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President & CEO, Curvature

Editor's Note: *Mike Sheldon began his career at Curvature in 2001 as Vice President of Sales, and was named CEO in January 2006. Under his leadership, Curvature continues to post record revenues and expand operations – now employing more than 600 people in the United States, Europe and Asia-Pacific.*

Prior to joining Curvature, Sheldon had a successful career in investment banking with UBS and Barclay's Capital in New York. Sheldon attended MIT, where he studied Philosophy and Game Theory. He was recently named one of the most influential business leaders by the Pacific Coast Business Times. Sheldon is highly active in the central coast technology community and encourages Curvature's involvement in fostering technological education.

Curvature has grown considerably since its founding as Strand Computer Resale in 1986. What are some of its main developments, and how did they correspond with changes you've seen in the industry?

Curvature started as Strand Computer Resale in the 1980s, with my father Chuck Sheldon running the company as a one-man show. In the mid-90s he partnered with my brother John, and the company was renamed Network Hardware Resale. The company flourished throughout the late 90s and through the first decade of the 2000s, focusing on the secondary market for Cisco products.

The third party or secondary market hardware business was really a rollercoaster from the mid-90s on. It rode the coattails of the dot-com boom, where everything was supply constrained—you literally couldn't get product. People were paying list price or more for used product because you couldn't get enough of it new.

Then you had the bust. And the exact opposite was true. The market went from incredibly supply constrained to an abundant supply. And our business model adapted quite well. We went from a sourcing-focused organization and quickly pivoted in 2001 to an end-user customer-focused organization, where we remain today. Because if you have the product, the trick is not finding more of it, the trick is finding a buyer. That's what we really focused on—and our business exploded.

Despite the real recession in technology that took place 2001-03, our business grew fourfold in 2002-04. A similar cycle followed, and the market heated up again by 2006-07. Then the bottom fell out in 2009. By the end of 2010 you saw a much more normalized market, with regular economic cycles. 2011 through today has been pretty steady

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state. But the fall in 2009 was what led us to invest in the maintenance business. We wanted to have value we could add even when people weren't buying new hardware but rather keeping what they were using longer.

Even from the beginning, we were always providing reasonably detailed warranty support. So the genesis of the maintenance business was that we already had a call center, we were already providing support 24/7, we already had spares and a number of high-level technical engineers on staff—we just weren't charging for it. We were including it in the warranty of our own product. 2009 was the realization that we could do that on a larger scale and create a business offering for it.

And we could do it for equipment people had bought directly from Cisco. So the market opportunity seemed tremendous, and I think in our experience it's proven to be true. It's been a great business for us and it's growing fast.

How is a third party maintainer different than a vendor?

If the vendor is working well, there's not necessarily a big difference. Both establish strong relationships with customers and offer full lines of equipment and complementary services. The difference is one of breadth.

A third party hardware vendor needs to know, interestingly enough, a ton about the product. With all of the configuration and architecting of the products that have been offered and created over the years, you can no longer rely on manufacturers for important details—you have to know them yourself. Additionally, you have to have tremendous testing and refurbishing capability. Nobody wants to receive an old, beat-up box. People want it to look new, function as new, and, if needed, be upgraded with more memory, a new power supply, or any other modification. In addition, a third-party maintainer needs great logistics capabilities. Today, we ship products all over the world to almost 100 countries.

Now everything I just said, along with the warranty support we've been providing, is a great foundation for a maintenance business. You need logistics, you need testing and you need technical competence. When you look at the various skill sets and departments within a maintainer, you have asset procurement, testing, refurbishment and deployment, inventory management, call center and technical people. The sale is where it's different. It's a very different sales process in maintenance versus hardware—but the underpinnings of each business are not as dissimilar as you might think.

What are your thoughts on the increased consolidation among vendors and solution providers? What are the strengths and weaknesses of a consolidation play, like Dell is making with EMC, as opposed to a split like we saw with HP last year?

You see companies going to each extreme. You see Dell and Cisco trying to be everything to everybody. Cisco is now selling and making servers, it's going into storage, routers, switches, telephony and security. I would assume Dell is basically following that model. With their acquisition of EMC, they will become even bigger on the hardware side than Cisco, so now they become the biggest data center provider on the hardware side.

But they also have a ton of applications and things that work around virtualization and so forth. So, I think answering the question of which is the right path depends on your approach. I would think that a Dell approach probably wins if it's good. The question is, can you have so many disparate elements, and have the quality of each one be as good as or even as close to as good as a single purpose firm?

"Architecting and delivering a service is very different than manufacturing and delivering a piece of hardware."

And I think that HP's answer was no. HP's argument is that when you're selling things as diverse as consumer products and high-end data center infrastructure it ultimately provides more distractions than it does synergies. I don't think that necessarily has to be the case. If you have a really well-organized and well-structured company, knowing that companies are buying PCs and data center equipment at same time, though maybe not from the same people, a broad enterprise sales agreement securing great pricing and support for multiple types of offerings would sound like a pretty attractive option.

Now, HPE and CSC teaming up their consulting businesses makes sense because in their business, scale is important as well. You see a build-out in capabilities in a very large niche. I don't think you can be a niche hardware maker anymore and do particularly well unless you get bought—and a lot of them are getting bought, so that's probably the only path to success.

You see Blue Coat getting bought, and a lot of other smaller guys being bought by Cisco or others. But the big organizations, Cisco and Dell among them, have really struggled when it comes to the advanced services side. That's' where you're seeing most of the splits today. IBM split off their enterprise hardware business, or at least the lower end of it, to Lenovo, to focus on higher-end services. They did this because architecting and delivering a service is very different than manufacturing and delivering a piece of hardware. And I think that's where you're going to see most of the divisions. If you're a large hardware company, I think you'd be foolhardy not to try to offer as much variety of hardware under one brand as you could. If you're a services company, probably similarly, you want to offer services in multiple geographies in multiple threads (virtualization, routing and switching, architecting and voice, cloud, etc.).

But it's when you're trying to merge hardware and services, that's where it's the hardest. Having thought this out, Dell and Cisco are trying to become the providers of all hardware to all people, while HPE and CSC are trying to challenge IBM as the knowledge leaders for all people. I'm not sure how different they really are, one is just approaching the knowledge side and one is approaching the infrastructure side.

Do customers prefer the all in one approach like Dell is pursuing or the highly specialized approach like HPE is pursuing?

I think the complexity of environments—both in terms of hardware and software as well as consulting and management of them—is frustrating to many companies. So anything companies can do that doesn't cost them a significant amount more to reduce that complexity is something they'll probably consider. And I think that's where you'll see if Dell can offer you everything you need worldwide, that's more attractive than buying equipment from 7 or 70 different people (especially for companies organized regionally that have to go to multiple vendors).

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The same holds true on the knowledge side. If you have one company that can handle your CRM and ERP and point of sales systems, architecting and hosting it all in the cloud like an IBM or like an CSC/HPE down the road, that's attractive for a large enterprise. Large enterprises are complex—if you can have one point of contact handle it all, that's more attractive. That said, consolidated options have to be as good as their specialized competitors. Companies will pay more for at least the same service with less complexity, but definitely not for worse services.

Last year we saw Park Place and SEI sold. Why is the third party maintenance space so hot?

Third party maintenance is a great business. It's profitable, it's growing, and there's significant demand. There's lot of equipment out there and a corresponding desire to lower the cost and simplify the maintenance of that equipment. There's also a lot of great hardware that I think is starting to last a lot longer than it used to because you got sufficiency of capability that you didn't used to have in terms of bandwidth, in terms of size of pipes on networking side, processing power on services side, or other metrics.

So being able to capture that is a very attractive market that the OEMs are basically giving up because they need to focus on selling new equipment. I'm not surprised at the interest—I think it's a very attractive market that's currently fragmented, and on a broader scale

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forms an attractive, profitable, growing opportunity, perfect for PE and strategic acquirers.

How does the industry’s embrace of the cloud and tablets impact Curvature? What new opportunities have you seen?

As assets move to the cloud and compute and storage consolidates, we’ve seen a bit of a shift away from hardware but it creates more demand for networking. Even that shift, which people anticipated in the beginning as being OEM or hardware-negative across the board, you need significantly more security and networking aspects to handle a big cloud-enabled environment.

So we’ve seen a shift in demand rather than an elimination in demand. Because of that, on the professional services side, where people for the most part did everything themselves, the shift to the cloud has made them more aware of the increased need for security. In turn, the management of and resale of security now becomes a growing business for a lot of people, not just Curvature.

It’s similar with wireless. The growth of BYOD and wireless devices has caused people to really reassess their wireless networks and wireless bandwidth and the security of the same. So it’s created a ton of opportunities. We are doing more professional services than we’ve ever done, we are focused on wireless and security around that as a core competence, as well as our traditional area of routing and switching—and I think that will continue. It’s a shift on the hardware side to a fully bandwidth-enabled wireless world that’s not even close to complete. And will take many, many years to do so.

What has your growth meant for your customers?

We talked earlier about how we’ve gone from hardware to maintenance. Our hardware offering has gone from networking only to networking and servers to networking, servers and storage. Our maintenance option has grown to networking and servers. Our geographic footprint, where we can offer these services, continues to expand. We’ve opened dedicated sales and engineering resources in Japan and Singapore. We recently doubled-size of our European operation, and we’re planning in the fourth quarter to open a full sales and logistics testing facility in India.

So it’s not only about the products that we’re offering but it’s about how we can serve our clients in every geography where they are. And the most recent addition to that portfolio is a broader array of professional and managed services. Where we used to do some fieldwork like site surveys, now we’re doing full architecture implementation installation of hardware we’re selling and remote monitoring and management of people’s devices whether we sold them or not.

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What has been your strategy for expanding the number of vendors you support?

We're very customer-led. Way back in the day, customers led us to Cisco and certain players around them like Juniper and Force 10. Where companies had a real strength (F5 load balancers, Juniper routers) we were led into those areas. We started our maintenance offering on our core Cisco offering, and we've let customers in the market pull us where the demand is. And there's a tremendous demand for maintenance on fairly generic compute and disks (IBM, HP, Dell, EMC-type products). We engage customers regularly through surveys and touch points and have a lot of interaction with them, asking how can we help.

That's what led us to wireless site surveys and to India. And we'll keep asking. Our plate is full at the moment with continuing to build out our services offerings around certain server and storage components (not really manufacturers, but a broader array within the manufacturers' line) and then our foray into India, with us probably looking at China after that and perhaps Latin America.

Why did Gartner recognize you as a leader in the TPM space?

Most of our competitors have been at this a lot longer, but most were exclusively focused on servers. That's a much larger market, but it's slightly more generic with several common components. We came to the party from a totally different perspective: a Cisco angle. Because of this, our maintenance offerings were a natural outgrowth from our Cisco hardware business. We are, and were, at least 3-4x larger than the next largest Cisco reseller in the world.

It's true, and it's really our strength, that when it comes to Cisco maintenance there's nobody that has been doing it for as long or is even close to our size. Getting recognized by Gartner as a networking maintenance leader was a huge validation for us. Now we are really focused on challenging the incumbent providers on the server side. And we think we'll get there.

What's your relationship like with Quad-C?

There are different types of private equity firms. There are those that essentially take over and install their own management, with you along for the ride. There are also those that invest in you. Quad-C is definitely the latter. They have provided us financial support, guidance, expertise in areas like M&A that we did not have, but also they have been really good at allowing us set our agenda and our goals while helping us hold ourselves to them. It's been a strong partnership.

What is some of the advice given to you over the years that has been the most impactful in your career?

The main piece of advice that I received was to not be afraid to take risks. Someone once told me Michael Jordan missed more shots than anyone in the NBA. Today, it's Kobe Bryant—but the principal remains the same. It's truly remarkable—when you think of the five-time champion, you don't think he got that way by missing shots. To be successful in running a business, you can't close off any opportunities. Instead, you need to go out there and push yourself in order to succeed.