

Symantec's ERP Turmoil

CASE STUDY

Symantec Corporation is a leading software vendor specializing in security and information management. The company is well known for its Norton brand of security products in addition to a variety of other security and storage software. Symantec has operations in more than 40 countries and over 17,500 employees. A major source of Symantec's growth since the company's creation in the 1980s has been the acquisition of other companies, including Norton, Brightmail, Altiris, and many smaller software developers. In 2005, the company made its largest acquisition to date, acquiring Veritas Software for approximately \$13.5 billion in what was the largest software industry merger ever at that time.

While Symantec's focus was security and information management for consumers, Veritas specialized in storage management software geared toward large-scale licensing. Because the two companies were of similar size and specialized in different types of software, many industry pundits questioned whether or not they were ideal candidates for a merger. Today, those questions appear to have been well-founded, in large part because of the difficulties incurred by Symantec's attempts to complete an overhaul of their enterprise resource planning systems.

Shortly after acquiring Veritas in late 2005, Symantec began an ERP rollout, referred to internally as 'Project Oasis,' intended to standardize and unify the Symantec and Veritas information systems. The goal of the rollout was to create a single ERP system, within which all of the company's extensive network of resellers, integrators, distributors, and customers could place orders for over 250,000 different products Symantec offered in the same way. The two companies had each used Oracle E-Business Suite 11d prior to the merger, but both used highly customized versions of the systems that made integration a daunting task.

An overhaul of the combined company's enterprise systems was needed to combine Symantec and Veritas's data from key business processes. A common enterprise system would also reduce the cost of maintaining Symantec's IT infrastructure and licensing fees for the enterprise software.

For their new system, Symantec opted to upgrade to Oracle's E-Business Suite 11i, running it on Sun

Solaris servers. The system used an Oracle Fusion middleware portal on the front end, providing a single contact point for all of Symantec's partners and customers. Both Symantec's security applications and Veritas's backup and storage applications are available via the same portal. On the front end, the new Oracle system was linked to Salesforce.com's on-demand customer relationship management system and on the back end, the system linked to Symantec's Oracle PeopleSoft Enterprise human resources applications.

The initial reaction to the launch of the new system was decidedly negative. While the system itself was technically sound and working exactly as intended, users struggled to process the large amount of information provided to them and were overwhelmed by the increased number of steps, all of them new, required to place orders. Unhappy with the new system, customers began calling Symantec's support team in record numbers, but the company was unprepared to meet the increased demand for customer support. Wait times ballooned from an average of 2 minutes to an average of 25 minutes for a typical customer support call. Once customers reached a Symantec employee, they could spend up to 20 more minutes troubleshooting the problems, and were often told that there was nothing that could be done.

Symantec also neglected to coordinate the development of its new ERP system with the launch of other products from different divisions within the company, compounding the issues with customer support and response times. For example, the new system's launch coincided with the launch of the newest version of Symantec Backup Exec 10d, one of the company's flagship products. There was simply too much change occurring all at once for typical customers to handle. Even longtime partners expressed displeasure at the steep drop in the quality of Symantec's customer service.

Customers were also unhappy with Symantec's changes to its stock-keeping unit product system, or SKU system. Symantec improved the system by creating a single set of codes for all of its applications. Although reducing the number of codes made ordering products simpler and easier, it also caught many smaller partners of Symantec off guard. Some smaller distributors and partners didn't update their

systems to handle the new SKUs and were unable to submit purchase orders electronically, forcing Symantec to process orders manually. Although Symantec extended the deadline for its partners to switch to the new purchasing system to accommodate these customers, the overhaul still represented an annoyance for many who had been satisfied with the previous system.

Symantec's changes to the software licensing process were another irritant to customers. Prior to the ERP rollout, the software licensing program worked well. Customers could put in an order and receive a license certificate promptly, usually within a couple of days. After the rollout, licensing became much more difficult for Symantec's customers and partners, forcing them to wait multiple weeks before receiving their licenses. When licenses didn't show up, unhappy customers called Symantec for support, further burdening their already overworked customer service department. The changes to the licensing system were also not coordinated with the rest of Project Oasis, creating unnecessary confusion.

Symantec had designed the new enterprise system to show customers their existing licenses. However, one company could have multiple accounts with variations in corporate names when divisions and branch offices purchased their own licenses separately from the central office.

Channel partners reported that buying Symantec products through distribution via companies like Ingram Micro became unusually difficult. One Symantec channel partner commented that "the multiplication of cryptically described part numbers has rendered it impossible to purchase Symantec licenses from Ingram Micro without assistance from the licensing help desk. This makes the process much more time-consuming." For its part, Ingram Micro said they were working with Symantec to fix these issues, but many partners were unhappy with Symantec's slow response.

As a result of these many missteps, Symantec was in danger of losing many loyal customers. Most of the issues were due to the company's shortsightedness in implementing Project Oasis. Although the ERP rollout cost 7.75% less than budgeted, Symantec reported lower-than-expected earnings in the third quarter of 2007 and blamed these results on their ERP woes. Management said the company would need to cut \$200 million in annual costs through layoffs or restructuring activities. Symantec CEO John Thompson said of the botched upgrade, "Systems changes such as these certainly don't come without issues. And we may have had more than our fair

share of them with this set of changes, where we incurred higher expenses than planned and lost some revenue opportunities during the quarter."

Almost immediately, the company set about undoing mistakes with a follow-up project, named Project Nero. The goal of Project Nero was to recapture the loyalty of customers who were disenchanted by the changes brought about by Oasis, both by reaching out to those customers and by fixing the problems with their information systems to improve response times and streamline operations. Symantec had overlooked the needs of many customers while designing a technically sound but user-unfriendly ERP system. Project Nero's purpose was to assure those customers that Symantec still had their best interests in mind.

The company began by adding over 150 new customer representatives to handle the increased volume of calls, reducing wait times and increasing customer satisfaction. Symantec's executives traveled the country in order to improve relations with angered customers and partners. To correct the issue of product updates being released at the same time as the ERP overhaul, the company introduced a master list of product releases readily available and standardized its communication methods between departments regarding new projects and change management.

Symantec also used Net Promoter methodology to measure and increase customer loyalty. Developed shortly before the acquisition of Veritas, Net Promoter was an initiative in which the company periodically surveyed customers to gauge their satisfaction with Symantec. The results from Net Promoter identified specific criticisms and problems of customers and dramatically aided Symantec in correcting those problems. One such example is the master list of product releases, which was a direct result of customer suggestions received via Net Promoter.

Symantec's customer satisfaction levels were at all-time lows after the launch of Project Oasis, but Project Nero has helped the company to weather the worst of the crisis. Symantec reports that it now enjoys satisfaction levels on par with the rest of its industry and averted a potential disaster. However, the company does not release the results of its Net Promoter surveys to the public, so the extent to which it has repaired its reputation is unclear. Smaller value-added resellers and distributors report that they are receiving more attention from their regional representatives at Symantec than ever before, with some reporting that CEO Thompson routinely calls to check

up on the quality of customer service. Although Symantec has done well to recover from the fallout after its initial ERP implementation, Project Oasis serves as a cautionary tale for businesses undertaking ERP overhauls. Even the most careful planning and well-designed systems can quickly go awry if customers are unable to make use of the new system.

Sources: Lawrence Walsh, "Symantec's Midnight at the Oasis," *Baseline Magazine*, March 31, 2008; Kevin McLaughlin, "Partners Still Hung Over from Symantec ERP Upgrade," *ChannelWeb*, March 2, 2007; Marc L. Songini, "ERP Rollout Whacks Symantec's Bottom Line," *Computerworld*, January 31, 2007, "ERP Rollout Continues to Weigh Down Symantec," *Computerworld*, February 5, 2007, and "ERP Rollout Weighs Symantec Down," *Computerworld*, February 12, 2007.

CASE STUDY QUESTIONS

1. What concepts in this chapter are illustrated in this case?
2. What management, organization, and technology factors were responsible for Symantec's difficulties in overhauling its ERP systems?
3. Was Symantec's response to the problem adequate? Explain your reasoning.
4. What would you have done differently to prevent the implementation problems that arose at Symantec?
5. If you were a partner or customer of Symantec, would you have switched vendors in response to the ERP overhaul issues? Why or why not?