Michael Plasmeier

# Veritas/Segate Merger

## 1) Real problem

The two companies are nothing alike. They sell different products, to different markets, in different ways, with different types of sales people. Someone somewhere thought this merger was a good idea. Now it’s your job to deliver those merger “synergies” that we sold to Wall Street.

## 2) Key Facts

VERITAS is a provider of enterprise “data storage management” software. This software lets companies back up their data to a separate system and allow that system to be activated on a moment’s notice. VERITAS focused mostly on the market for UNIX systems in very large enterprises. VERITAS sold using the typical enterprise sales pattern – forming a long-term consultative relationship with target companies.

Seagate Technology’s Network Storage and Management Group, was a former division of hard drive manufacturer Seagate. It also made “data storage management” software. However, Seagate focused on selling to small businesses and end customers through VARs. Seagate sold software to run on individual Windows machines.

## 3) What are viable options?

The options are described in section B.

Option 1 is the low risk strategy to keep the two sales teams separate for now. This would allow each business to continue uninterrupted, but it is unlikely to produce any of the merger synergies needed. On the other hand, it will allow the company to study the issue more. I think that this option also allows exploration and innovation on behalf of the individual reps. The management team could allow each rep to organically explore different possibilities in the merged company. The compensation strategy could be set up to disproportionally reward reps that cross sell, to encourage the reps to start thinking about the other products.

Option 2 creates 4 groups, splitting the different function areas to different groups. Essentially one of the groups would be VERITAS’s high-end sales team, another would be Seagate’s current channel managers, another OEM team, and finally a new group to sell direct to low and middle end customers. I am not sure this will work. The different teams will reduce the opportunities for synergies, unless reps could be compensated for referring others to deals. In addition, what products will they be selling to these middle and low end customers? VERITAS’s product sounds too complex, and Seagate’s product does not have the margins to support this.

Option 3 creates 3 teams. It leaves Seagate structures in place, brings the top 20% of Seagate reps to the VERITAS job, and creates a joint mid-range team. I think this is better than option 2, but still who are these mid-range customers who would buy either or both of the products.

Option 4 is they insist on a top performing culture from everyone, by making everyone re-interview for their jobs and basically form 1 team. I don’t think this is a good strategy, because the products and channels are so different. Selling $1,000 deals is not like selling the $100,000 deals that Vertias does. VERITAS sales reps can’t be bothered. You need different people for different types of selling.

## 4) What methodology to solve which options?

First, we need to work out how each team, under each proposed strategy, would do. We should basically create a business plan that details the sales potential and cost of each team.

We should also consider how we will motivate each type of sales rep. VERITAS reps are on a different level than Seagate reps. They want different compensation for different jobs.

Also we need to consider how much risk we are willing to take. If we don’t take substantial top-down action now, we could see organic bottom-up innovation.

## 5) What will it take to get to a better situation?

This whole merger was, in my option, a bad idea. The companies are worlds apart right now.

I think new products are needed to bridge the gap. Consider making a networked version of Backup Exec that backs up all of the desktops in the office to a central server. This gives medium sized business something to buy. It should have support for all of the right policies on privacy, security, and retention. In addition, the combined company can bundle server and desktop software. They could also start to merge the management consoles, so that the integration feels more seamless. They could offer specialized products, like a mail server backup. They can also consider branching out from backup, to other things like retention, archiving, and knowledge management.

Worst comes to worst, they could be looking for someone to sell the Seagate division to.