

Symantec 4.0: Symantec's Strategy Revolution

The recent announcement of Symantec 4.0 by Symantec executives revealed not a new product but Symantec's new corporate strategy. Characterized by Symantec as "a revolution", Symantec 4.0 is much more than a marketing campaign. As described, it represents a broad reaching overhaul of Symantec as an operating enterprise. In our view, this is a much needed revolution and welcomed change that is way past due for Symantec.



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The Symantec leadership team developed their new strategy based on input from customers, employees, channel partners, and analysts. Based on the Symantec 4.0 overview provided, it appears that the leadership team heard, understood and is addressing the needs and challenges articulated by their various constituents (customers, employees, channel partners and shareholders.) Let's take a quick overview of Symantec 4.0.

Strategy Overview

Symantec 4.0 is an ambitious strategic initiative that will potentially transform Symantec to its core. The most notable aspect is the breadth of issues that it addresses and seeks to change – for example, this includes product offerings, R&D, organizational efficiency and realignment, partner enablement, and financial offerings.

Focus on the Customer

Customers are the central focus of the new strategy which includes major internal changes that directly impact customers, such as product/solution offerings, product integrations, improving support mechanisms, R&D, simplifying licensing processes, industry vertical initiatives and more.

As stated by Steve Bennett, President and CEO, "This is a story about more focus and better execution by Symantec to make things better and easier for our customers and partners. Our path is straightforward: Offer better products and services tailor made for customers, and make it easier for them to research, shop, buy, use, and get the help and support they need."

A New Product Offering Approach

The first significant change is in the way products are offered. The existing product-centric approach will be replaced with modular, integrated solutions with broad capabilities. This eases the customer's burden of product deployment and maintenance. However, customers will still have the option to purchase individual product modules if that is all they require.

What appears at first glance to be just a technology integration project will actually require significant changes at Symantec's core. The new approach requires transformational change from an organizational, cultural and mindset perspective for employees and partners.

The challenge of shifting from product-centric silos and thinking to an integrated solutions approach cannot be underestimated – Symantec is undertaking a very difficult change. Success will require radical transformation in planning, vision and action from all organizational units and employees.

Solution development is currently a work-in-progress. The intent is to deliver the new offerings over the next 6 to 24 months. The initial solutions being considered include: Mobile Workforce Productivity, Norton Protection, Norton Cloud, Information Security Services, Identity/Content-Aware Security Gateway, Data Center Security, Business Continuity, Integrated Backup, Cloud-Based Information Management, and Object Storage Platform.

Symantec is also increasing their investment in research and development (R&D), enabling improved internal product, solution and technology development. New Centers of Excellence are tasked with creating products and common components that can be leveraged across the product portfolio. Both of these actions are critical to maintaining a continuous development stream of innovations, as well as efficiently leveraging those innovations across their portfolio.

Organizational Changes

Organizational realignment and changes were also announced to enable the strategic changes discussed above. Symantec revealed some new executive level reporting structures as well as the removal of management layers; you can expect to see further employee realignment throughout the organization as strategy execution proceeds.

In addition to organizational realignment, Steve Bennett, President and CEO, discussed efforts to streamline internal processes, as well as removing inefficiencies such as redundancies (for example, their 24 cloud service platforms), consolidation of their existing 54 data center locations, and more. Cost savings are obvious benefits of streamlining and consolidation, which will help to increase profit margins. (More discussion about this in the financial section.) Mr. Bennett also discussed the importance of making it easier for customers to do business with Symantec by removing complexity and confusion for customers. Customer contracts are targeted for simplification, e.g. eliminating the need for signing several different contracts in order to use multiple Symantec products.

Financial Aspects

As with all public companies, financial performance is one of, if not the key driver behind Symantec's new strategy. Mr. Bennett committed to a goal of delivering 30% operating margins by the end of Fiscal Year 2015. In addition, he also committed to organic revenue growth of more than 5% CAGR during the Fiscal Year 2015 to 2017 time frame.

Increasing operating margins requires reducing costs, while increasing revenues.¹ Symantec expects that the organizational streamlining along with the effort to increase overall efficiency will result in longer-term cost savings exceeding the costs of executing those changes.

Many aspects of Symantec 4.0 are designed to increase revenues, which support both of the financial goals of increasing operating margins and increasing organic growth. For example, customer impacting changes, as well as channel partner program enhancements, while they are good for customers, can also be viewed as revenue growth mechanisms. Planned revisions to incentives for the direct sales force will reward bringing in new customers to add revenue and increase growth.

Additionally, the intent of Symantec's increased R&D investment is to fuel organic growth. Coupled with the new integrated solution approach and the leveraging of technologies across product lines, newly developed innovations and solutions provide more opportunities for customers to buy more Symantec offerings.

The bottom line is the bottom line -- where reduced costs, higher revenues and elevated growth equal great financial performance (for both the company and stockholders.)

The Final Word

A few years ago, Symantec and many large IT vendors engaged actively in multiple merger and acquisition activities in rapid succession. The result was quick growth and rapid expansion into existing and adjacent markets for these vendors. At the time, an immediate challenge for the acquiring company was the assimilation of the new company, employees and intellectual property into the larger combined entity. Frequently, this implied mixing together discrete and distinctly different processes, infrastructure and cultures.

Often, these were left intact to "ease the transition" for the acquired organization. In some cases, the acquired organization ran almost autonomously within the larger company. After a long series of acquisitions and rapid growth, the large IT vendor found itself saddled with redundancies and inefficiencies brought about by the eclectic collection of acquired companies and their unique processes.

Most of these large IT vendors, at one time or another had to rationalize, streamline and eliminate redundancies/inefficiencies. This is exactly where Symantec finds itself today – embarking on the Symantec 4.0 strategy to do just that. This step was long overdue for Symantec but it is encouraging that the leadership team developed a strategy that goes broader and deeper into the organization to make the significant changes necessary for a stronger and more competitive company in the long run.

¹ Operating margin improvements can be made by reducing costs only, but increasing revenue simultaneously aids the effort.

As we stated at the beginning of this piece, as presented by Symantec executives, Symantec 4.0 is not just a marketing campaign. These executives call Symantec 4.0 a revolution. And, it could be a revolution for Symantec if they can successfully execute on their strategy. At this point, the strategy has been developed and laid out, but now comes the critical part – effective execution.

The execution challenges are many but not insurmountable. For example, the high level strategy was presented but many of the details were not laid out. At this point and as a work-in-progress, it is understandable that all of the details are still being identified and defined. The ultimate success of the strategy depends on the specific execution details.

Additionally, one of the biggest challenges mentioned earlier, is transforming the company, employees and culture from a narrow, product-centric focus to an innovative, integrated solution-focused team. This is not an easy task, and especially so when it requires changing the long-established, familiar culture and habits of an entire organization and its people. If Symantec successfully accomplishes this change, it will be game changing for them, their customers and partners.

Now that the Symantec 4.0 strategy and plan are set, the hard work of execution begins. The good news is the management team's confidence in their plan was backed by their public financial performance commitments. If they are successful, Symantec will be a very different company in a few years, and a much more formidable and effective competitor. We wish them success in their efforts, and will watch and comment on their journey forward with great interest.

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