

Turning the firm around

At the helm of Veramark since January, CEO Anthony Mazzullo aims to revitalize it

By MARY STONE

The presidential wing of Veramark Technologies Inc. stands empty and eerily dim these days under the distinctly different leadership of new CEO Anthony Mazzullo.

Mazzullo spent only a few hours in the sprawling apartment-style office before moving to the opposite wing and into an inauspicious room tucked beside a series of others just like it.

The move was the first impression employees had of Mazzullo, 51. Veramark just had finished a decade-long chapter under the leadership of David Mazzella, whom in recent years a handful of shareholders has criticized for his compensation, his unresponsiveness to their concerns and the company's poor performance under his direction.

The Pittsford firm has battled declining sales, a turbulent telecommunications industry and a falling stock price from \$7.25 10 years ago to 55 cents this week.

With 80 employees, the firm ranks 19th on the Rochester Business Journal's upcoming Rochester Top 50 list of public companies, ranked by 2007 net income.

The telecom software company logged \$11.9 million in 2007 sales and has a market capitalization of \$5.2 million. Veramark recorded a net loss of \$706,000, or 8 cents a share, in 2007.

In 2006, sales totaled \$10.4 million, down from \$10.9 million in 2005. The firm recorded a net loss of \$488,000 in 2006, down from net income of \$382,000 in 2005.

Almost 20 years ago, the company—then called Moscom Corp.—

had 120 local workers and \$10.6 million in 1989 annual sales.

Annual sales have remained flat, between \$11 million and \$12 million, Mazzullo says, and for years, shareholders have had enough.

"They've been waiting 10 years for something to happen, so they have a right to be skeptical. And I don't believe I have 10 years to do that," Mazzullo says. "We have to execute and show we can make a difference in the next 12 months."

When he walked into Veramark, Mazzullo says all he saw was potential.

Taking potential and developing it is what Mazzullo did to transform himself into a Cornell University graduate and later into a successful process consultant and business owner.

"For 25 years that's what I do: I walk into places and try to see where the potential is rather than be caught up with the surface-level stuff," Mazzullo says.

At heart, he is a strategist. His associates say he also is a motivator.

"In an organization like this, you have to teach employees one thing: That it doesn't have to be the same thing every year. The only thing holding us back is our mental view of ourselves," he says. "If you believe, if you have a compelling vision of what you want the company to be, then you can make it so."

New product

To that end, Veramark is developing a new product Mazzullo says will transform the way companies invest in their communications networks. In a nutshell, Veramark's product is expected to shine the light where none has shone before—in the tiny



packets of information that traverse networks.

Bits and bytes are a little like hieroglyphics, Mazzullo explains. To understand them, the company is applying data analytics and business intelligence to provide communications intelligence services to enterprise customers. The goal is to show them where they need more bandwidth, larger capacity switches, increased security, and other equipment and services—without overspending.

“It’s sophisticated, but there are ways to go in and determine what’s going on at the packet level. And the real value proposition is taking that information and marrying it with your expense information and providing visibility to that data to the people who are making business decisions,” Mazzullo says.

Chief information officers, he says, typically overspend to avert disasters they do not have the data to forecast, let alone prepare for.

For Veramark, providing the analytics services could mean millions of dollars in additional service maintenance contract revenues.

Veramark’s specialty is designing software to manage telecom usage. Their products, depending on the customer’s size and needs, cost between \$5,000 and \$500,000. The sales cycle can last from days to weeks or from six to nine months.

“Our largest customer, for example, is a very large national retail chain. It must

have 4,000 or 5,000 stores, and we monitor all their networks for all of their stores. That’s a million-dollar-a-year managed-services business, but we saved that company \$5.7 million last year. So we have a very strong value proposition for enterprise clients,” Mazzullo says.

With the company’s new project, Veramark hopes not only to improve usage but see and understand communications usage—telephone, mobile device and Internet usage—and translate it to dollars for business owners.

“For the first time, they will have information on which they can make intelligent decisions for where the investments should be next year. They can look at what’s going on and say, ‘We’re spending all of this money on mobile device services, telephony services and trunk lines, and in this area or store or university, we’re not utilizing those services. We’re paying for them, but we’re not using them.’”

Businesses can cancel services, eliminate contracts that are not paying for themselves and push down operating expenses, which Mazzullo thinks holds enormous potential value to customers.

His research tells him he is right.

He has consulted with prospective and current customers and researchers from Gartner Inc., Forrester Research Inc. and Aberdeen Group Inc., all of whose feedback has been very positive, he says.

“I spend half my time going out and talking about the strategy and listening to the feedback to make sure there’s a connection with the marketplace.

“I don’t pretend to be smarter than anyone else,” Mazzullo says. “I just want to make sure that what we’re thinking of doing is compelling to prospective buyers and the people in the market who would write and talk about what we’re doing.”

In that way, Mazzullo is worldly, says Robert Mechur, partner at Boylan, Brown, Code, Vigdor & Wilson LLP. He has watched Mazzullo develop since he entered the work force some 20 years ago.

In the 1980s, the two Cornell graduates worked at Omnicad Corp., a former software development company in Rochester. Since then, Mechur has served as general counsel for the various companies Mazzullo has developed and sold in his career.

“He’s still very smart; he’s still very energetic and hardworking, but I think he has a worldliness and understanding,” Mechur says. “He was then and is now very focused. He understands customers’ needs and how to serve customers’ needs, and I think that’s grown to a broader appreciation of how to build a business around cus-

tomers’ needs and the marketplace.”

Creating trust

Mazzullo says it is imperative to gain employees’ trust. The company has had a long way to go, but from the day he moved in, the changes have been felt.

Denise Chapman, director of marketing at Veramark, says that when Mazzullo moved out of the executive wing, a new attitude at Veramark began to emerge.

“I think that spoke volumes quite honestly because it said to everyone right away: My door is always open. I’m part of the team,” Chapman says. “Tony is the kind of guy, you can stick him in a cube in the middle of everyone, and he’d be fine.

“For Tony, it’s not the walls around him. It’s people and being a part of things,” she says. “It really made a huge difference.”

Mazzullo says it is essential that his employees feel free to challenge him. If he presents an idea, he wants them to poke holes in it and feel the freedom to take risks. Establishing that level of comfort is something he has set out to do, with care and over time. But make no mistake, he says, he does not get bogged down with talk. When the talking is done, it is time for action.

Now flanked by partnerships with business intelligence and analytics experts, an original equipment manufacturer and specialists trained in mobile device service and tracking—plus 14 new employees since the New Year—Veramark is gearing up to develop its product.

“Off we go,” he says. “I always like to say, if someone isn’t going to stop us, or tell us we’re full of ourselves, then we’re going to go full speed ahead. We’re not going to let ourselves hold us back.”

Chapman says Mazzullo has done a great job establishing momentum, not only with rewards systems and 401(k) match programs but with targets that development and sales teams are reaching.

“People are a reflection of their environment. They like to be led by example,” Chapman says. “Tony does a fantastic job doing all those things, just by his passion, his excitement, his belief in people.

“He’s got incredible knowledge: he’s great on the finance side; he’s good on the sales side, marketing side, operations. The guy is everything wrapped into one, which is very unusual to find in a CEO, where their breadth of experience is so broad and diverse,” she says.

Being well-rounded has been Mazzullo’s goal since he was a kid, though he is loathe to admit it.

He says going to college was easier than going to work. But with his father in retirement by the time he was college age, Maz-

Anthony Mazzullo

Position: President and CEO, Veramark Technologies Inc.

Education: B.S. in electrical engineering, Cornell University, 1979; MBA, finance and accounting, Simon Graduate School of Business, University of Rochester, 1985

Age: 51

Family: Kimberly Hayton; daughters, Andrea, 23; Katherine; 21, Christine, 10

Residence: Perinton

Outside activities: Spending time with family; jogging, reading

Quote: “An organization like this, you have to teach them one thing: That it doesn’t have to be the same thing every year. The only thing holding us back is our mental view of ourselves. If you believe, if you have a compelling vision of what you want the company to be, then you can make it so.”

zullo—a Rochester native—had to come up with his own tuition money.

He was always good in science and mathematics so engineering was an obvious career choice.

“I originally lived in the inner city and then East Irondequoit,” Mazzullo says. “Working-class family: My father was a mailman; my mother was a stay-at-home mom. I went to Cornell, which was the first big break in my life.”

He got scholarships, loans and a job on campus. In 1979, he graduated with a degree in electrical engineering and started his first job in integrated circuit design and manufacturing. At night, he went to the University of Rochester for his MBA in finance and accounting. He graduated in 1985. It was his second big break.

“I’m a big believer in education,” he says. “It’s transformed me from where I started and where I grew up to having this opportunity. It’s fantastic. I don’t believe it would have happened without the investment in my own education.”

A career and curriculum were a lot to take on, but he knew early on that finance was a weakness for him—an underdeveloped aspect only higher education could cultivate, Mazzullo says.

He took his knowledge and plunged head first into his first business when he was 27.

He started the business two or three years after joining Omnicad Corp. in Fishers, where he started out as director of marketing. At Omnicad, he says, that meant project manager for the president.

It was his third break. The opportunity gave him an unusually early peek into the inner workings of top leadership.

“He would do the deals, and I would manage the projects. I was sitting right in the middle of it, in the CEO’s office. I was listening in on the deal-making. I was managing the projects and dealing with the entire organization. It was a blast,” Mazzullo says.

“That was 1985, I was 27 years old. For someone of my age and experience, it all came together very quickly.”

An entrepreneur

In 1987, Omnicad changed its market focus and began to divest its design automation business. Through a deal Mazzullo made to exchange his sales services for the purchase of the division, he did not have to pay to start his own company.

And to make things easier, he already had clients lined up. From 1987 to 1990, the company—TASK Technologies Inc.—expanded to 15 employees on \$300,000 from a local venture capital investment and

\$300,000 in loans.

In the early 1990s, Mazzullo got his first major business lesson: Do not get ahead of yourself.

“Back then, you feel pretty invincible. One of the dangers of early success is it can go to your head,” he says. “A person I had met several years earlier had convinced me, ‘Now was the time to go to Europe and Asia.’ To grow the company rapidly.”

Big mistake.

“There was no way we had enough money to do that, nor was our product ready for that,” Mazzullo recalls. “We went overseas and proceeded to bankrupt the company. We spent all the money. It was just

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too expensive. Not only that, it took our focus away from building ourselves in North America, where we already had some momentum.”

Before the company went under, Mazzullo made a deal with a competitor, Harris Corp. Scientific Calculations Division, to sell the company.

“I was 29 years old and my house was mortgaged. My credit cards were run up. I had everything into this company. I was the classic entrepreneur with nowhere to go but find a way out,” Mazzullo says.

“The deal with Harris was fantastic because we basically all became employees,” he adds. “They wanted our people. They wanted our technology. They paid us a fair amount of money for it. They paid all of our debt. For the most part, everybody came out of it in one piece.”

Mazzullo worked at Harris for the next six years, until 1997. It was there that he met his significant other, Kimberly Hayton. The couple has raised three daughters and worked together to start a later business venture, after Mazzullo went to work for LPA Software Inc.

“That’s a supply chain company. It was software, but it was in a completely different market. So for the next two and a half years, I was able to transition into the supply chain market and understand a whole new business: That was absolutely the best thing I could have done,” he says.

Mazzullo has been methodical in rounding out his expertise and joining Veramark

is part of that cultivation. Each move has been made to add a new perspective to his understanding of business to sharpen what he considers his passion: strategy

He likes to try to understand a problem from all angles, and his broad experience, colleagues say, has helped him do that.

“He is able to relate better to everyone in the organization,” Chapman says. “He understands very intimately what it’s like to do their job and what’s involved.”

Mechur says Mazzullo accepts people’s input in a way that inspires trust. He responds gently and thoughtfully, Mechur adds.

“And he’s very good at building teams. I represented him at several companies after Omnicad. I’ve seen him grow as a businessperson. When he joined, he was an engineer. Today, he is a pretty well-rounded businessperson,” Mechur adds.

In 1999, Mazzullo went out on his own again to found Pittsford-based eTrack Solutions Inc.

But in 2000 and 2001, the firm, like many tech companies, lost clients when the dot-com bubble burst.

Mazzullo sold the firm in 2001 to Manchester Technologies Inc. for \$290,000. Three years later, Manchester was acquired by ePlus Systems Inc., a subsidiary of publicly traded ePlus Technology Inc. in Virginia.

Mazzullo continued with ePlus Systems from 2004 until leaving last year to join Veramark on Jan. 1. At ePlus he oversaw some 70 employees as senior vice president of operations.

Now Mazzullo is giving Veramark the same sort of makeover he gave his professional expertise: by developing one aspect at a time.

At Veramark it started by building trust again within the organization, communicating with the external public and going back to refine strategy. Now, it is time for the implementation phase, and Mazzullo could not be more excited.

If he spends the night awake, thinking about strategy, it is not considered work. Mazzullo says he loves it.

Right now, he is trying harder to spend time at home in Perinton with his 10-year-old daughter, Christine. She is the last of his three daughters at home, and he wants to make the most of it, he says.

Mazzullo’s cousin, Excell Partners Inc. CEO Theresa Mazzullo, says he is family-oriented.

“Despite his schedule, he makes his family, primarily his three daughters, a priority in his life. He is very good at managing his life to create that balance,” she says.

For now, he has little time to devote to himself, though he does like to jog when

he can.

His passion is his job.

“If work is fun and rewarding, it isn’t stressful,” he said.

That easy approach is something his employees see, Chapman says.

“That connection he has with people is really strong. There’s a huge energy I’ve noticed in the company, which has just been massive since Tony walked through the door. It was literally within a couple of days that the environment began to trans-

form under his leadership.”

“Before, morale was OK. There wasn’t quite that level of passion that there is now,” she says. “Today, Veramark is a new company.”

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