

# Interview with Paul Diesu of Forerunner Technologies



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CEO  
Forerunner Technologies



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Forerunner's, CEO Paul Diesu sat down with DAK's Director, Derek Zacarias to talk about the Telecom Industry, Trends and his own growth strategy.

**Derek:** Paul You've had a phenomenal 40-year career in the in the Workplace Technology space. **Can you tell us how you got started in the industry?**

**Paul:** I kind of backed into the industry accidentally. I've always had a sales background and was this young entrepreneur, growing my career in real estate. Then I met an acquaintance looking to build a small business in the unified communications space. They recruited me into a sales role. I loved and embraced the opportunity to build relationships with potential clients, have great conversations about technology, but also focus on the service experience that they were having with their incumbent vendor or what they were looking for in a new service provider.

I learned so much over that first decade. How to overcome objections. How not to be too aggressive. And just understanding what it's really all about. And that is being a trusted advisor and building truly long-term relationships. And if you have a good product and a good company behind you, it goes from there.

**Derek: What has kept you in the business all these years later?**

**Paul:** What's kept me engaged is that it is absolutely a phenomenal industry. The technology continues to accelerate, adding more features and functionality. In the unified communications industry, it's faster, smarter, better and cheaper every seven to 10 years. And you really have to stay current with the relevant

manufacturers, seeing who the newcomers to the industry are, how the technology is changing, etc. And then layering that on top of the foundational long-term relationships that you continue to nurture year after year after year.

As I said before, being that trusted advisor is so important. Being able to communicate with customers about what is the right technology for their specific environment based upon their vertical market space. Communicating the proper migration strategy that wraps around their procurement process and fits with their budget.

My secondary reason that's kept me engaged is my love of business and entrepreneurship. I love educating myself on all aspects of the business, from sales, engineering and field service, financial matters. These are all important components to running a successful business. I can't be a good leader and can't be of value to my staff and to my clients if I don't build that knowledge base.

**Derek:** You have undergone some very significant growth, both personally and commercially over the years. **Could you give us a little bit of background on how Forerunner started and where you are focusing these days?**

**Paul Diesu:** Good entrepreneurial experience comes from observational learning and what I call practical intelligence – these are very important for entrepreneurs to have. For me, this was watching the prior owners sell their company and also watching a business get acquired and integrated, watching the combination of organic

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growth through a robust sales and marketing organization and parallel with strategic acquisitions that make sense for the growth strategies of the business. Those all fall underneath that entrepreneurial umbrella that I've embraced.

Over the years, we had observed a lot of mistakes that large public and private unified communications companies had made. And after around 2 1/2 decades of participating in the industry, we decided that it was time to strategically put together our own team and build our own brand and business.

What we found out is that it is not very complicated, it really is just about the basics. Whether you're talking about an MSP or a unified communications platform or a CCaaS offering or any of the other applications that are available to our customer base, it really is all about the client experience.

We do things focused heavily on metrics like Net Promoter Scores based on customer surveys that we monitor every week. Because of this, despite growing at an accelerated rate, our service experience continues to improve.

**Derek: *That gets back to this idea of being the trusted advisor with your clients?***

**Paul:** Absolutely. And it all comes down to culture. We have a staff of around 25 in the sales organization and on the operational side there's around 165 employees. Everybody has to be part of that culture and you have to drive that culture every day. That expectation gets set at the executive level and is driven downward on a weekly and daily basis. And then we hold ourselves accountable to maintaining this level of excellence. We have internal checkpoints and KPIs that we get to look at, everything from Sales, and number of tickets to tech utilization and customer feedback. All geared towards ensuring a high level of client experience.

**Derek: *This focus on culture, is that what you see as the secret sauce at Forerunner?***

***Is that how you've been able to differentiate yourself in what is a fairly crowded marketplace?***

**Paul:** It absolutely is the differentiator at Forerunner and I agree that it is a crowded space. But while it is a simple business model, the execution can be quite complicated. And when we look at our competitors... I'm not saying they've made it easy for us, but they've certainly given us a path for conversations, for improvement of the client experience.

When we get an opportunity to speak to new opportunities and we go through our client lists and their client experience and allow them to speak to our existing customer base to compare notes, they walk away with a good sense of the difference Forerunner has to offer.

**Derek:** You mentioned how every four to seven years the technology landscape is changing and evolving. ***What are the technological trends that are really driving your industry today?***

**Paul:** When I started out, premise based unified communications was what the industry was. It was a proprietary manufacturer with proprietary circuit boards and proprietary CPU that integrated into the cabling infrastructure with a proprietary phone on the desk. And then, as time went on, they developed more features and functionality.

Integration of voice messaging was a big push. There was a big shift around caller ID and getting information from inbound and outbound calling became more important. But the first major shift that changed everything was VoIP (Voice over Internet Protocol). This allowed other players to enter the market space and they created a perception of value for integrating unified communications into your data network and sharing of routing and switching and LAN and WAN resources. And that's become a 20-year battle.

Customers realized very quickly that VoIP was more complicated than on-premise solutions. In many cases total cost of ownership increased and

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many of the features didn't perform as well. There was now this intertwining between what used to be two distinct departments, IT and telecom. But, after 20 years, we have finally gotten through that, and it has become the new standard. And then of course, once we all got comfortable with this paradigm, the industry changed again with the conversion to the cloud.

The integration of VoIP into multiple data networks opened up a lot of integration opportunities to third party vendors that were also layering on the data network. It was very interesting to me that you had to kind of play in the sandbox better with all these different manufacturers and features and functionalities. And with this SaaS based business model, everything changed.

Your PBX has become a server. Your CPU became a licensing model which is renewable every year and your phone became an IP endpoint like your computer. Now the next step, of course, is that clients don't even want servers in their environment anymore.

Because we can bundle all of this together seamlessly, our clients no longer need to ask questions like: Who's providing my dial tone? Who's providing my unified communications? When do I have to upgrade my hardware? When is it going to become obsolete? How am I paying for moves, adds and changes?

**Derek: Please talk a bit about how this shift in business model has affected your clients' procurement decision making?** I assume for many this has made what was a large capex decision more of an operating expense line item.

**Paul:** When a pending event happens where a client is faced with a capital expenditure need to procure a new unified communication system, there is a really important advisory role to that customer to help guide them around the question of whether an on-premise solution or a hosted solution would best serve them. Which is the best model for them? In the SMB space, there seems to be an attractiveness to it shifting to an operating

expense, allowing business owners to conserve a large upfront cash outlay.

On the enterprise side, a bit of a cost gap starts to develop because if you have 25 phones or endpoints that's one thing. But if you have 1,000 or 10,000 or more? At \$20 per phone, the total cost of ownership starts to move in the opposite direction. So, what's happened in the enterprise space is that many have moved towards a private hybrid cloud where the on-premise base is still very important at the core. But those great cloud features such as collaboration and file sharing and interoffice text messaging are now integrated into it to your on-premise solution. This hybrid environment has become a very nice migration strategy for the enterprise customer.

**Derek:** As communications have moved towards the cloud, **how has that changed the climate on cybersecurity and your role in that environment?**

**Paul:** Cybersecurity is a booming IT application that is layered around all of the IT applications, including the voice applications and unified communications. And when you convert the client to a hosted model, it's built in. There's already cyber security and security protocols layered into the features and applications of unified communication that absolutely protect the users from cyber-attacks that are entering from toll fraud through the voice application endpoints.

But it doesn't protect those other applications that are on the IT network so other cyber security measures have to be brought in to protect those other IT applications. This trend has certainly opened the door for us to sell more cybersecurity services for other applications as well at the computer level. It's become a natural conversation for us with all of our customers.

**Derek: Can you walk us through Forerunners growth trajectory over they years and how you've used M&A to help fuel that growth?**

**Paul:** M&A has always been part of our growth

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strategy. Over the years we've done around a dozen acquisitions, but in the beginning, there was a lot of focus on organic growth. We build a robust operational staff, engineering staff, financial staff. We wanted to make sure the foundation was rock solid. Once that was in place, it was time to build and expand. On the organic side, it's all about the sales and marketing organization and setting clear goals and objectives. And then you have to align those goals and objectives with the services and the manufacturers that support you with those services, so everybody's on the same page. This led to strong double digit organic growth. We then looked to augment this organic growth with acquisitions that fit certain criteria. Some of our acquisitions have been to enter a new geography. By doing this, we can get instant relevancy in a new region and then build the rest of the model and expand and grow by replicating the same strategy we've honed in our initial regions. So now you're layering organic growth on top of the strategic acquisition, which is now accelerating both. And we've done that 12 times now. This has allowed us to grow from what was a single region player to having an active footprint in 44 states.

**Derek:** *For those business owners that might be thinking about pursuing an M&A strategy, either as a buyer or sell, what advice would you give to them?*

**Paul:** You know, it's very, very complicated if you're a business owner today. You're probably getting 3 to 5 emails a week from somebody who wants to loan you money. Or represent you and the sale of your business. I'm going to stick with my foundational beliefs of being a successful entrepreneur. It really is all about building the right relationships.

I think if you build a relationship with your investment banker and they educate you the way that you (DAK) educates clients, you can be better prepared. Bring the investment banker in early on in a consultative role. Have them review your or your target's financials. They'll focus in on

how you're managing percentage completion. How does the revenue mix look? What are the risks?

If you can, even 3 – 5 years before you think about bringing in partners through an M&A strategy, you should build a consultative relationship with an investment banker to better understand how you're going to be perceived in the marketplace. And, at the same time, that investment banker should be educating you on the current environment.

What does the middle-market M&A outlook look like today? How many billions of dollars are there at play? What's most attractive to buyers?

As I've said before, a key aspect of being an entrepreneur is about being an expert at your business and how to deliver your products and services before you go to market. So, shouldn't you also do everything you can to become as smart as you can on what the M&A experience is like? And I've had the opportunity to learn that from my relationship with DAK. And I suggest anybody else that is looking at M&A as a growth strategy be prepared too.

As you know, my relationship with DAK and Alan Scharfstein goes back a very long time. He really taught me all this stuff. When we began Forerunner, even when we were twelve people, DAK was there from day one looking at our goals and strategies helping us with acquisitions to get accelerated growth on that side. And then, every six months the DAK team would come in and look at the P&L and look at the strategy and give us advice and guidance. And here we are, all these years later, and that relationship is still maintained. Everybody should be so lucky. That's how I feel about it.

***Forerunner Technologies is a premier national communications partner for Enterprise & SMB clients, with over 30 years of success. The owners of Forerunner partnered with The DAK Group for over two decades to assist in building and executing on a strategic growth strategy.***