MetaSolv Emerges from a Successful Transformation

Q&A with MetaSolv's Curtis Holmes

By Edward J. Finegold

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A Pipeline Q&A with MetaSolv President and CEO Curtis Holmes

For this month's Pipeline Q&A, Editor Ed Finegold sat down with T. Curtis Holmes, President and CEO, MetaSolv Software. In this one-on-one interview, Holmes explains how this once CLEC- and US-focused software vendor leveraged telecom's dark times to become a global technology partner to some of the world's largest communications operators.

Pipeline: Curtis, when you have 30 seconds or less to tell service providers the main difference between MetaSolv and other OSS players, what do you say?

Holmes: I think the main thing that differentiates MetaSolv is that it is focused on being a strategic partner for its customers. It's also our proven experience; product scale and reliability; and an intense focus on serving customers.

The key is having strategic partnerships with our customers. Service providers are moving away from trying to find who has the technology to fix a specific problem, and moving toward working with partners who will be there for them in the long term. They're asking which company understands our business, can bring talent to the table, and can help us reach our business goals?' We believe we do that better than anybody in the space.

Pipeline: You've helped to see MetaSolv through some massive changes in the past three years. As the dust settles and recovery begins, what will it take to make MetaSolv profitable for the long term?

Holmes: In 2001 we put together a well-defined strategy to address just this point, and we realized we had to take three critical steps. First, we had to globalize the business. It was North America-centric and CLEC focused. We said, 'this needs to be a global company from product, customer, people and revenue perspectives.' Second, we needed to shift our customer base from primarily CLECs to large Tier 1 carriers around the world. Third, we needed to focus on next-generation services, with specific focus on mobility or wireless – and IP-based services.

Now, we did not have a clue back in 2001 that the industry would turn quite the way it did. We, and everyone we spoke with about it, didn't think [the downturn] would be as bad as it was for as long as it was. However, during the past three years what we've done is to execute on our strategy, and we've done this mainly through two strategic acquisitions. We changed our company.

Pipeline

It's in here.

We formed a team called project Accelerate - to accelerate the transformation of the company. When we went to do the Nortel/Architel acquisition, we talked to the customers, looked at the products, and realized that if we pulled off this transaction, we would be able to pull off our transition very rapidly.

What that acquisition has allowed us to do was go from having 10 percent of our revenue coming from outside the US to more than 50 percent coming from outside. In 2001, CLECs represented two-thirds of our customer base. At the end of 2003, two-thirds of our customers were global service providers and only one-third were CLECs, so we switched it around completely. CLECs are still very important to us, but we recognized that for us to survive and eventually thrive, we had to transform the customer base. Further, in 2001 only 3 percent of our revenue came from mobile carriers, but today 23 percent of our revenue comes from mobile.

We believe we've now put all the pieces of the puzzle in place – the strongest customer base; products that are tested, proven and scalable; and we have the talent from our acquisitions and that we've hired from the marketplace. Most importantly, we have a stabilizing market that will allow us to reach profitability and sustain it.

If you look at what [the industry] went through from 2001 to 2003, it was unprecedented. No one had seen anything like it in telecom. Now we're battle tested; we have the scars, and have a leadership team now that's better prepared, more proactive, and that has the talent to prevent us from getting into the situation we were in before.

Interestingly enough, in 2001 the analysts wanted us to make deeper reductions, but we wanted to make a deeper investment in R&D and now it's paying off. We just launched and sold M6, for example. We made many decisions during the downturn that others are only just starting to make.

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MetaSolv's Shift in Revenue 2001-2003	
Revenue from Outside U.S.	
2001	**22%**
2002	**38%**
2003	**56%**
Revenue from Tier 1 Service Providers	
2001	**32%**
2002	**52%**
2003	**65%**
Revenue from Mobile Operators	
2001	**3%**
2002	**17%**
2003	**23%**

Pipeline: Among the changes MetaSolv made early in the downturn was a major change in leadership. What can you tell us about how you and MetaSolv founder Jim Janicki handled the leadership transition together?

Let me first note that we had the same leadership team from mid 2001 to 2003. Through most of the downturn we had consistent leadership and now we're seeing the payoff. Our competitors were saying that we needed to replace this or that person, but people had to recognize there were market conditions we couldn't change. I give Jim huge credibility and credit. He started planning the transition in 2000 when we first met. He told me then that he was looking for a person to lead the company going forward and to go to the next level, and if you're going to be the guy, you should understand that we want to make an orderly transition. A lot of leaders don't have the foresight to plan and execute that. In the end, it was a three-year, smooth transition, and Jim and I have been able to minimize each other weaknesses and maximize each others' strengths.

Pipeline: Many OSS vendors are guilty of trying to be "all things at once." MetaSolv has a very broad product portfolio. How do you hope and plan to maintain a focused identity while still educating your customers and the market about your range of capabilities?

Holmes: When you think about it, we had gotten feedback in years past that we had only one product and that we needed to have a multi-product portfolio. Now we hear, "you've got multiple products…"

Most simply, we want to be the service fulfillment leader - inventory, provisioning and service activation. We want to help customers in that whole service delivery process from order to activate. Our competitors are typically niche players in one segment, but now they are starting to say they can do a little bit of everything. What we've been able to do is put together all the pieces. We looked at our customers, our competitive landscape and the reality of being a one-product company; we didn't think that was a good idea. If you look at our acquisitions – those products are generating more than half our revenue. If we hadn't moved toward these strategy-driven acquisitions, we would be a different company today.

Also, being a multi-product company lets us be in the best of breed mode when our customers want it, or we can play in a solutions mode. For example, we can really add value through a best of suite or best of solutions orientation - and that's where you are brought into a BT or a Brazil Telecom as the entire suite. On the best of breed side, such as with service activation, we're supporting mobile services – like Vodafone Pacific in Australia, New Zealand and Fiji, and mmO2 in the UK. We also provide activation for others for traditional voice, like KPN in the Netherlands, and also for data services like at Bell Canada. There are other customers for IP VPNs like AT&T and Energis. So the value we bring unlike some competitors – one focuses on IP, one on frame relay - is multi-vendor and multi-service. We want to get away from the silo approach, which carriers need to do for the sake of their cost structure. For a while, one of our largest competitors could talk about a solutions orientation, but not for next generation services like mobile or IP. Now those competitors are outlining strategies we developed three years ago - and that's while we continue to win in the marketplace and move forward.

Pipeline: What principles have you found paramount in leading MetaSolv, and how does that affect the company's approach to doing business?

Holmes: In 2003 we actually revamped all of MetaSolv's corporate values. We made significant investments and focus-group efforts to re-evaluate ourselves. We said that integrity is our cornerstone, and that we would hold ourselves and our employees to the highest levels of integrity and accountability. When we established our values we put them into four categories.

First, customers are our number one priority, and this isn't true for everyone. In the past someone might have said that MetaSolv 'sold and left', but that's not what we're about today. That [approach to business] is not our priority. We also don't commit to things we don't intend to do for our customers. We share our plans of intent, and our plan of record that shows what we commit to do. We operate in a very open and accountable manner with our customers. When it comes to the way we do business, we will always take the high road because we feel that's what's best for our business in the long term.

Second, employees are our strength. You have to imagine how hard this idea was to promote during the last few years given the realities of the marketplace, reduced carrier spending, shareholder pressure and so forth. So you can imagine what our employees said - 'okay we're your strength, but look at all this restructuring.' So we gave them opportunities to learn through education and training, and have experience with our customers. While people are working hard they can have fun and grow in the process.

Third, if we focus on customers and do a better job of treating our employees as they expect to be treated, we would increase shareholder value. We've put things in place to provide more value to our customers that are going to pay off in increased shareholder value.

And finally, we have a responsibility to give back to the communities in which we work. We work with United Way, with Boys and Girls Clubs of America, and we have donated equipment, time and dollars to help our communities.

As a leader I feel accountable to our employees, our customers and our shareholders. I have to walk the talk as well. So while we're under tremendous pressure to increase revenue and shareholder value, and achieve that next level, I can't do that in a way that is suffocating or demoralizing. We don't want to point fingers when things go wrong. We want a culture of teamwork and accountability, but we do have high standards and expect people to perform with their A-game.

Pipeline: If we can change gears a bit - Can you describe how you won the VoIP deal at BT? Our readers are interested to understand the products involved, how they're being used, and the process involved in building a relationship like this.

Holmes: BT has been a great customer for us and has been leveraging our solutions for a while in different parts of their business. They saw the need to roll out VoIP in a more automated way, and asked who could get them there. They wanted a strategic partner.

We had a strong sales team focused on this customer, we had strong products, and we have a great willingness to partner with BT. At the last TeleManagement World event in Nice, France, they shared with analysts and customers that it was, one, both product scalability and a multiple vendor approach; two, that they wanted a solutions and not a product approach for order to activation; three, they looked at total cost of ownership; and four, they wanted a long term strategic relationship.

If you think about that, our differentiation is why BT chose us for VoIP. They're using our inventory, order management, and service activation capabilities to achieve things like 100 percent flow through provisioning; 97 percent order success rates; a 50 percent reduction in time to provision that allows them to support a 100 percent increase in service growth. They are doing 800 VPN orders per week. These are the numbers they've been presenting to the industry.

The thing that was also important to BT was our roadmap. We were willing to continue to invest in the products going forward, and BT said 'you're moving in the direction where we're moving, and it makes sense for us to partner.' I believe in 2003 they were our largest customer.

Pipeline: What about the time involved in closing this deal with BT?
Typically the process with BT takes from six to nine months from the initial evaluations through contracts and the beginning of implementation. With a new customer you would add a few more months to the sales cycle. So, there are some new services we've been talking about that I envision coming about in the next few months. We have a significant amount of professional services talent working with BT and BT Exact, so there's going to be continued business there and we're working together very well.

Pipeline: What areas other than VoIP do you see as catalysts for driving OSS recovery?

Holmes: I think you're going to see service providers continue to face increasing competition and needing to roll out new revenue generating services. On the revenue side, the drivers are mobile services, VoIP and enterprise data. As carriers move to more and more data and content services, they'll need activation and inventory to deliver and manage them.

On the VoIP side, they'll need subscriber management, inventory management, and configuration on the network. In enterprise data you have IP VPN. It's still mostly early adopters, but you'll see more deployments as we go. Metro Ethernet is growing, and that will also drive VPN.

Now, on the cost side there are also drivers. First is asset management. The carriers have to have an accurate representation of their capabilities, and that's where inventory management really comes in. The second driver is automation. Carriers need to decrease the time and cost to provision services. That's where we come in and automate the order to activation process. The third driver is systems consolidation and the subsequent elimination of legacy systems. When you think about our work at Vodafone Pacific and others – a lot of these providers built their systems in the heyday of the market and they may not be suitable now. So they need systems that are suitable to their current and future needs, systems that are easier to maintain, and that's an opportunity for us going forward.

Pipeline: What does Telcordia's acquisition of Granite Systems mean to MetaSolv?

We have always believed that industry consolidation was needed and inevitable. If you look at what MetaSolv has done, we've been a leader in industry consolidation. We think [Telcordia's acquisition of Granite] is a further validation of our strategy. We think inventory management is important and carriers are going to replace their legacy systems, and Telcordia's acquisition validates that strategy. Does that change how we look at things? We have more customers than our competitors; our service fulfillment revenue is arguably higher than most of our competitors. If you look at what we're doing, we're still the leader. Our job now is to grow faster than the market, and that's our focus.

Another effect of this acquisition for us, and consolidation in general, is that the competitive landscape is simplified. It was unclear who [Telcordia was] really partnered with, but now that's been answered to some extent. It has made things simpler, and all we have to do is continue to execute on our strategy. We know what [executing an acquisition] is like. We did it in the trough of the market and now we are coming out of the shoot ready to go.

Pipeline: Though you are young yet and may have another twenty years of your career ahead of you, what do you hope Curtis Holmes' legacy will be in telecom when you someday decide to hang 'em up?

I started at Bell Labs in '81 and '82 as a summer intern and then joined in January '84 during divestiture. When I think about what happened in '84 and what happened in 2000 and 2001, I think we (the telecom industry) are just getting started.

That said, MetaSolv was considered a leader in the boom market – and there were other OSS companies that also were and aren't around anymore. Now it's time for MetaSolv to thrive once again. So when I think about the legacy that we want to leave, and that I want to leave, it is one where we put the pieces of the puzzle together and live up to what our true potential is. When you think about MetaSolv, don't think about me, think about a team that was in the marketplace, did it the right way, and came through telecom's tough periods as winners. I told the team during the downturn that we could get through this, and I had people telling me we couldn't. Now those people are saying they see the light at the end of the tunnel and this time it's not a train.