

Redmond Channel Partner

Matrixforce Corp.

A Force for Change -- and Cost-Cutting

Matrixforce offers a compelling business case for taking over its customers' IT departments: guaranteed performance and savings of 50 percent.

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by Paul Desmond

If you can promise prospective customers you'll cut their current costs by 50 percent while guaranteeing their satisfaction, chances are you're going to get your fair share of business.

That's been the case for Matrixforce, a 28-year-old service provider based in Tulsa, Okla. When founded in 1978, the company focused on data collection, bar code technology and time, attendance and labor tracking. It was essentially reborn in 1992, when it joined the Microsoft Solution Provider Program, the precursor to today's Microsoft Partner Program. "Today, we're solidly a Microsoft consulting and support firm," says Matrixforce CEO Kevin Fream. "All we do is business support with Microsoft infrastructure."

Five years ago, the company had yet another epiphany of sorts, when it embarked on an effort to offer services, backed by a service level agreement (SLA) that would obviate the need for companies to have their own in-house IT staffs. "Our value proposition is that we come in [costing] 50 percent less than a full-time employee," Fream says. In addition, Matrixforce's SLA guarantees that it will identify and respond to IT problems, perform regular maintenance and provide weekly satisfaction reports, among other services.

So far, the approach is working well. The company has grown between 22 percent and 30 percent per year for each of the last three years, with annual revenue now between \$5 million and \$6 million. Meanwhile, income from the services side of the business has jumped, from no more than 35 percent historically to 60 percent of the company's overall revenues. And that services work yields healthy margins of 40 percent to 70 percent. Compare that to the typical 4 percent to 6 percent margins for hardware, and you can see why Fream says the services focus has transformed the company.



**Matrixforce's
CEO Kevin
Fream**

In the Beginning

Fream is something of an oddity in the IT business -- or any business for that matter -- because he's stayed with the same firm since graduating from college. He was a self-described "wide-eyed college kid" when he joined the company fresh out of Tulsa University in 1989. (Matrixforce was then known as Computer Technology Solutions, a name recently changed to avoid confusion with 16 other companies in the Microsoft Resource Directory with similar names.)

One key to making Matrixforce's SLA strategy fly was developing and documenting repeatable processes for virtually everything the company does. That kind of blueprinting helps the company keep quality up and costs down.

Fream had other employment options, including managing a worldwide financial system upgrade for Cessna Aircraft and being a lead developer for Citgo Petroleum. Ultimately, he chose Matrixforce because, he recalls, "I wanted to do something where I had a good opportunity to do everything."

That's exactly what he's done, climbing the ladder from programmer analyst to system analyst to project leader, director of integration services, general manager and, eventually, to CEO. Three years ago, Fream bought out Ross Brown, the company's original owner, so now he holds the title of owner as well.

In late 1993, Matrixforce changed its corporate strategy. Rather than spending time traveling to serve clients scattered from Rhode Island to Alaska and working with a variety of vendors, the company's leadership decided to focus on customers in their home territory -- and on Microsoft technology. The new tack began as one division within the larger company that focused on networks and some custom development, then expanded to encompass the whole business. Today, the Microsoft Gold Certified Partner focuses strictly on business support, primarily serving customers in Oklahoma.

Finding Profit in SLAs

But it was five years ago, when Matrixforce adopted its SLA strategy, that things really took off. One key to making that strategy fly was developing and documenting repeatable processes for virtually everything the company does -- and not just on the technical side. "I think we're one of the few organizations that actually have a playbook for sales," Fream says. That playbook includes an "elevator statement" -- that is, a brief summary of the company's mission and focus -- answers to questions about the company's qualifications, solution-selling steps to follow and documentation about the company's various packages. That kind of blueprinting helps the company keep quality up and costs down.

The company also picks its spots, focusing primarily on midmarket firms in a handful of vertical industries. "We decided some time back before vertical focus was really 'in' to focus on professional services as our No. 1 niche -- law firms, CPAs, doctors, architects, anything in that area," Fream says. Other focus areas include government agencies and nonprofits, including churches, humanitarian organizations and even a couple of American Indian nations. "Midmarket" in Oklahoma typically refers to 250 or fewer users. The company's ideal professional-services customer is even smaller, with just 50 to 100 users.

In what Fream calls a growing trend, those customers usually don't have full-time IT departments. Many IT consultants tell such companies that, for 25 users, they need one hardware staffer and one software specialist. But Fream uses a different formula. "The real number today is that for 50 to 100 users, you need one very good IT resource," he says, adding that Matrixforce saves clients 50 percent even over that modest staffing level -- while giving them access to resources they wouldn't have otherwise.

While convincing companies to essentially outsource their entire IT departments may sound like a tough sell, Fream says that's not necessarily the case. Matrixforce uses a model that allows customers to plug in numbers for a full-time employee and compare them to Matrixforce's costs and features.

Chief among those features is help desk support. "We have a help desk system that has a profile on all of our clients," he says. Most customers opt for coverage during business hours, although 24x7 support is also available. In addition, Matrixforce's Insight real-time alerting and monitoring service is often able to detect IT problems before they turn into major system failures.

Another differentiator: Matrixforce employs only Microsoft Certified Professionals -- generally those trained in multiple areas. Employees get a bonus for each certification they achieve that helps them meet predefined company goals.

Matrixforce Corp.

Headquarters: Tulsa, Okla.

Web Site: www.matrixforce.com

Top Executive: Kevin Fream, CEO

Founded: 1978

Line of Business: IT consulting, business support, services

Microsoft Partner Level: Gold Certified

Microsoft Competencies:

Security, Advanced Infrastructure, Networking Infrastructure and Information Worker Solutions

Annual Revenue: \$5 million to \$6 million

Growth Rate: 22 percent to 30 percent over past three years

Employees: About 25

Target Markets: Midmarket professional services firms, government agencies, nonprofits

Key Milestones: Adopting SLA strategy in 2001

Differentiators: Real-time alerting, 24x7 support, all-MCP staff

Long-Term Goals: Double amount of business by 2008

Matrixforce also offers incentives for maintaining high customer-satisfaction ratings, generating revenue and other achievements. "We're heavily bonus-driven," Fream says. "Our salaries are probably mid-range, but in terms of total compensation with bonuses, we're probably one of the higher firms in our area."

Having all these highly trained professionals provide ongoing service helps establish Matrixforce as a trusted advisor, as do the five-year business technology plans the company creates for its customers. The plans take into account Microsoft product lifecycles and the established mean time between failure numbers, such as five years for a server and three years for a workstation.

Similarly, the company provides each SLA customer with a quarterly "CIO review," a breakdown of what the customer spent and why.

While the company has focused chiefly on customers in Oklahoma in recent years, its leadership team is considering opening a branch office in Denver. That's a sign that Matrixforce has come full circle. As Fream puts it, "We're getting ready to take the next leap and grow back out."

Paul Desmond is editor in chief of Redmond Channel Partner magazine.