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Xceptional building a legacy of growth and success by putting clients first.



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CEO CFO: Mr. McKewon, what was the original vision behind Xceptional? What is your focus today?

Mr. McKewon: Xceptional was founded in 2007. It was born out of a company that I had formed with another executive, who left the industry. Our original name was Xceptional Networks. We launched the company as a value-added reseller of mostly Cisco Systems, focused on Local Area Networks, Wide Area Networks and Unified Communications. Over the years we added products and solutions to address the needs and demands of the market. Some of the first new vendors and manufacturing partners we brought on were VMware and EMC. Right before and during the great recession, organizations were pulling back investments on networks, phone systems, or unified communication systems but they were consolidating data centers, and looking for ways to reduce infrastructure costs, so we adjusted our solution and services portfolio and met the market where it was at. About 4 years ago we changed the name and updated our branding.

Today the company is called Xceptional, and XceptionalNetworks is essentially the original practice we launched the company with: a LAN, WAN, Wi-Fi and security practice. We continued to expand the portfolio to meet the needs of the market, so we have XceptionalConnect, which is our collaboration practice, for VoIP video and web-based collaboration. We have XceptionalCloud, which is our data center practice, where we do public and private clouds, including server, storage, back-up, and recovery solutions. XceptionalCare is our managed services practice, that enables us to serve customers in more of a long-lasting way, such as managed helpdesk, cloud, Microsoft 365, and break/fix. Our current focus and strategic direction is to expand and grow the managed services side of the business as a large percentage of the market is

looking for a utility or subscription based pricing and consumption model for IT services.

CEOCFO: *Was it a deliberate strategy to be involved in so many areas or was it more opportunistic?*

Mr. McKewon: Initially, we were focused on being a value-added reseller providing IT infrastructure and leading with network infrastructure solutions. The thought behind that was that demand for these types of technologies was high. Technology changed pretty rapidly back in the late 1990s and early 2000s, with the transition from 10 to 100 meg, from 100 meg to gig and from gig to 10 gigs. That has slowed substantially since then, but the initial idea was to capitalize on technology change and disruption. We would capitalize on those innovations in the market and be able to sell additional solutions and services to the same customers. The diversification beyond network infrastructure and unified communications was an attempt on our part to follow the market. During the recession in 2008, we were following the market. The market was investing, clients were investing in data center consolidation, shrinking their data center footprint, and lowering their cost of ownership or cost of operation, so that was our focus in diversification at that point.

Since then, it has been a strategic move, from a corporate standpoint, to not focus on the hunting aspect of being a Value Added Reseller. We wanted to get away from having to find the next project to close, to design and build the next project and then live off the profits of that until we found the next one. We were focused on how to build a sustainable business that we can more easily grow, scale, and manage, not only on the human capital side, but also financially. Therefore, recurring contracts and engaging with our customers in one-, two- or three-year contracts really meant we could focus on improving service, rather than just solely on hunting for the next project.

CEOCFO: *What types of companies are typically turning to Xceptional? What size, geography, or industry?*

Mr. McKewon: We are fortunate to have developed a diverse set of customers within a dozen of industries, over the last 15+ years, and that diversity has expanded via the launch of our managed services practice. Our managed services customers range from a two- or three-person law office to a 25-thousand-person multinational corporation. Our legacy focus on enterprise infrastructure projects has helped us to develop a strong base of engineering skills, capabilities, and customers that has enabled us to approach larger enterprises. However, the managed services side of our business scales across customer segments. We can support large enterprises with specialized help desk requirements and needs, or a 5-person law firm who is looking to outsource their entire IT organization.

CEOCFO: *When a customer is using Xceptional as their managed services provider, what is different? Why would they want to go with you rather than someone else? What do you provide, what do you understand, on a very basic level, that makes the company something a cut above?*

Mr. McKewon: It is a great question and a very difficult one to answer articulately and to create differentiation. One difference is the Xceptional experience. The Xceptional experience essentially means that in a pre-sales process it is going to be complicated, not high pressure and not self-serving, but more interrogative. We want to sit with the customer, learn about their business, learn about how solutions can be brought to bear to help their business and not just make a buck for ourselves. We spend that time up front.

There are various reasons why customers will sign on, and when they do the Xceptional experience continues, where we perform routine quarterly business reviews lead by the sales team, but with input from the whole entire organization, so as to bring to bear what is working, what is not working, what strategic initiatives the client has, what goals they have, etc. We look at our key performance indicators and customer feedback. Then we also evaluate cyber security risk and make recommendations to shore that up. Therefore, it is a fully engaged, fully cooperative environment, where we are hoping that we create that Xceptional experience for the customer.

CEOCFO: *What have you learned from customer feedback over the years?*

Mr. McKewon: That is a great question. In a nutshell, me personally and the business, I think it is being willing to accept critical feedback and take it onboard and make changes. For the younger CEO or less experienced CEO or less experienced customer service person that is difficult. Entrepreneurs sometimes have too high of a pride of authorship, pride of ownership and are resistant to that feedback. Over the years it has been a learning lesson for me and for our other executives, and in fact for the whole team, to embrace the feedback.

Critical and constructive feedback is the way we improve. We love to see high marks in our customer satisfaction surveys, but we do not learn much from the high marks. It is much better to get feedback on what is not quite working right or where we need to improve, because that feedback allows us to act on it and allows us to make improvements and allows us to streamline, to help create that Xceptional experience for our client.

CEOCFO: *Your site explains the unique company culture that attracts, trains, and retains the highest level of employees. What is different about working at Xceptional?*

Mr. McKewon: We have been committed to building an environment where no matter what job you take, there are opportunities for advancement. Our current CFO started as our receptionist/bookkeeper. She worked her way up to CFO/COO. I think that is one of the greatest stories that I can tell as far as what makes this a great place to work. We are growing. We do not take anyone for granted. We coach, we support, and nothing makes me happier than to see one's career grow. We have folks that have grown internally, as I was mentioning before with our CFO/COO Danielle. We have also had folks that have grown internally and then decided to go on to other bigger, better things. That is fine!

I am very happy to see an engineer sprout his or her wings and take what they have learned here and apply it elsewhere. Many times, they come back, to be employed here again. It happened five or six times where engineers thought they wanted to make a change, moved on and then came back. We have also had many former employees go on to work elsewhere, but then turn back to us and ask us to serve them as a managed services or a VAR. We foster goodwill. We foster teamwork. It is truly an exceptional place to work.

CEOCFO: How have you helped your customers, both older and newer, navigate the last couple of years?

Mr. McKewon: It has been challenging, but early on we focused on our client's goals and mostly assisted clients with the work from home transition. Before the pandemic started, mobile workforce and telecommuting were all "nice to haves." It was sometimes a major effort to build the business case around these technologies and to communicate the return on investment for those kinds of initiatives.

The pandemic got rid of the need to illustrate the business case and the return on investment for these types of initiatives. It was self-evident! It became more of a "manage the demand" than create the demand, early on. Towards the end of that cycle, it became more about identifying the changes in their business, the changes in the security landscape, for example, the security posture, the threat factors; all of that stuff changed as companies went from mostly office base to mostly remote based.

Not only do we deal with the transition of being able to enable these companies, these clients, to send their workers home, but also help them secure that solution and help them create better practices, better policies and procedures around that, to make sure that their data is secure, that their infrastructure is secure. It has been a major part of the focus over the last two years.

CEOCFO: What is your plan for growing the managed services side of the business?

Mr. McKewon: We recently added Mr. Mark Dallmeier, as our Vice President of Sales and Marketing. His directives, from senior management and the board, are to enable this company for organic hyper-growth. One of the first things that he did was create campaigns around four emotive statements that communicate and promote Xceptional's brand promise. Those emotive statements are: embrace the Xceptional experience, expect Xceptional knowledge, demand Xceptional support, and experience Xceptional value. Those are the statements we are driving into the market and using to establish a differentiated customer experience. In addition to that, we are creating content that helps the client along their managed services buying journey. Therefore, we are looking to reach clients who are out there in the market, researching early in their journey, educating them with informational material on how to evaluate an MSP, what to look for in an MSP, what the right fit is in an MSP, and so forth.

Then later in the client journey, we are introducing new innovative products that are easy to understand and consume in order to meet the market where they are at, with those products. An example of that is we

recently developed a new product that is more inclusive, XceptionalCare Complete. It has more “as a service” included that was not included in our previous products. That came about because we saw clients who needed all of these things and an a la carte solution was not getting the job done. Because we are nimble, able to read the market, can interpret what the clients are asking us, and we learn from our losses and wins, we can tailor solutions or create innovative new solutions that are purpose built to incorporate the lessons that we have learned from previous engagements.

CEOCFO: *What is the key to getting a potential client to understand the difference as often on paper it seems subtle between one MSP and another?*

Mr. Dallmeier: This is a challenge for the entire industry. We did a lot of market research and we surveyed prospects and clients to get a handle on this. Here is the reality: There is a lot of commoditization in the industry. Customers recognize that. When you go to conferences and you walk the conference halls and you go from vendor table to vendor table, the majority of the vendors say they all do the same thing. To your point, customers are trying to understand what differentiates you from another organization. In my experience, and in my approach to helping organizations like Xceptional, is to capture the voice of the customer. This is critical if you expect to establish mind share and market share. With clients, it is really about slowing down long enough to interview prospective clients, prospective customers, to interview customers and to capture the voice of the customer. Therefore, it is taking the time to learn about the customer, the prospects’ business, their goals and objectives, what is happening within the industry and then aligning your offerings, your value proposition and your capability in a very consultative and collaborative way, to the needs of the business and the needs of the client or the perspective client’s employees.

As you go through that process, that is its own journey. You are on this journey of working to capture the voice of the customer, to understand where they are at in their journey, what questions they have, what some of the unique needs and requirements are of their business, their employees, their customers, and their operations, and then instead of providing a one-size-fits-all solution, you begin to customize and personalize the solution to fit the clients’ needs. As you do that and as you engage the market in that highly consultative manner, what ends up happening is that you find opportunities to educate. You find opportunities to add strategic value to the buyers along their journey. Sometimes you do not sell everybody; that is fine. Our objective is to make a positive impression, or to create a positive impact on every prospective customer, or existing customer within every interaction and conversation. We are committed to positively impacting the individual or their organization. If that is where your head is at and if that is where your heart is at, then that helps to differentiate you from other vendors who are just out there driving demos or wanting to get a customer on the phone to “pitch them something.” That is not the Xceptional way. We do not want to get a customer on the phone to “pitch them.”

We want the opportunity to learn about a customer’s business and their unique needs and their goals and objectives and we want to figure out a

way to help them to eliminate or reduce the technical debt that they have. Maybe they have older technologies, maybe legacy technologies that are holding the business back or not working too well. Maybe they are trying to figure out how to go to the cloud, or how to secure and how to protect their organization going forward against ransomware or against cyber-attacks, or maybe they are trying to figure out how to address regulatory compliance within the industry. I mention all of these things, because these are all things that are at the top of the minds for customers and prospects that we speak to daily. Again, we have done the research and received a lot of feedback from the market and from prospective customers and existing customers that communicate that the market overall is disappointed in the MSP experience that they have gotten from other MSPs, and they are looking for very specific things. They are looking for an MSP that is knowledgeable, that is collaborative, that is going to provide proactive service and proactive security. They want an MSP and a solution provider that calls them and follows up promptly and does not over promise, but over delivers. That is what Xceptional is trying to do with its approach to the market and its brand promise that we have developed.

Mr. McKewon: I would further that too, and I would say that in every new customer interaction I have, I have three goals. Obviously, we want them to buy from us. If they do not buy from us, I want them to wish they could buy from us. The third goal is, if they cannot buy from us or did not buy from us, I want them to come back and buy from us in the future. If I can get one of those three goals accomplished, then we will have done what we set out to do. We will have met the customers' needs and created an imprint in their brains and in their minds, so that next time they are in the market or next time they have a budget to spend, we are top of mind. The only way you do that is by putting them first.

