Stuart Fenton

CEO, QuantiQ

Editor's Note: *In this month's issue of Executive Perspective,* ***martin****wolf interviews Stuart Fenton, CEO of QuantiQ. Stuart works closely with the QuantiQ Board of Directors and his leadership team to set strategy and drive its implementation for QuantiQ. This includes launching new divisions such as CRM and Business Intelligence, organization development and engaging with clients and vendors on a daily basis. Stuart previously served as the President of EMEA (Europe Middle East and Africa) and Asia Pacific at Insight Enterprises Inc. from October 2002 to September 2013. Prior to this, Stuart held various positions at Micro Warehouse Inc. from 1995 to 2002 and served as VP EMEA and CEO of Micro Warehouse Canada. Stuart's industry experience began when he founded specialist mail-order software supplier, Windowline, in 1989 while still studying computer science.*

What was it like transitioning from a multinational, billion-dollar company like Insight to a smaller company like QuantiQ? Similarly, was it a big adjustment for you to go from a mostly products company to a professional services company?

I have been extraordinarily lucky over the years to have worked in both large and small firms. I began my career starting my own firm while studying, and grew it to a multi-million pound business through the early 90's. I enjoyed the small company challenges, and, as my business grew, I lived the experience of doing every role from sales, finance, marketing, purchasing, IT and warehouse operations. In part, I would say that my success at the two large public firms MicroWarehouse and Insight was in part due to running a smaller business first and experiencing every role.

Returning to run a small company was a familiar experience to me—it was simply a matter of getting those old muscles working again. Naturally, the focus is very different than at a bigger business—particularly large public businesses that are bound by shareholder expectation.

Apart from having to deal with issues that would have been delegated in a bigger firm, working at a smaller firm also entails different types of vendor relationships. At Insight we were the largest LSP in the world. I could call anyone in Microsoft—up to C level—and have an audience or get any issue resolved. Now, as I the owner of a small Dynamics partner in the UK, those doors are not as wide open as they were. Initially I leaned on those old relationships, and Microsoft helped enormously—but as time moved on, I had to focus my engagement much more on working with the local Microsoft people. I was pleased to find their support and flexibility to be incredibly good—and I probably should have done more of that at Insight rather than just working with the top executives.

In short, I love working in a smaller company—but I don't expect us to remain small. At our current growth rate, we will add many hundreds of staff in the coming years. Ultimately, big businesses don't have to be significantly different. Having a good, open, honest and informal performance-based culture can span any company size.

Back to culture, at QuantiQ, one of my first actions was to remove the offices for executives. I now sit in an open plan environment on a bank of desks with everyone else. Communication is faster and as a result decisions happen quickly. Interestingly some larger firms such as Microsoft are adopting this now.

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As opposed to company size, moving from more products oriented to a large-scale systems integration firm was more significant for me. The product business is fantastically different to the services business, however it was not unfamiliar to me. Insight EMEA had a successful services business that was growing significantly in my time. I was close to the strategy, metrics and leadership because I strongly felt that it was the future. The revenue was small for Insight, and recognized differently, but it involved hundreds of people around the region and was a critical driver of client entanglement. Shifting to QuantiQ meant moving from Cisco and Software Asset Management services to a System Integrator and Development company focused on Microsoft Dynamics. I needed to understand the solutions in more detail. Fortunately, I studied computer science back in the days of Cobol, so again, I had a baseline in terms of development and systems lifecycles, albeit out of date, but helped me understand the approach to projects.

Ultimately in any business, you have to engage your people and the team—but running a business of any size effectively requires good financial and operational management. In this regard I brought in leadership to apply the same disciplines that are found in larger business. As result, I believe it has helped us grow faster and be far more financially astute and stable.

Who do you think are the winners and the losers in the IT solution provider space right now?

The IT solution provider space is a very broad area, with some growing more than others. For solution providers, the areas with the greatest growth potential are those where the OEM or vendor cannot sell directly and where clients need specialized help. Of course, cloud (particularly SaaS) is a hot space, and many solution providers are looking to see how they can integrate it in the form of value-add service requirements. Secondly, CRM & ERP is enormously hot, with Microsoft Dynamics, Salesforce, SAP, NetSuite and smaller players

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like Sugar finding success. Solution providers that can integrate these offerings and secure for themselves a profitable and growing revenue stream—particularly if they install those solutions in the cloud.

Naturally transactional IT Solutions, such as selling notebooks, commodity IT, software licensing or basic cloud infrastructure are low-value solutions rather than value-added services, and as such these areas are margin losers. I'd hate to have a small datacenter now that I try to sell as 'cloud' to clients—competition from the big guys has sewn the future of this market up tightly. Unified collaboration has been a very hot area recently, but I believe that within 18 months Microsoft will have a solid enterprise voice cloud solution that will meet 90% of everyone's needs. I also expect migration and integration specialists for many cloud software platforms like Office365 to face declining business, as the evolution will cut out the middleman.

It's hard to see why Microsoft or another cloud software vendor would pay a reseller to be a partner-of-record and receive ongoing margins on sales that they barely interact with. What will differentiate "winners" from "losers" in the IT solution provider space will ultimately be the ability of the solution provider to offer value-added services or IP, rather than simple license or product reselling.

What opportunity does the rise of the cloud model present for services businesses? Is the cloud a friend of professional services?

Cloud is the solution often looking for a problem. It's also a very broad church in concept, addressing everything from infrastructure hosting to SaaS. If incorporated properly, cloud solutions do not need to be a risk for services business. Ideally, a services firm that understands its client can identify what solution is ideal to suit its needs—it may be cloud, or it may not.

However the cloud transition means the nature of a sale does change—and services firms will need to make sure they are prepared. Instead of huge hardware sales and upfront licensing revenue and margin, the cloud model means far more engagement with the client and lower upfront revenue, with a greater focus on managed services and a recurring revenue model. The biggest issue for many firms will probably be how salespeople adjust to their commissions being spread over an engagement or perhaps forever, as opposed to a huge check on day one. Frankly it's a better model, and it makes for better salespeople who think longer term and more about client satisfaction.

Professional services firms have long been involved with the cloud—initially, many tried to build their own clouds, either by building their own datacenters, or renting space within datacenters and calling it a cloud. Today, services providers have largely stopped trying to provide infrastructure and switched to system integration, development, and other more value-add services, away from the commoditized data center space. Back in 60's or 50's when IBM built first computer, someone asked how many vendors the computer market could support. The answer then—3 or 4—is now possibly true of mega cloud providers.

What position do you think Microsoft and Salesforce hold in CRM? Do you expect more transactions like Microsoft's rumored failed acquisition of Salesforce?

As cloud solutions, Microsoft and Salesforce are the leaders in the CRM space. Both will want to consolidate their positions through adjacent acquisitions and investments, such as Salesforce's investment in Financial Force. Smaller CRM players like Sugar will clearly be targets. Personally, I believe that instead of buying Salesforce for $45B, Microsoft should invest a greater amount into the development of their CRM product—obviously not $45B, but more than they are investing today. It has the potential to take huge market share on its own, without the long integration time associated with acquisition (see Skype).

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How does Microsoft compete against Oracle, SAP, and IBM?

Microsoft is competing very well and targeting the middle market successfully. SAP, Oracle and IBM have become large and cumbersome, whereas the Microsoft suite is far more intuitive, cohesive and integrated with the rest of its stack. As a former SAP user, it was easy to tell that you were using a loose federation of acquired products with different ways of working and looking.

As it evolves its the Dynamics AX & CRM product to compete with enterprise solutions from Oracle, SAP and IBM, the critical end result is that it is significantly easier and cheaper to implement and modify the product as the end-client evolves. I see Microsoft continuing to develop its products as cloud-solutions as well as on-premises solutions, while enjoying the advantage of keeping the seamless integration with its other products and maintaining simple and easy interfaces.

What do you think about Amazon's presence in the services space?

Amazon has become one of the three or four platforms of choice for many service partners due to its many advantages: its low cost, resilience, speed, and flexibility as a platform. I genuinely think they can be the service provider's friend. But as a platform, Amazon is not necessarily providing strong support beyond its datacenter capabilities. This presents an opportunity for professional services that I don't see going away anytime soon. While Amazon has limited

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services itself, it makes it very easy for third parties to deliver products and provide additional services. Microsoft, with its Azure platform, is highly tuned to the rest of the Microsoft stack and derives its advantages from that integration. Google has been historically less successful in the services space, and has farther to go to compete with Amazon or Microsoft.

What are your thoughts on CDW's acquisition of Kelway? Do you expect other US-based solution providers to make acquisitions in Europe or the UK?

CDW's primary revenue—as well as that of its competitors— comes from the sale of products, not services. Its acquisition of services provider Kelway is an interesting move, but I do not expect its peers to emulate it with follow-up acquisitions. There's no compelling reason for a typical product provider to simply tack on a European subsidiary. But as for other US-based solution providers with heavier services mixes, I believe it is inevitable that they will be making acquisitions in Europe or the UK, specifically. The UK is a great launch pad for American companies to move into Europe. The UK shares a common language and similar culture to that of the United States, lowering integration risks and making it easier for acquisitions to come together.

Are you enjoying your role at QuantiQ? What's next for the company?

Running QuantiQ is hugely rewarding – we're outgrowing the market and our competitors while making a decent profit, which is always very satisfying. The people are wonderfully talented and a pleasure to work with daily, and additionally I feel that we really are significantly improving our clients' organizations and their processes through the skills and tools that we have.

I have worked in two large public firms and felt stymied by the short-term approach demanded by quarterly earnings reporting. Many public companies are pressured into focusing less on their missions and more about shareholder returns. The idea of shareholders, boards and executive management earning significantly while market caps remain stable makes no sense to me. Being a privately held firm or part of a private equity fund can provide many of the benefits of being a public firm with less of the restrictions and short-termism.

The Dynamics market is an incredible market, growing at more than 5x the overall IT market. It's this tremendous growth and potential that drove me to get into this space. As a result, QuantiQ is enjoying significant growth. The Dynamics software suite is a terrific product—some of the best Microsoft makes—with some of the greatest value add for clients. For something like Microsoft Word, if you went back two or three generations, it wouldn't make a difference. Not so with

Dynamics. It's enormously different—its evolution has been stunning and its roadmap is great. I expect growth to only accelerate in the future.