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Frank D'Alessio

Tom York

# Frank D'Alessio and Tom York

*President, Maintech and President, DecisionOne*

***Editor's Note:*** *In this joint Executive Perspective issue,* ***martin****wolf interviews Frank W. D'Alessio and Tom York, presidents of Maintech and DecisionOne, respectively. In March, Maintech was acquired by private investment firm Oak Lane Partners, thereby becoming DecisionOne's sister company.*

*Frank, as President and co-founder of Maintech, has led the company to become a world-class Independent Services Organization (ISO) with consistent growth and profitability. He is a former Chairman of the Board of the Service Industry Association (SIA) and remains active with the organization, in addition to numerous IT Industry trade associations.*

*Tom, as President of DecisionOne, is responsible for the strategic direction and growth of the company. He has previously served in a number of executive and senior executive positions with IBM Global Services. Tom currently serves as the President of the SIA and holds alumni status on several prominent service industry boards.*

***Can each of you talk about your backgrounds and how you ended up in the positions you are in now? How has your past history informed your leadership at DecisionOne and Maintech, respectively?***

Tom: I spent well over 30 years in IBM Global Services, where I became an executive but started my career by carrying a tool bag. I ran, among other things, the Maintenance and Technical Support business for the Americas—I had responsibility for all of the hardware and operating software maintenance businesses. And in my last assignment, I had the responsibility for the Global Strategy of that business. After leaving IBM in 2010, I worked in the TPM industry in different capacities, including serving as the President of the Service Industry Association, a role I still play today.

My perspective, coming from having run a very large services business in IBM and coming into these arenas, is that it's very interesting how so many of the same things apply. One of the terms I use is "same circus, smaller tent." I think having those

*"Always maintain a clear market focus and brand identity."*

experiences behind me gives me, in the third-party space, maybe a little bit of a unique positioning because I've been on the other side of the table. As you're aware, in the third-party maintenance marketplace, you have various encounters with OEMs. Having been on the other side of the table gives me some great perspectives. Frank will talk about his background and when you'll hear that, you'll see how complimentary our experiences are, because we're coming from two directions and merging, which makes us very unique, in my opinion.  By the way, he too, like me, started his career carrying a tool bag.

Frank: I began my career at RCA Computer Systems a long time ago when RCA was in the mainframe business competing with IBM, CDC and GE. In 1973, I was one of the six founders of Maintech. We provided adaptive engineering, product integration and hardware maintenance services for Directory Assistance (411) and Directory Publication systems for AT&T. This program was among the first large-scale migrations away from mainframe technology into mini computer technology. The standards of performance were 99.9975% well before "5 nines" came to be an industry standard.

Over the years, Maintech gained a lot of experience in the high-performance, multi-technology datacenter support business. I was responsible for developing the marketing plan and business plan to take Maintech services to the open market. Our feeling was, we were a NY-based company with high-end datacenter capabilities, so the logical thought regarding expansion was, "Let's take that skill set to Wall Street." Somewhere around 1980, we took our experience and references to Wall Street and we were very well received. From that point forward, Maintech was focused on its Third-Party Maintenance business. Maintech was owned by Volt Information Sciences from July 1980 to March of this year. Within Volt, we operated as an entrepreneurial, non-core asset enterprise.

I bring to the OLP/D1 family many years of operating in the high-performance datacenter market. I understand the operational demands, user expectations and multi-technology platform issues unique to that market. Perhaps the biggest attribute I bring to the table is my service philosophy: always maintain a clear market focus and brand identity.

By uniting D1 and Maintech, we have established the largest independent provider of end-to-end technology infrastructure support and services across every industry, from financial services to healthcare, and across the globe, spanning five continents. We now have an opportunity to have massive levels of cross-selling in our organization because of the many points of complimentary attributes. By doing this, we are allowing our clients to manage all of their technology infrastructure, from end user to datacenter, with one provider, D1/Maintech.

***What does it mean for you to be sister companies? How closely do you work with each other and what's it like?***

*“We’re always working on the best ways to maximize and gain efficiency.”*

Tom: It's really interesting, and I think it's an absolute win-win for OLP. To be honest, they didn't know the whole story, and it has been even better for them. Frank and I have known each other for probably over 15 years in the industry. When I was at IBM, Maintech was one of our key partners. We worked together there. We both have similar experiences in the largest association for independent services companies, the Service Industry Association. I'm the current president and chairman, and he's a past president and chairman. We have great respect for each other, know each other very well and work closely together. We say to our people that we work “two in a box”. Based on some things you've already heard with my experiences and his, there's not a week that goes by where we don't pull on each other to make sure we're doing the right thing for the two entities. We're always working on the best ways to maximize and gain efficiency.

Frank: Tom has covered the territory very well. It has really worked out well. For example, just in the last two months, there have been major RFPs where Maintech and D1 have teamed up to deliver a more comprehensive response and advance to be “shortlisted.” There has even been one example where one of our clients integrated two RFPs into one, once they realized there was now a TPM service provider capable of providing end-to-end services, from desktop/end-user support to datacenter management.

Our field service and selling teams are more closely integrated week-over-week. Even with all the integration going on and all the optimization of resource, we still maintain our individual brand identity and brand opportunity in the marketplace. Tom and I are strong enough leaders where we understand when a response needs to be independent and when it needs to come together and look like one. So far it has worked well in that regard.

***From a customer perspective, what are you able to accomplish now as a combined entity in terms of reach? How has this enhanced your offerings?***

Frank: It is important to note that we, together, are among the few in the industry that actually have our own infrastructure—in people, logistics and support. First, we have our own people—by this I mean the largest independent W-2 highly skilled technician pool in the country; almost everyone else in the industry uses variable. This greatly improves our reliability and quality control, offers our clients greater security in terms of facility access and allows our clients to make sure problems are fixed right the first time. Second, we have our own technology facility. Our 200,000+-sq. ft. facility in Ohio provides cradle-to-grave asset management services, all in one of the most secure environments possible and with our own full-time certified and trained employees. Third, unlike our competitors, we have our own client support infrastructure—specifically, call centers, help-desks, triage-desks and remote monitoring locations, including NOCs.

*"In the independent service marketplace, the stickier you get, the longer your contract is going to last."*

One immediate benefit is with every one of our large datacenter clients, we can now go in and help them with their asset management services—with the control of their deployed assets, with the technology refresh programs and with the product recycling programs. We could never do that before as Maintech. We do it now through DecisionOne's technology center, and it's a valuable add to our existing client base.

Similarly, DecisionOne has opportunities where they can bring Maintech's NOC monitoring or datacenter expertise to an RFP response, or to existing D1 clients where they were not able to provide that service before. What happens is, in the independent service marketplace, the stickier you get, the longer your contract is going to last. So the more services you can bring under one umbrella, the better it is for the client in terms of comprehensive solutions and the better it is for the service provider in terms of making it more difficult for them, quite candidly, to get rid of you. It's a win-win situation. We think that we've got many places where we can bring that to the market.

Another attribute is, I now have a much larger footprint domestically than I did before in terms of servicing all my client locations directly, and DecisionOne has a much stronger international footprint by taking advantage of Maintech being deployed across five continents.

Tom: Frank is right on with that because it's the capability that we now have together. When you think about the time it would take to build some of these things independently, it would be very difficult, if achievable at all, given market timing. We've taken our portfolios and went horizontal with it—to bring, as Frank said, so many more comprehensive services to a client. A lot of our competitors tend to go vertical. Datacenter companies, for example, play real deep vertically in that space.

*"A lot of our competitors tend to go vertical. We've chosen to go horizontal."*

We've chosen, with OLP, to go horizontal. Putting these portfolios together with so little overlap almost overnight gave us this great horizontal suite of services. By the way, we're not finished yet, because we have some acquisition targets underway that we're going to expand horizontally even more over the next months.

***What additional benefits are you able to provide together over your competitors in the space? What change was there in the competitive landscape when OLP announced this merger?***

Frank: If you look at it from the perspective of the two companies together, we probably have as strong a geographic presence as any other independent service provider out there, and probably the strongest among the top three or four providers. We also have the broader scope of services, from the most critical high-end datacenter all the way to desktop/end-user support and asset management services, out of a 200,000-sq. ft. technology center. So we can provide the four-wall support a lot of clients are looking for. We can provide the one-stop shopping a lot of clients are looking for.

And in terms of what we bring together, I think that the mobility issue comes into play with everyone going to a virtual deployed IT infrastructure. Our improved domestic geography and our expanded international geography really gives us a competitive advantage.

Tom: From a competitive perspective, we absolutely have more scale from a field services perspective. We have, in North America, well over 1,200 full-time W2 technical field resources. And we know our competitors; no one is even close to that, quite honestly. In fact, I had a conversation with an OEM just last week and found out Frank and I together have over twice as many field resources as this OEM because they have to go the other way. Because of the dynamics of what's going on with a lot of the OEMs, they're being quite challenged in their field support structures from a cost standpoint. It gives us quite an advantage.

*"We're already expanding our asset management capabilities by offering a proprietary software solution."*

We are also unique in having the large Technology Center in Columbus, Ohio that Frank spoke of earlier, as well as our two managed services sites. We have the end-to-end capability of staging, kitting, configuring, and deploying all types of technology, providing remote and onsite support and management, and then providing the back-end asset retirement services using our own resources.

The other thing is, with OLP's support behind this, we're going to bring additional offerings to the marketplace. We're already expanding our asset management capabilities by offering a proprietary SaaS solution, AMAST, that offers large companies the ability to catalog and proactively manage the maintenance and lifecycle of each asset. Maintech has embraced virtualization and cloud migration services for the SMB market—we are essentially the holding hand for our clients as they contemplate, assess and implement a cloud migration strategy, whether it be to a public or private cloud.

Finally, we are expanding our customer-facing and end-user support activities to include experience management—

essentially managing the full experience of the customer or employee interfacing with any aspect of technology infrastructure. Hardware maintenance is still core to us, but together, we're developing new services that are going to carry us into the future.

Another key differentiator for us is we are 100% services. We don't resell any new or secondary hardware. Some of the other firms out there, when you break them down, take quite a bit of secondary hardware businesses. We are not distracted by that. If we need hardware, we'll work with one of the many VARs we have relationships with. We honestly feel that by being an independent service provider, we can offer most unbiased level of service and most cost-effective solution with a focus towards maximizing the value and life of existing infrastructure or optimizing the setup, management and maintenance of new or refreshed infrastructure environments.

*"We are completely vendor-neutral. We have no allegiance to any OEM. "*

Frank: I think it's a strong attribute in terms of identifying OLP's marketing strategy and business strategy in terms of competitors. We are completely vendor-neutral. We have no allegiance to any OEM. If you tell us what's in your infrastructure, we'll support it for you.

***What is your relationship like with resellers and OEMs? Is it one of competition or collaboration?***

Tom: My term is "coopetition" and that's not unusual to be in those positions. When I was in IBM, I very much understood "coopetition." From the VAR side of things, we are very collaborative. In fact, one of our strategic imperatives is to continue to grow that because VARs are finding some interesting crossroads themselves with all this movement going on across OEMs. IBM has sold off major parts of their hardware business units as an example. VARs are finding themselves, even more than ever, needing to have some stronger affinity with services. A lot of the VARs don't have the bandwidth or economics, or both, to scale up into services as quickly as they need to. Gartner just recognized this recently in one of their last papers, where the VAR communities are embracing companies like ourselves. So we're very focused on the VAR space.

With OEMs, it's rather interesting—it's a mixed landscape. Both of our companies have strong relationships with a lot of OEMs, but there are a few out there that are always not going to want to be friendly with a third-party player—and that's fine. We let the customer be the arbitrator of that. In the DecisionOne side, in particular, we have some interesting OEM relationships where we are actually the support and services organization for their products because they don't want to build a heavy, fixed-cost service infrastructure. We believe the combination of Maintech and DecisionOne is going to position us more strongly to play in those roles. Many of our competitors are pure competition to an OEM where we will, and do want to, embrace OEMs. I think we afford a better opportunity for them.

Frank: He hit all the points. We don't represent a threat to the OEM on the products side, and I think our vendor neutrality and our global disposition is an asset to them. And our ability to react quickly to product deployments is something they really want and appreciate. We're positioned in the right spot to be solid partners with both the VARs and the OEMs. We have global relationships with quite a few household name OEMs to do exactly as Tom described.

*"At a point in 2018, we'll more than likely pick up the pace on global expansion as well."*

***Looking ahead to 2018, what are some of your plans? From a strategic perspective, what do you have your eye on in terms of key growth areas or untapped potential for Decision One-Maintech?***

Frank: We were acquired in March and we had three or four months where we were tied up in that. In the last few months, you could feel the momentum building in terms of collaborative opportunities. I think that in 2018, if you look at this on the short-term horizon, or on the six-month, nine-month horizon, is taking advantage of the latent opportunities that exist in both of our client bases and reintroducing the new and expanded DecisionOne-Maintech to the thousands of clients we already have. In parallel with that, we'll pursue expanding our horizontal footprint in terms of services through acquisition or investment. Really, just using 2018 as a way of broadening our portfolio of services and offerings and optimizing the opportunities that already exist in the market.

*"Somebody came to the realization that the annuity revenue stream is the gift that keeps on giving."*

You could look at it as the three-legged stool: build or acquire new services, drive more opportunities into the existing base, and have an enhanced and more powerful marketing program to reinforce our market identity out there in the market with our competitors. That would be my 2018 crystal ball.

Tom: I align with Frank's comments. At a point in 2018, we'll more than likely pick up the pace on global expansion as well. Like Frank said, with Maintech coming in to the family, we bring direct presence in nine countries across five continents and we certainly operate broader than that through strategic partners. I think, along with what Frank talked about, we're going to be looking keenly at continued global expansion as well.

***Looking more broadly, third-party maintenance and support is increasingly attractive for investors. What do you think is driving that interest?***

Tom: Less than three years ago, the TPM market had become a little stagnant. Private equity had a fair amount of dry powder and they were looking outside the lines. They discovered this interesting third-party market. Recurring revenue, strong EBITDA performance, and it's a marketplace that hadn't been tapped at all by private equity.

As that progressed, the realization has started to show itself with the dynamics of the marketplace. Changes with the OEMs and clients becoming more educated about the benefits of third-party services. The next steps have started formulating themselves with the investment communities saying, "If I can get bigger and broader faster, there's a market share opportunity here."

When you look at this space, we tend to talk about four bulls in the ring. Companies such as ourselves that we feel like are on that type of trajectory. The TPM market is made up predominantly of much smaller companies in niche or specialized areas. There's a group of us out there that are strategically looking at that and figuring out smart acquisitions. In our case, it's more horizontal than vertical. I'll be honest. In the years I've been around the third-party market, I think it's more exciting than ever before.

Frank: Tom certainly has the most informed OEM view from his experience there. I, having operated in independence since '73, would say it is the most exciting time, without question, because of the money that's coming in for acquisitions. Somebody came to the realization that the annuity revenue stream is the gift that keeps on giving. If you look at some of the dynamics of the independent service market, there’s a momentum to that annuity revenue. Unless you're a really poor performer services company, if you're doing a good job at a good rate, the contract takes on a life of its own. We have some contracts that have been in place from 15-25 years for uninterrupted service with a client. So I think somebody looked at that and said, “Wow, that’s a pretty nice revenue stream.”

*“As the technology migrates, we’ve got the service solution to work with that migration.”*

And then you have the advent of consolidation in the independent service marketplace. There are economies of operation that can drive the margins on that consolidation. Tom says there are four bulls in the ring, and that's true, there are really four big ones. And everybody else is some lesser level of niche market or smaller market player, so there are really only four that have a truly broad scope of services. There are probably only two of us that have the international reach that we have. So we think that's the key for us in '18, to get bigger and bolder internationally.

***As companies move toward the cloud, how does that affect IT infrastructure providers, especially with the rise of public providers like Amazon and Microsoft that promise to outsource that and take it off their hands?***

Frank: You have to look at that in two sets of two. I've listened to Michael Dell and some others, and the prevailing view in the market is that at the high end of the market, there's always going to be a public and private cloud. No one in the high end of the market is going to be completely public or completely private for the foreseeable future. It's completely different for the SMB market.

For the high-end market, where we spend a lot of time, the more impactful issue that's going on is virtualization. We've had accounts where four years ago, we had 90,000 servers, and through virtualization it's down to 50,000 servers as technology allows that kind of consolidation. There’s also the advent of grid computing and white box computing—massively parallel stuff. Fortunately, we have a very strong multilevel service opportunity for Hyperscale users, so we feel comfortable about the high end of the market. As the technology migrates, we've got the service solution to work with that migration.

In the mid-market, it’s very different. Companies that had legacy datacenters with 200-500 servers have made the migration to the cloud. They’ve completely embraced outsourcing their hardware, outsourcing their infrastructure, and getting everything on demand from the cloud. What we’ve done to offset that is to get bolder with our managed service offerings. We go to some of our mid-service clients and say, “Look, you want to get to the cloud, so we'll help you do the discovery and we'll help you do the planning and implementation. We’ll provide you the ongoing support to manage your desktop, manage your network, monitor your environment, provide level one and level two support for you, and you get it all in one location.” We’ve seen an erosion of hardware maintenance revenue in the SMB market, but we've seen a very complimentary uptick in revenue in managed services.

*“If you put a target on the radar, they move pretty fast.”*

***What does OLP bring to the table? In a broader sense, what role does private equity play in development so far?***

Tom: OLP are absolutely committed to this vision from a strategic perspective; they do not operate like an exit-focused PE fund; they are committed to involving themselves in every aspect of the business and collaborating with us and challenging us to build it. It’s not always the case with other private equity firms. OLP is very open and they embrace our feedback on where we should be looking at targets. One thing I have to tell you is if you put a target on the radar, they move pretty fast. For me, coming out of a big company like IBM, that's refreshing. OLP is willing to take information and move fast with it.

From an overall private equity perspective, the fact is that independent companies—with the exception of very few—operate as owner-operator companies. Raising investment capital was a hard and challenging thing. Private equity has

*“Try not to serve every market or you’ll dilute your assets.”*

bridged that now by coming in with the willingness to provide that necessary growth capital to allow aggregation plays like we and a few of our competitors are starting to do. OLP’s strategy in this market is strategic in nature. So I really like working in this environment and I think OLP really has a vision. They want nothing other than these companies to be the premier, global provider of infrastructure independent services in the market.

Frank: I think he hit right on the head. The short answer is, OLP is investing for the long-term play to be the dominant player. They're not in it for a quick hit. And that's kind of refreshing. They're in it for the long haul.

***What were some of the motivations behind the merger? We've addressed it in bits and pieces, but whose idea was it to put you guys together?***

Frank: It was the OLP leadership that said, “We own this asset called D1, we have an opportunity to capture an asset called Maintech, and look how complimentary they are. This is a strong step toward our ultimate goal, which is to be the dominant independent provider in the market.” But that’s my view. They saw the fit was so smart between DecisionOne and Maintech. At the risk of sounding self-serving, they knew Tom and I had a great working relationship, and they saw the value prop of that from the get-go.

***What's a piece of advice that someone shared with you in your career that you would like to pass along?***

Frank: I had a great mentor and he told me early on, and this is exactly the way he said it: "Kid, we’re selling service, and when you sell service, you’re selling trust. Don't dilute your trust. Get concentrated in your intellectual capital, get concentrated in your asset deployments, and be special to select markets and select services and deliver above the market norm. That's the key to success in the service business."

There have been variants on that over the years, but his thoughts have always rung in the back of my mind. Be the best in the market you serve and outpace the competition, but try not to serve every market or you'll dilute your assets.

Tom: In my case, I've had the pleasure of being around some very smart executives. One thing a former chairman of IBM said that I've never forgotten, was: "Avoid the inevitable."

At some point, every product or service commoditizes. The winners are the people that move to the next step before that happens. That stuck with me. I think it's very much in line with what we're doing here as we talk about horizontal expansion, as we talk about some of the cloud services we have on the table, as we talk about asset services, and as we talk about where we are going from here. You're going to hear about more horizontal expansion soon, as we're going to move into facility management services. It's all about moving before this traditional market fully commoditizes.

*"It's all about moving before this traditional market fully commoditizes."*

The other thing I tell all my leadership teams, is: "Don't ever forget, in the services business, every night your product leaves the building." I always ask, "Did you do something to make sure your product comes back the next day?" It's very different than selling hard goods. Lastly, a mentor told me a long time ago, that if you say something is important, then act like it.