

INC. 5000 YEARBOOK /// 10TH ANNIVERSARY



Celebrating Ten Years of 5000

2017

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THIS YEAR MARKS
THE 10TH ANNIVERSARY
OF THE INC. 5000.

WELCOME TO OUR YEARBOOK

OF COURSE, *INC.* HAS been recognizing fast-growing companies like yours for more than 10 years. The whole thing started in 1979 with a list of 100. That leapt three years later to 500. By 2007, with the economy

twice as large and more than 25 million private businesses afoot in the United States, there was room to grow again.

Make no mistake—it is damn hard to join the Inc. 5000. The companies on the list represent the top hundredth of 1 percent of private businesses by growth rate. Repeating once on the list is even harder, of course, and each successive repetition gets exponentially harder still. This yearbook profiles a few of the handful of companies that have made the list year after year after year—three of them have done so 10 times or more. To put that achievement into perspective: A company that grew at the list's median annualized growth rate for the past decade would today be growing by an amount equal to its entire 2007 sales every two weeks. That's simply amazing.



One of the things you do at a 10th anniversary is look back. And so we at *Inc.* did, with your help. We asked Inc. 5000 multiyear winners to pick the *Inc.* articles that resonated most with them when they were a young company. The chosen stories range from one entrepreneur's timeless essay about the stress of being the boss—"Entrepreneurial Terror," by Wilson Harrell in 1987—to the inspiring yarn of an accidental entrepreneur who turned her down-and-out city around. That was "Along Came Lolly," by Tom Foster from 2014. If you missed the full versions of these stories when they first ran in *Inc.*, well, your fellow Inc. 5000 winners recommend you read the edited versions of them here.

We hope that you, too, will look back at all you've accomplished over the past 10 years—the company you've grown, the jobs you've created, and the obstacles you've overcome along the way. The journey you're on as a business owner isn't measured in yearly or even decade-long chunks, but the 10-year mark is a chance to look back, with justified pride, at how far you've come. It has been our privilege to accompany you along the way.

A handwritten signature in black ink, reading "Eric Schurenberg".

Eric Schurenberg erics@inc.com



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➔ **BEST IN CLASS** We've edited down some of the best stories from the pages of *Inc.* For the full read, check out Inc.com.

For more information on company profiles and other advertising opportunities, please contact Pete Franco at FRANCO@INC.COM



Designing Solutions for the Long Term

Dynamic Systems Inc. works with government agencies to manage their IT needs today and for the future.

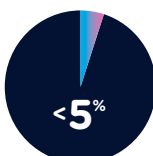
BY THE NUMBERS



WOMEN
IN SENIOR
MANAGEMENT

50
PERCENT

FIVE-YEAR
EMPLOYEE
GROWTH



2016
EMPLOYEE
TURNOVER
RATE

48.5%

FIVE-YEAR
REVENUE
GROWTH



ONE OF THE HALLMARKS of any successful company is the ability to adapt and evolve as the competitive landscape

changes. That's especially true when it comes to technology, and it's one of the core strengths of Dynamic Systems Inc. This El Segundo, California-based company has been providing federal, state, and local government agencies with leading Information Technology security services, managed cloud offerings, hardware, software, and professional services since 1991.

During its nearly 26 years, President and CEO Mardi Norman says the company has grown to \$125 million in annual revenue by quickly responding to changing market conditions with new strategies and even a new business structure. The one thing that has remained constant: its laser focus on being long-term partners and advisors to its government customers.

"We're not a startup looking to get in for a quick hit," says Norman, who joined the company in 1992, shortly after graduating from California State Polytechnic University with a degree in industrial management. She took over as president and CEO in 1999. "Our clients know we're in it for the long game and that we're going to be with them as partners and advisors for years."

Dynamic Systems' entry into the world of government contracts, including those for the Defense Department and various branches of the military, started in its earliest days when it was a reseller of Sun Microsystems products.

One of its first clients was the Jet Propulsion Laboratory (JPL), the national research facility that operates NASA's Deep Space Network. Working with JPL, says Norman, introduced the company into the intricacies of government bidding, and convinced her that focusing on the public sector could lead to a robust business. "You have to win the privilege to bid on government contracts, so there's a natural barrier to other competitors that doesn't occur in the commercial sector," she says.

A NEW VISION

The company has not been without its challenges. In 2010, when Oracle bought Sun Microsystems, Dynamic Systems was forced to re-evaluate its future. The company had long been a hardware partner of Sun, but soon had to decide whether to move over to Oracle or align with additional OEM vendors. Norman says she decided to go "full force" with Oracle, but not first without changing the structure of the company and making significant financial investments in building a technical service practice and later building a specialized data center to support expansion of secured managed cloud services.

It was an expensive transition, but one that better positioned the company for the growth that's come in the years since. In fact, Norman estimates revenues will be up 10 percent this year. "Every day our attitude is: do the right thing by our customers," she says. "There's a trust that's been built over the years, and we never take that for granted."



Find out more about Dynamic Systems Inc. and all of the other 2017 Inc. 5000 honorees at inc.com/inc5000

ELON MUSK WANTS TO COLONIZE MARS

Electric sports cars. Solar power. Space travel. Finally, an entrepreneur who's not afraid to think really, really big.

BY MAX CHAFKIN



WATCHING ELON MUSK AT work is an exercise in controlling your urge to buy a man a drink.

Make that several drinks. Musk is 36 years old, wicked smart, worth several hundred million dollars, and built like a tight end—thickset through the middle and well over six feet tall. Yet he never looks quite comfortable. Sitting in front of the oversize computer screen on his desk, he rolls back and forth in his chair, slouches and unslouches, rubs his temples, raps his fingers, and plays with his wedding ring. When he sighs, which he does frequently, his chest heaves, and his eyes widen, like someone confronted with news of his own death. He

generally speaks in complete, precise sentences, rarely telling a joke or even cracking a smile.

It's not that Musk is an unpleasant guy. He just happens to be really, really busy. Musk is CEO, majority owner, and head rocket designer at SpaceX, an aerospace start-up in El Segundo, California, that by 2011 plans to be hauling astronauts to and from the International Space Station. And that's just his day job. Musk has two more wildly ambitious start-ups in play—the electric-car maker Tesla Motors and the solar panel installer SolarCity; in both cases, he serves as chairman and controlling shareholder. In fact, the South African native has been building big, ambitious companies for

more than a decade. He co-founded PayPal, the online payment processor that eBay bought in 2002 for \$1.5 billion, as well as Zip2, a dot-com media company that was sold for \$307 million when he was just 27.

Meanwhile, Musk's wife, Justine, a novelist, gave birth to triplets last year. That means Musk now has five children under the age of 4, in addition to three companies to run. Perhaps that explains why it's so rare to see Musk talk to someone on the phone without simultaneously doing something else: pecking out an e-mail, scanning invoices, mulling over a spreadsheet, shopping for computer equipment, fiddling with his BlackBerry. He often does several of these things at once. The only tasks that seem to command the entirety of his attention are technical discussions related to SpaceX's soon-to-be-launched rocket, the Falcon 1, and job interviews. (Musk personally vets all of SpaceX's employees, and he's in the midst of a frantic—but so far fruitless—search for a CEO for Tesla.)

To get through the day, Musk relies on two stimulants: caffeine and a desire to help humanity colonize Mars.

The goal of putting people on Mars is no joke. Musk believes that over the 4.5-billion-year history of planet Earth, a dozen or so events have truly mattered. Edging forward in his chair, he ticks off a few: "There was the advent of single-celled life, multicelled life, the development of plants, then animals," he says. "On this time scale, I'd put the extension of life to another planet slightly above the transition from life in the oceans to life on land." If there's something insane about a CEO who thinks his company's mission is more important than any accomplishment in all of human history, there's also something irresistible.

Musk has distinguished himself by attempting things that most people who care about avoiding personal bankruptcy



VISIONARY
Keeping up with Musk's
businesses is no easy task

would not even consider. Yet his bets seem to be paying off. In March, SpaceX, into which Musk has poured \$100 million, launched a rocket 180 miles above Earth. That was farther than any privately developed rocket in recent history. Meanwhile, Tesla Motors has gone from a half-baked idea about a battery-powered sports car to a rare bright spot in the otherwise troubled American auto industry. Finally, SolarCity, a mere 12 months after its founding, is one of the country's largest installers of home solar panels, making the often-cumbersome process of switching to renewable energy as easy as buying a Dell.

If simultaneously shepherding three disruptive companies sounds tough, it's business as usual for Musk. As a 12-year-old growing up in the South African city of Pretoria with divorced parents, Musk created a video game, *Blaster*, and sold it to a computer magazine for the ungodly sum of \$500. About a year later, Elon and his younger brother Kimbal, who has long been Musk's closest friend and chief co-conspirator, drew up plans to open an arcade near their school. "It was a very compelling proposition when you're 13 and you love video games," Musk says, letting out a rare chuckle. They gave up when a city official informed them that an adult's signature would be required to obtain a permit and instead sold homemade chocolates to their classmates. In his teenage years, Musk parlayed his small entrepreneurial fortune into several thousand dollars of stock market gains.

Just before Elon's 16th birthday, and without telling their parents, the brothers took a bus to the Canadian embassy and applied for passports. (Their mother, a Canadian national, now lives in Manhattan.) A year later, Elon bought a plane ticket to Canada and, over the objections of his father, left South Africa for good. Musk enrolled in Queen's University in Kingston, On-

tario; Kimbal joined him a year later. He transferred to the University of Pennsylvania on a scholarship and completed a bachelor's degree in finance and one in physics. After graduating, in 1995, he moved to Palo Alto, California, having been accepted into Stanford's physics PhD program, where he planned to study a variety of energy storage device called capacitors.

If there's something insane about a CEO who thinks his company's mission is more important than any accomplishment in all of human history, there's also something irresistible.

Musk poured his energy into a company he had founded called Zip2, which Compaq bought with cash for \$307 million. At the time, it was the largest sum ever paid for an internet company, making Musk a rich, but surprisingly unhappy, young man.

I first spoke with Musk in the fall of 2006, back when the Tesla Roadster was still just a pretty prototype. "I'm a Silicon Valley guy," Musk said at the time. "I just think people from Silicon Valley can do anything."

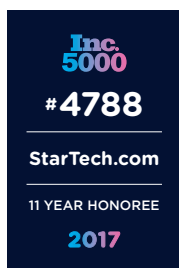
But Musk's companies don't look much like the internet companies Silicon Valley churns out these days. Tesla Motors, like SpaceX, is an ambitious gamble aimed at an established market. Tesla's business plan calls for developing a less expensive sedan, code named White Star, over the next few years, as well as opening a network of dealerships and service centers. The company is also working to strike a deal with a major car manufacturer (which Musk declines to name) to become a supplier of chassis and drive trains for a mass-market electric ve-

hicle. Meanwhile, Musk is struggling to find a CEO. "We need someone who can build Tesla into the next great car company," he says.

A half hour's drive south of the SolarCity work site is another construction project, a new headquarters for SpaceX. The rocket company, which occupies five large warehouses in El Segundo, is ready for a home becoming of its grand

ambitions, and Musk has picked out an absurdly large one. The building, a giant shed right next to the Hawthorne airport, takes up 11.4 acres and once housed the factory that made fuselages for Boeing 747s.

The place is still under construction when Musk shows me around, but you can see that it will be special. Musk designed the building's interior. Bob Reagan, who is supposed to be in charge of SpaceX's manufacturing operation, has been detailed to duty as construction foreman. After pausing briefly to urge Reagan to make sure Scotchguard is applied to the new cubicles, Musk points to some glimmering metal on the ceiling. "You're never going to see ducts like that anywhere else," he says, grinning. "Look at those contours." As we stroll onto what will become the factory floor, he again looks up. "Those are 60-foot ceilings with catwalks," he says. "If there were people walking up there, they'd be tiny." There's something strange and touching about a man this intent on reaching the heavens who can pause to marvel at a really high ceiling. ■



BY THE NUMBERS



DOUBLED
REVENUE
OVER PAST
FIVE YEARS



DOUBLED
WORKFORCE
OVER PAST
FIVE YEARS

500

NEW PRODUCTS
LAUNCHED THIS
YEAR

9

MILLION
PRODUCTS
SHIPPED IN
U.S. OVER PAST
12 MONTHS

Hard-to-Find Made Easier

StarTech.com developed a niche by manufacturing all those IT connectivity parts that are needed but difficult to find.



WHEN PAUL SEED describes the earliest days of StarTech.com, a technology manufacturer specializing

in hard-to-find connectivity products, he likes to say the company was VC-funded. "That's Visa card, not venture capital," he quickly adds with a laugh.

Seed and co-founder Ken Kalopsis started the company in 1986 after pivoting from an earlier business that delivered rented movies and VCRs to peoples' homes. Seed says they soon realized that the video rental business was about to get wildly competitive, and they wanted a product they could manufacture and differentiate in the market. They had purchased a computer for their video business, along with a dust cover, and noticed that the plastic cover wasn't very well made. "We figured we could do a better job and decided to start sewing them ourselves," he says. That didn't last long, so they found a manufacturer that could do it better and sold the covers to small computer shops. Soon the pair added anti-glare screens, anti-static mats, and a suite of other office products. By 1990, Seeds says they were selling 85,000 dust covers a year.

As technology advanced, so too did StarTech.com's offerings. Seed and Kalopsis saw that the speed of computer technology meant that products would go through faster iterations, but the demand for small hard-to-find parts to adapt to all this new equipment remained. So for instance, if someone has a serial port on his or her computer, StarTech.com sells the adapter that allows a user to plug

into a USB port. And though dial-up modems have essentially gone the way of cassette players and manual typewriters, StarTech.com still sells about 1,000 56k modems each year to folks that need them for specialized applications. "We're pretty much known as the go-to place for all those things you can't easily find," Seed says.

The company is doing well with this formula. Seed says by the end of this year annual global revenues will have doubled to more than \$225 million since 2012. In 1996, the company expanded into the U.S. from its home base in London, Ontario, Canada, with a 109,000-square-foot warehouse and distribution center. It manufactures nearly 4,000 products and sells into 17 countries on four continents through a network of 75,000 distributors and resellers. To support its growth, StarTech.com has doubled its workforce over the last five years and now has approximately 400 employees worldwide. "Having a dedicated team all focused around the same goals and strategies has been critical to keep our growth momentum going," says Seed.

The chief says one of the biggest challenges StarTech.com faces is keeping the company aligned and focused as it reaches different inflection points. "A big part of our success is due to the fact that we're a customer company, not a computer parts company," he says. "We look at the problems our customers are facing and design products to meet those challenges. As long as we stayed focused on that, we'll be able to keep growing."

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Hard-to-find made easy®

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BE AFRAID
Entrepreneurs experience
fear others never know

Entrepreneurial Terror

**Starting a company? Get ready
for the most terrifying experience
of your life. BY WILSON HARRELL**

WOULD LIKE TO ADDRESS A FEW words to a particular group of readers: those of you, young and not so young, who are starting your first company. By that act, you have joined a very special organization. Admission is automatic; permission is neither needed nor sought; tenure is indefinite. Welcome to the Club of Terror.

I myself have been a member of this club, and have known this terror, for close to 35 years. I can assure you that it is unlike anything you have ever experienced before. No longer do you have to be bothered with such ordinary feelings as concern, or frustration, or even fear. Those gentle things are the least of your troubles now. You can put them away as a child puts away toys. From now on, you will be in the grip of a human emotion that the good Lord, or more likely the Lord's nemesis, created just for entrepreneurs.

Now, I realize that you didn't bargain on this when you started your company. Terror is something that entrepreneurs don't expect, can't escape, and have no way of preparing for. You won't find any college course on the subject—Handling Terror 101 and 102, or whatever. Nor are there any on-the-job training programs. To my knowledge, nothing has ever been written about entrepreneurial terror, either, and few people even talk about it. As a result, it remains a deep, dark secret.

Let me be clear that by terror I do not mean simply an intense kind of fear. The two are quite different. Fear is when you almost get hit by a drunken driver. It's usually accidental, unexpected, and short-lived. Entrepreneurial terror, on the other hand, is self-inflicted. It occurs when otherwise normal people make a conscious decision that carries them over the threshold of fear into a private world filled with monsters sucking at every morsel of their being. There can be no sleep in this world, just wide-awake nightmares. The terror you feel has its own taste (bile), its own smell (putrid), and its own gut-wrenching pain. And it doesn't go away as long as you remain an entrepreneur.

The more I think about it, the more convinced I am that the terror comes from the same thing that leads us to start companies in the first place—some basic, semi-conscious need to make our mark in the world, to leave our footprints in the sands of time. What we really fear, I suspect, is that we might become another member of the herd and pass into oblivion.

The important thing, obviously, is to get through that first encounter, as some of you are trying to do right now. Don't be alarmed if it seems to be more than you can stand. Recognize the terror for what it is, and get used to it, because it could be yours for life. Learn to look it squarely in the eye and spit on it. If you don't, you probably won't make the club, at least not this time. Of course, there's no limit to the

number of times you can join.

Now, I realize that I haven't said a damn thing to help you deal with the terror or make it go away. Unfortunately, I don't have any practical tips to give you. The only technique that I've found useful is to get in my car, all alone, and ride around cursing with every four-letter word in my vocabulary. But cursing aside, let me offer a couple of pieces of advice. First, never try to share your feelings of terror with a friend. You will only be passing along the stuff of which ulcers are made. The other person, after all, may never have been on the roller coaster and may not be a member of the club. The chances are that he or she won't be able to deal with the feelings you describe. By sharing the terror, moreover, you are—in effect—asking the other person to share the blame in case something goes wrong. That's against the rules of the club. It is conduct unbecoming of an entrepreneur. Above all, don't take terror home with you. No matter how sorely tempted you are, do not under any circumstances share terror with people you love, unless they happen to be partners in your company. It will only make them despondent and maybe even sick. They put up with enough just living around an entrepreneur. Besides, you need the experience.

There is, however, something you can, and should, share with the people you love. I'm talking about the entrepreneurial high. By all means, take that home with you.

My own belief is that the ability to handle terror, to live with it, is the single most important—and, yes, necessary—ingredient of entrepreneurial success. I also believe that it is the lonely entrepreneur living with his or her personal terror who breathes life and excitement into an otherwise dull and mundane world. From that perspective, the Club of Terror is a very exclusive one. Welcome. ■



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**THE 2017
MERCEDES-BENZ
FAMILY OF VANS**

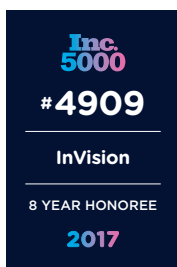
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An Experience Like No Other

InVision helps clients get their message out while giving back.

BY THE NUMBERS



THE NEXT TIME YOU attend a user conference or splashy product launch at a fancy hotel or convention center,

look around. It takes skillful planning and military-like precision to pull off such an event. Just ask the folks at InVision. They've been doing it for 26 years.

Co-founders Rod Mickels and Drew Hagen started the company in 1991 after working for a large national engagement and event company. Like many entrepreneurs, they thought they could take the concept and improve upon it, and so with about \$4,000 between them, they set out to start InVision Communications. Today, the Walnut Creek, California-based company designs, manages, and produces corporate conferences, keynotes, employee engagement campaigns, and product launches for companies such as Oracle, Coach, Genentech, Amway, and Microsoft, to name a few. InVision has 130 employees and should reach \$68 million in revenue by year end.

CEO Rod Mickels says their goals when starting the company were to create a culture that valued employees, treated clients well, and gave back to society. "Drew and I just thought 'How would we want to be treated, and what kind of people would we want to work with every day?'" he says. They answered that question by hiring folks who best exemplified the kinds of traits "that are taught in grade school," Mickels explains. "I can teach you Excel, but I can't teach you how to be nice or treat others with respect."

HELPING CLIENTS SUCCEED

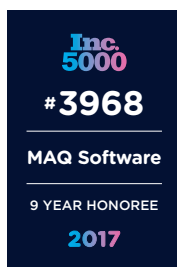
This emphasis on hiring talent that's in sync with InVision's culture is one of the reasons why turnover is low. Mickels says 50 percent of staff has been with the company five years or more. Another big driver of growth has been learning how to stay ahead of what clients need. For instance, in its earliest days, InVision simply staged a "company's presentation in the ballroom and made sure the slides they gave us were in the right order," Mickels says.

Today, InVision is more strategically involved, meeting with most clients months and even years in advance of an event in order to align with their objectives. During these discussions with senior leaders, they'll define key messages the client is looking to communicate to their audiences before, during and after their events. Then, they'll execute the plan and bring it to life.

"Giving back to the community is another core value of InVision, dating back to its founding," Mickels says. Employees are given two paid days each year to go off and volunteer at their favorite causes. The company also stages annual fundraising events for at least 10 non-profits each year, free of charge. "We don't do it to get something in return. Giving back to the community is just the right thing to do for our staff and our clients in the areas that need it most. Everybody wins."



Find out more about InVision and all of the other 2017 Inc. 5000 honorees at inc.com/inc5000



Making Marketing More Effective

MAQ Software uses data to help sales and marketing teams improve their campaigns.

BY THE NUMBERS



CLIENT
RETENTION
RATE

16
YEARS

SALES
GROWTH

50,000
SQUARE FEET

OFFICE
SPACE
WORLDWIDE

\$1M

SPENT ON
ENGINEERS'
TECHNICAL
CERTIFICATIONS



PRIOR TO STARTING
MAQ Software in 2000, Rajeev Agarwal worked for Microsoft for nearly seven years. During his

time at the software giant, he was involved with product marketing, including pricing, packaging, advertising, and the positioning of Microsoft's products. One of the things he realized over time was that there was a lot of inefficiency when it came to how sales and marketing budgets were spent.

"At the time, and to a large extent even today, return on marketing investments was difficult to quantify," says Agarwal, who has a mechanical engineering degree from the Indian Institute of Technology, an MS in engineering from Iowa State University, and an MBA from the University of Michigan. He's also the author of *What I Did Not Learn in B-School*, recently published by Penguin.

That's why he started MAQ Software. The Redmond, Washington-based company delivers innovative software solutions for large corporations, including Microsoft, Amazon, and Starbucks, to help their marketing teams analyze and predict how well—and efficiently—they're using their marketing budgets. The company works with customers in multiple industries, including technology, retail, energy, and health care, and it uses cloud computing, data analytics, and artificial intelligence (AI) to design its solutions. MAQ Software has 100 employees in Redmond and 400 employees in India working at three state-of-the-art engineering centers.

Like all companies, Agarwal says MAQ Software's customers are looking to increase sales by either selling more to their existing customers or finding new customers. Recently, the company's software solutions helped one large customer find sales opportunities with its installed base of users. MAQ Software analyzed past product purchases and product use patterns and compared them with their industry, geography, and company size. Based on the information gleaned from very large, disparate databases, MAQ Software helped focus the efforts of the customer's sales teams and increase revenue opportunities.

One of the key drivers of the company's growth (it has been on the Inc. 5000 list nine times) is its learning culture, says Agarwal. "The rapid pace of technological change—and our ability to quickly embrace new technology—creates new opportunities for us to help our customers leverage the latest software capabilities," he says.

That means MAQ Software employees must have a "learn it first" mindset. "Learning first puts pressure on team members since there are fewer books, reference materials, and websites to learn from," he adds. But by being early adopters of new technology, the company's own productivity has increased, putting it in a better position to serve customers. Agarwal explains, "Team members that choose to stay in the company are more accepting of the rapid pace of technological change and can adapt to new environments quickly."

MAQ Software

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THE RE-EDUCATION OF JIM COLLINS

The author of *Good to Great* went to West Point to teach leadership. Instead, he was the one who got schooled.

BY BO BURLINGHAM



IT WAS A WARM, LATE-SUMMER AFTERNOON on the banks of the Hudson River, and a large contingent of cadets had gathered in the Hayes Gymnasium on the campus of the United States Military Academy. Dressed in gray T-shirts and black shorts, they had come to train for the Academy's grueling Indoor Obstacle Course Test, which involves jumping through tires, climbing ropes, swinging on monkey bars, leaping over barriers, running along a balance beam, and sprinting around a track with a medicine ball, among other physical feats. Cadets say it is one of the hardest parts of a West Point education.

On one side of the gym, a group of cadets watched an older, gray-haired man trying to mount a shelf eight feet above the ground. He was Jim Collins,

the best-selling business-book author who was visiting West Point to hold seminars on leadership. "No, sir," a cadet said to him. "You don't want to do it like that, sir. You look like an old man, sir. You need to do it this way."

"I am an old man!" Collins murmured. Then, he tried it again.

Why was the author of such business classics as *Built to Last* and *Good to Great* competing with college students less than half his age? For one thing, Collins, 55, is an avid climber and seldom shies from a physical challenge. But what Collins really wanted was the opportunity to interact with cadets, to experience what they experience. With that in mind, he had set himself the goal of completing the course in the same time required of all male cadets before they can graduate—three and a half minutes or less. So he was

grateful that West Point's rock-climbing team had turned out to coach him.

Glancing around the gym, Collins could see numerous other cadets struggling with various obstacles; some of them were not much farther along than he was. Most of them had at least one or two other cadets standing nearby, coaching, critiquing, and cheering on their compatriots.

That struck Collins as interesting. West Point is a highly competitive place. Every cadet wants to do the obstacle course faster than his or her peers. Every cadet also is extremely busy. Yet these cadets were taking time away from their studies and other duties to help their friends get through the course.

Collins had seen the same phenomenon among his students. And not only were the cadets more collegial, but they seemed to be happier—much happier—than students at civilian universities, including those he had taught during his seven years on the Stanford faculty. Which was odd. After all, West Point cadets lead extremely demanding lives. Nearly every minute of every day is programmed, and every aspect of their lives is regimented, down to the color of their socks and the way razors must be positioned in their medicine cabinets. Meanwhile, they are constantly being tested both physically and mentally—and they often fall short. This goes on for four years with almost no letup, followed by five years of active duty.

How, Collins wondered, did such a burdensome environment produce such a happy, lively, and confident cohort of young men and women? In business, happy cultures tend to be associated with pool tables, foosball, Friday-afternoon beer parties, and dogs in the office—in a word, fun. A cadet's life is anything but fun. And yet these young people seem to get something out of their lives that is missing from the lives of many of their contemporaries.

➤ CONTINUED ON PAGE 12



GOOD TO GREAT
Even Jim Collins could learn
from West Point cadets

When Collins was offered West Point's Class of 1951 Chair for the Study of Leadership in the early summer of 2011, he was in the midst of preparing for the publication of his fourth bestseller, *Great by Choice*, which would wrap up a quarter-century of research into great companies. Although he faced a packed schedule in the coming year, he couldn't resist the opportunity. For one thing, he was curious about the place itself. West Point has been turning out "leaders of character" for more than 200 years. "I expect that it will transform my thinking in some way," Collins told me a week before he started. "I have this feeling something's going to happen to me that will set me on a new trajectory, a renewing path."

When I spoke to him again after his first seminar, he was even more enthusiastic than he had been. Back in 2006, he had trained with Tommy Caldwell, a 35-year-old Coloradan who is widely viewed as one of the greatest rock climbers of all time. The two had formed a close bond, so Collins invited him to participate in the seminar. On the night before the seminar, I joined Collins and 10 cadets for dinner. For a couple of hours, they discussed a range of topics, from the qualities of great leaders to the risks and rewards of contrarianism. Then Collins changed the subject. "What is the opposite side of success?" he asked.

"Isn't it failure?" one cadet responded.

"Well, let's talk about failure," said Collins. "How many of you have experienced failure?" They all nodded or raised a hand.

"Failure is part of life here," said a diminutive female cadet, Kiley Hunkler. "There's a recurring sense of inadequacy," she says. "For a 200-pound linebacker, it's having to do a cartwheel. For me, it's the survival swim in full combat gear."

"Does anyone get through West Point without feeling that sense of inadequacy?" Collins asked the group.

"No," they said, more or less in unison.

"From the outside, it looks like everything here is difficult," Collins said. "I think you can go through most universities without ever having a big inadequacy moment. That doesn't seem possible here. You keep getting decked. So why do you keep getting back up?"

"It's better to fail here and have other people help you get it right than to fail in Afghanistan, where the consequences could be catastrophic," said another cadet, Christer Horstman.

"Great leadership at the top doesn't amount to much if you don't have exceptional leadership at the unit level."

"Here, everybody knows it's a learning experience," said Hunkler.

"Yes, and you've put yourselves in an environment where you can't go through without failing," Collins said.

Indeed, repeated failure was built into West Point's culture. Yet that didn't seem to faze the cadets in the least.

But Collins, of course, is best known for pondering the secrets of organizational, not personal, success. So what do these West Point revelations mean for company leaders whose shelves are lined with Collins's books?

He sees a number of useful lessons. First, "if you want to build a culture of engaged leaders and a great place to work," he says, "you need to spend time thinking about three things."

- **SERVICE** to "a cause or purpose we are passionately dedicated to and are willing to suffer and sacrifice for."
- **CHALLENGE** and growth, or, "What

huge and audacious challenges should we give people that will push them hard and make them grow?"

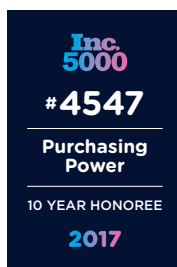
- **COMMUNAL SUCCESS**, or, "What can we do to reinforce the idea that we succeed only by helping each other?"

His time at West Point has also given Collins a new appreciation for some aspects of leadership that he had not previously thought much about. The first has to do with frontline, or unit-level, leadership. "I have come to see how important it is," he says. "We tend to think that what matters is having outstanding leadership at the senior level. But great leadership at the top doesn't amount to much if you don't have exceptional leadership at the unit level. That's where great things get done."

Second, he has realized that great leadership comes in two forms. One form Collins describes as being the right tool in the toolbox at a particular moment in history: "The world needs a Phillips-head screwdriver, and you are a Phillips-head screwdriver. You can get exceptional results, but they tend to be less durable because when the world needs a socket wrench, you're not one." The other type of great leader adapts and grows as demands change: "When Steve Jobs got booted from Apple, a lot of people thought he was a tool in a toolbox. They were wrong."

Third, leaders need to know when to become followers, and followers need to know when to become leaders. "The ability to toggle between leading and following is critical," he says, "because circumstances change."

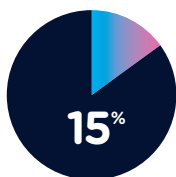
Ultimately, Collins says, he has come away believing more strongly than ever in the urgent need to learn how to develop great leaders. "I'm convinced that every major problem we face as a country is a leadership problem," he says. "Whether it's short-term thinking in business or a problem with government performance, every problem requires superb leadership to solve." ■



BY THE NUMBERS

CLIENT
RETENTION
RATE2.5
BILLION
DOLLARSIN ORDERS
PROCESSED
SINCE COMPANY
INCEPTION

1,800+

BRANDS
OFFERED ON
WEBSITEAVERAGE
REVENUE
GROWTH,
2012-2016

A Better Way to Buy

Purchasing Power® lets employees purchase the things they need (and want) through simple payroll deductions.



NEARLY SIX IN 10 Americans don't have \$500 in savings to cover an unplanned expense—

the refrigerator breaks down or the car needs new tires—according to a January report from Bankrate. That's where Purchasing Power comes in. This Atlanta-based e-retailer enables workers at more than 300 companies—each of which has more than 1,000 employees—organizations, and government agencies across the U.S. The company allows customers to purchase brand-name consumer products, online education services, and vacation packages through payroll deductions rather than using cash or a credit card. The deductions are made over 12 months, and there is no interest or fees on any purchase.

CEO Richard Carrano joined the company in 2001 when it was first testing the concept and says Purchasing Power differs from other online retailers in several important ways. First, its offerings are available as part of a company's employee benefits program. This captures a huge potential audience right from the start. In fact, today Carrano says Purchasing Power reaches more than 7 million workers. The amount that employees can spend is based on a proprietary formula that takes into account how long they have been with their company and their salary, but generally their total outstanding balance is never more than 7 percent to 9 percent of their annual income. This practice helps employees maintain more responsible buying habits.

ON-DEMAND BUYING

The other way Purchasing Power sets itself apart from other e-commerce platforms is that it doesn't have to own warehouses or stock inventory. Scott Rosenberg, president, says that as a virtual retailer, the company doesn't place an order with a vendor until an employee actually makes a purchase on its site. But just like a traditional retailer, Purchasing Power makes money by buying goods wholesale and then conservatively marking up the price of the 55,000 or so products it sells. The company is doing well with this model. Revenue should approach \$500 million this year, up 20 percent over 2016. In fact, top-line growth has been averaging 15 percent for the past five years.

One of the other macro-trends driving Purchasing Power's robust growth is corporate America's increasing interest in their employees' financial wellness. "The recession that began in 2008 really made companies aware of how financial issues can affect their employees and the impact that has on work," Carrano says. By offering cash-strapped workers an easier way to make big-ticket purchases without the stress of ballooning credit card interest and potential late fees, he says companies are offering employees peace of mind while driving better productivity and retention. The trend is also giving Purchasing Power a new way to give back to its customers: In 2014, it launched a financial wellness platform of tools and resources free to its customers.



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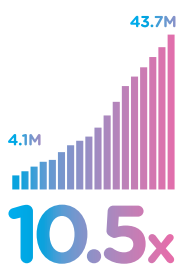
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America's Health Is Their Specialty

American Specialty Health Incorporated is bending the health care cost curve one member at a time with fitness, well-being and musculoskeletal health programs.

BY THE NUMBERS



MEMBERSHIP
GROWTH
SINCE 1999



CONSECUTIVE
YEARS

OF MEMBERSHIP
GROWTH

132
PERCENT

5-YEAR
REVENUE
GROWTH

2.5x

EMPLOYEE
GROWTH
SINCE 1999



IF YOU HAD ASKED

George DeVries back in 1987 whether he would one day lead one of the fastest-growing privately

held companies in the United States, he just might have responded "Why not?" For some people, entrepreneurship is all but destiny. DeVries, co-founder, chairman and CEO of American Specialty Health Incorporated (ASH), grew up with a strong desire to create a company one day. His dad and both grandfathers all started and ran their own businesses. "I guess you can say starting and building a company was in my DNA," DeVries says.

The company he co-founded in Southern California started out of a second bedroom in his condo, funded by just \$5,000 in seed money from his own pocket. DeVries' vision was to develop a provider network of chiropractors in California and offer chiropractic services to health plans, in the same way that dental and vision providers did. ASH added its first client in 1988—a large California health plan—gaining 14,000 members in the first year.

Today, ASH administers provider networks, fitness programs, and population health programs for more than 130 health plans and more than 43 million Americans nationally. The company's nationwide provider network now includes more than 63,000 acupuncturists, physical therapists, podiatrists, and other specialists. Clients include Anthem Blue Cross Blue Shield, Cigna, and Kaiser Permanente, to name a few. They also provide well-being

and fitness programs to Fortune 1000 employer groups nationwide. Last year, the company had revenues of about \$435 million. DeVries estimates that revenues for 2017 will be just shy of \$500 million.

STAYING TRUE TO THE MISSION

DeVries believes his company's success comes largely from two key characteristics: having a strong team of people and staying true to the original mission of the company. "We started out this company and launched each new product with the mission of improving the quality of care that members receive and bending the cost curve of health care. We've been successful in doing that for our health plan clients and employer groups. And that makes all the difference," he says.

ORGANIC GROWTH THROUGH CUSTOMER COMMUNICATIONS

DeVries meets with customers regularly to plan product line expansion. "The products and programs we offer are all based on constant communication and feedback from our customers," DeVries says. "Our new 'Empowered Decisions!™' program was originally focused on pain management. After customers told us about the importance of addressing the dangers of opioid use among members with chronic pain, we added a component to do so."

DeVries says such customer communication reveals gaps between offerings and what is needed. "That's how we're addressing real needs in the market," he says.

Learn more about American Specialty Health at ASHCompanies.com.



Learn more about ASH and the other 2017 Inc. 5000 honorees at inc.com/inc5000

The Startup That Conquered Facebook Sales

How a small-town manufacturer became the hottest seller on social media. **BY TOM FOSTER**



IN A SQUAT LITTLE STRUCTURE overlooking a highway access road in Lexington, North Carolina, smack in the hilly, pork-loving Piedmont region, a revolution is brewing. There's no sign on the building, but a piece of paper is taped to the door: Lolly Wolly Doodle, it says, as if in some Southern code. Lolly Wolly Doodle. That's the name of an unassuming online children's clothing company started by Brandi Temple, a likable local mom who had never held a corporate job when she started posting her homemade dresses on the web five years ago—and then managed to seize one of the holy grails of online sales.

Over the past year or so, Lolly Wolly Doodle has become the envy of the

e-commerce establishment. Behind that little piece of paper on the door is a company that says it does more sales on Facebook than any other brand in the world. And outsiders seem to agree.

"I have an e-commerce crush on Lolly Wolly Doodle," says Will Young, the director of Zappos Labs. As a rough benchmark for Lolly Wolly Doodle's social success, Young points out that the company has about 900,000 fans on Facebook, whereas Zappos has 1.5 million. "But its business is a tiny fraction of our size," he adds. More important, Temple's fans are delivering: "Lolly," says Young, "has been able to do something that no big brand has been able to do, which is to convince people to actually buy on Facebook."

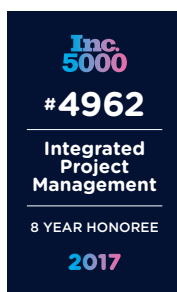
Lolly Wolly Doodle brought in about \$11 million in 2013, and it has roughly doubled its revenue every year since its inception in 2009. It expects revenue to double again this year. Last June, Revolution Growth, a fund started by AOL co-founder Steve Case, invested \$20 million in the company, and (of course) aims to make it a multibillion-dollar brand. The size of Case's investment—and a look at how Temple's business will probably evolve—suggests that Lolly has done more than solve the social-commerce conundrum. Along the way, Temple has created an innovative, U.S.-based manufacturing process and supply chain that feed off the brand's social media cues to maximize efficiency.

Temple didn't plan on becoming a CEO. "Really, I wanted to be a trophy wife," she says, laughing at her former self. "I wanted to support a great husband and look cute." This strategy led her to get married and have a son when she was in her 20s (the marriage ended in divorce), and then to move to Orlando, where she got engaged again and had a daughter with Fran Papasidero, the coach of the Orlando Predators arena football team.

One night, on his way home from a team dinner, Papasidero crashed his car and died, apparently as a result of driving drunk. Temple moved back to Lexington, where her family has lived for generations. Within a few months, she met Will Temple, her current husband, and they combined their two families, Brady Bunch-style (he had a son from a previous relationship).

The company Will worked for thrived during the housing boom of the mid-2000s, but over the course of 2009, the construction business stalled, and the couple watched Will's earnings drop by half. Brandi, meanwhile, had started sewing clothes for her two daughters, who were five years apart, much as her

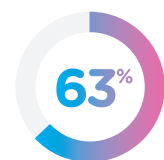
➤ CONTINUED ON PAGE 18



BY THE NUMBERS



VOLUNTEER
HOURS
DONATED BY
EMPLOYEES
OVER PAST
FIVE YEARS



REVENUE
GROWTH
OVER PAST
FIVE YEARS

106

CHARITABLE
ORGANIZATIONS
SUPPORTED



EMPLOYMENT
GROWTH OVER
PAST FIVE
YEARS

“Get It Done” Is a Mantra and a Business Model

The ability to execute a new strategy or product rollout is critical to a company’s success. Integrated Project Management makes sure it’s done on time and on budget.



BACK IN 1988, WHEN C. Richard Panico started his company, Integrated Project Management Company

(IPM), the very idea of project management was fuzzy at best, and certainly not considered a profession on which to build a business. But Panico, an executive for 15 years in the consumer and personal products divisions at Johnson & Johnson, saw it differently. To him, the issues that kept companies from truly succeeding had little to do with great ideas or talented employees. What most often derailed a business looking to introduce a new product or integrate a recent acquisition had to do with a lack of discipline in the execution. “Even with great strategies and great employees, if a company can’t execute reliably it will get very little value from those capabilities,” he says.

Today, few companies would doubt the essential role that project management plays in achieving business objectives. That evolution has been part of the driving force behind IPM’s success for nearly 30 years. The Chicago-based firm works with public and private companies of all sizes, ranging from major corporations to startups in areas like healthcare, life sciences, and consumer and industrial products. Panico says the scope of the work varies but often includes helping companies launch new products, integrate acquisitions, or introduce new software accurately, on time, and on budget. The

company has 162 employees and works with 45 to 55 clients at any given time. Engagements run anywhere from two to three months to several years. Panico says revenues have grown between 8 percent and 10 percent each year and should reach \$35.5 million for fiscal year 2017 ending in February.

What sets IPM apart from some of the bigger consulting firms, Panico claims, is the culture and the quality of the work of the firm. He looks for people not only with the right educational skills (an undergraduate degree in engineering or one of the sciences and a graduate or business degree) but, more importantly, the proper soft skills. “When working with our clients, we need people that can influence without authority,” he says. “If we’re working with a company that’s experienced very difficult times and where the future may be uncertain, our people have to be able to inspire performance and often establish a ‘micro-culture’ focused on positive outcomes for stakeholders and the company.”

IPM’s model is paying dividends. The company says client retention is consistently more than 90 percent. Such stability has enabled it to expand across the country to seven offices. This not only allows the firm to stay closer to its clients, but it helps cut down on the amount of travel employees must do, giving them a better work/life balance.



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➔ DRESS SUCCESS
A garage startup beat retail giants at online selling



mom and grandmother had done for her. The clothes had a certain ruffled, matchy, Southern charm: “I wanted something that was cute for church that didn’t cost an arm and a leg, and I wanted to be able to monogram it,” she says. “I wanted the kids to look wholesome and look their age.”

She figured she could post her finished garments on eBay as samples and offer to make more, on demand, in a size range that would use up all her remnants. She started to show her garments at Junior League events and began to establish a small following for Lolly Wolly Doodle.

One day, looking to scale her fledgling business, Temple found a company in China through the website Alibaba and asked it to make a few dresses based on one of her patterns. When they came in, the smocked zebras looked more like cows, and the sewing wasn’t up to her standards. Wary of getting bad feedback on eBay, she posted the pieces on Lolly’s Facebook page and asked people to comment and leave their email address if they wanted to buy them cheap; she would just send them a PayPal invoice. She had 153 Facebook fans, mostly Junior League contacts.

“I walked away from the computer and came back in like 30 seconds, and all the dresses were gone!” she remembers. That afternoon, she tested a few other designs on Facebook, offering to make them to order, just as she had been doing on eBay. She had never seen anyone sell anything this way (no one had), and didn’t really understand how Facebook worked. She never used the social network, personally. But she sold more that first day on the site than she had in the previous month on eBay.

Temple closed her eBay store a few weeks later, and over the next six months, she says, she slept two hours a night and made as many dresses as she

could to keep up with the demand. She filled her garage with friends-and-family seamstresses. By day, they would sew dresses and boys’ rompers and post them on Facebook and take orders. At night, they would send out invoices and ship product. Everybody pitched in. Will learned to monogram. Brandi’s dad would cook a family meal, and everybody would sit around the kitchen working late into the night.

“If traditional garment manufacturing is a pretty straightforward assembly-line affair, the seamstresses at Lolly work more like short-order cooks in a diner where the menu changes daily.”

It wasn’t just Facebook that made it a good business. Temple was making each dress to order, so she had virtually no inventory risk. She could also react quickly to customer preferences, tailoring her designs accordingly. And because she was selling her goods directly to consumers, she was able to cut out layers of markups and offer great prices. This kept the sewing process simple—she didn’t have to reinvent her patterns, just riff on them—and eliminated much of the guesswork of merchandising. “When something went crazy, I would go really deep into that style and those colors,” she says. “And if it didn’t, then forget it.” Those same dynamics power the business today.

With about 250 employees, Lolly Wolly Doodle is now one of the largest employers in Lexington. Increasingly, however, Lolly is not a local operation: Its fourth location is in New York City, and a cadre of experienced retail and technology hands have climbed aboard. The COO, Emily Hickey, was a co-founder of the business-networking

service Hashable and, earlier, a VP at HotJobs. The former e-commerce chief at Quidsi, the parent company of Diapers.com, now heads up Lolly’s New York tech team. Recently, John Singleton, a former JCPenney and Abercrombie & Fitch executive, came on to build better supply chain and manufacturing processes. “Brandi is recruiting some of the very best people in the world,” says Donn Davis, the co-founder of Revolu-

tion Growth and a member of Lolly’s board since his firm’s \$20 million investment last year.

What Temple is really doing, says Davis, is “reinventing apparel much as Dell reinvented the PC industry. It’s affordable custom [manufacturing] in real time with little inventory risk.” The real innovation is using social media as the starting point for a new e-commerce model that’s powered by a social feedback loop.

Temple still marvels at how she has arrived at this point. She has “been blessed,” she likes to say. Asked how much her faith has been a part of Lolly’s success story, she replies, “It is the story,” she says. “That moment I had the idea to put something on Facebook” She chokes up and has to collect herself. “That idea didn’t come from me. God had a purpose in reaching out to build this business. From our missions in Africa to our Moms in a Jam” —two of the company’s recent philanthropic efforts—“to the people we employ, it’s not about me creating a business. It was about what we could all do together, the pay-it-forward mentality.” ■



Getting a Handle on Telecom Bills

Any company with voice and data bills understands how expensive and complex they can be. Tellennium cuts through all of that confusion and saves clients time and money.

BY THE NUMBERS

192
PERCENT

REVENUE
GROWTH OVER
PAST FIVE
YEARS



CONSECUTIVE
YEARS

ON INC. 500/
5000 LIST



AVERAGE
CLIENT'S
SAVINGS



18 YEARS

IN BUSINESS



ability to keep it all straight—and accurate—is a monumental task. Tellennium, a Louisville, Kentucky-based firm, provides midsize to large companies with a cloud-based service that takes care of everything to do with telecom services and charges. Invoices, contracts, carrier services, mobile device procurement, technology device management, and even assistance with moves and changes, are all handled through Tellennium's platform.

Founder and CEO Greg McIntyre, who started the company as a telecom consulting firm in 1999, claims Tellennium saves clients an average of 28 percent on their communications technology expenses, not to mention thousands of hours of employee time sorting them all out. "Large companies get thousands of pages of bills and don't realize how often there are errors and overcharges," he says.

Tellennium's systems audit these bills to make sure there are no errors and to ensure that companies aren't being charged for unnecessary services. For instance, McIntyre says, companies will often move offices, and in the rush to

FOR CORPORATIONS

with thousands of employees, multiple locations, and scores of mobile devices, the

get computer and phone services up and running, will neglect to review their bills. "Months or years can go by, and they don't realize they're being overcharged for some services and paying for others they're no longer using," he says.

Because Tellennium is not affiliated with any service providers, they are completely objective when working with companies to find cost efficiencies. Tellennium can work with clients in any industry, but has found a particularly strong need lately in the health care sector. "There are so many mergers and acquisitions taking place, and as a result, there are more challenges for these organizations where our services will have an even greater impact," the CEO says.

With a lean staff of 35 employees (many non-core functions such as human resources, marketing, sales, and software development are outsourced) Tellennium has been able to grow revenues at a double-digit pace every year, predominately from clients based in the U.S. Perhaps most impressive is the fact that the company's client retention rate is about 94 percent. "We don't really lose customers," he says. "When you can prove that you're saving a company significant time and money, they tend to stick around."



Find out more about Tellennium and all of the other 2017 Inc. 5000 honorees at inc.com/inc5000



PETER PRINCIPLES
Drucker's wisdom has stood the test of time

TIME FOR NEW THINKING

PETER DRUCKER ON ENTREPRENEURIAL COMPLACENCY AND DELUSIONS. BY GEORGE GENDRON

PETER DRUCKER'S *INNOVATION AND ENTREPRENEURSHIP* (Harper & Row, 1985) is still the most authoritative book on the subject. At 86, Drucker is Clarke Professor of Social Science and Management at Claremont Graduate School, in California. Both the man and his work have been my intellectual compass for the past two decades. He possesses the boundless curiosity of a great reporter but combines it with a refusal to be cynical about the individuals and institutions he observes.

INC.: Do you agree that we in the United States are the best practitioners of entrepreneurship, that we're way ahead of other countries?

DRUCKER: Absolutely not! It's a delusion, and a dangerous one. We may have the largest number of new-business starts and new-business failures, but that's all. We're probably not even number two.

INC.: Who's number one?

DRUCKER: Undoubtedly Korea. Barely 40 years ago, Korea had no industry at all. The Japanese, who had ruled Korea for decades, didn't allow any. They also didn't allow any higher education, so there were practically no educated people in Korea. By the end of the Korean War, South Korea had been destroyed. Today Korea is world class in two dozen industries and the world's leader in shipbuilding and other areas.

INC.: So many new businesses start out with high promise. They do extremely well the first year or two and then suddenly are up to their ears in trouble. If they survive at all, they are forever stunted. Are there typical mistakes entrepreneurs make but could avoid?

DRUCKER: There are actually several points—I call them entrepreneurial

pitfalls—where the new and growing business typically gets into trouble. All are foreseeable and avoidable. The first comes when the entrepreneur has to face the fact that the new product or service is not successful where he or she thought it would be but is successful in a totally different market. Many businesses disappear because the founder-entrepreneur insists that he or she knows better than the market. And pitfall number two is that entrepreneurs believe that profit is what matters most in a new enterprise. But profit is secondary. Cash flow matters most. Growing bodies need to be fed, and a business that grows fast devours cash. You have to make constant investments just to keep even with it. This is totally predictable, so getting caught in a cash crunch is totally unnecessary. I've worked with entrepreneurs for 50 years and can say that there is a fairly normal curve; 80 percent fall within it. Even if your business is growing at a normal rate—not tripling in size every six months, but growing at a good, solid, sustainable rate—the management crunch hits you at the end of the fourth year.

INC.: That's when you outgrow your management base?

DRUCKER: Yes. Starting out, the typical founder does everything himself. He has helpers, but he doesn't have colleagues. Then suddenly everything goes wrong. The quality falls out of bed. Customers don't pay. Deliveries are missed. To avoid a crisis, you should sit down and create a management team. By that time you have maybe 40 people working for you. Look them over to see who shows management ability. You call in those four or five people (you're not likely to have more), and you say, "I want each of you to sit down alone next weekend and look at the other people here, including me. Don't look at yourself. Look at the others, and think about what each of them is good at." And then you all sit down together, take a fresh sheet of paper, and list the key activities of the business. Today we call this "establishing our core competencies."

INC.: What about innovation and entrepreneurship in government?

DRUCKER: That's probably our most important challenge. Look, no government in any major developed country really works anymore. The United States, the United Kingdom, Germany, France, Japan—none have a government the citizens respect or trust. Modern government needs innovation. What we have now is roughly 400 years old. The invention of the nation-state and of modern government in the closing years of the 16th century was certainly one of the most successful innovations ever. Within 200 years they conquered the globe. But it's time for new thinking.

INC.: Do you see any signs of that happening?

DRUCKER: No one, as far as I can see, is asking the right question. In developed countries the question is not "What should government do?" It's "What can government do?" ■

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