

6 Dumb Dogmas of IT Business Development

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By Tom "Bald Dog" Varjan



[Blog entry](#)

If you've watched Ridley Scott's 2000 movie, *Gladiator* with Russell Crowe, then you know that movie paints Emperor Marcus Aurelius's son, Commodus, a real nasty piece of work. Basically, a heap of moral excrement.

It seems in real life he was even nastier than in the movie.

He fancied himself as a gladiator, and often indulged himself in gladiatorial fights.

But to make sure he always won, he would set the stage in his favour.

He would fight against seriously wounded soldiers, amputees and normal citizens who were unskilled in fighting.

And whenever only normal soldiers were available, Commodus would give them wooden weapons and, for good measure, cut off their non-fighting hands just before fights.

That way, Commodus would always win, so he could rightfully use the title of "The Roman Hercules".



In his fights, Commodus was a Secutor, a heavily armoured gladiator, and he always fought against Retiarius fighters who were lightly armoured and armed only with a trident and net.

Commodus stepped into the arena 735 times and won all his fights. With every win, he granted

himself a significant amount of taxpayers' money for allowing people the privilege of watching him fight and admiring him for his unparalleled fighting skills.

Quite appropriately he died in his bathtub being strangled by a wrestler. I reckon, Commodus was unable to stack the deck against a skilled and fully enabled fighter.

I've mentioned this story because many IT sales managers suffer from Commodus Syndrome.

They believe their companies are better than the competition based on technology alone. They are busy bathing in their temporary successes, not noticing that "wrestlers" of a competitor are hiding under their bathtubs, getting ready to take them out.

So, let's see these six dogmas, and how they may or may not apply to your company.

¹ Source: Jacques Maréchal: [Reconstitution de l'Antiquité](#)

1. Clients Always Need IT Professionals To Keep Them Functional

The general notion is that information technology is developing fast, therefore clients always need experts to advise them on IT matters. The topic is far too complex for them to figure out. It is also getting more and more user-friendly.

10 years ago every business needed a webmaster because the web was so user-unfriendly. Today, with Wordpress and other easy-to-use applications, the world is about to flick the finger at the whole webmaster industry, and yesterday's overpaid webmasters are having a hard time to put food on their tables.

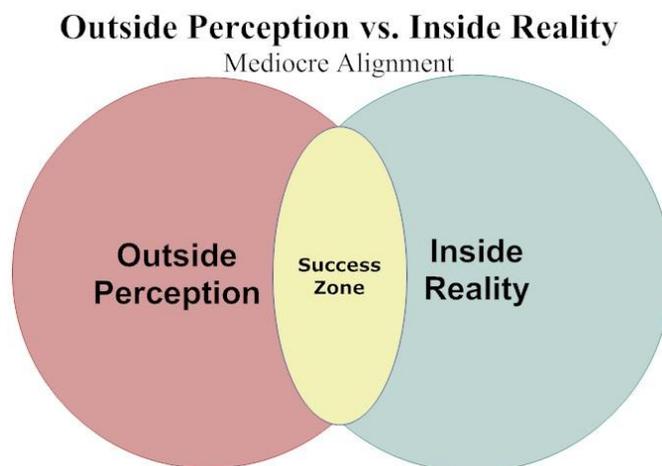
The world is becoming more and more plug-and-play. Not 100%, but that's what application developers are aiming at. It means there is less and less need for the kind of IT services that clients desperately needed just a few years ago.

In his 1999 book, *High Tech High Touch: Technology and Our Search for Meaning*, author John Naisbitt predicted that the time would soon come when no matter how high your tech is, if your touch is not high enough, then you're doomed. And that time has arrived.

Client retention is more about touch than tech. So, keep an eye on the tech-touch balance.

2. Value Is Objective And IT Suppliers Dictate It

It's common belief that based on the objective nature of value, based hourly rates, expended effort and material costs, IT companies, as suppliers of value, can dictate the value of their products and services, and clients had better cough up the dough for whatever they are sold. Realistically, value is subjective, and it's clients that decide how much certain products and services are worth to them.



A bottle of water has huge value to someone who is stuck in the middle of a desert. But water has no value, or even has anti-value to someone who is drowning in the middle of a river. For the drowning person, a life jacket has huge value. Interestingly, the person in the desert doesn't give a rat's arse about a life jacket. For him, it only presents extra weight to carry. For him it's a curse.

And no matter how good your IT products/services are, neither the drowning person nor the person in the desert perceives value in them.

The value lies in the match between your market and your products/services.

We can also say is that changes in inside reality causes a change in outside perception, and that moves your company in the market.

Based on the inside reality and the outside perception, you can create different levels of success in your company.

Outside perception

- They mean what they say and do what they mean
- They can be trusted and relied upon
- They are effective in their work
- They are pleasant to work with
- They have both high-tech and high-touch

Inside reality

- Ethical leadership
- Well compensated and well-treated professionals
- Top-tier talents with a “contribution” or “giver” mindset
- Working only with perfect clients
- Bold vision

3. IT Companies Want To Hire Employees With Entrepreneurial Mindsets

It's called a business owner's mindset because business owners have it. It's so simple. A business owner's mindset means that you invest your own money for future return, knowing that the return is not guaranteed. The business owner's mindset is all about risk and reward.

The employee's mindset involves are certain level of entitlement, that is, guaranteed work and paycheques no matter what.

Imagine that you do a big project, and for some reason, at the end, your client triggers your money back service guarantee. So, you return the money.

The client has most probably invoked the guarantee because someone on the project team made a pretty serious mistake. Mind you most of these mistakes are more often related to high-touch not to high-tech.

But no matter how much money you have to pay back, your employees still expect their full paycheques, and when the time comes, their year-end bonuses.

They “demand” their fair shares of the gains, but leave you high and dry to deal with the occasional losses.

People with entrepreneurial mindsets are entrepreneurs. People with employee mindsets are employees. Two totally different mindsets.

Never mind the entrepreneurial mindset. Create a kick-arse business culture that top-notch people want to join.

Three great companies come to mind. Mindvalley Insights, Prezi and Ustream come to mind.

People all over the world are giving up their well-paid jobs at prestigious companies to relocate²

² Mindvalley Insights is based in Kuala Lumpur, Malaysia; Prezi and Ustream are headquartered in Budapest, Hungary.

and join these companies. There must be a reason why.

And the reason is impact.

Top talents work for impact, not for money. Mind you, they also get paid the most.

4. The Quality Of IT Services Is Based On The Techies' Expertise And Credentials

This is a kind of Dr. House syndrome.

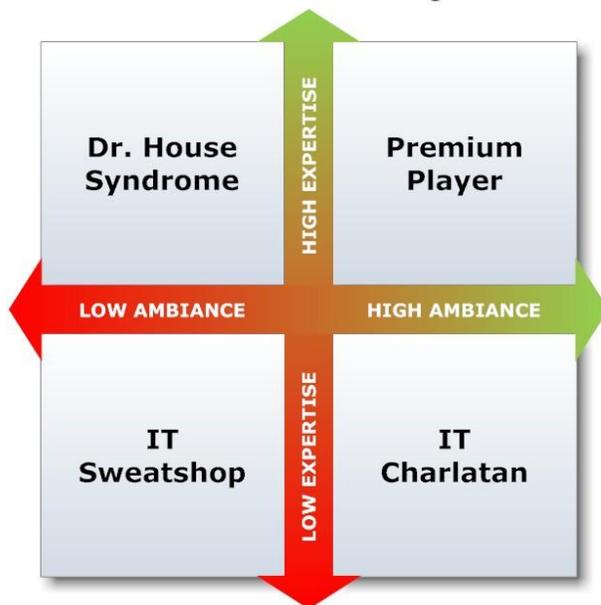
In case you've never watched the TV series, Dr. House is a genius doctor and an utterly despicable character with sub-zero bedside manners.

Sadly many IT companies are still staffed with the IT equivalents of Dr. House. They are technical geniuses, but socially speaking, they are so rough around the edges that you need an industrial grinder to grind their edges from despicable to barely tolerable.

Not to mention that you can't let them come face to face with your clients because they would chase them away with their antisocial attitudes.

There is this mistaken belief that the quality of IT companies' work is defined by technical expertise.

Business Ambiance-Technical Expertise Matrix



But the reality is that many IT companies are as nipple-piercingly ugly to work with as some of the fascist³ corporations. Due to the sweatshop nature of many IT companies, they are not even technically brilliant, but the overall business “ambiance” in which they dispense their IT expertise is plain atrocious.

Premium players have top-tier talents, great clients and maintain a pleasant ambiance. You may want to review Demings's 14 ([Part 1](#) and [2](#)) points about quality.

IT charlatans are IT companies that maintain high style but low substance. They are the IT equivalents of

motivational speakers: Pleasantly packaged bullshit. Do you remember the Y2K “experts” who had mounted to nothing, but got filthy rich on the artificially created Y2K scare?

Experts? Hm. One trick ponies? More likely.

³ By “fascist” I mean that they are privately run but government-controlled.

The IT sweatshops are IT companies that operate with a “He who can be deceived, must be deceived” motto. They keep costs very very low, and skim the market for whatever they can. The idea is to screw both clients and employees, so the owners can take all the money out of the business.

The business can't grow because there is no money for it.

There is no pay increase for the increasingly underpaid and overworked employees.

And when frustrated people leave, management often threatens them destroy their careers.

When I left BC Children's Hospital in 2000, my boss told me he would do everything in his power to make sure I could never ever work as an engineer. He told me he would notify the Association of Professional Engineers and Geoscientists of British Columbia to make sure I would never be granted any kind of engineering licence or permit.

Why did he do that?

Well, because I dared to suggest to him that he does some due diligence before he buys some medical equipment from the company where he was the financial director.

After that, he was desperate to “kill” the witness to his crime.

And while doing this, as a licensed professional engineer and an MBA, apparently he was adhering to some ethical code. I wonder which one.

5. Mistaking The Business Of Information Technology For The Profession Of Information Technology

The reality is that IT companies don't succeed or fail on technical expertise. There are some other factors to the equation.

Nor they succeed by offer better technology to their clients. They succeed by offering technology better.

The reality is that there are lots of blazingly profitable businesses out there that run on Windows XP, and equally lots of businesses that are struggling to turn a profit, although they run on Windows 8.

So, it's not the technology or any other server room issue.

The business of information technology is all about boardroom issues. Issues that executives track and care about.

When you meet buyers with problems, they care more about your business solution than about your technical solution.

What you have to realise that your technical solution is a subset of your business solution.

Buyers hire you because you can increase revenue or reduce costs. Whether you do that by installing a new CRM system or changing the client's internet provider, it's pretty irrelevant from the buyer's perspective.

So, when you change from IT consultant to business consultant, everything changes in the buyer's perception.

Now you're worth something serious.

6. True Leverage Lies In Headcount

The common notion is that an IT company's success is all about stuffing the shop with an army of low-paid people, and whipping them harder, faster and with a much bigger whip.

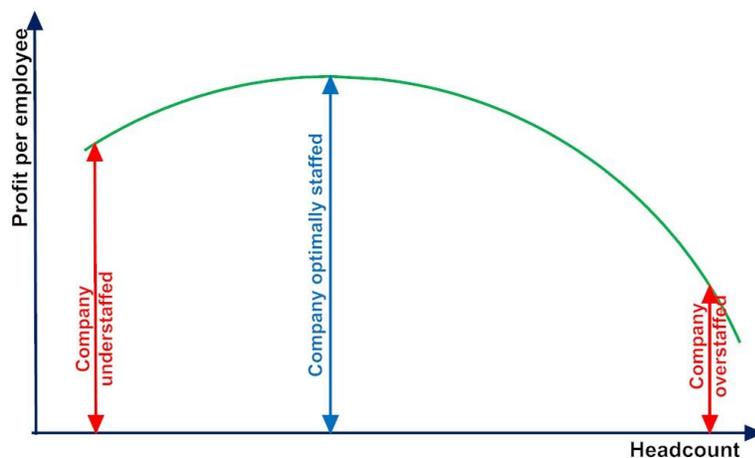
And this misconception certainly applies to low-level, vendor-grade IT sweat shops. Their typical success indicator is gross revenue and other absolute indicators.

But when you look at their relative indicators, like revenue per employee, profit per hour, etc. , you can see they have problems.

Following Michael Gerber's E-Myth approach, leverage and high revenue lie in employing lots of low-paid people. Create rigid, watertight processes and systems and hire the cheapest people from the bottom of the unemployment scum barrel who are willing to dogmatically conform to those systems, so they don't need to think just crank the system. If Frederick Winslow Taylor were alive, he would write up this company as a success story.

But we know that Taylor's scientific management was as much of a fraud as it can be.

Realistically, headcount is a very poor leverage in any business. A 10-person sales force doesn't produce twice as much as a 5-person sales force. Beyond a certain headcount, we start hitting diminishing returns. This is a sort of economies of scale based on people.



Productivity (profit per employee) requires the optimal number of people in the business. If the business is either understaffed (red on the far left) or overstaffed (red on the far right), productivity will suffer.

Think of restaurants with tables and the number of guests one table can accommodate. Let's assume, each table sits four guests

Well-utilised: One table with 4 people => 4 people per table

Under-utilised: One table with 1-3 people => 1-3 people per table

Over-utilised: Two tables with 6 people => 3 people per table

Seriously over-utilised: Four tables with 10 people => 2.5 people per table.

So, you have to find the right amount of the right people, and that's not easy. Standard HR

practices are pretty useless here.

Instead of capability of doing the work well, standard HR practices focus on how impressive job applicants' resumes and credentials are.

HR people are convinced that you can only know a skill if you've "learnt" it in some government-run indoctrination camp, a.k.a. school and have a signed and stamped piece of paper that proves it.

Summary

There may well be more dogmas. Many more.

I've emphasised the above six because they can also be remedied reasonable easily.

And if you can, it makes your company a better place to work at. In turn, it will attract both better talents and better clients.

Think of the "inside reality and outside perception" concept we discussed under #2. As you tweak the inside reality, the outside perception improves too. If you look at it as a tree, the inside reality is the roots and the outside perception is the fruits.

If you want to see better fruits, you have to pay more attention to the roots.

In the meantime, don't sell harder. Market smarter and your business will be better off for it.

[With victory on high...](#)



Tom "Bald Dog" Varjan

<http://www.varjan.com>

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