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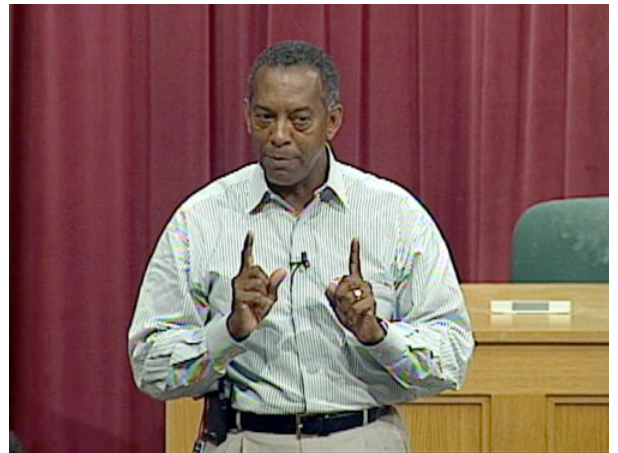
What is the History of Security Software

John Thompson, *Symantec Corporation*

May 23, 2003

Video URL: <http://ecorner.stanford.edu/videos/358/What-is-the-History-of-Security-Software>

Going back to 1998, Symantec was best known for Norton utilities and Norton anti-virus, says Thompson. When he arrived in 1999, right after windows 1998 was launched. Symantec had had a bad series of quarter. In his first 100 days, he looked at the company product portfolio and found products that were not of strategic value. The brightest star was Norton anti-virus. Symantec had viewed itself as a consumer oriented desktop software company. Coming from IBM, Thompson decided that Symantec would be an enterprise security company. He went about acquiring technologies around the security theme. Symantec used these acquisitions to retool the company. However, the market was not mixed enough and they couldn't get the enterprise multiple. At this point, Symantec decided to do a billion dollar transaction that became the catalyst for changing all the business processes. It finally moved to being an enterprise focused security company.



Transcript

Well, if you were to go back to 1998, the thing that perhaps Symantec was best known for was Norton Utilities and Norton Antivirus and so when I arrived in the spring of 1999, it was right after Windows 98 had been launched and the company had had an abysmal series of quarters because the uptick after the launch of the new operating system for downstream software companies was not as strong as many had forecasted. So in my first hundred days there, I sat around and listened to a lot of people and looked at our portfolio and I found a couple of things that were really interesting. We had a Java tools business that was the number one development tool for individual Java developers in the world but we didn't even use it internally. Now, well, that made no sense to me. Oh by the way, it lost four to eight cents a quarter so of what strategic value was it to the company? It was a hobby for somebody. Well, I didn't come to Symantec to find hobbies. We had the world's leading personal contact management software and we had missed the CRM opportunity. There was no way to take ACT! and turn into a CRM system because that opportunity had been taken by Siebel and a couple of other larger software companies. So here we were stuck with a contact management system that had no growth opportunity. It made a lot of money though, it made an enormous amount of money but it had no future.

The thing that was the brightest star in our portfolio was Norton Antivirus and we had viewed ourselves as a consumer-oriented best top software company. I'd spent 27 years, nine months and 13 days at IBM working on enterprise class software problems. So we just decided we're going to be an enterprise security company, just like that. Then we went about the task of acquiring a series of companies because in 1999 and 2000, we weren't cool, we couldn't hire anybody. We didn't have a dot-

com, logo or a label and we weren't growing at 47 to 50%. We were growing at a modest little 15 or 16%. We were making a lot of money but we weren't cool enough to attract some of you to come and work in our company. So our acquisition strategy was driven on the basis that we would use acquisitions as a way to retool our workforce. So we acquired the first company; had 32 people, we spent \$32 million for it. We acquired the next company and had 20 people; we spent \$18 million for it.

You get the formula. About a million dollars a person was the idea we had and we would acquire technologies around this security theme that was all about infrastructure. We did several of them and we looked up and revenues were continuing to do okay but the market was not necessarily pleased with the mix. In other words, still too much from consumer and not enough from enterprise, and so we couldn't get the enterprise multiple that we wanted. So, we decided to bite the bullet and do a big one and so we did a billion-dollar transaction, \$975 million transaction. That became not just the catalyst for changing the revenue stream of the company. More importantly, it became the catalyst for changing all of the business processes of Symantec because we had to move from being a retail distribution-centric software company to being an enterprise-focused services and support company. That required enormous retooling of our infrastructure. Once we got that one done, while it took about 12 to 18 months to get it fully integrated, we then last year did four in a week, actually four in two weeks, and we announced three in one day because we had figured out what it was we wanted to be and we knew how we were going to manage the integration of all of the pieces into our company because we had come up with a model called Alert, Protect, Respond and Manage that was the way security really does need to be managed and dealt with for an enterprise customer. We could then go out with that set of lens and look for targets and easily figure out who should within our company manage them because people were managing those four domains, if you will, of our business.

So while as far from over the final chapter on Symantec's transformation has not been written yet, we were well on the way though, on the core strength of an antivirus business that continues to gain share in an intensely competitive market.