

17 Philosophical Differences Between Respected IT Authorities And Fungible IT Vendors

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As we get deeper and deeper in to the knowledge age and the age of the knowledge worker, the wider the gap becomes between respected authority type IT companies and fungible vendor type IT companies.

Interestingly, the former charge much higher than going rates, yet have massive waiting lists. The latter charge competitive(ly low) rates, yet struggle to hunt down every single client one by painstakingly one.

And as I work both with IT authorities that want to reinforce and further stabilise their authority positions and IT vendors who want to get out of the vendor trap, I distil some key concepts in my head that I believe are worth writing down.

This article is such a collection of 17 such distilled concepts.

Granted, some people may think that I must have visited a distillery and drunk it dry to write down some of these points, but they are just the summary of my observations.

Let's see...

Philosophical Foundation #1

Respected IT authorities believe they shape their markets. They use strong market positioning and education-based direct response marketing to polarise their markets to make that happen.

Fungible IT vendors believe their markets shape them. They bend for various flavours of the month fads and change their goals and strategies as often as their executives change their underwear.

Philosophical Foundation #2

Respected IT authorities use magnetic attraction to land new clients. They sift, sort and screen to make sure they end up only with perfect clients.

Fungible IT vendors use maniacal pursuit to land new clients. They bid and pitch and accept any client as long as there is money to be made from the endeavour.

Philosophical Foundation #3

Respected IT authorities use margin-driven business development: “We need better clients to increase profit!” Doing something different from what they've always done. Something that requires different resources and less effort, but offers better results. The typical closing rate is around 33% and annual client attrition is some 6% or less.

Fungible IT vendors use volume-driven business development: “We need more clients to

increase sales!” They do what they’ve always done, but doing it harder and longer. Closing rate is about 5% and annual client attrition is over 35%. Many of them have impressive gross revenue figures, but when broken down to personal productivity (revenue or profit per employee) the numbers are less impressive.

Philosophical Foundation #4

Respected IT authorities are in business to win. They aim for better clients with better projects and opportunities. They know better clients are attracted to better sellers with great products and services, talented people, ethical leadership. They work on improving themselves to become more attractive and magnetic to their perfect clients. In their promotional materials, they are firm but humble.

Fungible IT vendors are in business not to lose. They aim for more clients with “quick and easy money” type opportunities. They keep their costs of operation low by hiring low-wage people and cut corners everywhere they can. Their promotional materials are full of platitudes, pompous sentences and big phrases like “one-stop shopping”, “Cutting edge” or “Next generation”. Lots of smoke and mirror, but no fire.

Philosophical Foundation #5

Respected IT authorities are attracting money by what they’ve become. They know that it’s the company and it’s the people’s character that either attracts or repels money.

Fungible IT vendors don’t have time and energy to work on themselves because they are too busy chasing money in any way they can.

Marketing is as good as non-existent and salespeople are busy cold calling, responding to RFPs and visiting stalling buyers’ offices with discounted offers, coffee and doughnuts.

Philosophical Foundation #6

Respected IT authorities focus on what can be done. They honestly tell their buyers what they can and cannot do. If they can’t provide what buyers need, then they walk away.

Fungible IT vendors focus on what can’t be done. They try to figure out how to make money on areas that they don’t normally do, so they often end up being “able to do” whatever their buyers happen to need.

Philosophical Foundation #7

Respected IT authorities buy other premium products and services. They create leverage and expand their capabilities in their operation through better tools and more effective systems. They optimise tools and systems first and recruit as the last resort to performance improvement.

Fungible IT vendors buy other commodity products and services. They create leverage through

headcount.

They believe it's easier and cheaper to hire more people than optimising the use of tools, resources and systems.

Philosophical Foundation #8

Respected IT authorities recruit people based on positive attitude, character and principle-specific knowledge and experience (Network, database, web design, CRM, etc.) and expected payoff for the company. They also understand the “if you pay peanuts, you get monkeys” rule. Their watchword is all about payoff: profit increase, reputation improvement, etc.

Fungible IT vendors hire people based on impressive resumes, tool-specific knowledge and experience (Windows NT warlock, Microsoft Access wizard, Drupal sorcerer, Salesforce magician, etc.) and salary expectation. They may have heard about the above peanut and monkey rule, but have never embraced it. They can't because their watchword is all about costs; cutting them, saving them, reducing them.

Philosophical Foundation #9

Respected IT authorities are committed to their missions and visions through thick and thin. If changes are needed, first they tweak their tactics and, if necessary, their strategies, but regard their “purposes”, their *raison d'être* as the proverbial true north.

Fungible IT vendors are committed to making money to pay the bills. They usually are ready and willing to change anything except their tactics. It's caused by the problem in the previous point. They are staffed with people with tool-specific expertise (fastest Photoshop operator, hyper-certified MS Access developer or five-star, black belt Salesforce administrator).

Philosophical Foundation #10

Respected IT authorities are ready, willing and able to manage themselves, knowing that consistently and predictably doing what needs to be done is vital both for them and their clients. You find peace, discipline and harmony in their premises. Further, they know consistency is one of the most important cornerstones of their brands.

Fungible IT vendors are run on chaos, panic and general pandemonium. They are up to their eyeballs (and some other balls) with policies, procedures, tools and apps for better self-management, but they are short on self-discipline and accountability.

Hint: Have you ever asked people, who are chronically late, if they have alarm clock problems? They have discipline problems and systems problems.

Lack of discipline causes them to hit the snooze button several times and go back to sleep.

Human solution (uncertain): Use willpower and get up.

Systematic solution (certain): Buy a very loud alarm clock with an annoying sound and place it

the farthest away from your bed. By the time you get out of bed, walk over to the alarm clock, silence it, walk back to your bed and calm down from the adrenaline rush the horrible sound gave you, you're fully awake.

Philosophical Foundation #11

Respected IT authorities grow above their problems. They look at their problems as challenges to be. They know business is full of problems, and solving them is really a test for being business-worthy.

Fungible IT vendors get infested with problems and often get buried under them. Small problems become big problems, and soon they run the whole company.

Philosophical Foundation #12

Respected IT authorities sell business improvement and receive compensation based on the value they bring to their clients' tables and their clients' expected improvement in their businesses.

Fungible IT vendors sell technical products and services broken down to time, materials and deliverables. Regardless of value, they expect to be paid for expending time units on their clients' premises or performing specific manual labour on behalf of their clients.

Philosophical Foundation #13

Respected IT authorities care about how they make their money and how much they keep after all costs are paid. They have very sensitive triggers, meaning that if either projects or clients are not right for them, they walk away without hesitation. They focus on relative indicators like net profit per employee or net profit generated per time unit or per client.

Fungible IT vendors care about how much they make and they're willing to work with any client to make their money. They focus on absolute indicators, like gross revenue.

Philosophical Foundation #14

Respected IT authorities invest their money wisely. They strike a good balance between investing in people and investing in things (both technical and non-technical), preferring to invest in people when there is a choice, knowing it's people who make the ultimate difference to profitability.

Fungible IT vendors Invest mainly in technical things, sometimes in non-technical things and very rarely in quality people.

They believe it's the technical things and expertise that make them successful. These are the companies where you can see underpaid people working on top of the range computers running on top of the line networks. The other extreme is that you see highly paid technical people, while

the business development people, who actually generate revenue, are on close to legal minimum wage.

Philosophical Foundation #15

Respected IT authorities act on their beliefs and convictions even if they are not 100% certain of the outcomes. They know that the biggest profits lie in taking bald but calculated risks. They are heavily into innovation and walk to the beat of their own drums.

Fungible IT vendors expect 100% certainty in everything they do. Everything they do must be full guaranteed. Before doing anything they check the market who else has done it before. They need extensive market validation for the tiniest new concept to make sure they succeed to implement it right out of the gate. Corrections are not tolerated. Everything must be perfect on the first attempt or else heads may well roll.

Philosophical Foundation #16

Respected IT authorities are, first and foremost, sales and marketing machines. They know technical specialists can be found and be engaged on short contracts at reasonable prices. They know that good companies with good business development programmes can rise to the top of their market niches.

Fungible IT vendors are collections of IT professionals first, second and third. In general, they look down on business development as a shady function. They believe, they should be hired based on their technical credentials and accolades. Believing this, they quietly blend into the ocean of the competition and is forced to compete on price.

Philosophical Foundation #17

Respected IT authorities build cost-effective, highly automated and easy-to-run business development systems that furnish them with a consistent and predictable stream of new sales leads and clients based on magnetic attraction.

And since this system helps them to achieve and maintain a high a very high demand-supply ratio, they can charge premium fees and prices and offer highly differentiated premium services.

Fungible IT vendors build costly and hard-to-manage sales forces. Their business development is light on marketing and heavy on brute force selling. Salespeople are relentlessly and maniacally cold calling and chasing RFPs. They base their operations on quantity; lots of low-margin commodity work.

And one more as a bonus...

Philosophical Foundation #18

Respected IT authorities perpetually perfect their capabilities in a few areas, like client and

talent selection, value-creation, value capture, value communication.

Fungible IT vendors perpetually learn to perfect their technology-fixing capabilities. They invest in new certifications, and “partner” with more and more companies, so they can display more and more partner logos on their websites.

Summary

Of course this is not a full list, and, as always, there are exceptions.

But based on my observations, and how buyers are getting pickier, it seems, as time goes by, vendors will be left further and further behind. They get picked up by buyers who seek only a pair of hands to perform pre-defined manual labour.

Ironically, those are also the most demanding and the lowest-paying clients.

All in all, they are the kind of clients no self-respecting IT firms should even consider talking to. As the English are fond of saying, “Give them enough rope!”

So, look at your own firm and see what you can do today to shift further towards the respected authority status and further away from the fungible vendor status.

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

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



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Additional Knowledge Products to Build Your IT Business

Here are some knowledge products on business development for building your premium-calibre IT business. It’s especially for privately held “entrepreneurial” IT companies and solo IT professionals.

These products are sort of workbooks. They explain what is what, then walk you through the “how to...” part of the process. As you read the books, you do the exercises, and by the time you finish reading, all the relevant bits and bobs are in front of you on paper applied to your own unique situation. For this reason, the materials are not long but rather dense.

I hope you find them valuable.

[Perfect IT Client Profile Development Toolkit](#)

[Frame It Right: How To Structure IT Marketing Content For Maximum Buyer Action](#)