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STS Education – providing Educational Technology Solutions for K-12 Public, Private and Charter Schools in North American



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CEOCFO: *Mr. Netka, what is STS Education?*

Mr. Netka: We are essentially an educational technology solutions provider to the K-12 North American market. Kindergarten and, in some cases pre-kindergarten, through high school generally. We serve public, private, and charter schools.

CEOCFO: *What types of solutions are you offering?*

Mr. Netka: We work on everything from one-to-one deployments, that is where every student has a computer that they can take home, to initiatives that revolve around student engagement and collaboration with interactive technologies, to operational IT support services like repairing devices, network configuration and setup, running entire IT departments, and a whole host of things that help ensure our school partners' educational technology initiatives are sustainable.

That is the easy answer. The higher-level answer is that we believe there are three teachers in a classroom. One is the teacher themselves, and the other is the students; the third can be the environment and the technology. Our job is to help school leaders achieve remarkable learning outcomes for their students by increasing the capacity of that third teacher - the learning environment itself.

CEOCFO: *Is it a bit unusual to have such a diverse offering for schools?*

Mr. Netka: I do not think it is unusual, I think it is what many people strive to do, many suppliers and they do it with varying successes, and there are big companies in our space, the CDWs of the world, they tend to have everything. The difference between what they are doing and what we are trying to do is that they have an extensive catalog of things. They certainly are not education experts, so their value proposition tends to be different from ours.



Their value proposition generally is that they can get you anything and get it at the best price. In contrast, our value proposition is that we curate the best of Ed-Tech and try to work with you and provide solutions and products that are built for education. Just because everything can be sold into education does not mean it should.

CEOCFO: *Your site shows "Real People Helping You with the Right Education Technology." What does that mean for STS?*

Mr. Netka: We really want our school partners to think of us as an education company, not a hardware provider. It's nuanced but a hardware provider that wants to sell into education, which is the case for most of our competitors, is different than who we are, which is an education company that happens to sell hardware.

CEOCFO: *Would you give us a few examples of different types of engagements?*

Mr. Netka: We do not see our job as trying to convince people to use a specific technology. We are not educators; But, for the most part, we are well versed in what our school partners are trying to accomplish. We want to make teachers more effective in producing outcomes, so we are really there to provide them with what they need to improve teaching and learning. It is our job to guide them and, hopefully, ask the right questions so they have a clear understanding of the specific outcomes they are looking to achieve with a given technology initiative so we can help them design and implement the best solution for their teachers and students. The engagement can vary depending on the size of the school district.

"Our job is to help school leaders achieve remarkable learning outcomes for their students by increasing the capacity of that third teacher - the learning environment itself." Marc Netka

By and large, very large school districts have large professional technology teams and curriculum teams and are not necessarily looking to STS to provide expertise around solution design, but maybe on how a solution is best delivered. Hence, they believe that they want to put interactive flat panels in every classroom. They are looking for the right product because there are twenty choices, so they are looking to us for information and guidance there. We might do that by bringing in the manufacturer and doing demos and pilot programs, giving them free product to look at, and having the teachers try out the technology in their classrooms. When they have decided on the right educational technology solution, they want to know how STS can help them get it into the classrooms or help teachers learn to confidently use the new technology to make instruction more effective. So, we've expanded our professional services offerings to include both installation and educator professional development services.

Smaller school districts are looking for different types of help. They may not have more than one technology expert. Because technology is becoming more complex, people are looking for experts and particular solutions. They may not know the solution to a specific problem. Therefore, they are calling and reaching out to us to explore what other people are doing and all the possible solutions, plus guidance on how to successfully execute educational technology initiatives as well. STS is unique because about 85% of our customers are small school districts of 5000 or fewer students. They need a completely different partner than a large urban or suburban district needs.

CEOCFO: *What have you learned over the past couple of years working with schools; what has changed?*

Mr. Netka: It is easy to sell just a device, but to create long-term value for your customer and provide for shareholders in your company, you have to provide services around that. From a school's perspective, we have learned that we need to understand the K-12 ecosystem; we cannot just call and ask if they are buying this or buying that. They do not want vendors just trying to sell something; they want vendors who understand the unique challenges faced by K-12 schools and districts enough to help school leaders solve them. If you can demonstrate you can do that, you can get a long-term relationship with them. We keep our focus on what we have learned rather than on being experts in the technology itself. To be effective partners for our customers, we need to understand the trends and movements in the marketplace driving schools to adopt technology in the first place.

CEOCFO: *Is it less unified than it might have been a few years ago?*

Mr. Netka: Yes. It is primarily because of the supply chain, so people make decisions faster; sometimes, they are good decisions and sometimes not. We are finding much technology that people went out and rushed to buy. It is just sitting in

piles and sitting in classrooms not being used because they had to spend the money. They have not been educated enough on using that technology to make it more effective.

A lot of the rules went out the window, it seems when COVID hit, all the approval processes, the dollar amounts that needed to be spent. For some reason, we were able to get large POs quickly where before it might have taken months.

CEO CFO: *STS offers some solutions related to security. Is this ancillary for you, or do you find that customers in schools that work with you tend to turn to you for a large variety of what they might need?*

Mr. Netka: Our goal is to get them everything they need, but security is a relatively new area for us. There is physical security, and then there is cybersecurity. We have been doing physical security for longer than we have been doing cyber, everything from security cameras and digital entry systems. The longer we are in it, our customers know and start asking for those solutions.

Cyber is a little trickier and an area where we see many opportunities, as many people in our space do. Understanding the real issues for schools around cyber is not just having cybersecurity; it is even being able to get insurance for cyber. They are having difficulty getting insured because they do not meet the qualifications; they do not have everything set up the way an insurance company would be comfortable giving them that type of insurance.

CEO CFO: *How do you stay on top of all the changes in the various areas you offer assistance?*

Mr. Netka: I hire good people. As CEO, the bigger you get, the less you talk to your customers, unfortunately. It is really up to the people with boots on the ground who are coming back, feeding us information, and helping us make the right decisions. From a strategic point of view, of course, we always have plenty of manufacturers and solution providers reaching out to us and saying we should sell our product and educating us on why. A lot of it starts with the customer.

CEO CFO: *What does the MJP Technology add to the mix.*

Is it typical for you to bring new entities into the fold?

Mr. Netka: We are relatively new to M&A; we did two this year, and MJP was our second one. They were local competitors, so that helped take them off the table. They also had many capabilities we did not have. They had a C-7 contractor license which allowed us to hang stuff on the wall basically that we sell instead of outsourcing that to a third party. They have a much more extensive fleet of trucks, so they can provide newer and more interesting services around fixing devices locally.

As an example, they have a vast built-out engineering team, so we can do large engineering projects for schools, like network redesigns, security layouts, whereas before we would have outsourced that to someone like MJP or rely on the vendor and manufacturer to provide us with resources around that. MJP had also developed a B2B managed service provider offering, so now we will have a little corporate business. We will find a way to get that service into schools and make it affordable for schools to use.

CEO CFO: *Do you do much in the way of refurbished computers?*

Mr. Netka: Oh yeah, about 10% of our business is refurbished.

CEO CFO: *Is that growing?*

Mr. Netka: No. We started as a refurbished computer company where 100% of our revenue was reconditioned. Still, the market for us is probably down about 50% from its heyday in terms of revenue mainly because of the introduction of Chrome because refurbished tends to be primarily Windows devices, that stands to reason that schools move away from Windows devices for students that our market would shrink.

CEO CFO: *What do you look for in your people?*

You commit to doing the right thing for education and your customers? How do you know when you bring somebody into the company to understand the STS culture?

Mr. Netka: It is hard; it is more art than science. I would be lying if I did not say I've been fooled many times. It depends on the position also- say we are looking for salespeople. To me, the best salespeople are the ones that are the most curious, so I try to probe them to see about that. I would say that goes throughout our organization; anyone who

has a growth mindset that is super important to us. You do not just need people who want to do this and nothing else; that is, you find you need those people too.

Generally, we like to hire people that have goals and aspirations. If they do have those aspirations, hopefully, they will put in the effort if you give them a clear understanding of where they can go. Hopefully, they will work towards those things and make you better in the process. The easy indicator would be to show up on time. The most basic of all, sometimes I say I would like people that show up on time, and we will be good with everything else.

CEOCFO: *What is ahead for STS Education?*

Mr. Netka: We are still looking at other acquisitions. Our goal is to get to \$500 million in revenue profitably, and we are about a third of the way there. That is our goal, and we are going to have to do that in many ways. We want to get closer to our customers. We want to sell more services and be less hardware-dependent, and that means we have to listen to our customers and go the last mile for our customers. When we look at acquisitions, those are what we will look at, like where they are located.

CEOCFO: *What if anything might someone miss when they are looking at STS that really should be understood?*

Mr. Netka: The Environmental Social Governance, the way we run our company and engage our people, I think it makes a big difference. We have an open-book management policy here. We share our financials; we educate everyone about financial literacy; even if you are working in the warehouse packing boxes, you understand how to read a P&L and a balance sheet. You know what EBITDA is, and you realize our EBITDA goals. You know how you can affect that, and you get incentivized to do so.

That keeps our guys super engaged. They understand that if they make a mistake with a customer, that can ultimately affect profitability and pay, so they are extra careful. Hopefully, it is the incentive not to make mistakes that our customers pay for.

