Wise Men Lead the Northland Star

Leveraging its adjacency to Silicon Valley, Northland Controls has grown more than twentyfold the past decade by catering to the exacting security and operational needs of the world's top high-tech firms. The integrator's chief executives explain what it takes to perform on this specialized stage. **By Scott Goldfine**

AN ARGUMENT could be made that the only thing more brilliant than Silicon Valley's high-tech masterminds is those responsible for safeguarding their facilities and streamlining their operations. Delivering solutions on that level requires a rarified caliber of expertise, precision and professionalism to meet the global business needs and earn the sacrosanct trust of the Googles, Apples and Facebooks of the world. Meet Northland Controls, the uniquely skilled security systems integrator that thrives in this specialized and demanding niche.

Headquartered in the closest East Bay city to Silicon Valley, Fremont, Calif.-based Northland Controls has cultivated a loyal following among high-tech firms, government agencies, hospitals and manufacturers — growing from $1.5 million in revenues and 10 employees in 2005 to a projected $44 million and 110 in 2015. With branch offices in Washington, D.C., London, Shanghai, Singapore, Taiwan and another planned for Bengaluru (India), Northland offers a full range of leading-edge security integration systems and services as well as managed services through its state-of-the-art global security operations center.

Founded in 1982 as a security and fire alarm systems installer, the business underwent a metamorphosis after being acquired by Pierre Trapanese in 2005. A

world traveler and Berkeley-educated engineer, CEO Trapanese assembled an outstanding team of security professionals and transformed Northland Controls into a true global service provider. Along with its high degree of technical aptitude, "no excuses" service mantra and total solutions approach, Northland's organic-growth model is distinguished by focusing on negotiated business that often involves embedded personnel for a relative handful of multibillion-dollar clientele.

Among those besides Trapanese due much credit for Northland's success is President & COO Paul Thomas, who joined the company eight years ago after rising through the ranks with other firms from technician to executive management. In an exclusive interview, *SSI* pinned down these globetrotters for a wide-reaching discussion ranging from managed growth to managed services.

Paul, as a technician who moved on to the executive level, do you think that is a logical career path for people in the industry today? Does it make sense for an ambitious young person?

▶ **Paul Thomas:** It was much easier back then for that to occur than it is today. I believe the industry in the early 1980s was very much in its infancy stage. A lot of people were just figuring things out. It

was a lot more entrepreneurial back then. Most of the companies around then were a guy at his kitchen table, who graduated to having a small storefront office, and five or six guys. Then all of a sudden they grew to companies of 100 people. They did it with intestinal fortitude.

A lot of that today would be very difficult to replicate. Companies today are much more grown up. The industry has grown up. Many more people are going to college now than they were back then, as well. The opportunity to pick up skilled people in positions is just higher now. As much as I'd like to encourage technicians to be a technician and grow up to be the president of a company, I think that applies to just a small group of entrepreneurs. I'm not sure that's the path today that people would choose to get there.

What would you say is the best stepping stone today? Would it be sales?

▶ **Thomas:** I think project manager certainly is a good way. That's a very specific trade now, with very specific certifications and skillsets. Growing out of project manager into program manager, growing into general manager, growing into regional managers, I see that path happening quite a lot. Not just within our company, but within other companies, as well. Going from a technician to a project manager

isn't quite as simple as it used to be.

Also going from the engineering side of our business, through professional services, into management areas is a pretty natural path. Some engineers want to be engineers and love being engineers. Others want to look at the management side. Both of those are good areas that would help people move along: engineering and program management.

One of the things that makes Northland unique is its global reach and overseas locations. How and why did you grow that international footprint?

▶ **Pierre Trapanese:** There's three reasons. One is my background growing up. I grew up overseas most of my life. I'm very familiar with foreign culture because we always traveled as a family. I speak different languages. I love being able to be dropped into any country and figuring out my way out and about. There's a personal passion for being a world citizen.

Then before taking over Northland, I was talking around the Bay area asking what's missing. I was a consultant in the industry and I was surprised at how unhappy clients were with the level of integrators out there, or dissatisfied. On the projects I was working on, the top 5%, top 10% of the integrators always put their best foot forward. But apparently on other projects, it wasn't there.

Talking to the director of security at Cisco, he let it slip that there's no such thing as a global service provider. Those who claim to be global, really the left hand and right hand didn't talk to each other. A branch office in Paris responding to a request from a branch office in San Francisco really didn't care about the $20,000 or $40,000 project that was being requested. They had their own monthly numbers to make. Also, just from a delay perspective, you have to go up six layers of permission. Then down six layers, then back up, and down. So the responsiveness wasn't there. There were no global service providers. I thought it was somewhat of a no-brainer that there's a demand out there, and a lot of value to if you integrate systems.

The other thing, being in Silicon Valley, our client base was growing so fast and

NORTHLAND CONTROL SYSTEMS INC

Fast Facts

❯❯ Founded in **1982** in Fremont, Calif., as security and fire systems installer; acquired by CEO Pierre Trapanese in **2005**

❯❯ Branch locations in Washington D.C., London, Singapore, Shanghai, Taiwan; and Bengaluru, India (**2015**)

❯❯ Deployed and supported projects in **60+** countries

❯❯ **2014** revenues of **$38M**, with **$44M** projected for **2015**; revenues just **$1.5M** in **2005**

❯❯ Number of employees at **2014** year end was **110**; vs. **10** in **2006**

❯❯ Number of clients is **25** "more or less"

❯❯ Majority of work negotiated projects, does not include traditional dedicated salespeople

❯❯ Often deploys embedded staff for large-scale global clients, including eBay, Apple & Google

was actually relatively young. They were figuring out their way on a global stage. They had a huge need for other people to understand and work in an environment that they needed to work in, and that was a worldwide basis. The third reason was client demand. They wanted us to be global.

You have told me you believe Northland approaches the security world differently from industry peers. How so?

▶ **Thomas:** Our approach is very holistic versus opportunistic. We look at a system or design criteria not in the moment of now and what the customer is asking for but in a much deeper way. We want to know if that's going to serve them well five years from now, seven years from now. We want to have those discussions about and help them understand the technology or design constraints they may be putting themselves into. That goes through our whole culture at Northland, versus the customer who calls and says, "I need two readers added." We may then need to say, "It's not that simple. Your panel only has two ports left. If you do that, you're not going to be able to add readers next week." So it's a deeper look at everything.

We also add a level of simplicity and elegance to our designs. Instead of just doing it the same old way, we challenge to try to simplify and make the solution either more transparent to the customer or much easier so they don't have to go through seven steps to do something. We simplify that process for them to make it more instinctive or intuitive.

▶ **Trapanese:** Our industry is not rocket science. We simplify things because we can simplify things. We find a lot of times that clients have been confused from unnecessary overcomplication. By ensuring their understanding of what we're doing, it's simple, it's straightforward, we're not making it proprietary and we're very open with them. Thus, we gain their trust, which is not all that common in the industry. It takes us about 12 to 18 months to gain their trust. They've been burned so many times they don't really believe we're going to do what we say we're going to do.

Let's step back to 2008, you had told me Northland was growing at 60% to 100% a year and it almost ran the company into the ground. What happened, how did you right the ship and how do you manage growth today?

▶ **Trapanese:** It's fairly well accepted in business that growing fast is not always a good thing. It's where the cost of running the business outruns the cash. With us, it wasn't just the finance but also finding the people to do the work. We almost doubled in size for three straight years. In those earlier years, we were taking on one

customer at a time, adopting them, meeting their needs, and then getting another customer, and growing with their needs.

Going from $2.5 million to $5 million, it's 100% growth. Then from $5 million to $10 million, the volume of business is quite a bit. I think we then went from $10 to $14, and then $14 to $21. The absolute terms are $5 million to $7 million a year, which is a lot of people that need to be hired. The problem is finding those people in a certain amount of time.

We almost killed the business in two ways. One is that we were trying to get the
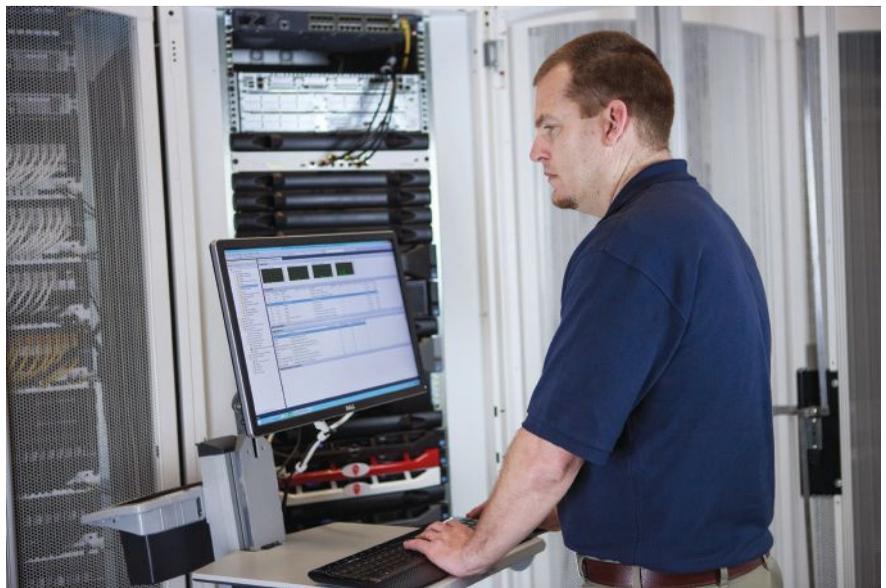
Northland hosts physical security systems and provides complete monitoring and dispatch services from its world-class global security operations center (*top*). The firm has 25 master certified application engineers who deploy, configure, maintain and optimize complex integrated security systems.

CEO Pierre Trapanese's (*above*) comfort abroad has influenced Northland's global footprint. (*right, l-r*) Guy Morgante and Paul Thomas are key members of Northland's leadership team.

work done while trying to find people and train them. What happens there is the reputation might suffer. We were killing ourselves trying to live up to our reputation. It burns people out. In 2008, our new customers included Symantec, Stanford and Apple. We had to try to adapt to their culture and adopt them as customers.

Then there's the cash involved. We were billing like crazy but incurring all kinds of cost. We were getting paid in 90 to 120 days, so there was a cash gap. It was in the midst of the recession, so suppliers were extraordinarily tight with their credit. The banks, even looking at our numbers, could not give us loans. They were not lending lines of credit. We had to self-finance through that. It was very hard to do.

The flipside is we got really good at managing those things. We're actually now pretty good at growth, cash management and recruiting, hiring and training people. It's worked out, but it was rather stressful.

Managed services is an area of focus for Northland. Why are you so bullish on it?
▶ **Thomas:** Managed services is obviously the RMR of today. It's not just recurring revenue off of alarm panels anymore. As the industry moves to cloud-based services, the whole RMR model starts to change for everybody. I believe the economies of scale for anybody offering managed services becomes a real big force multiplier. Where for a customer it might

cost them $1 million to start up something, whatever it is, their cloud-based services, their operation centers, we're able to give them a piece of that because we're doing it for multiple people.

As experts, we're also much smarter, have many more tools available for customers than they could develop on their own. Customers are kind of leaning forward a bit into that model, whether it's ours or anybody else's managed services. If you're really good at the managed service model, the customer stands to benefit a lot more than if they were to do it on their own.

Many of your clients are quite technologically sophisticated. How does that affect the relationship and how you have to elevate your game? Do you run into tug-of-wars where they think they know more than you?
▶ **Thomas:** For almost most of our major enterprise customers we have an embedded staff that is actually part of their team. Our customers have come to realize that that's really not their forte or scope. Their employees are much better program managers at making sure we're getting things done around the world for them, and managing that component of it. But when it comes down to expertise, it's usually our engineers that are sitting on staff. Not to say they don't have smart people in-house, but we really do supplement that.

When it comes down to it our customers really hire us to challenge them, kind of at all levels. They would expect we would present challenges to whatever they brought to us. At the end of the day, we're going to do whatever the customer wants to do. In most cases they kind of just go with what our recommendations are. But we do challenge them at times on what their thought processes are, and that tug-of-war sometimes is where we go with them or they go with us.
▶ **Trapanese:** It's a partnership. We work with them, and part of our responsibility and their expectation of us is we will argue with them. But once a decision is made, whether it was our idea or their idea, we will fight for that decision as if it were our own idea. We have great relationships with our customers, and their people do know what they're talking about. We want that, because we want them to at least be gatekeepers or overseers of what we do. The flipside is they really recognize the value we bring, and they do get out of our way and let us get on with delivering projects. It's actually much easier when we have a sophisticated customer.

Northland operates an advanced global security center; how is that set up and how does it interface with clients' GSOCs?
▶ **Trapanese:** We've designed and built GSOCs for a number of our clients that

are top Silicon Valley customers. We've integrated them to non-physical security systems and have them deployed worldwide. Our perspective is a lot of the end devices have been commoditized, and so the real value of the end devices is the integration of that information into a holistic global system. We've taken the concepts we've applied to our very large clients to our GSOC.

We've built an infrastructure, design, and ergonomic that you would find at any of the big high-tech players in Silicon

With offices ranging from its Fremont, Calif., headquarters to a half-dozen spots around the globe, Northland Controls is committed to providing customers unparalleled "no-excuses" services anywhere in the world.

Valley. We've got a fairly sophisticated IT infrastructure. We've got redundant fiber lines coming in from different carriers, a generator, so the infrastructure of a large GSOC is as robust as one of our client's. The next tier of clients can trust that what we have built is far beyond anything they could afford to build themselves.

The first thing is we want to make sure they're extremely comfortable handing over the crown jewels to Northland. That's a psychological hurdle for a security director or security manager to say, "Instead of me holding my physical security system reins tightly, I'm going to hand them over to Northland." We want to make sure our infrastructure and technology is way beyond anything they would have.

The next level is the applications. A lot of people will deploy an application like Microsoft Office for example; if you're

using 5% of Microsoft Office you're using a lot of the features. But then how do you get from 5% to 10%? By knowing the application so well, we know we can get the additional use out of the applications that people have already paid for, thus doubling or tripling the value of something they've already paid for.

We can integrate it to non-physical security systems, such as HR visitor management. And we can do some real estate analytics, and travel management or travel security. We've built the technology foundation, overlaid applications and are tying them to other non-physical security applications. And we'll start adding more services as we go. We're really only in the infancy of our GSOC, but we can see doing all sorts of things in addition to what we're already doing, things such as emergency response and employee 411 for clients.

You mentioned to me that your target for this year was about $6 million in revenue growth. How will you achieve that?
▶ **Trapanese:** We believed we were going to achieve it as far back as November/ October. By developing the relationships and track records we have with our clients, we're getting a better view to the future, where in the early days if you knew what was happening three months out that would be wonderful. If we knew what was happening six months out, that

would have been extraordinary. Now, we're getting views 12 to 18 months out, and are fairly confident we'll hit the $44 million mark.

It's because our clients actually have to do the same thing; they have to budget out a year, and they're working closely with their IT departments, their real estate department. We're working closely with the real estate and IT departments. So we have a very good view of what projects they'll be working on, which means we have a good view of what projects we'll be working on. We're already laying the groundwork for 2016, to see about going from $44 to $50 million.

Is there a ceiling or is it unlimited in terms of growth?
▶ **Trapanese:** Some of the things Paul and I worry about are not sales for March, April or May. We're worrying about infrastructure, IT infrastructure. We put in place about three years ago SAP as our enterprise software, not because we needed it when we were a company of 60 or 70 employees, but because we believed we'd need it when we were a company of 250 to 500 employees. The other thing we're looking at is organizational behavior, our company culture, succession planning. If we weren't doing those things, there absolutely would be a ceiling. At the moment, we're not seeing a ceiling. We don't see a ceiling over the next five years.

Paul and I actually spend quite a bit of time on the organizational aspects of what we're doing, having the right people in the right place, doing the right things, so that if we're not doing it they're doing it. Not only are we working ourselves out of a job, which means we'll never be out of a job, but we're making sure that the next level of management is doing the same thing. They're grooming their people as well so we can take care of our customers while we grow. SSI

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