



Rick Stern On... The Surprisingly Simple Strategies of a 7-Time Inc. 5000 Winner

- Steve Sanduski:** Hello, everybody, and welcome back. You are listening to. On Your Mark, Get Set, Grow. This is the podcast of CEO Coaching International where we interview entrepreneurs and CEOs from around the world. I'm your host, Steve Sanduski. Joining me today is Rick Stern.
- Rick, we don't have to go very far today to have this conversation because you are just down the road from me in the greater Chicago, Illinois area. How are you doing today?
- Rick Stern:** Good. How are you, Steve?
- Steve Sanduski:** Fantastic. Rick, you've got quite a fascinating story here. You founded a company called Nitel, which is a fast-growing firm in the facilities-based managed telecom services provider business. That's a mouthful. What in layman's terms does your firm do?
- Rick Stern:** In the telecom world, they like to change the model or the name of the model nearly every 3, 4 years. We're in the cloud services business. We're in the telecom service business, managed service business. Call it what you will. We provide wide area network services, managed network services, cloud-based security products.
- Steve Sanduski:** Apparently, the business has been very good because your company has been on the Inc. 500 5000 List of the Fastest-Growing Companies for 7 consecutive years now. That's quite an accomplishment.
- Rick Stern:** Thank you. We work hard to try and to grow the company and we had a very good run for the past 10 years. I think they look at the history of the business. We've had a relatively good growth rate over the last decade and 7 years on Inc. 500.

Steve Sanduski: What are some of the keys that you would attribute that growth to? What are some of the things that you and your leadership team did to generate that kind of growth?

Rick Stern: I think it stems from an attitude of continuous improvement, hard work, really resetting goals once we've achieved them and frankly really resetting them before we achieve them. My business partner, Ron Grason and I have always been very aggressive about what's next. If we were able to walk a mile, we wanted to run 3. When we ran 2, we reset the goal to run 10. We've always stretched ourselves from a goal setting perspective and continue to spread our wings for growth opportunities, whether it be sales, product, network, etc.

Steve Sanduski: You just mentioned that you've got a partner in here. Did you two start the business together? How did that work?

Rick Stern: We did. Actually, the business, we both had our own separate businesses in the late 90s. I'm a few years older than Ron. I broke away earlier, ran a business for a few years. He and I had done business together. We partnered up around 2001 or 2002. We ran our two businesses, morphed them together. Those businesses funded the business we run today, otherwise known as Nitel. Previous business had a couple of different business names. One in particular was Network Innovations which is how we morphed that name into the Nitel name.

Around 2003, we switched our business model and became a reseller of telecommunication services where we took the contract and the paper and built and collected and provided customer service to the end users ourselves. Our prior model with more of an agency business where we acted on behalf of carriers like AT&T and brought them clients under their brand. The original business funded these new business, Nitel, which we run today. The growth rate from Nitel is really tracking from the day 2003 forward.

Steve Sanduski: You've got this business partner. Tell me how the working relationship works with you two because a lot of folks that are listening to this either are in business partnerships or were in business partnerships that didn't work very well. What do you two do? I would imagine you probably have your differences from time to time. How do you two work effectively and overcome any challenges that you may have or any differences of opinion that you may have and how you run the business?

Rick Stern: We certainly have our differences of opinion early on because I was the first mover from leaving the corporate world. I had an opportunity to have taken more stock if you own the company. We're 50-50 partners. I really recognize that the best way to start that relationship was to divide it right down the middle and move forward on equal ground.

Ron and I have been good business partners from since day one. We've had plenty of disagreements along the way, nothing major, and really what I've noticed over the years is we have a good separation of duty, we share specific duties as well, and we interact well on different areas of management. It seems that we typically approach concepts or decisions from different angles but almost always arrive at the same place. Where we haven't arrived at the same place, usually one of the two of us, usually Ron, has a pretty strong about why they feel the way they do.

If it makes sense, we've both been pretty good about acquiescent to the other person's opinion assuming that it didn't ruffle the feathers too hard in one way or the other.

Steve Sanduski: If you were advising someone that was entering into a business partnership of some type, would you encourage them to try and find a partner that essentially compliments your skills so that they may be strong in the area where you're weak? Is that the best strategy. What advice would you give to someone who is contemplating some type of business partnership where they're going to share ownership in decision-making?

Rick Stern: I think that would make a lot of sense. It's hard for me to give specific advice. In my case, I would say our skill sets are different but they're more aligned than otherwise. It was really about personality match in a common goal, common drive to succeed so it could be several reasons in my opinion. It only makes sense to have a partnership with someone who brings something unique to the table: one's an operational guy, one's a sales guy, one's a finance guy, one's a legal guy so you know you would like complementary strengths like that. I think it's really, the big part of it is the dynamics of the relationship.

Steve Sanduski: In terms of what we're talking about here, the partnership of the two senior guys. What about the rest of the team? As this fast-growing company, you're going to have to be bringing staff on here on a regular basis. What do you go through? What's your process to hire people? Are there specific characteristics that you look for in the people that you hire?

Rick Stern: Early on the business, that was really one of the departments I manage more directly than Ron and college human resources I did most of the recruiting myself generally through my network of networks and friends of friends from a core qualities or strengths perspective. Hard work has always been my number one determining factor on whether not to hire somebody. We're looking for people that are all-in, 100% effort. That's the make it or break it attitude and I think goes a long way. When we've come across people with less than 100% effort or short timers, we've made those mistakes along the way and we've had to move them up or move them out, so to speak.

Over time, I've been working with Mark Moses through CEO Coaching. He's really fine-tuned that process for me, helped me better profile and understand

what good candidates are for different jobs. We started using the DISC profiling test and some other methods to mirror what success has been. We look at so-and-so candidate for XYZ position. "This is the right guy. He does the right things. This is his experience. This is his major motivators," and try to duplicate that depending on what job that is, whether it's a finance job or a sales job or operational job.

Steve Sanduski: I'm curious, Rick, on a scale of 1 to 100, and let's say that 1 is you use complete gut instinct in the interview process, so you're interviewing someone and just based on your gut, you're going to hire them or not hire them, versus 100 is you rely 100% on using assessments like DISC or other profiles and basically just make your hiring decision based on what "the numbers" show or what the assessment shows. If you had to pick a number there, where would you fall on that scale between how much of your hiring is based on gut versus how much is based on assessments like DISC and others?

Rick Stern: Somewhat of a tough question to answer because there's more to it than just those two choices. I really think background, history, experience, what the candidate brings to the table. We learn a lot through the interview process, interviewing multiple candidates for specific job to better understand what they've done in the history of their employment. I might be interviewing somebody for a software development job that I have really no previous skill in, so I end up learning a lot by questioning the candidates that come in. You can sniff out who has what experience as part of that process.

Gut goes a long way with that. I want to give the middle ground answer and say it somewhere around 50 or 60%. Really what I've noticed is the DISC Profiles and other tools like that had helped me second-guess an applicant as opposed to hiring them or not. It's more like, "We like this guy. Our gut says he's good. We've heard good things." You get the DISC Profile and you're looking for a High D in a specific job function and he has a real Low D.

That would make us go back, interview, ask more questions, and then really what confirm whether or not or just saying, "Well, we're putting a round peg in a square hole or not here." I've actually used it the other way around where it's been helpful to determine this isn't the candidate more than it is the candidate because I think gut probably outweighs the tests but it helps you refine that process and it makes you question your thought process a little bit further.

Steve Sanduski: I like that. It sounds like it's your view of hiring is a little bit like maybe playing 3D Chess where you've got multiple dimensions that you got to look at here. It's not just gut or what the data tells you.

Rick Stern: That's fair.

Steve Sanduski: Let's talk about any big challenges that you've had in your career or personal life that may have shaped how you've built and run the business over the years. Any

challenges you had to overcome? A lot of times when I talk to folks there was something that was really difficult, they learned a lot from it, and helped them be a better leader. Anything like that in your past?

Rick Stern:

Sure. There's actually two things: one business, one personal that come to mind. The business is 13, 14 years old under the current model. It's about 17 years old if you look at the history prior to that. In the early beginnings of our company, we were selling a flat-rated AT&T product which really put us on the map. We became a rural market broadband experts because we had a very unique contract with AT&T. It was probably 90 to 95% of our revenue in sales for a number of years.

While things are going quite well and we built a nice reputation of having a really stellar deal with AT&T, we were the guys to go to if you wanted the AT&T services in rural community. We were building a revenue base in a one-legged stool at the same time. After we stopped high-fiving ourselves at our growth rate and realized that we were single-threaded and going down the wrong way towards disaster, we started to think, "Oh, my God. If there was ever a problem, it's this what's the strengths of this contract and what could happen to us if it fell apart?" In deed, it did and we had go find in other avenues to get similar pricing from AT&T which is not easy. Eventually, we knew that we would run out of avenues to go.

We did get the phone call one day that the kind of track was going to be terminated and we had to look at moving customers off of it and what would that do to our business. I like to refer to that as Armageddon because when knew that, if and when that happened, we had better be ready for it. A big initiative for us over the years is to diversify our vendors.

We started buying from other carriers but yet we had this great deal that everybody knew us for in the business and still even as hard as we tried, 90% of our orders were coming in on this one product. Eventually, over the 10, 12, 13-year period, we built a business that we could diversify our vendors by not only purchasing arrangements but building a network and interconnecting to them.

Today we have 7 switch sites around the country. We interconnect to 72 different providers nationwide. We operate one of the best, most interconnected networks in the United States. I say that in the way that we may not have the most interconnections but they're strategically placed as well as anybody we've seen. We really have some unique arrangements and a lot of unique fiber players around the country. That helped us quite a bit.

Steve Sanduski:

Let me just go a little deeper on this one. I'm curious. Do you view your company as a sales company or do you view your company as a technology firm? I'm just curious based on what you said so far. What would your answer be to that?

Rick Stern: Again, I'm going to go with both. We are a technology firm. That's what we do but as a company and the way we've always run the business, it's always been the sales run-minded companies. I guess more sales than technology but since we're in a technology business and we provide technology services, Internet connectivity, MPLS, Ethernet, we run a telecom network with Carrier-Grade Cisco gear in seven different sites around the country. It's hard to look past the site that we are technology business with managed security services. We deploy over 2,500 routers on customer prime right now and manage in services for them. We're very much technology-driven company but the sales is really the core of our start, of our existence.

Steve Sanduski: Sorry for that division. I think you had mentioned there was the second challenge, too, that you had to overcome.

Rick Stern: Yes, on a personal note about 2 and a half, 3 years ago I was diagnosed with stage 3 colorectal cancer. That was a shock out of nowhere. One day, you go to the doctor and you go get a colonoscopy. The next thing you know, you are diagnosed with a pretty severe case of cancer. For those who understand cancer, stage 3 is really one stage beneath a real bad diagnosis.

There was a couple of week period where I was a little foggy and a little dazed and confused on how this has happened to me. I'm pretty healthy. I exercise 5, 6 days a week, eat pretty well. I'm probably not the world's greatest eater when it comes to managing the diet but really did everything I thought right or good that I was going to do it. You turn to people that you know and you trust.

In this case, actually, one of them was Mark Moses. I had talked to him probably week after the diagnosis. He gave me some excellent advice that paid some serious dividends for me. He turned me on to Leslie Michelson who is a CEO of Private Health Care. That was really the start of the right direction for me. He truly helped me understand how do you manage something like this, how you go about it, what are the expectations, what are the steps involved, what should I expect as I go through this process?

A lot of people have said that I handled it very well and I'd like to think I did, looking back but I'm sure like most people it was something that was you had to deal with it. It was a new challenge and I took it day by day. Luckily, things went pretty well for me, my results were good, the cancer was removed. A couple of years later, I'm out of cancer, cancer-free, but only three months ago, I had another scare where I had a tumor that the surgeons were almost 100% convinced was cancerous and related to my previous cancer. Recommended that I go in for surgery.

I had a second opinion. That doctor also agreed that going straight to surgery was the right move so I went ahead with the surgery in November. Luckily, I had really the best result, an unrelated tumor and a benign tumor. Frankly, that was probably the first time I was being pessimistic about the diagnosis. I assumed it

was cancerous based on everything the doctors told me were prior. I just thought there's no way I have cancer. This time I thought for sure I had it and maybe that's the right way to think because I didn't have it. It certainly made me reflect.

It strengthened my business partnership. My partner stepped up when I was in the hospital, 5 days a week going through chemoradiation. You start to step back from the business a little bit and focus on more of working on the business than in the business simply because I wasn't there. I think it gave me opportunity to see things from a macro view more so than I had before. Worked closely with Mark over that time frame, focused on what's really important to the company, and I've done a good job, I think, of really tracking what are the most impactful things once you take to get them done, short-term and long-term. We've had good growth over the past three years, excellent gains and profitability. I think we're running a much stronger company today than we were 3, 4, 5 years ago.

Steve Sanduski:

First of all, Rick, I'm happy to hear that you're back to good health and cancer-free so we can all be very thankful for that. Then second, I think you also said something very insightful there about as result of the cancer scare, you were forced to pullback from the business and you had a business partner there who was able to step up. I talked to a lot of folks who haven't reached the point yet where the business can fully function and thrive without them.

The fact that you've got a good partner there who could step up and handle things in your absence is great because it shows that, essentially, you've got a succession plan or continuity plan there in case something bad were to happen but also that you haven't built the business around you, that you've got people and you've got systems and processes in place that can function and still thrive even when you're not there. I think that's a good lesson for all folks listening to this.

Rick Stern:

I agree to your point. It wasn't just my business partner. We have five to six direct reports that manage their functional area. I ask those folks to step up and they did. They took on the roles and responsibilities for the little direction than they would normally receive from me. I guess it does absolutely speak to the strength of teams. I hear people say, "Why do you have a business partner? It'd be better to have all the control."

Then I'll talk to friends of mine who have smaller businesses and they don't have a partner and they're unable take a vacation. If they do take a vacation, they work 10 hours a day while they're on it. I'm on my phone, working 2 or 3 hours a day, everyday, when I'm off, no matter what, and 12 or 15 if I have to when I'm busy but to unplug it all is difficult. I think just having a relationship with somebody like a business partner makes it more fun. You have somebody to share with as opposed to being completely alone at the top in your organization.

Steve Sanduski: Rick, let's pretend here for just a moment. Let's pretend that I am feeling very generous and I have a million dollars that is burning a hole in my pocket and I want to give you that million dollars. I'm going to wire a million dollars into your company's bank account, no strings attached. What would you do with that million dollars? How would you use that to grow or improve your business?

Rick Stern: [First I have to make a joke. Can we make it like 20 million?

Steve Sanduski: 20 million? Maybe a million is just rounding error.

Rick Stern: In our industry, it would be hard to do a whole lot with a million dollars, so going to Vegas sounds pretty good right now.

Steve Sanduski: Let's make it 20 million then.

Rick Stern: I'll joke on the side.

Steve Sanduski: I'm feeling super generous.

Rick Stern: If we had 20 plus million dollar deposit, I think what we'd be looking at is more expansion from a product development standpoint and a network standpoint. We're currently building out our in-house software tools. We just expanded our network to Seattle. We just launched the Seattle POP within the last 30 days. We'll be looking 4 then 16 and 17 into having an international presence so we'll probably open up a POP in London, Paris, Frankfurt, or Tokyo; one or two or three of those cities.

We had only planned to get to Asia. We planned get to Europe with facilities where we can interconnect with the European carriers and the Asian carriers. Probably would spend that money wisely on network as well as product and service expansion.

Steve Sanduski: No shortage of opportunity for you?

Rick Stern: You know the world is the oyster. I'll just got to go get it.

Steve Sanduski: As you know Rick, Mark Moses, your coach and the founding partner of CEO Coaching International, recently wrote a book called Make Big Happen. Let's just assume for a moment that you were writing a business book. What would be some of the things that you would want to put in that book that you think would be helpful to entrepreneurs and CEOs around the world?

Rick Stern: I guess I'll steal the word Big from Mark in his title but the first thing that comes to mind is to think big. I think that you have to be thinking about whatever business you're in is how can I scale this? Like a lot of people say, "Well, I only want X or I only want to do Y." For me, it's always been about how far can you scale the business. Just because you have a 50 or \$100 million business doesn't

mean you have to work 10 or 15 hours a day but it's about how you can scale it, so thinking big, thinking how you scale.

Another common mistake I think people need to know about is a lot of people think really short-term. If I'm writing a book, I would love people to understand that if you're trying to succeed in under 24 months, you're probably cutting yourself away too short of a timeline. Looking back in my career, what I was able to accomplish in chunks of 7, 10, 15 years I think is how you have to look at it. If you're really looking at goals or building a business under 10 or 15 years, you're probably being too short sighted.

That and I really think it's important to work hard and build lasting relationships, so key partners, key relationships with talented people that you can count on for 10, 15 years, business partners that will work with your business and grow with your business over a 10, 20 years timeline as opposed to 6 to 12 months.

Steve Sanduski: We've got think big, think long-term and develop lasting relationships. You think those would be the three big keys for you?

Rick Stern: I do, yeah.

Steve Sanduski: When that thinking long-term, I know a lot of people will say that often times we overestimate what we can accomplish in the short-term but we underestimate what we can accomplish in the long-term. Any thoughts on that?

Rick Stern: Yeah, I think that's fair statement. I tend to write my goals down every year, what I want to do this year and so on and so forth, for all phases of my life whether it's exercise, diet, or work related goals. When I look back in time, I've pretty much hit every goal but I never necessarily hit them in the timeline I expected to. If I set a goal for this year or 2 years out, it might have taken me 5 years to get there.

When I look back, it's rewarding to say, "Okay. I did it. I did it. I did it," and so I think it's important to set goals, photographs of timelines on them and look backwards and track how you did. I think that's absolutely true. It's seldom that you accomplish a goal in 24 months or whatever you expect it to do but you keep striving for it, eventually you'll get there.

Steve Sanduski: I think early on here in our conversation, you said that you reset your goals before you've even hit the goal. Has that been a key for you as well?

Rick Stern: Yeah. We've done that several times. Usually because you see what's there so you start to make some headway and you're like, "Okay. You know, we're setting this goal and we didn't hit it but maybe the bar was too low, maybe our initiative wasn't correct." You start to look at what your plan of attack is to accomplish goals.

This is actually something I learned from Mark. He has a really good format and the CEO Coaching has a good format of how to break down what your goals are, reduce some to the ridiculous so you understand how simple the blocking and tackling can be to accomplish these goals. As long as you keep your eye on that, it's almost humorous on how simple it is to move the ball down the field. When you just write the goal down and you don't break down the little activities, it seems monstrous and you won't get there.

Steve Sanduski: I agree 100%. What I've also found is that when you do set of these huge outrageous targets, what may seem like ridiculous goals in the beginning, you initial say, "Oh, I think, you know, we should double our revenue in the next 18 months," or some big number. When when you sit down like you say, when you say, "Okay. What exactly would we have to do? Let's look at what our potential opportunities are. Where are the avenues for growth?"

If you start breaking it down, I've had this happen multiple times where what started out to be a ridiculously huge objective, when you start doing the math and looking at how can we actually do that, then it becomes, "Yeah. That's actually doable." It's amazing how breaking it down you can often times turn what seems like a huge number into something that becomes very realistic.

Rick Stern: Absolutely. I just had the same conversation today with one of my direct reports about some goals that we had not accomplished last year and we raised the bar for 16. I'm like, "When you go to explain this to your folks, you have to break it down." It's about what they do daily as opposed to looking at the goal annually and saying, "Oh, we can't get that accomplished."

Steve Sanduski: Rick, let me ask you this. Your building this fast growth company, you have a business partner. It's obvious that there are a lot of big decisions that you're going to have to make over the course of time. Do you have any process that you go through when you have big strategic type decisions that you have to make? How do you go about making those types of decisions.

Rick Stern: Again, it's another process introduced to me through CEO Coaching. Once you go through it, it makes perfect sense but until you to pay for even myself what I consider as be a pretty good plan or wasn't necessarily breaking things down. Working with Mark, he's made me really think through what are the most impactful things, rank them, take a look at what the impact actually would be, when you could accomplish or receive that so when would that hit the bottom line, and then break down the individual steps to accomplish that goal.

It's interesting that when you do it, how you initially rank or prioritize the most important things, you end up reprioritizing them at least three or more times and then coming to the conclusion that what I thought was a maybe or nice to have or a possibility, it would be the most impactful thing if you for the right effort into it. It's made me resize the priorities for really 2016, now that we're in

January here. Look and take a hard look at that and work it through that process I think brings a lot of light, a lot of perspective to that issue.

Steve Sanduski: Rick, I think that's a good place to wrap up today. Is there anything else that you would like to share that I haven't asked you?

Rick Stern: Other than I guess if I were giving a piece of advice to people that are building a business or looking to start one is for me it's always been work hard, think long-term, and build lasting relationships with the people that work with you and for you.

Steve Sanduski: Great. Excellent. Rick, I appreciate your time. You've given us some great ideas and shared some great stories with us. I appreciate that. I wish you continued great success with your company and Nitel.

Rick Stern: Thank you.

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