

CEO of CMIT Solutions buys company | Connally previously owned 20%; vows to grow franchise

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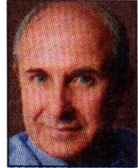
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One year ago, the investors at CMIT Solutions Inc. asked CEO Jeff Connally to propose ways they could cash out.

Connally — who was an investor in CMIT, along with 29 others — considered several options before hitting on what he considered the best solution: He bought the company.

CMIT, an Austin-based chain of 127 information technology services franchises, meant too much to Connally to hand over the reins to an outside buyer. Rather than being a pure business decision, buying the company came from the heart.

“It came down to pure emotion,” he said. “Af-



Connally

ter building the company ... you never know what a new owner might do. I have personal commitments; people relied on my word.”

Connally, who previously owned about 20 percent of the company, declined to disclose the financial details of the acquisition that was completed in February.

CMIT Solutions, which was founded in 1996, employs 20

workers at its headquarters, while its franchise owners employ 750 workers throughout the country. The company added 38 locations during 2009, and Connally said his goal is to grow that number to 500 in coming years.

The projection is based on a niche market of underserved IT users: small and midsized businesses. Such computer network operators are too small for service providers like Hewlett-Packard

Co. (NYSE: HPQ), IBM Corp. (NYSE: IBM) or Accenture PLC (NYSE: ACN). But the networks are crucial to their users, and that's why CMIT Solutions offers repair service, a 24-hour help desk and remote monitoring service that warns customers of potential problems such as a failing hard drive.

A former systems analyst for

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CMIT: CEO, owner said growth is good but more emphasis will be on profit margin

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IBM Corp., Connally was appointed CEO of CMIT Solutions's in summer 2006 after serving as a board member. In 2007, he projected that CMIT would reach 140 locations by the end of that year.

Three years later, however, the company has yet to meet that prediction.

Connally said 140 was too optimistic and that instead of adding locations, officials have focused on increasing profitability among existing franchise owners.

The average CMIT client operates one server and 11 personal computers. Ninety-three percent of clients use a Microsoft

Corp. (Nasdaq: MSFT) operating system, he said.

Franchisees need \$110,000 to \$150,000 to start a business. That sum includes a \$45,000 franchise fee for training. Franchise owners also pay a 6 percent royalty on the revenue they generate from services, Connally said.

“If they're not successful, we don't make money,” he said. “There's a real alignment. It's like being in business by yourself, but you're not by yourself.”

CMIT started in 1996 as a franchising concept, called “Computer Moms,” that targeted stay-at-home mothers looking to set up businesses with flex-

ible hours. Those “moms” specialized in providing in-home computer training for technology novices, mostly senior citizens.

In 2004, the company shifted its focus on providing managed technology services to small and midsized businesses.

Connally declined to disclose specific revenue figures. But he said the headquarters posted a 38 percent rise in revenue last year compared with 2008. Former CMIT Solutions Chairman Mike Maples has told the *Austin Business Journal* the company generated \$2.5 million in revenue during 2006.

Customer acquisition is the most com-

mon problem that franchise owners face, so the home office assists them with sales and marketing strategies. For customers, the most common problem is the lack of a proper data recovery and backup system, Connally said.

Dave Munn, CEO of the Massachusetts-based IT Services Marketing Association, said the demand for IT services continues to grow and the number of CMIT Solutions franchises illustrates the market conditions.

“To have 120 locations says there's a demand for it,” he said. “With the right marketing, they could be very successful.”