

Key Findings

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Tom Siebel's Transition

Tom Siebel announced last week that he was giving up the daily grind of running the company he started and concentrating on his role as chairman of the board of directors. Taking over as CEO is Mike Lawrie, a 26-year IBM veteran. There's no doubt that Tom Siebel will continue to have a great influence on the company but there are so many layers to this decision that it is inevitable that the significance of Siebel's move will be debated for some time.

Why now?

As a tactical move, this was a good time to bring in another person to run the business. With the release of Siebel 7.7, the company has firmly put the headaches of the transition from client-server to Web architecture behind it. Siebel has a stable, easy to use, and well performing application suite that targets 23 verticals with 70 applications. The company revealed at its EMEA user group meeting in Cannes, France, that it will execute on big plans in banking, vertical markets, analytics and other areas over the next few years — that's a sizable foundation upon which the new management will be able to build. Moreover, with the economy rebounding and revenues again picking up, Siebel has weathered the burst of the Internet bubble and the economic downturn and positioned his company at the top of a dwindling list of CRM suppliers. No one can accuse him of bailing. With the CRM industry in the early part of a consolidation it is a good time to hand over the reins to someone to deal with this emerging challenge.

Strategy

Of course, no one knows what the future will hold for the company or the CRM industry in general, however, strategy had to play a major role in the decision not simply to give up the CEO title but to bring in Mike Lawrie, a 26-year IBM veteran as the new CEO. Lawrie's credentials are impressive — most recently he managed \$80 billion in revenue as the company's senior VP and group executive of sales and distribution. At 50, however, Lawrie has worked at IBM since 1977 — virtually his whole working life. On paper Lawrie looks like the kind of individual who can help take Siebel to the next level, but there are important differences between running an \$80 billion business at one of the largest technology companies in the world and running one of the most entrepreneurial.

As a \$1.35 billion company Siebel is big by CRM standards but it is dwarfed by many of its clients and some of its competitors that offer multiple lines of business software such as

SAP and Oracle. The business software industry is at the beginning of a consolidation and every company needs to continually assess whether it should remain independent or find a partner with suitable synergy. For Siebel, if such a partner is needed, it could easily be IBM.

What the future might hold

Siebel has shown great affinity for both IBM and Microsoft over the last few years, working in partnership with each to ensure that its technology stack was fully at home in both Java and .NET, moreover, Siebel has worked to ensure to integrate both Outlook and Lotus Notes into its desktop. But it appears more and more that Siebel and IBM are destined for a closer relationship and several developments drive one to that conclusion. For example, IBM is Siebel's OnDemand hosting partner and hosting is an increasingly important topic in CRM. Also, consider that Websphere, one of several integration servers, is a key component of Siebel's universal application network (UAN) and IBM Global Services is one of Siebel's major implementation partners. Then there is the issue of banking. IBM has deep roots in the financial services industry and those roots are important to Siebel's initiative in branch banking, which includes the recently announced acquisition of Eontec.

Siebel is surrounded by CRM competitors like SAP and Oracle who are coincidentally also competitors with IBM in integration servers and databases to name two areas. It would not be a surprise to see Lawrie bring in additional IBM alumni to help run the business and continue battling with common foes. And since we don't know what the future will hold, if an acquisition were to be the prudent thing for the business and shareholders, not only would IBM be the logical choice, but a great deal of the preliminary technical and cultural accommodation would already be in place. For many reasons, from a Siebel perspective a closer relationship with IBM is far more appealing than a combination with rival Oracle where Siebel once worked.

Personal perspective

From a purely personal perspective, Siebel's departure makes a certain amount of sense. He's been at the helm of the company since its inception more than ten years ago. As an entrepreneur he and a small band of close associates went from receiving no salaries for 18 months to becoming one of the most successful software companies on record. Siebel, who has graduate degrees in business and computer science, managed the company through numerous transitions during that time including consolidating CRM functionality into a suite of six basic functions, converting from client-server architecture to a Web based one, launching customer driven vertical solution suites, incorporating analytics functions into line of business applications, (the list is a long one) and positioning the firm in the evolving on-demand market for business applications. In the midst of all that the company grew from less than opulent office space in East Palo Alto into a global business software provider with nearly 500 products in something like 24 languages.

At the Siebel EMEA user group meeting last month, Ken Jarvis, CIO of the South African Revenue Service, described doing a deal with Siebel via telephone over the course of about a week. The negotiations took place early in the morning, San Mateo time, and ended daily when Tom had to get the kids ready for school. After ten years of early morning meetings and negotiations, and the pressures and responsibilities of running a fast growing company, maybe it was just time to try something else.

Why not transition now? Life is short.