, the products can be used to affordably back up small environments while being robust enough to scale up to the needs of large heterogeneous networks spread across several sites. In larger environments, CA products handle data deduplication and encryption as well as backup. “To have a company up and running 100% of the time used to require an investment in terms of replicating the services in multiple locations, and there was a hefty price tag for that,” says Grosfield. “XOsoft and Instant Recovery on Demand [IROD] allowed us to change the entry point for technologies like that in terms of a price point, which also played into our decision. These products allow backup, recovery, and data replication with automated failover/failback capabilities, and with the Software as a Service [SaaS] model, we can offer to replicate an environment into a hosted environment as a service.”

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Expect Quick ROI From Business Coaching

The expense of business coaching was surprisingly high to Xylotek, but the company felt a 90-day trial run was worth the investment. While ActionCOACH offers three levels of coaching services, Xylotek selected the midtier option. “About \$2,500 per month gives us access to a coach and his staff, and they made it clear we could quickly justify that cost,” says Grosfield. Xylotek's leadership team started meeting with its business coach for an hour each week and completing assigned “homework” — case studies, study guides, CDs, DVDs — all designed to enhance business skill sets. Then, every 90 days, the company underwent a planning session to set goals and review strategies for the next 90 days, all of which added up to Xylotek's 6-month and 12-month plans and, ultimately, its 5-year goal. It is those incremental steps forward that have been so helpful. “It is great to have a 5-year goal, but if you don't have a plan to get there, it is irrelevant,” says Grosfield. In addition, every six months or so, Xylotek shuts down, and the whole staff completes an intense alignment day. “We sequester the entire staff in a boardroom and set the groundwork for our goals — from a team perspective — so our staff is onboard with everything we are doing,” explains Pickard. “That they have input has fostered a great environment for buy-in within the company.”

When Xylotek started the coaching process, a 90-day goal was set: Improve net profit by \$20,000 in three months (with a coaching investment of \$7,500). What they got was an \$80,000 jump. That initial profit boost, explains Grosfield, is a perfect example of how the business coach system works. When Xylotek first hired its business coach, the company was seeing tremendous growth and felt its business plan was working. But, after a few coaching sessions focused on true revenue, profit, and growth indicators, the IT company quickly realized it was hemorrhaging money. The reason: Xylotek simply wasn't charging enough for its technicians' time. “When we started the busi-

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**“We didn’t know we were
losing money, and we didn’t know how to
ask our customers for more money.”**

CHRIS PICKARD, XYLOTEK SOLUTIONS

ness, we determined a price based on the cost per hour for a tech. That cost of doing business changed dramatically for us, but we didn’t notice it for months,” says Grosfield. Hidden beneath the growth of the company’s client list was a problem — as the size of its projects was increasing, the cost of hardware and software purchases was heavily impacting the company’s cash flow. Xylotek didn’t have the financial checks and balances in place to even know it was falling behind. “We hadn’t adjusted our margin for those increased costs,” says Pickard. “That was a twofold reality check because we didn’t know we were losing money, and we didn’t know how to ask customers for more money. We were afraid to raise our professional services prices.”

Luckily, the company’s business coach did know. “He told us we were probably making it a bigger issue in our minds than it would be for our customers,” explains Grosfield. “That’s because your customers want a long-term relationship, and they also want you to be successful.” The Xylotek team say that the response across the board from their clients was positive, and the company retained all its customers. Granted, the change wasn’t overwhelming; the increase was only \$10 to \$25 per hour. “It also helped that our customers weren’t seeing prices raised with no benefits,” says Pickard. “We had made a significant investment in our infrastructure so we could provide better service, and they saw that.”

See Business Knowledge As A Long-Term Investment

A year into its relationship with ActionCOACH, Xylotek is well on its way to reaching that \$10 million goal and anticipates 40% revenue growth in 2009. But its focus on strong business practices and a best practices strategic plan is ongoing. Pickard says that so far, the company has learned key lessons in two major areas: financial awareness and the sales and marketing process (it has hired a marketing firm to improve branding and messaging). It also has learned that its decision to invest in coaching when the rest of the world is slashing costs might be seen as unusual. “I think right now, businesses are circling the wagons, cutting costs, and trying to save their way out of this economy,” says Grosfield. “We are one of those companies that recognizes the best time to grow is when all your competitors are looking inward, paying attention to what is within the circle of wagons.” So, if you are one of those VARs that tells clients to let you handle their IT while they focus on their business specialty, perhaps it’s time to take your own advice. Focus on the IT side of your business, and find outside help — be it a business coach or a marketing firm — that specializes in entrepreneurial basics to assist with the business side of things. ●



*Jennifer Biggs writes about storage, security, and managed services for **Business Solutions** magazine. She can be reached at jennifer.biggs@bsminfo.com.*

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