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As IBM goes, so grows Paragon Solutions Group

BY JAN BUCHHOLZ

SPECIAL TO THE BUSINESS JOURNAL

Paragon Solutions Group Inc. is both a staunch corporate loyalist and an entrepreneurial warrior. A paradox, for sure, but a business model that works just fine for both Paragon, a computer reseller and systems integrator, and its corporate partner, IBM.

In fact, it may be a "perfect model," given that the word "paragon" means just that.

"I knew 10 years ago that when I started my own company, I'd call it 'Paragon,'" said CEO and President Haydn Hirstine.

Not that he knew back then what kind of company he'd create. Today, it's all come together with stunning success. Paragon sells IBM products — servers, storage and software — to large businesses in metro Denver. Though Paragon is an independent

company, the exclusive arrangement has served both parties well.

"We won IBM's FastTrack Award for 2005," Hirstine said. "We're their top competitive partner in North America."

Paragon also is the Denver Business Journal's second fastest-growing large company with \$20 million in revenues for 2005, a jump of 900 percent over its 2003 numbers.

"I see us as small company but a very entrepreneurial company," Hirstine said.

The Iowa native is quick to admit that his first chosen discipline — engineering — was a professional disaster. After graduating from Iowa State University, Hirstine discovered the error of his ways.

"I became an industrial engineer and I didn't like it," Hirstine said. To cope, he enrolled in an M.B.A. program while working full time and waited for a solution to emerge. "I realized that I wanted to try sales," Hirstine said.



KATHLEEN LAVINE | BUSINESS JOURNAL

Haydn Hirstine, Paragon Solution Group's CEO and president.

Fortunately, the IBM office in Sioux City decided they'd give the restless engineer a chance to prove his moxie. The timing couldn't have been better.

"When I joined IBM only 20 percent of their business was generated through independent business partners, and really a lot of the huge problems they had was the result of doing everything direct," said Hirstine.

The company that had built its formidable reputation on behemoth mainframes would need a new frame of reference, including a more diversified product line and a new sales strategy: developing a network of independent business partners.

"It's a more cost-effective way to go to market," said Hirstine, who helped usher in the transition. "I was asked to develop and train some of those partners."

The plan, he added, was for independent partners to generate the lion's share of IBM's sales, a goal that has been soundly achieved.

"Probably today that number is between 60 and 75 percent," he said.

Hirstine, coincidentally, is now one of those

independent partners. In 2003, he acquired Mountain States Computer Systems in Denver, turning it into a sales powerhouse.

While some IBM business partners prefer to work primarily with current clients in a maintenance mode, Hirstine's warrior mentality demands a much more aggressive approach. He relishes the thought of meeting competitive vendors like Hewlett Packard and Sun Microsystems head-on.

"Our model is competitive. You have to have unique skills to win the competitive market. I like the battle and that's the culture that founded this company," Hirstine said. At the same time, he's careful not to offend other IBM operatives.

"We're not trying to grow at the expense of other IBM partners," Hirstine said. "We're most successful at convincing Fortune 500 companies that by switching to IBM technology they can significantly reduce their costs."

Not that the price point makes for an easy conversion. "It's still a huge investment up front," said Hirstine. "It's a 12- to 15-month sales cycle."

While the key to growth has been raiding the competition, Hirstine isn't taking anything for granted. Recently he hired a marketing firm to better illuminate the reasons for his company's dominance.

"I've spent a lot of time and money to extract what makes us different," said Hirstine, who credits a very narrow sales focus and a high level of integrity for Paragon's success.

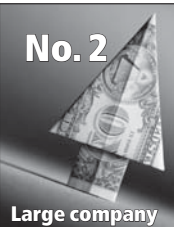
"We're in a people and relationship business and what's really important to me is respect, trust and ethics."

Meanwhile, Hirstine plans to repeat, and likely surpass, his Denver success with the opening this summer of a Dallas office.

"Say that there is a \$500 million IT capital spin in Colorado. In Dallas that figure is closer to \$2 billion," Hirstine said. "The market in Dallas is huge."

Hirstine estimates that Paragon's revenues for 2006 will approach \$28 million, and then double by 2008. "Within three years we'll be a \$50- to \$60-million company," he said.

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Large company

**Paragon
Solutions
Group Inc.**

Web site: www.paragonsg.com
Phone: 303-841-4418
Employees: 21
Revenue growth:
From \$2 million to \$20
million/900 percent