

Chris Stone



Transforming Novell From the Inside Out

Over the years, *Novell Connection* has interviewed a lot of executives, and sometimes those interviews have been a bit routine. It's all too easy for executives to lapse into marketing rhetoric, and all too easy for us to let them.

From the moment Chris Stone, Novell vice chairman in the office of the CEO, begins talking, however, it's obvious that he does not hide behind marketing rhetoric. Instead, he frankly acknowledges the challenges Novell faces and describes how the company has been addressing those challenges in the last 120 days—his first 120 days as vice chairman.

In a sense, this interview is a kind of report card for Stone. We asked him to report on the goals he outlined when we spoke to him in April, just weeks after he rejoined Novell. (See "Stitching Together a Winning Company," *Novell Connection*, Apr. 2002, pp. 6-11. You can download this article from www.ncmag.com/past.) As Stone explains, he and the company have been extremely busy during the past 120 days, and their efforts are starting to pay off. Novell will soon be showing you and, more importantly, your boss a customer-focused company that provides solutions in three areas: secure identity management, web services, and cross-platform management services.

Q When *Novell Connection* talked to you in April, you outlined some of your goals for the first 100 days. For example, you said that you expected to make organizational changes. What organizational changes have you made, and how have these changes helped the company focus on solutions?

A If you look at the company, you will see a lot of new people: For example, we have a new chief marketing officer [CMO] and a new chief technology officer [CTO]. We have restructured Marketing under Debra Bergevine [CMO], we have restructured Engineering under Carl Ledbetter [senior vice president], and we have recently restructured services to put services all in one place, so Consulting, Technical Support, and Education all are now in one organization under Bob Couture [vice president]. The goal is to get these different organizations all doing the same thing, all focused on the same four things that represent market opportunities for us.

Your next question is what are those four things? They are first, secure identity management, which entails provisioning services and all of the security products—in essence, putting them all into one solution umbrella and utilizing Novell eDirectory.

Second, we purchased a company called SilverStream Software, which gives us an application development environment in the web services area and puts us in the top five vendors for Java application server development and web services creation. That's a key focus for us going forward.

Third is the cross-platform management of these services. Think of ZENworks today. So far, it's primarily designed for managing desktops. Recently, it has moved to help managing servers and now has to move to managing applications and what is stored in those applications as they get built in the Internet.

Fourth is consulting—both strategic and deployment of the solutions I just described.

That's it. That's what we're going to focus on and get away from the product-only mentality.

The organization is now set up—if you look at it from a marketing perspective, from a support perspective, and from an engineering perspective—to take those key areas externally. People have been waiting to hear about what we are doing. I get messages every day from lots of people, saying, "All of the stuff you're doing internally is great; when are you going to start telling people about it externally?" That's the next step, to roll out an advertising campaign, to roll out collateral, to roll out the whole new positioning and messaging of the company.

You notice I didn't mention the word *NetWare*. Novell equals *NetWare* in the minds of most of the public. It's not that it's a bad thing; it's an *old* thing. *NetWare* will continue to live on, and we'll continue to enhance it as we've said a million times, but I'll be very clear: The entire company is not going to be focused around how much more stuff we can build on top of *NetWare*. That's not the game, nor is it our only opportunity.

When we roll out new positioning and messaging—and that will start to happen in fiscal Q1, which is the November time frame—you will see us focusing around those areas that I just described, with much more of a customer focus to the company, rather than a technology focus to the company.

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Q Making Novell a customer-driven company was one of the goals you mentioned in April. What progress have you made toward accomplishing that goal?

A As I said, there are two things—there's internal and there's external. You can't all of a sudden be a customer-focused company simply by putting out an advertising campaign that makes it look that way or by all of a sudden just talking to CIOs and CEOs. You have to attitudinally adjust the company to fit that customer focus.

As an example, to help make that attitude adjustment, we've rolled out two programs to employees: The Voice-of-the-Customer program enables customers to provide direct feedback to employees, and the Novell-at-Home program encourages employees to use our own products.

We have also hired Celerant Consulting to work on our processes internally. We call this the Company of Choice project. Unfortunately, our processes torture our customers. To be frank, we make them sign 18-page legal agreements. We have convoluted pricing. All our customers say, "You guys are doing this for your benefit, not for ours." We're spending a lot of time fixing that internally and getting those processes much more efficient. That allows us to make the attitudinal adjustment.

Another area is product management. Product management at Novell is how many features can we slap into an existing product line. We don't always fund what customers want us to build. We fund what we want to build. All that has to dramatically change and culturally change inside before we can actually take it outside, or it won't matter. That's what we've been doing. That's part of the process we've been going through internally. Again, that will soon start to roll out externally.

We have also hired new people that are evangelists. I spend all my time talking to CIOs now. Most of the e-mail I get from the outside or from salespeople includes comments such as, "Bill Gates was just here talking to my customer" or "Steve Ballmer was just here talking to my CEO."

That's what we need to do. Fifty percent of this is just showing up, and we don't show up. We just take

orders. Anybody in [Novell] Sales who reads this should be nodding, saying, "He's right. I hate to admit it, but it's true." We don't show up at those audiences so it's been a company that markets to itself and doesn't market to the audience it needs to grab.

When we change the attitude internally about this—which is what we've been doing—it will reflect itself externally. The new advertising campaigns we'll be doing and other marketing activities augment this change of attitude, but you've got to think that way first. So that's what I've been spending all my time doing.

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Q Could you explain the Voice-of-the-Customer program in more depth?

A What I wanted is for everyone in the company to be able to have access to what customers say about us because most of them get only anecdotal feedback or they hear it at BrainShare, and that's it. I wanted on a regular basis for customers to have an open communication to everyone who works for the company, to be able to speak freely and frankly about what we're good at and what we suck at.

Some customers are going to be harsh. Employees are going to listen to these customers and say, "I want to go home early." But this feedback should cause employees to work harder. It should cause them to have an attitude adjustment. I don't want employees to be complacent and to think this company is just always going to be here. It's not, unless we fix this stuff.

The goal with the Voice-of-the-Customer is to hit employees over the head with a two-by-four. They don't need to hear it from me. They don't need to hear it from other executives. They need to hear it from the people who really matter—our customers.

Employees are actually listening, and some of them are scared. Some of them are nervous. Some of them are asking, "Customers really feel this way?" Again, it's changing the attitude internally before we start to lay out our new positioning and messaging externally.

The next thing we'll do is form a customer council group. I talked about that council the last time I spoke with *Novell Connection*. The council's going to be created shortly. There will be a worldwide council and probably North American and European versions.

The customer council group will help dictate a lot of the things that we do. The council is going to have direct access to key executives and will also work with the heads of the key areas I talked about. So we're going to give them pretty close access.

Q Another goal you had was to accomplish the fulfilled merger between Novell and Cambridge Technology Partners. Have you accomplished this goal, and what does that mean for Novell customers?

A I think we have, at least in North America. We're still going through the process of accomplishing it—meaning the consulting teams and the sales teams are actually making calls together. That is now starting to happen. We need to compensate our sales force in a single way, in both services as well as sales, not as separate entities. That is going to happen.

EMEA [Europe] is still pretty much separate, primarily because of the countries. Cambridge Technology Partners is really only well-known in Germany and Switzerland so that's the reason that they've remained fairly separate in EMEA. But all in all, it's gone really well.

The industry problem is the consulting market is tanking, and it's not due to us. It's just IT. Companies are not buying expensive consulting; it's just not happening. Look at all the [consulting] companies that are going out of business. IBM recently bought

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PriceWaterhouseCoopers for 3.5 billion dollars. That's a bargain. That was a steal. That would have cost IBM probably 20 billion dollars two or three years ago.

That's testimony as to what's happening in the consulting business. That's why consulting has to be fundamentally part of your solutions, the infrastructure; it can't be some separate thing. So, all in all, the merger with Cambridge Technology Partners has done pretty well.

As far as SilverStream goes, that acquisition is going great.

Q We recently heard that from David Litwack. [See *Novell Connection's* interview with David Litwack, former president and CEO of SilverStream Software, on p. 10.]

A He's brilliant, and I really enjoy him a lot. He's an industry icon: He built PowerSoft and PowerBuilder, and to have him on my team is great. He's bringing a lot of value. As far as the rapid time to revenue with SilverStream, we've already got joint Novell-SilverStream customers. We have glitches and some technology issues to iron out, but fundamentally, it's been going very well. We put together these playbooks for the integration of the companies, and everybody knows what to do. It's worked great; it's a model way of doing a merger.

Q With the acquisition of SilverStream, does Novell have all of the pieces it needs to compete in the web services space?

A We'll never have all of the pieces, but we have enough pieces to put us in the top five companies in this space. So technically, we've got all of the pieces that are necessary today. Remember, web services is kind of this ethereal term that any vendor—IBM, Sun, or Microsoft—can explain any way they want. By the way, Microsoft finally admitted that .Net is a boondoggle. They're saying, "We don't quite know what it is." That's great news for us.

From the implementation of a web service or building one, there can't be a better directory. We've now got a J2EE platform, we've got a development environment, we've got portal services that are exposed as web

services, and we've got all the management pieces. We're in pretty good shape from a solution perspective. Now we've got to start taking that externally and marketing it. Again, that's all part of our positioning rollout that will start to happen in fiscal Q1.

Q As a customer- and solutions-driven company, how will Novell ensure that it remains capable of producing new technology gems that can then form the basis of future solutions?

A When we say we're going to be customer-focused—meaning we take direction from sales and customers—it doesn't mean we'll give up technology to do that. We always

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want to have a skunk project somewhere. We always want to be doing something nobody knows about. Novell iFolder is a neat example of that. It's a neat technology that not a lot of people know about because we haven't done a very good job of telling them about it, but we will.

Those kinds of nuggets will continue to happen in Engineering, and some may come from an acquisition, too. We're always looking for new things now and new areas to add value to the technology in each of the categories I talked about—secure identity management, web services, and cross-platform management services.

However, if it doesn't fit into these categories, we aren't going to do it. If

we come up with a wiz-bang idea that goes after a completely volatile marketplace, we aren't going to do it. It's not our business. In the past, we let that happen. I can't tell you how many products we have that generate 500,000 dollars a year or a million dollars a year and have two or three people working on them. We should be restructuring those resources in the areas that we want to generate revenue. Our target for next year is a 10 percent revenue increase.

Q You recently revamped the channel program. How will the new channel program help increase sales and work toward that 10 percent increase in revenue?

A The main problem with the channel was that we weren't paying attention to it. We put a new executive in place in the channel, and we're doing named accounts so we know who the channel can call on. We know who has power and what they can do. That has been a huge issue in the past. We also have not provided the channel with competitive pricing models, and we have not provided them with programs.

Despite this neglect, they've been like a dog. They keep coming back. No matter how you treat the dog, the dog always stands by your side.

I think the channel programs we've done recently have worked. We've seen some increases. We've seen some mild spikes in revenue, particularly in the Platinums. We're going to target a lot of the things that we're doing toward the Platinums. All the named accounts are going to be in the Platinums and mid tiers. Everything else that we don't focus on is now named and is handed over to the mid to lower channel.

I think the channel has been wanting and needing us to be serious about it. So far, they seem pretty pleased. I think a lot of them are waiting for more programs. They're waiting for us to continue to follow through, and they get nervous wondering if we're going to do this for a quarter and then it'll go away. We just have to keep following through and make them feel like they're special and part of our strategy. So far so good. I think it's working.

Q As a Novell veteran, you obviously knew a lot about the company before you returned in March. Were there any surprises?

A Well, I think there were two big surprises. One is how little the company had changed in 2 1/2 years. When I came back, it was like, that's still going on? Or we still haven't done that—whether it was marketing related, product related, or organizational related.

My other big surprise was the lack of new customer acquisition. It's still a company that lives off its maintenance. It's still a company that's been living off and marketing to itself. That was a bit surprising to me.

Now the good news was the technology is still wonderful. The one Net model is great. I actually like it. And a lot of people here want to make it work. What they're waiting for is for leadership to state, "Okay, here's the road we're going to go down. Let's go." Some people along the way will say, "You're an idiot, and you shouldn't be going down that road because I'm smarter than you." However, I've made it pretty clear. This is the road we're going down, and if you don't like it, go somewhere else.

If you look back at the last 120 days, we've made an enormous amount of changes for this company. We've probably made more changes in the last four or five months than we've made in the last three or four years—maybe even more. And we're going to keep doing it and keep doing it and keep doing it until we get the attitudinal adjustment, and hopefully it works.

Q What are your goals for the next six months?

A For the next six months, the positioning and messaging of the company are key. Marketing is now on my radar screen, so that means a lot of things. It means positioning and messaging the company around the areas I talked about. It means advertising campaigns and collateral. It means more sales and lead generation focus. It means target audiences in the CxO space, not network engineers. It means events and programs targeted at the audiences in the categories that we were talking about. It means being

aggressive, edgy. I think in the next six months, you'll see that from a marketing perspective.

I want people to stop seeing Novell as a NetWare company, and I want them to start seeing Novell as a secure identity management solutions company, a web services company, and a cross-platform management services company. We want people to recognize us for the solutions we provide them and for the fact that we're providing some value to them. Positioning and messaging and changing the attitude of analysts, the press, and the customer base are key. And that's where we're focusing an enormous amount of attention.

Another goal is a skill set review. Do we have the right people to do these things? And the answer may be no in certain areas. There's going to be a concerted effort to upgrade our skill sets—whether it's in sales, in engineering, in product management, or in executive management. We are going to make sure we've got the

right people in the right places. We don't need to continue on just because we can. Novell has been a company that when it generates revenue, it hires more people because it can. And that's the wrong way to do that.

Finally, we are going to work on internal processes to redo how we interact with our customers—our ordering processes, our credit processes, our licensing, and contract management. All of these processes are going to get rebuilt in the next six months. So a radical change will happen to our internal processes and how we treat our vendors, our customers, and our potential customers.

Q Anything else you want to add?

A I guess that's pretty much it. That's what I've been working on during the past 120 days, and it's the right focus for the next six months. No magic here. It's just work, just hard work, getting people and getting the company lined up this way. ●

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