IN THE COMPANY OF GIANTS

CANDID CONVERSATIONS WITH THE VISIONARIES OF THE DIGITAL WORLD

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3

GORDON EUBANKS

Symantec

BRANDS AND BANDS

Gordon Eubanks is president and CEO of Symantec Corporation, a software manufacturer. Symantec is best known for making the Norton Utilities, but also develops other desktop software products including programming languages (Symantec C++) and communications tools (WinFax Pro).

Eubanks' route to the CEO slot was circuitous. Though he had no particular interest in electronics during childhood, Eubanks recalls childhood dreams of one day owning a computer—which, in the late 1950s, bordered on megalomania. He settled on studying engineering at Oklahoma State University and graduated with a Bachelor of Science degree in electrical engineering in 1968.

From 1970 to 1979, Eubanks served in the United States Navy as a commissioned marine officer. During his tenure as a submarine officer, Eubanks was part of what he likes to call the "Hunt for Red October stuff." Although his team never stole any Russian submarines, Eubanks is very fond of his Navy experience. He describes it as a high-pressure manage-

ment environment where accountability was key. This sense of accountability evolved into what his colleagues describe as an intense focus and drive to succeed.

As a master's degree candidate in computer science at the Naval Postgraduate School, Eubanks had to choose a thesis advisor. His selection: the combative, but legendary Gary Kildall, founder of Digital Research [not to be confused with Ken Olsen's Digital Equipment Corporation] and the inventor of the CPM operating system.

During his work with Kildall, Eubanks created EBASIC, one of the first widely used "Basic" language tools for Kildall's CPM. EBASIC evolved into CBASIC, one of the first commercially successful languages for personal computers.

Eubanks, who describes the software industry as "one of the greatest opportunities of the 20th century," started Compiler Systems Inc., whose first major product was CBASIC. The company was moderately successful, and Eubanks sold the company to Digital and became one of Digital's vice-presidents.

Dissatisfied with Digital's management, Eubanks left again in 1983, and founded C&E (Coleman & Eubanks) software with Dennis Coleman, a Stanford business school professor. In 1984, C&E purchased Symantec, and Eubanks has been president of Symantec ever since.

One of the reasons for Symantec's growth to a half-billion-dollar company is Eubanks' cookiemonster strategy: Symantec's purchase of more than 20 companies gives it access to top quality people and products, which it has deftly used to diversify its product line.

Another aspect of Symantec's strategy is its close partnership with Microsoft. Never ascribing to membership in Silicon Valley's "We-Hate-Bill" club, Eubanks and Symantec have adroitly taken advantage of the relationship by creating products that complement those of Microsoft. Because creating utility software requires a deep understanding of the operating system, Symantec and Microsoft developers work closely together to ensure the interoperability of their products: Microsoft developers inform Symantec of anticipated changes

to Microsoft's current operating system, and Symantec adapts its software.

Gordon Eubanks was one of the most approachable, down-to-earth executives we interviewed. Eschewing technical jargon or trendy management-speak, Eubanks' mantra is simple: to make products that add value to the customer.

We met with Eubanks at Symantec's worldwide headquarters in Cupertino, California.

"I don't think companies need to be based on a totally new idea."

One concept that business schools try to dispel is that you need a completely original idea to start your own business. Do you believe this?

I think that few companies are started on a totally new idea. Actually I never heard anyone who tried to say that because it is sort of ludicrous. Most companies get started on incremental value-added ideas. What you are trying to do is to give value to the customer.

I would say the fundamental way to start a company is when a new technology allows you to do something fundamentally cheaper than is done in the past, and therefore either broaden the market tremendously—i.e., fax machines—or you take over the existing customer base because it is fundamentally cheaper. So, for example, the minicomputer industry wasn't a brand new idea. It simply allowed us to build computers for the tenth of the price of a mainframe, and now we can apply them into new markets and to new areas and give people the power to do things they couldn't do before.

So I don't think companies need to be based on a totally new idea. What you do have to be able to do is to add value to the customer. We were founded on the idea that the existing software desktop publishing titles were not effectively serving the customer, and we created a product called Q&A which integrated the functions of an existing company's product line called PFS, into a suite. What we did is took three disparate products and integrated them together to improve the functionality.

I was walking around Palo Alto once with Fred Gibbons and Esther Dyson, and we went to a street fair. I went into a bookstore and I said, "Gee Fred, there are no books on PFS." Fred turned to me

and said, "I'd fire our documentation people if there ever were a book. Why would you ever need a book? Our products are simple. They have no complexity."

And all of a sudden, the light went on. The fact that people didn't want things that were so low in functionality and so simple was *not* the opportunity. Customers wanted things they could grow into—today's complexity is tomorrow's obvious thing. Customers wanted to adap the product to their system. I also thought that having books about your product didn't mean the product was deficient, but it just helped build the product's market. While Fred knows more about marketing than I'll ever know, I thought he missed the boat on that issue.

So, it became crystal clear to me that if someone could make a product that did what they did but had richer functionality, people would be able to grow into this product instead of switching to another one. That's where the idea of our company's focus came from—the idea of taking an existing product and adding significant value to the customer through the integration of the products.

So, most companies are not formed on totally new ideas. However, it is absolutely true that you're not going to get rich today by doing what Bill Gates does. One of the things Bill said during a speech, loosely paraphrased, was, "There is no lack of opportunity, but the current opportunity isn't what we've done, because we've already done it. The opportunity is to do something that is new."

These two concepts may seem contradictory, but it depends on your place in the market. Today, in software, an incrementally better spreadsheet has little opportunity. In 1981, an incrementally better spreadsheet had a lot of opportunity. In fact, there have been two incrementally better spreadsheets. VisiCalc, originally invincible, was put out of business by Lotus 1-2-3 which was essentially put out of business by Microsoft Excel. But, at some point, incrementally better just doesn't work.

Thus, the issue really is not whether there is a totally new idea, but whether there is value added to the customer. Is the switching cost of your new product worth its benefit? Is the whole gestalt of your product good enough to convert customers?

When starting a business, I would actually look for areas with some proven track record of need. The highest risk is something that has never been done before, because more often than not, "never done before" means "people don't want it." And, "never done before" usually isn't true—rather, it's usually "never succeeded before."

And, "never succeeded before" could result from bad execution rather than a bad idea. Many people give Phillipe Kahn [founder and former CEO of Borland] credit for Turbo Pascal as if he invented the idea of a low-cost programming package. Not so. There was a Pascal program before Turbo Pascal at the same price point, but it was such a terrible product that it failed. Kahn just had a really good product. The point I'm trying to make is that you must have something that is really worthwhile to the customer, whoever that might be.

How do you determine what is worthwhile to the customer?

Well, the customer decides what is worthwhile to the customer. Customers decide and once they decide it is very difficult to move them.

So is picking the next winning product solely a crapshoot?

No. I think you can do research, you can use intuition, you can spend time with customers—it isn't a crapshoot at all. But successful products serve customers' needs. And if you're trying to replace existing products, then your new product must in some way be of incremental value. Whatever the reason, there must be some value to the customer that is really there.

Customers are smart—start with that. We tried to build our company on the fact that customers are actually intelligent, and mostly make reasonable decisions, and sort out the bullshit from the reality.

In the end, you have to be giving them something of value. It's clear that you can't sell novelty for an extended period of time. Find a pet rock nowadays. There was a time when you couldn't go anywhere without seeing a pet rock. You probably can't buy one today.

What about the idea that customers don't know what they want—the idea that you just create something customers didn't have in mind, but once they see it, they'll purchase it?

Everything is a continuum. No matter what issue we talk about, there are extreme conditions. In math, you focus a lot on boundary conditions. People have a tendency to deal with boundary conditions. The idea that customers don't know what they want is such an example.

The truth is that if you are going to start a business, the best probability of success is in building something that the customers want. It's great to talk about how Procter & Gamble invented mou

wash, and how they came up with this word *halitosis*, and how the early campaigns dealt with convincing people they had a problem and that their mouthwash was the solution. That's great.

Most of the time though, the opportunity isn't in something that customers have no idea about. There is an adage in marketing: you either convince the consumer that he has the disease and then give him the cure, or you sell him the cure because he knows he has the disease. I think you're much better off focusing on businesses where customers know they have the problem, and you give them the cure. It's less risk. Because, in the first case, you must really be sure that you can convince them they have the disease and you have the cure. In Silicon Valley many businesses have tried that approach, and have found out that people didn't really have the disease and thus didn't need the cure.

One of our board members repeatedly says, "Make what you can sell, don't sell what you can make."

Why did you decide to start out on your own? Was it just to create value for the customer? Why not just stay at Digital Research?

Because Digital Research was going to fail. They had incompetent management that couldn't fix the company. They didn't have the will to win. But that's another story. My whole background was in this area. I had started a company before. The opportunities were overwhelming for people with the ability to program and create a product. I said, "Why not?" It seemed like I was at the right place at the right time. There is a lot of luck involved. If people have the willingness and the drive to succeed, then there is a lot of opportunity out there today, especially in software.

But you must have the personality for it. Some people want to be part of a team and don't want to make the decisions. I like to make the decisions. I was watching this football game Monday night. Miami was playing, and they were on the goalline, and it was clear that the coach called in a play. The quarterback sent the other player back to the sidelines and the commentator said, "Well, obviously the quarterback wants to call his own play." I didn't even think they had that option in football, but I thought to myself, "Yeah! There's someone who wants to be in charge."

Not everyone will do that. In order to start a company you have to be willing to take charge and like it. I like the uncertainty of not being able to look to someone else and say, "Gee, what do you think I should do?" When you're in a startup, that's the way it is. You don't have the whole momentum and infrastructure to guide you. You have to make decisions—what to do, who to approach, who to hire. Some people don't feel comfortable doing that. It isn't necessarily bad, it's just different. Different people love different things. And to start a company, you must be able to work in very unclear situations. Take Scott Cook [founder and Chairman of Intuit], for example. Intuit almost failed a number of times. I knew Scott when he first started. He had a vision, and he stuck with that vision. Even in the midst of all that uncertainty, you have to be able to stick with it.

With Symantec, there were many times when we didn't know if we would make the payroll. I remember a time when we gave out stock instead of salary—I still have the certificates which we eventually converted. The point is that you have to be willing to do these types of things—that's one aspect. The other aspect is that you must have an idea that adds value to the customer. And the third thing is you've got to get momentum. Software is a growth and market share business. Nothing else matters.

Software is an 80 percent gross margin business. It's difficult to put a software company out of business. You can't kill it. It's like the monsters in the movies. There aren't enough stakes and garlic in the world to put a software company out of business because the embers keep going—their capital requirements are small. What matters in the software industry is momentum, which is translated into market share and revenue growth.

What makes a company successful from a big-picture point of view is people, process, product, and passion. Concerning people and products: you must have great people and you must have great products. Everyone believes in passion. But as you begin to build a company, you have to balance passion with process or the company will implode.

What do you mean by process?

I mean the systems that enable a company to function as it gets bigger. It's like building a house versus a five-story building—you need different foundations. If you're trying to build a 100-story building, you don't make the decision on how to build a foundation when you're on the third floor. You have to be thinking early on as to what kind of foundation you want to build.

Scale is another way to say this. Having systems that scale is

really important in building a company. The systems that scale a large company are its processes. And one of the important processes is hiring great people.

Can you give us an example of process at Symantec?

Early on, when there were only 15 people in this building, everyone was on e-mail. People asked, "Why are we doing this?" We just built e-mail into the culture of the company. Now e-mail is critical to us. We used e-mail long before it was "in." Then, as the company grew, it scaled. The communications system scaled to accommodate more employees.

If you only have passion, it destroys. Look at what happened with Apple. The passion was there, but there wasn't enough process. No one at the time could figure out that the Apple II was pretty important and was paying all the bills. In retrospect, it was pretty obvious.

Consider the internet. You can't have a logical discussion about the internet nowadays. You just can't. In a year or two, some of these companies will crash and burn, except for those that have the value-added to the customer. Everyone will say "Oh yeah, it was obvious." But right now you cannot have a rational discussion about it. Passion overwhelms in the short term.

Another important process early on is to get really good people who can last for a period of time. We have a really good CFO named Bob Dykes. He's been with us for years. When we hired him, we weren't looking for a great CFO of a $50 million company; we were looking for a CFO of a billion dollar company. And we wanted someone who was willing to see us through to that. That's the difference.

I often hear venture capitalists say that they want to find a really good startup company marketing person. I don't know what that means. What you want is someone who will be a good senior manager of a billion dollar company. If that is not your vision, you don't belong in the Valley. Building well—that is what it's about. For that you need people who can manage growth along the way. The worst thing is to have a company where you continually bring in new people over the existing people, because the existing ones can't grow, or the company is "expanding." There are always nice ways of saying it. That's what drives me crazy.

It's better to start with really good people and then build under them. Even with our relatively small size, promoting from within is almost iron-clad. We won't hire anybody at a senior level from the

outside. Take college recruiting. Our policy is to hire people from school and promote from within. These are examples of processes that you must put in place in a nascent company.

How do you find the right people?

You must not only find really smart people but those who want to be part of a company that scales from five to a thousand employees. And you must find people who have seen it. Often these are tough people to manage. On paper, we shouldn't have hired Bob Dykes because he is strong-willed and he can be tough to manage, but you must hire enough people who can envision how the company might be run.

The typical startup story is of a couple of guys who create a computer company in their garage. But Apple, for example, wouldn't have gone anywhere without guys like Markkula [A. C. "Mike" Markkula, the former Chairman and President of Apple, and one of Apple's earliest employees/investors], who had some idea of what a company looked like and knew about things like human resources and finance. In general, you can't just wing it. Now, the founder doesn't have to have that experience, but he better be willing to go out and get the experience.

You mentioned the need for people who can make the business grow. How do you keep good ideas bubbling up within the company?

We have product groups and teams that work together that have a lot of autonomy so long as their market share grows. Within those product groups, they can create products which lead us in new directions. Today, if you're a general manager, you give me a plan and I'll give you a compensation package that lets you triple your base salary if you can exceed your revenue plan by a specified amount. As long as you deliver 100 percent of the revenue and 100 percent of the operating profits you have wide latitude in how you go about doing it.

One of the common refrains regarding starting one's own business is, "I would start a business if I had the money..." In C & E's case, you had already made your money from the sale of a previous company.

If someone said something like that to me, my answer would be, "Yeah, if I gave you a lot of money to spend, you could spend the money." Big deal. It doesn't take great talent to spend money. If everything were free, I'd have a lot more. It's like the *Twilight Zone* ep

where the guy dies and he goes to heaven and everything is perfect. he is playing pool and shoots the cue ball and all the colored balls go in and nothing ever goes wrong. He finally gets very frustrated and says to himself, "I'm in heaven and it's driving me crazy." The punchline, of course, is that he made the wrong assumption—he wasn't in heaven at all!

The money's there if you have a good idea. It all goes back to your product. I think it's sort of a cop-out to say, "I couldn't get the money." It's hard to raise money, I admit. I knocked on a lot of doors and got turned down by almost everyone. It's good though, because when I see them, I point out how much money I've made. But, the people who did invest made serious amounts of money. We were a real home run for people like Kleiner [Kleiner, Perkins, Caufield & Byers, a venture capital firm]. But we were a long shot—I guess they all are.

You must recognize that the issue is getting and selling the idea. If you have the right idea and can sell it you will eventually get your opportunity. And software was the best business because capital requirements were so low.

I was turned down by virtually everyone except the Masters Fund in Denver. Only one person funded C & E initially. And then Kleiner got involved because they wanted us to acquire Symantec because Symantec was going out of business. So we took it over basically and got more funding from Kleiner. I talked to everyone in the Valley. I literally bought a condo at Sand Hill Circle [Sand Hill Road in Menlo Park is the largest concentration of venture capital firms in the world]. In that regard, I had money. Maybe the difference was that I could afford to take the time; I didn't need a job.

But I still would have started my own company. And, I don't know of too many people who would have been successful had they had the money when starting out. Some people just don't want to be entrepreneurs. It's a very unstructured, hazy process with a lot of uncertainty, and you're the one making all the decisions. Every morning you decide whether to knock on Kleiner's door or Mayfield's. What's the answer? You have to be turned down many times before you succeed.

It's hard to say that in the U.S. and Silicon Valley good ideas go in want for funding. Let's get real. This is a society where entrepreneurs are welcomed, encouraged, and have every opportunity. There is a great group of proven people here willing to help entrepreneurs become successful.

Another piece of advice for raising money is to go with the best [venture capitalists], and give them more equity. I'll take a worse deal from Kleiner any day of the week. They have people like John Doerr. You can't put into words what that makes. I've heard people say to me, "I'm looking at these three companies as potential partners and I'm going to go with this one because I give up less." This is totally brain-dead thinking. You're looking at linear differences when victory is exponential returns. What you want to do is to turn linear growth into exponential growth. I always say having John Doerr and the best people are best for good reason: their track record in making average opportunities successful ones is infinitely higher than the second-tier venture capitalists.

Money is available in Silicon Valley. I have no sympathy for people whining that they can't get money. When you do get money, go to the best.

You've talked a lot about great people and great employees. How does your acquisition strategy fit with your need to have great people? How do you find out if the acquired company has good people?

We look for great products in markets where the company is winning and we assume that they wouldn't be there if they weren't somehow very talented. Within every company there are really great people. If you identify them and give them a chance to succeed it really helps build the company.

There isn't really one Symantec—it's a bunch of people from a bunch of different companies. It's like a melting pot. This is a ridiculous comparison, but Symantec's strength is similar to America's. From many highly motivated people from many different places and different viewpoints came a great country. When we acquire we take the core product team and keep them together.

One of the criticisms of your company is that its product line is just too broad. This keeps you from taking advantage of product synergies. Should you trim your product line?

Most companies, when they get to the half-billion-dollar size, have a pretty broad product line. We do software for desktop computers and the networks they are attached to. That's all we do. It's very synergistic.

We've really had a hard time shaking the image of being a conglomerate. And we've been guilty of some of this. We started out with Q&A, then decided to acquire. At some point, it became clear t

that suites and Microsoft in particular would dominate productivity software. They may not have competed with us head-to-head, but we decided to transition to utilities. We made the transition successfully but it turns out that the software utility business is cyclic with operating systems and networks. Then we really looked at utilities, networks, and communications. These are really the three things we are in. There are many synergies and shared technologies in our product line. We don't do lots of other things we could do. We're pretty focused.

Unfortunately, this hurts us on Wall Street. Wall Street rewards pure plays more than anything else because Wall Street understands pure plays. They want to know what's hot, who the pure plays are, and buy. They want to know what's out, who are the pure plays in this segment, and sell.

So will we ever see a Norton game?

Probably not. We certainly wouldn't put the Norton brand name on it. We've done a lot of brand name research. With Norton, the brand is deep but narrow. A lot of people have said, "Just put the Norton name on everything instead of Symantec." This would be a big mistake. I want to be sure to protect the Norton brand name and be very careful with brand extensions of the Norton line. Here you have a real human being, Peter Norton. It's almost better than Betty Crocker.

I wanted to talk about your relationship with Microsoft. Why doesn't Microsoft just put more of your product's functionality into its own products?

They already have.

So, aren't you afraid that you'll be pushed out of the market?

No. Not really. Our business adds value to operating systems. It's the most proven software business in existence. We add value to knowledge users. We have a tremendous infrastructure that works closely with Microsoft. This is a tremendous barrier to competition. In the spreadsheet market there's not much of a barrier, because they all use the same APIs [Application Programming Interfaces] and they're all public. Utilities, however, work deep in the innards of the operating system. It's very complicated stuff and requires tremendous personal relationships between their development teams and ours. This isn't stuff that is legislated by Mike Maples [a senior executive at Microsoft], it happens at the lower levels of the company. They can't have relationships with many different companies. That's the kind of stuff that is a huge barrier to our competition.

Yes, but that doesn't keep Microsoft from incorporating your software's functionality into their own?

No. But, they're not motivated to do this. There's no return on investment for them because they would have to support it for the *whole* market. We focus on a reasonable piece of the market. Take anti-virus functionality as an example: Microsoft put it in DOS 6 but pulled it out of Windows 95. The anti-virus market has taken off now and everyone has benefited.

Doesn't this arrangement give Microsoft a lot of power over Symantec? They could always collaborate with some other company

I guess in theory, but it's hard to see the motivation for it. And it's hard to cultivate these relationships overnight. The problem with these business cases, that you fellows study in business school when you sit and talk in a circular room, is that a business is *not* like a machine where all the connections are firm and when you toggle one switch the other one toggles just as you would predict.

Organizations actually are very different—when you toggle one thing, something entirely different may happen from what you predicted. Microsoft can't just tell their people, "Forget all these relationships, we're going to screw Symantec." Many people would think it very unfair, and we'd know about it before most of their management knew.

Microsoft is not this evil empire, as many would have you believe. They're actually very solid business people. That's why we work with Microsoft. Apple, on the other hand, has a problem. It's as if every week there's a new strategy and some new intrigue going on. Life is just too short to put up with this bullshit. Microsoft runs a solid business. They're honest. You can trust them. You can believe what they tell you.

This isn't common conventional wisdom now.

Well, it's the truth.

What about Microsoft's closed system software?

Every system's closed. Everyone has their own advantage.

Well, what about UNIX?

UNIX is closed and dispersed. There are just various different closed versions even though people talk collectively about an open UNIX. What bothers me most about the industry today is that people spend more time thinking about how to do Microsoft in than about how to help customers. If people just focused on doing good things for customers, things would take care of themselves.

Microsoft's day will come. I mean, no one is invincible. In a business where technology races so quickly, it's funny how people spend so much time on Microsoft. Microsoft isn't like the Robber Barons who had an impenetrable iron grip on the infrastructure. The Robber Barons had economies of scale with their factories and right-of-way with railroads. There was no way to compete with them.

This is *so* different. I think that monopolies are actually really good in this environment because the monopoly serves the customer by providing standards, and the pace of technology eventually does the monopoly in, and creates a stability of plateaus.

Plateaus?

For example, IBM was invincible with mainframes. They missed the minicomputer. DEC and Data General raced in and created invincible monopolies which were subsequently done in by the PC.

I think that there is too much focus on Microsoft. Every time the industry tries to do them in, they do themselves in. Instead of focusing on them, let's really focus on something that customers want. That's a much better model.

Many say that an entrepreneur's success mainly amounts to luck, and that there are so many people in the Valley that are talented, but only a select few like yourselves are CEOs—

First of all, I don't think that you can presuppose that being the CEO is the ultimate thing—

You don't think it is?

Well, *I* like the job but not everyone might. Do you think Jerry Rice wishes he were quarterback? Do you think Steve Young wishes he were a wide receiver? Great people can do different things.

Second, chance is the dominant force in life, within bands.

Within bands?

Talented people do well. But how well they do is really up to chance.

Is Bill Gates *really* that much smarter? I doubt he thinks that. But he worked his ass off. He was driven, focused, had a take-no-prisoners attitude, was competitive, paranoid, and didn't take no for an answer—all the traits of success. But for everyone who runs a company there are hundreds of people with equal talent and ability that weren't in the right place at the right time.

I was a submarine officer in the Navy. They sent me to get a master's degree in computer science. I thought that postgraduate school was a ticket-punch. But, *I* wanted some excitement, so I chose a hard thesis advisor—Gary Kildall—who was into microcomputers, and here we are.

Gary might not have been in his office the day I knocked on his door, or he could have told me he didn't want any more thesis students—all kinds of things could have happened. To believe that you have some predestiny is very naïve. But, on the other hand, I think that of the people who are given equal opportunities, some people do better than others.

So, luck is important, but at the same time, I think that understanding the common threads between the CEOs—being able to work in a world of uncertainty and being able to make decisions without perfect information—is crucial. It's like in the Navy—the most exciting aspect was that you're driving the submarine around, you're the officer of the deck, and you're making the decisions in a world where there isn't a perfect answer. And, I think that, in some ways, business is the same thing. You have an end objective, but there isn't a lot of guidance on how to get there. I like that.