90-Day Transformation at VeriSign

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“[The CEO] was so pleased with this work that he would like this kind of work replicated across the organization.” Vernon Irvin, Executive Vice President of VeriSign Communications Services

Introduction

In the second quarter of 2002, as the industry recovered from the deteriorating domain name market and weak tech and telecom services environments, VeriSign Telecommunication Services (VTS) did not find itself in a very competitive position.

Facing mature products with decreasing margins, a lack of innovations in the product pipeline, and a leadership that was content with current performance, VTS was heading into troubles in the near future. Realizing the troublesome future, CEO Stratton Sclavos brought in Vernon Irvin as VTS new Executive Vice President (EVP) to help revive VTS.

Stratton asked Vernon to turn VTS from a $380 million division to an $800 million one. In turn, Irvin recruited several teams in September 2003 to help design strategies and cost-cutting initiatives. Instead of proposed solutions, Irvin received replies like, “We don’t think we can do it,” “We’ve tried everything,” and “We don’t know how to do what you want us to do to grow that business because we don’t think it’s there.”

Despite these remarks, Irvin raised the bar, setting a new revenue goal of $1-Billion by 2006. He initiated a rapid response team effort and assembled a $1-Billion team to drive what would later be marked as the “90-day Transformation Effort.” Within 90 days, the core teams would develop a set of detailed implementation plans that would later guide the transformation effort. Before this could be accomplished, however, Irvin would have to “re-invent the way people thought” and overcome many significant challenges.

Company Overview

VeriSign, Inc. provides enterprises, service providers, and individuals with the ability to engage in secure business transactions over digital networks such as the Internet. Its three core offerings include: (1) Internet security and registry services; (2) communications services; and (3) web presence services. Prior to the Transformation, VeriSign marketed its products and services through a direct sales force, telesales operations, member organizations in its global affiliate network, value-added resellers, service providers, and VeriSign’s company websites.

Although VeriSign was a leader in its industry, specialized competitors, an expanding and complex portfolio of products, new company acquisitions, and uncertain market trends, made the future success of VeriSign’s business uncertain.

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1 Morgan Stanley Research, “It’s Time to Walk the Talk,” 5/10/02
Competitors

VeriSign was producing a large and expanding range of products and services. For each product or service, VeriSign faced a growing number of specialized competitors such as Amdocs, Quest, SBC, TSI, and ALLTEL. Because they lacked an efficient process for evaluating and prioritizing projects, they were unable to focus their efforts on a set of projects that would maximize the value to their business. Spreading its resources across so many products and services would make it difficult for VeriSign to remain competitive. Jamie Schultz, an HR executive in VTS who lead several strategic initiatives within the organization, described VeriSign’s advantage as being their ability to potentially integrate and package a broad range of products into a single, robust solution:

“If we can harness the power of all of VeriSign and deliver to our customers the right solutions, there isn’t another company that can do what we can do. Companies want a solution that’s going to serve them across the board because integration is complex.”

VeriSign would explore its ability to integrate its various products and services into a single solution for clients. However, because VeriSign had limited experience in integrating products and services, their ability to succeed remained uncertain.

Business Units

VeriSign sought to manage the increasing uncertainty of its internal and external environment by realigning its business segments. Starting in the first quarter of 2003, executive management refocused VeriSign’s divisions into three of its most significant, service-based lines of business: Security & Payment Services, Naming & Directory Services, and Communication Services. (Exhibit 1)

Exhibit 1. VeriSign’s Business Units.

The Security & Payment Services offered a wide portfolio of products and services that enabled organizations worldwide to solve critical business problems in several markets and vertical
industry categories. VeriSign provided services and consulting to more than 1,000 enterprises and 400,000 websites worldwide, with over 30 percent of e-commerce transactions in North America being secured by VeriSign.

The Naming & Directory Services, managed over 30 million digital identities in over 300 languages. These divisions enabled people, devices and applications to easily and reliably find each other over today’s rapidly expanding networks. VeriSign is the authoritative directory provider for all .com, .net, .cc, and .tv domain names on the Internet. Using their proprietary Advanced Transaction Look-Up and Signaling (ATLAS™) global infrastructure, VeriSign processed over 10 billion interactions daily, more than three times the number of phone calls made daily in the United States.

Finally, the Communication Services division, VTS when Irvin came on board, offered a broad suite of wireless and wireline infrastructure and application services to Communications Service Providers (CSPs). This division sought to help clients solve today’s cost and complexity challenges while enabling expansion into new markets and technologies. VeriSign provided products and solutions to more than 1,000 telecommunications companies worldwide.

Each of these newly aligned divisions served a substantial number of clients. Nonetheless, VTS carried a special burden as it was responsible for earning nearly 40% of VeriSign’s total revenue.

**VTS Overview**

VTS provided specialized services to communications carriers. Their primary sources of revenue, detailed below, were: (1) Business Support Services (Wireless Billing and Prepaid Services); (2) Database Services; (3) Network Services (SS7 and Related Products); and (4) Mediation Services.  

![Estimated Division of Revenues for Telecom Products](source: Pacific Growth Equities, Inc. & Company reports)

**VTS Products**

**Business Support Services**
Business Support Services empowered companies to sustain informed relationships with its customers. Its core product *speedSUITE*, was an integrated billing and Customer Relationship Management (CRM) system customized for the specific needs of wireless carriers: “The system allows carriers to provide accurate and efficient billing, and quickly respond to changing market conditions.” The product includes point of scale and inventory management services, “which is designed to assist wireless carriers by targeting and supporting each stage of the subscriber cycle from initiation through retention.”

**Network Services**

Network Services offered a wide range of products and services that helped carriers cost-effectively expand and enhance their existing networks. VeriSign’s core product under Network services was Signaling System 7 (SS7). SS7 was a protocol used by telecommunications operators to allow the transfer of certain information from one telecommunications switch to another switch and from one carrier to another carrier. The SS7 network was used for call connection and disconnection, billing, routing, and information exchange. Services such as call forwarding, caller ID, 3-way calling, wireless roaming, 8XX services (toll-free services), and Local number Portability (LNP) all depended on the SS7 network. For example, if a customer who subscribed to AT&T Wireless services used their cell phone to call another customer subscribed to Cingular services, their conversation would be transmitted using the SS7 network [Appendix 7].

**Database Services**

Database Services allowed carrier customers to quickly and cheaply acquire data that may not be available or would cost too much to acquire through other methods. Most commonly, an outsourced provider assembled a database of information by using many different sources, such as other carriers, public information, and other pre-assembled databases. This compiled data would then be sold to any interested carrier. Carriers generally benefit due to these shared database services. Nonetheless, the ideal alternative for the carrier would be to leverage its own database system.

**Mediation Services**

VeriSign Mediation Services was one of the largest in the country and provided billing, payment and customer care solutions to second and third-tier wireless carriers. Though they had limited budgets, these carriers were many in number and were consequently, a major source of revenue for VeriSign. VTS’ Mediation services resolved payments for phone calls where multiple carriers were involved. These functions involved settlement services, toll clearinghouse services, payphone compensation, call management, directory assistance call competition, and Operations Support System (OSS) interconnection. VeriSign provided an interface solution to facilitate the transfer of data.

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3 Source: Pacific Growth Equities VeriSign, Inc. Research  
4 Source: Pacific Growth Equities VeriSign, Inc. Research
On the whole, most of VTS’ products and services did not arrive from organic, in-house development, but rather from acquisitions of other companies.

**Acquisitions & Growth**

Between late 2001 to early 2003, VeriSign acquired a handful of key companies, detailed below, which rapidly expanded their products and services into the broad voice and data telecommunications market. Although VeriSign hoped these acquisitions would lead to further growth of the company, their inexperience in the markets acquired made their success uncertain.

**Illuminet**

Acquired in December 2001 for $1.2 billion, VeriSign hoped that Illuminet Holdings, Inc, a provider of intelligent network and signaling services, would grow their VTS Division. The company owned a network which enabled call control across carrier networks and delivery of other essential communications services such as seamless roaming, fraud management, toll-free database services, calling name and local number portability. The company also provided roaming and real-time account management for prepaid wireless services, and a host of Operations Support System (OSS) interconnection and network management services.

Once the capabilities and resources were merged, VeriSign was able to provide an IP data infrastructure serving 6.5 million customers and handling more than 5 billion daily connections and transactions. Moreover, it was able to expand its SS7 network to provide critical services to 900 communications companies in 23 countries.

**NTC**

In June 2000, prior to the acquisition of Illuminet by VeriSign, Illuminet acquired National Telemanagement Corporation (NTC), one of the largest prepaid wireless providers in the country, for approximately $84 million. Because NTC developed advanced application technologies for the wireless communications industry, including prepaid services, real-time account management and unregistered nationwide roaming services, the acquisition enhanced Illuminet’s existing portfolio of intelligent network services. Moreover, NTC’s real-time services provided an infrastructure for Illuminet to develop a platform of next generation solutions such as Wireless Intelligent Network (WIN)-based services, Internet Protocol (IP), and wireless data services.

**H.O. Systems**

In February 2002, VeriSign acquired H.O. Systems, Inc., a leading provider of billing and customer care solutions to wireless carriers, for $350 million. Their advanced billing platform would complement the signaling, intelligent network and clearing services of Illuminet. Moreover, by packaging their products with Illuminet products, VeriSign could offer wireless carriers a more comprehensive solution of services needed to grow and succeed in a highly competitive marketplace.
Most importantly, H.O. Systems' core product, *speedSUITE*, would help VeriSign cater to the specific needs of wireless carriers. The functionality of *speedSUITE* supported current 2G and 2.5G service offerings and laid the groundwork for the introduction of next generation (3G+) services. Finally, H.O. Systems' electronic bill payment system, *speedBill*, when combined with VeriSign's payment gateway, would give birth to an advanced payment system for wireless carriers. This integration had the potential to please the 56,000 plus merchants that VeriSign's payment platform was currently servicing.

**Industry Trends**

In March 2004, while the wireless market continued to expand, the wireline market was showing stagnant growth. According to IDC:

The increased popularity of consumer wireless services has had a direct, measurable impact on wireline services, primarily through the substitution of wireless for residential access lines. The impact of 2G wireless on wireline is set to increase as 2G wireless pricing reaches levels that are competitive with wireline services, particularly with the bundling of ‘free’ long distance service into wireless service packaging. As consumers are drawn to the increased functionality of next generation wireless services, wireline displacement rates will continue to increase. The overall rate of displacement for all wireless services combined is set to increase in the 2001-2005 time frame, resulting in an additional 10 million access line displacement to the 10 million access line displacement that occurred from 1995 to 2001.  

Recent analysis from Venture Development Corporation (VDC) showed that the market for SS7 network elements capped at $9.4 billion in 2001 and that sales are expected to only experience a 4% annual increase, up to $11.5 billion in 2005. As the following figure shows, the largest contributions to growth come from HLR/VLRs, SMSCs and MSCs, all of which are wireless components.

To remain competitive, VeriSign would have to align its strategy with current market trends. To do this, VTS would have to undergo a “make—over.” Significant changes had to be made.

**Pre-Transformation: Phase 0**

The arrival of Irvin marked the beginning of phase 0 of the transformation effort. During this phase, Irvin would 1) identify objectives and goals for the effort, 2) establish clear roles for
clients and consultants, and 3) form a problem identification team, a team that would later become known as the “$1-Billion Team.”

When Irvin joined VeriSign, Stratton Scalavos, CEO and President of VeriSign, remarked:

“Vernon Irvin is a proven leader who we believe can take our unmatched infrastructure, technology and people to the next level of performance and success on a global basis. We are thrilled to have him join our executive management team as we look to deliver a purpose-built utility for the digital age of communications and commerce.”

Arriving from American Management Systems (AMS), an IT consulting company, where Irvin had been the executive vice president and general manager of the Global Communications, Media, and Entertainment (CME) division. During his time at AMS, he successfully led the re-organization of CME, transforming it from $200 million dollar business into a $400 million dollar one. With more than 17 years of experience in global communications and with significant experience in managing rapid response teams, Irvin was well-equipped to raise the stakes at VTS – to more than double the annual revenue from $380 million to $800 million within three years.

According to Tabrizi, after an analysis of the current state of the organization, Irvin “realized that there was a lack of processes, lack of data, lack of accountability, lack of leadership in the organization.” He realized that he needed to “bring in new people, … to reorganize, … to integrate autonomous environments, [and] potentially needed to close some of these divisions that were not performing.”

In a first attempt to begin to deal with the problems at hand, Irvin organized the first rapid response teams, now known as “the first attempt,” to realign the organization with a new strategy and a new goal: doubling VTS revenue. Three rapid response teams were formed - a cost-savings team, a sales initiative team and a financial validation team. Irvin picked leaders for each of the teams and asked them to design what VTS’ strategy and cost-saving initiatives should be.

The cost-saving team met for the first time in Denver, Colorado and were unsure of their charter. The first meeting was spent primarily trying to determine some guidelines.

So we were [asking ourselves]: Costs savings at the expense of what? Do we need to cut people out of the organization? Should we close down some of our offices? What were the expectations?

Without the charters and guidelines, the team made a series of recommendations that missed the mark and were not implemented. The team did, however, recommend many network cost savings that were implemented. Though Irvin did not find any satisfactory ideas to accelerate revenues from his teams, he personally pushed hard to achieve at least one result – cost savings to the tune of $20 million.

Nonetheless, on a larger scale, change was not occurring at VTS as Irvin wanted. His management team had effectively elevated VTS to a $420 million division and sustained the
business at that level, but they lacked “the fire” to move them beyond that revenue threshold. According to Schultz, when Irvin challenged them, he ran into various excuses that generally showed the team’s reluctance to change and be on board with Irvin’s initiatives to grow VTS’ business. “So he knew right away that he had a team that wasn’t going to be the team that is going to get us the $800 million,” Schultz concluded.

**Forming the $1 – Billion Team**

Despite the failure of the first effort, Irvin continued efforts to double VTS revenues. The need to grow was filled with “so many unanswered questions of things that had to be further analyzed and addressed” that he launched a second rapid response effort to mitigate the uncertainty, but this time with some key differences: 1) a new high performing leadership team, 2) more clearly defined structure for the rapid response teams, 3) higher standard for selecting team members, 4) more signals from upper management of the priority of the effort, and 5) increased incentives for employees to make the effort a success.

**Core Leadership Team**

Irvin met with Jamie Schultz in September and asked her to lead the project. Schultz saw that this would be a huge task that had to be accomplished in a very short time frame and therefore hired a team of consultants. According to Schultz, the purpose of hiring the consultants was to “sprinkle [the projects] with experts in each of the categories.” These consultants included AVA Butler from CGEY, Behnam Tabrizi from Stanford University, Kimm Hershberger, an independent consultant, and a few associates from CGEY.

Together with Irvin and Schultz, these consultants made up the core project team. The team immediately felt the push from Irvin: “He had an amazing sense of urgency,” said Tabrizi. When the consultants were brought on board, they challenged the management to raise the stakes and aim for $1 billion in annual revenue instead of simply $800 million. Thus the name “$1-Billion Team” was coined.

**Rapid Response Teams**

As a first step, the core leadership team designed the framework for the rapid response teams that would spearhead the new transformation effort at VTS. They created three types of Rapid Response Teams that would be temporary and cross-functional – content, process and implementation.

**Content Teams**

First, they created *content* teams, which included both market- and product-focused teams. They divided the market teams into three groups: Wireless, Wireline, and International. The market teams were assigned the task of defining new organizational boundaries that would transform the VTS organizational chart from a function-based structure into a market-based structure. By creating self-contained work units focused on various segments of the market, these teams hoped to pave the path for VTS to provide customized solutions within each market. A key challenge the market teams faced was defining the roles and responsibilities associated with products that
fell under multiple boundaries. For example, a newly developed phone feature could fall under the jurisdiction of either the wireless or wireline group. On a larger scale, the market teams were also in charge of providing a clear focus for VTS’ long-term strategy.

The product-focused teams were divided into four categories: Billing and Payment, Collective Signaling, Content Applications, and Database and Directory. Their task was to find ways to improve VTS products and increase their current market position.

**Process Teams**

The second type of rapid response teams comprised six *process improvement* teams: Sales, Customer Service, Engineering and Operations, Product Development Process, Portfolio Management, and Financial Validation. The Sales team was responsible for finding organizational strengths and weaknesses that would help them improve their ability to target Tier 1 customers. The Customer Service team was in charge of managing similar improvements in order to create a prioritized account of the division’s top 25 customers. The Product Development Process team was responsible for creating an improved product development lifecycle process that strategically released new products according to the needs of the market. The Portfolio Management team was created to rationalize VTS products by prioritizing its key sales pipelines based on their future profit potential. Finally, the Financial Validation team was charged with managing VTS’ long-term investment strategy, which required that they be aligned with all the content and process teams.

**Implementation Teams**

The third type of RRTs were the implementation teams. They were supposed to ensure that all the solutions developed during the 90-day process were fully integrated within the newly reengineered VTS division. The Program Management Office (PMO) was a small but important team because it oversaw the 90-day process; tracked each team’s progress toward its key deadlines and goals and managed project-related issues. Finally, the Organizational Design team, headed by Irvin and Schultz, was responsible for directing the organizational structure of the reengineered VTS division. This included recruiting and hiring a new management team that would lead VTS into the future.

The core leadership team designed and assigned specific team charters for each of the rapid response teams. The charters included the objectives and tasks that each team would be responsible for completing during the 90-day reorganization. Having learned from the company experience with the first rapid response teams, the core leadership team ensured that each rapid response team had clear objectives which reflected VeriSign’s overall strategy, and, which was handed down from CEO Sclavos and his senior leadership group. Once these team charters were created, the core leadership embarked on a highly selective effort to assemble the membership for these teams.

**Assembling the $1-Billion Team**
The core leadership chose a decentralized approach to form the rapid response teams. Irvin and Schultz personally selected the members of the $1-Billion Dollar team. They selected the leaders (also known as pilots) to lead each of the new rapid response teams. The pilots of each group, along with the core leadership team, came together to constitute a high-level team, which was identified as the Billion Dollar Team.

According to several of the core consultants, the pilots needed to come from within VeriSign to ensure ownership of the process and an incentive to see the handoff process through to its end. Two of the consultants involved, Tabrizi and Hershberger intentionally avoided attention during key results meetings in order allow team pilots to creatively manage the pressures of responsibility. They expected them to stand-alone during key meetings, but maintained a “guardian angel-like” relationship providing helpful feedback and enabling each pilot’s growth as a business leader. The purpose of finding leaders from within the organization was to ensure effective implementation of the project’s solutions once the 90-day process was over. Thus, not just anybody was selected to lead these teams:

> The team leaders were almost always VP’s or directors. The team members were sometimes senior managers. I don’t think we had anybody below that. The key thing is this: how to make sure that you involved people who actually know what’s going on. And on this level, these were the right levels. (Butler)

The fact that important, influential people led these rapid response teams brought the effort to whole new level of prioritization. The core leadership team especially looked for high flyers that had histories of achievement, expertise within their function, energy, and commitment. Once all the teams were assembled, the pilots were then charged to first select their co-pilots and then select their team members. The pilots tried hard to build a balanced cross-functional team. "You kind of had a couple of criteria with each of the team’s trying to get as much of a cross-location and cross-company representation on the teams." (Adams) Some key characteristics they looked for included “thought leadership” and “high flying” ability. According to core consultants, team members needed to be willing to engage in active discussions where people could not only think outside the box, but could also provide honest feedback and constructively criticize bad ideas.

Each team pilot had the responsibility to translate their charters into a schedule of smaller goals in order to meet milestones required for each of the large meetings. It is important to note that each of these teams maintained a healthy sense of autonomy and direction. Although Irvin was heavily involved with each team’s progress, he gave each of the pilots complete autonomy and authority to make key decisions, such as the use of allocated RRT resources.

**Managing the $1 – Billion Team**

Once the Billion Dollar team was in place, managing them effectively was the next big challenge. Thus, early in the process, Irvin and his consultants decided on the project management methodologies that would address the important project management factors: 1) Effective communication forums, 2) Clear benchmarking metrics, and 3) Fair rewards and recognitions 4) Signals from upper management 5) Raised stakes for employees
Communication Vehicles

There were three types of communication forums that were crucial for the Billion Dollar team’s success: road shows, bi-weekly meetings, and monthly integration meetings. The first forum was designed to get buy-in from business/operational owners, while the last two facilitated the pilots from each of the RRTs to align their different decisions into Irvin’s objectives for the entire project.

Road shows were one-day, site-wide communication meetings, which were specifically targeted for all employees. Several RRT leaders toured VeriSign campuses in Savannah (Georgia), Tampa (Florida), Olympia (Washington), Dallas (Texas) and Kansas City (Kansas) to join Irvin’s campaign on VTS’ need to change and to update VTS employees on the progress of the $1-Billion team. These road shows were crucial to get employees excited about the $1-Billion team’s objectives and what they meant for VeriSign, its customers and employees. In these road shows, Irvin addressed his employees’ concerns about organizational changes and their impact on VTS’ employees, especially job loss. Irvin assured everyone that his main intention was not to cut jobs, but to grow VTS’ business instead, which would lead to more jobs. Also, during these road shows, specific team pilots led the audience in various workshops, where team pilots would present details of specific initiatives and gather feedback and creative ideas from the road show audience. This way, the team gained support by getting employees outside the Billion Dollar team involved.

Bi-weekly two-hour teleconferences were targeted for all RRT leaders where each group gave a five-minute status update on its progress to Irvin and the rest of the Billion Dollar team members. Although Irvin might not have been able to track each deliverable in details, he would make sure that the group moved toward the directions he wanted.

Monthly integration meetings were targeted for all RRT leaders to give a cumulative status update for work they accomplished in the past thirty days. These also allowed Irvin the opportunity to give detailed directions to RRT leaders. Irvin kept track of each team’s specific deliverables for Day 30, 60 and 90 meetings, challenged each leader’s decisions, and made sure that they were aligned with other team’s decisions.

While Irvin and his management team tracked each team’s deliverables, they needed benchmarking metrics in order to fully understand the extent of progress the RRTs were making.

Benchmarking Metrics

VeriSign sought to align its business structure with the realities of its market by having a common standard of baseline metrics in order to continually evaluate its progress. These metrics would be used to implement dashboards that would give the senior executives and board of directors real time information about the progress. Another important goal was to rationalize the entire organization by prioritizing its customers as well as prioritizing its sales pipelines.

Once a common standard of metrics were in place, the financial leaders could establish criteria for evaluating a portfolio and cut any product/service that failed to meet a certain threshold. These tough decisions, although opposed by managers attached to their pet projects, needed to be
made without exceptions in order for VTS to invest resources in products that contributed to its financial growth and competitive advantage. Using the metrics to cut products also sent a signal to the RRTs demonstrating that their efforts were actually paying off.

VeriSign’s most important metrics in its dashboard were Revenue, Profitability, and FTE (Full-Time Equivalents). The Portfolio Management team was the pioneer in introducing metrics to the transformation effort. They created a baseline early in the 90-day process. An astonishing figure was discovered as the Portfolio team members produced some of their initial numbers. From all of VTS’ revenue, only 5% was generated through new products. This, which later was known as the innovation percentage at VTS, was an extremely low figure and a cause of concern knowing that various companies had been previously acquired with the purpose of adding innovation to VTS’ portfolio. Tabrizi explained that it took time for other groups to follow their example, with some of them not producing metrics until the latter stages of the 90-day process. The late adoption of benchmarking metrics created new challenges for these teams because they missed an opportunity to evaluate themselves from the very beginning of the project.

Rewards and Recognitions

Benchmarks also helped calculate how to reward the hard work of RRT members. In December 2003, the entire team gathered together to celebrate their accomplishments and discuss the challenges moving forward. As a token of recognition, Irvin awarded financial rewards based on results and individual contribution within the various teams. The core leadership team provided important feedback on the RRT members that had made significant contributions. One half of the reward budget was distributed in the December. The other half was postponed till June 2004 when senior management would reward those members that maintained loyalty to their RRT responsibilities, ensuring their full implementation. This reward mechanism would not have been as effective without an established set of baseline metrics.

Signals from Upper Management

Almost all the staff interviewed agreed that the key ingredient to the success of the Billion Dollar Team was Irvin’s deep-seated commitment to reorganizing the VTS division into an effective market-driven machine. Just as he involved himself on a much deeper level with the selection of the members of the $1-Billion Team, he involved himself deeply in the guiding the transformation effort. To successfully bring about change, Irvin knew that “…you gotta be in the room, at 7 or 8 or 9 o’ clock at night eating cold pizza and sweating the details.” (Irvin)

As a leader, Irvin set high expectations for his $1-Billion team to perform. Irvin learned his lesson from his first attempt to re-engineer VTS that, without clear goals and his involvement in every step of the transformation effort, he would not get the results he expected.

Irvin’s active engagement in the effort consistently signaled to employees that the transformation effort was a high priority. Butler describes this as a burning platform:

I think what made this team most successful, and I will say that this is the most successful team I’ve every worked with, was that there was absolutely a burning platform, they needed to change and that was very strongly driven by Irvin the
new leader, who made it very clear that the business was going to change, that leaders had to change with the way they worked, or that the leaders themselves would change and in fact he did fire some people and replaced them.

**Raised Stakes for Every Employee**

Irvin raised the stakes so that every employee of the VTS division suddenly had a stake in the outcome of the VTS reorganization. Irvin told every employee that they did not have a job with VTS until the reorganization planning was complete. Tabrizi recalled, “This is during an economic downturn, so people didn’t have a lot of options and [Irvin] came in and said, ‘You guys don’t have a job until all of this done. None of you have a job.’ So he was very tough and yet he drove these people very hard.”

By raising the stakes of the Billion Dollar rapid response teams, Irvin gave the members of those teams added incentive to actively engage in the transformation. Butler explained, “When a company like this has to make such significant changes, it is very difficult if not impossible without the involvement of the employees. You could hire a bunch of consultants to make changes in a smoke filled room, but they’ll never come up with exactly the right answer and they’ll never understand all the nuances of the company. It’s much better to get the employees in making a change.”

More than ten percent of the division headcounts (eighty out of eight hundreds employees across VTS) committed themselves to the success of the Billion Dollar team objectives. Meanwhile, VTS was to earn nearly 40% of VeriSign’s total revenue, which meant that all the members of the rapid response team also had to fulfill the duties, their full-time jobs. In other words, they worked both day and night, on weekdays and weekends. To ensure highly critical work was completed on time for both projects, employees prioritized their work.

The combination of a capable consulting team, increased engagement from upper management, and the division-wide job hold all mounted into crisis-like pressure that every member of the new rapid response teams felt. “Overall, it was what I would call tough love,” said Irvin. He had created a burning platform for change.

**During Transformation**

Once the RRT’s and the project management methodologies were in place at the end of the pre-transformation phase, the stage was now set for the next step. The Transformation phase comprised of three sub phases. In Phase 1, after a careful analysis of the current organizational processes, the “As-Is” processes at VTS, the teams were to identify the major pain points of the organization. From these processes, they were to develop a set of baseline metrics to guide the success of the transformation effort. In Phase 2, the teams would map the set of “As Is” processes developed in the first phase to a set of “To-Be” processes based on best practices. In Phase 3, the teams were to come up with detailed implementation plans for the “To-Be” processes. They would pilot these processes to identify any weak areas and continually improve upon them. In the end, they would announce the new organization with key positions filled.
Each phase lasted 30 days and at the end of each phase, Irvin held monthly integration meetings to track their progress. These phases are described in further detail in [Appendix 6].

The monthly integration meetings were crucial in the transformation effort. These allowed Irvin and his RRT leaders to exchange ideas and enabled leaders across the nation to meet each other and build a personal rapport. Most importantly, it enabled business owners to take a holistic view of VTS businesses and thus account for the interdependencies between them when designing the new business processes.

In order to promote a uniform communication system during the 30-60-90 day meetings, PowerPoint templates with examples on the type of information required were distributed to the various teams. This also served as an empowerment tool for pilots who had little previous experience with such complex and integrated information. Consultants took this opportunity to offer guidance to team members based on their expertise.

Each monthly integration meeting consisted of two-full days of meetings from seven in the morning until eight in the evening each day. “Day 30” meeting took place mid October, “Day 60” on November 18 – 19, 2003, and “Day 90” on December 17 – 18, 2003. The culminations of the 90-day transformation journey took place during the Day 60 and Day 90 integration meetings. In these meetings, four RRTs, Product Development, Sales, Customer Care and Organizational Design, presented their strategic initiatives to optimize the use of their resources, reduce cost and, improve customer experience.7

Phase 1: Day 1-30

In this phase, the various RRT’s worked on mapping the current “As –Is” processes. Important deliverables for this phase were – current sales pipeline, run rate and product profitability. [Appendix 1] The various RRTs presented their findings in the integration meeting.

Product Development

Strategically, VTS product development group was busy managing existing product offerings and had insufficient resources to invest in new offerings. Over 95% of VTS revenue came from maintaining old products and services, causing VTS to be at the uncompetitive edge of technology. Since VTS product development focused too much on short-term hits without balancing them with long-term strategy, VTS had lost several market opportunities. One employee noted, “There must be a way for the process to carry a project/product, instead of favors given to the one who screams the loudest.”8

Further probing revealed that the root cause of VTS’ strategic disadvantages was due to bad governance. There was no accountability throughout the life of a product or service: no one owned the overall process, no one kept track of whether new products met their expected revenue contribution, no one ensured whether products met customers’ expectations in terms of quality and features and no one was measured against any benchmarks. Post project reviews did

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7 Due to the confidentiality of VTS’ strategic directions, the paper can not discuss the results presented by other RRTs.
8 A participant of VTS Product Development survey done in October 2003.
not exist and hence processes remained static. Management did not value discipline – people who had to sign-off came unprepared, scheduling meetings with senior management took as long as 3-4 weeks and there was very little downstream communication. Resource management was not efficient, the pipeline was overloaded and there was no bandwidth for R&D.

Process issues were another concern. Exit and entrance criteria between phases were currently very subjective, which caused inconsistencies. The hand-off between phases (including the software development lifecycle) was not smooth. There was no way to amend the concept and/or business case documents, later on in the project when more was known (e.g. better estimate and headcount). In addition, VTS did not have any prioritization process; every product received top priority. There were no criteria for determining when existing products became obsolete, or when new products should be introduced to keep up with the fast-changing market.

Customers were not involved intimately in the product development process and spoke only to the account managers. There was no consistent way to get continuous customer input; often customers provided inputs only when there were some problems. The old telecom mindset of not talking to the customers till the beta version was ready still existed.

Sales

With VTS’ history of multiple acquisitions, VTS sales group was faced with operating inefficiencies and information breakdowns that were mainly caused by non-integrated information systems and processes. Sales representatives often had to spend a significant amount of time dealing with non-sales-related issues.

For example in order management, a sales representative could find herself spending time researching multiple databases to answer a customer order inquiry. Orders were printed, hand-carried, and then re-entered when moving to the Billing system. In addition, orders could not be entered until a contract was completed, and the delay in contracts either resulted in lost business or dissatisfied customers.

Invoicing mistakes were common. It was estimated that well over $1 million in annual revenue was lost as a result of these errors. An internal audit was set up to gather more specific information on the impact and root causes of this problem.

Contract Management was another area of concern. Sales Reps needed an approval to send even a standard contract to a customer. This request process took as long as three weeks – for a standard contract. There was no universal NDA and there were no processes to track renewals of NDA or contracts. Lack of legal resources to assist in timely negotiations compounded the problem and sales reps often ended up carrying messages back and forth during negotiations.

Approvals were required for all pricing related issues. Neither Sales Reps nor sales management had any authority to approve pricing. They did not have visibility to cost structures or profit / loss information. As many as six layers of approval for pricing were required. Moreover, it was difficult to price bundles because the VTS incentive structure focused on maintaining and
growing margin on individual products. The entire pricing process was very slow and cumbersome.

Finally, the VTS Sales group was not adequately integrated with the Product Development group. As a result, sales representatives could not inform customers about the full VTS product roadmaps and thus, customers felt that they made uninformed purchase decisions. Conversely, without a formal mechanism to gather the sales representatives’ knowledge about customer needs and VTS competitiveness, the Product Development team would often launch new products without characteristics desired by the customers and in a timeline that was out-of-sync with the market direction.

Customer Care

After a careful examination of the VTS Customer Care group, the Customer Care RRT was able to identify a set of key problem areas: Support, Tools, Metrics and Organization.

Support - Quality of Care

Similar to VTS Sales, VTS Customer Care group had to compromise its support to VTS customers because of non-integrated – or even worse, undefined and disregarded – processes, tools and metrics. As a result, VTS Customer Care struggled to provide a consistent and timely customer experience. A customer might receive different treatments depending on the time of the call, the Customer Care representative, and the product in question. Moreover, after-hour support was outsourced and was currently not meeting the specified service standards.

To make matters worse, the existing care groups were not dedicating time and resources to improving the quality of care provided. Instead, they were spending significant effort, time and resources on activities outside of the realm of Customer Care, primarily in finance and other development functions. Criticisms from other internal teams regarding their lack of a customer focus were growing, which was having a negative impact on their employee morale.

Support – Expertise

Over 80% of inquiries into Customer Care related to product performance. Resolving these inquiries often required the use of detailed technical knowledge, and often left customers waiting over an hour, from initial contact, for a helpful response. Finally, time spent on answering inquiries was further increased due to the fact that customer care representatives did not have cross-product information and expertise. Because many representatives could not answer inquiries on all products, they had to waste time directing customer inquiries to other representatives.

Support – Process

The established processes within the existing organizations were relatively effective. However, across the organization they were inconsistently applied which was significantly impacting the VCS customer experience. For instance, the process for determining the number of resources to
be dedicated to customer support varies widely and is often subjective. Moreover, off-hour support levels and hours often vary.

**Tools**

Within five VTS customer care centers, there were currently nine different applications dedicated to supporting VCS customers. Because none of these applications were integrated across departments at one location, VeriSign was unable to provide a “single view” of the customer. Furthermore, current phone systems and the lack of an e-mail monitoring application hindered the ability of VCS to accurately track and report on customer contacts.

**Metrics**

Among the five customer care centers, metrics were inconsistently defined, measured and managed. Metrics that were inconsistently applied, such as customer satisfaction, job performance, resources planning and personal accountability, hindered VeriSign’s ability to compile measures on a corporate-wide basis. For instance, without standardized metrics, VeriSign was unable to calculate a corporate-wide Customer Care ROI.

**Organizational Design**

The Organizational Design RRT evaluated the current structure of the organization and realized that the relationship between markets and products needed to be managed more carefully. In the future, they expected that Product Development would have to be separated from Product Management as there was difficulty in managing the Product Portfolio and the Product Lifecycle.

Moreover, they hoped that VCS would work to maintain a centralized Sales organization with a strategic marketing group that dedicated resources to the market segments. Furthermore, they anticipated that VCS would need to establish clear accountabilities, a decision-making process, and an aligned rewards system.

**Phase II: Day 30-60**

With the “As Is” analysis complete, the RRTs were asked to perform gap analyses and evaluate different alternatives for the desired “To Be” state. When the Day 60 integration meeting arrived, the RRTs had developed their thorough “To Be” analyses.

Each Rapid Response Team had to come up with two to three “Big Ideas” that would either address existing problems, improve current processes, or create new sources of revenue for VTS as its deliverables for the Day 90 integration meeting. Irvin wanted these ideas not only to be brilliant, but also to be realistic. To do so, each RRT had to come up with specific action items with an assessment of its value, feasibility, potential challenges, and projected contributions to revenue and target implementation timelines for each “Big Idea.” During the meeting in mid-November 2003, several strategic areas of improvement emerged as the major themes from the RRT presentations.
**Product Development**

The RRT came up with suggestions to improve the ownership/governance in product lifecycle management and defined a high level prioritization process for new product introductions using industry best practices. It identified ways to increase revenues from new products and spur up R&D and innovation. They explored both inorganic and organic methods to increase the number of new products in the portfolio. It also looked at ways to reduce the time to go to market for products. The team also came up with mechanisms to incorporate customer feedback in the early stages of the process.

In phase II, VTS developed a portfolio-rationalization methodology to prioritize the significance of products to VTS using three key values: revenue growth, profitability and full-time resources equivalents allocated to maintain the products. Using this methodology, VTS could assess its products (from the past, at present and for the future) and determine the value that it added to the customer and to VTS. When the direction of the market changed or when a product failed to meet the key values above, VTS could make decisions quickly. By Day 60, the teams evaluated thirty existing products and services across the three market segments using the portfolio-rationalization methodology. Out of these thirty products and services, three portfolios did not meet the key values used to rationalize their existence, and thus, were scheduled to be eliminated from the VTS product roadmap. Although these three products were worth about a million dollars in revenue, the Product Development RRT stood firm with its decision, which was fully supported by Irvin. Instead, VTS chose to reinvest its resources in other more promising products that passed the portfolio-rationalization test.

**Organizational Design**

Irvin realized that VTS organizational structure had to be designed to support a strategy that maximized responsiveness to customer needs, promoted adaptability to future growth, and provided synergy with the structures of VeriSign Corporation as a whole, as well as its partners and suppliers.

Based on the results of multiple interviews with all RRT leads, there was unanimous agreement on the need to transform the current organization design [Appendix 3] from a functional focused to a segment focused organization [Appendix 4]. The Organizational Design RRT believed that the segment-focused design would make VTS closer to its customers and better able to understand their needs in order to create solutions across various functions with seamless collaboration. The Organizational Design RRT was aware that there was no clean cut jurisdictional boundary between one segment and another. Therefore, the team emphasized the importance of cross-boundary considerations to other RRTs while designing new policies and processes across VTS.

In addition, the Product Development RRT communicated to the Organizational Design RRT the need to clearly define the job descriptions for Product Management, Product Marketing, Project Management, Product Development and Account Development roles in order to best position employees to lead successful product lifecycle and go-to-market strategies. While the Organizational Design RRT realized that these five roles were crucial for VTS’ success, the job
description for each role varied among all legacy organizations. As a result, there were varying performance expectations communicated to the role owners in managing product portfolios and product lifecycles across VTS.

**Improving Customer Experience**

During the phase II of the transformation, VTS was focused immensely on transforming itself from a product-centric into a customer-centric organization by integrating customer-facing groups from the legacy organizations, reducing ordering times and equipping customer-facing groups with necessary tools and training in order to exceed customer expectations. Implementation plans to achieve aggressive goals for improving customer experience were presented to Irvin during the Day 90 integration meeting. Some of these goals included reducing sales contract processing time from two weeks to two days and cross-training sales force with products from five legacy organizations.

In addition, VTS created a customer-segmentation methodology to categorize its customers based on a set of criteria, such as the number of products licensed, strategic relationship with the customers, risks associated with the customers, and the revenue that the customers brought to VTS. For the first time, VTS would be able to prioritize its resources to respond to customers’ feedback on product features and inquiries on services. The fact that VTS chose to segment its customers did not translate into varying the quality of services to its customers. VTS simply wanted to make informed decisions in allocating its resources and doing cost-benefit analyses for various customer feedbacks on desired portfolios.

By the Day 60 integration meeting, each RRT designed information dashboard\(^9\) format and requirements that would provide meaningful cost-benefit and competitive analysis to VTS leaders in their decision-making process. Then, the RRT would make sure that the dashboard requirements were taken into account in the plans for process and system integrations across the legacy organizations. When various information dashboards could be created and modified easily through automation, VTS would be able to balance its operational efficiency and profitability with greater flexibility.

In addition, VTS also made sure that each RRT crosschecked its directions with other RRTs. For example, the Customer Care RRT’s scope depended on the Organizational Design RRTs, such as whether VTS Customer Case should report directly to Irvin or to Irvin’s staff. Since the line of reporting for a group was directly related to the group’s accountability and responsibilities, VTS Customer Care had to understand where it would be in the VTS final organizational design.

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\(^9\) An information dashboard is a snapshot of various metrics in a specific business function that indicates how well the function is performing.
Phase III: Day 60-90

Detailed Roadmap to Change

During phase III, each RRT delivered its execution plans for the various new processes across VTS. Financial forecasts, market strategies and training plans were examples of these deliverables. All the cross-team issues and schedules were addressed and the resource pool and budget were approved for the big ideas. The main output of this phase was a detailed integrated program schedule with clear roles, responsibilities and accountabilities. In particular, the $1-Billion team’s dedication and diligence led to the following two accomplishments:

Strategic Organization Structure

By Day 90, VTS had officially transformed its organizational structure from a functional-focused to a segment-focused organization. Despite the 35% top leadership change, including the new positions, due to this new organizational design, by Day 90, VTS was able to fill all leadership positions with both internal and external hires. In addition, VTS officially changed its name to VeriSign Communications Services (VCS) to remove the limitation to the telecommunication business that the previous name implied.

By Day 90 integration meeting, VTS finalized its organizational design, including selecting internal and external candidates to fill in the new leadership positions. The Organizational Design RRT believed that the longer VTS waited to make decisions on organizational design, the more counter-productive it became due to the dependencies of other RRTs decisions on the Organizational Design RRTs decisions. That is, depending on where a given function would be placed in the organizational structure, scope of work, goals and control of that specific function would vary. For example, if the Customer Care department were to be placed directly under Irvin, then the department’s scope would be greater than if it was to be placed under the Business Operations department.

Clear Market Strategy

By the 90-day transformation journey, VTS legacy organizations were “forced” to integrate into one entity. Furthermore, everyone could speak the same language in terms of terminologies, processes, tools and strategies. The level of resources and effort dedicated to the $1-Billion team signaled Irvin’s deep commitment to the integration effort and new strategic direction for VTS to employees, customers and shareholders. VTS planned to launch its first formal communication to external customers and shareholders in the first quarter of 2004 regarding new product offerings as a result of the integrated solutions developed across VTS. After the 90-day transformation effort, VeriSign became the first company to offer billing solutions which integrated prepaid and post-paid payment billing solutions. This move positioned VeriSign well in the market to seize new opportunities to partner with market leading Tier 1 companies.
Closing Analysis

Perhaps the most important improvement brought on by the 90-day transformation effort was its profound effect on VeriSign employees. During the 90 days, more than ten percent of VCS (85 out of 800 employees) were involved immensely in the transformation activities. As a result, they became strong evangelists for the positive changes that the transformation efforts would bring to the division. People took ownership over the future of the organization under the motto, “greater people, greater VeriSign.”
### Appendix 1: Deliverables of Monthly Integration Meetings

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<thead>
<tr>
<th><strong>30-60-90 Deliverables</strong></th>
<th><strong>Monitoring Success</strong></th>
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<tr>
<td><em>Market Launch</em></td>
<td><em>CXO Validation</em></td>
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<tr>
<td><em>Financial Validation Team</em></td>
<td><em>Strategies to balance Rev. Growth &amp; Profitability</em></td>
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<td><em>Market Segment Teams</em></td>
<td><em>To Be</em> P&amp;L Accountability</td>
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<td><em>Portfolio Teams</em></td>
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<td><em>Updated Forecasts</em></td>
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<td><em>Leadership Acct. &amp; Team</em></td>
<td><em>Draft Market Segment Pro-Forma's</em></td>
</tr>
<tr>
<td><em>Planning &amp; Budgeting</em></td>
<td><em>Financial Dashboard</em></td>
</tr>
<tr>
<td><em>Teams Follow 60 - 40 Rule!</em></td>
<td><em>Customer Feedback</em></td>
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<tr>
<td><em>Q1-2004</em></td>
<td><em>Segment Game Plan</em></td>
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<th><strong>30</strong></th>
<th><strong>Analysis</strong></th>
<th><strong>Road-maps</strong></th>
<th><strong>Execution</strong></th>
</tr>
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<tbody>
<tr>
<td>$10 Team Sessions</td>
<td>30</td>
<td>60</td>
<td>90</td>
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</tbody>
</table>

- **Strategy**
  - "As Is" P&L Map w/issues
  - "As Is" Sales Pipeline, Run-Rate, and Product Profitability Dashboard
  - "As Is" Customer, Targeted Customers
  - Service Offerings
  - Go-to-market Process Reqs.

- **Analysis**
  - Market Segment Analysis
  - Target Customers
  - Value Propositions
  - Positioning Roadmaps
  - Investment & Alliance Criteria
  - Targets/Measures
  - Solution Roadmap
  - Specific Product Initiatives
  - Build, Buy, Partner Decisions
  - Business Cases
  - Solution Pipeline

- **Road-maps**
  - "To Be" P&L Accountability
  - "To Be" Process Road-maps & Accountabilities
  - Link to VTS Obj. & Measures
  - Infrastructure Requirements
  - Prioritized Process Improvements
  - Execution Plans
  - Business Cases
  - Process Measures

- **Execution**
  - Launch Package for Analysts & CXO's
  - Updated Forecasts
  - Draft Market Segment Pro-Forma's
  - Financial Dashboard
  - Customer Feedback
  - Segment Game Plan
  - Market Dashboard

- **Leadership**
  - Leaders Gaps, Job Descriptions, Top 20
  - High-Level Org. Structure
  - Organizational input from Rapid Response Teams
  - Leadership Search
  - Micro Design Structure
  - Micro Design Plan
  - Begin Implementation
  - Top Leadership Levels in Place
  - Sales Exec. & Leadership Compensation linked to business
Appendix 2: Leading Practices of Product Development Process

Review of successful processes used by other companies surfaced the following:

1. Cross-functional phase-reviews critical
2. Strong cross functional and functional orientation
3. Portfolio and platform solution is important
4. Effective resource utilization is key and leads to speed
5. Strong team ownership and leadership is expected.
6. All projects aligned with the Portfolio Approval Committee and the Product Development Process
7. Projects are redirected or cancelled based on new information
8. Product priority list is kept/updated by the Portfolio Approval Committee
Appendix 3: Functional Organizational Design
Appendix 4: Segmented Organizational Design

Org Design as of December 5th
Appendix 5: Composition of the Rapid Response Teams

These teams will work together to design and plan the implementation of our strategy.

<table>
<thead>
<tr>
<th>Process Teams:</th>
<th>Content Teams:</th>
<th>Implementation Teams:</th>
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Appendix 6: Composition of the Rapid Response Teams

Steps of a Transformation Effort

**Phase 0:** Pre-Transformation
- Objectives and goals
- Establish clear roles for clients and consultants
- Form problem identification team

**Phase 1:** Problem Identification, Analysis
- Identify issues and problems with current processes
- Identify “As-Is” environment and baseline metrics
- Analysis

**Phase 2:** Design New Process
- Identify new high growth markets
- Design process based on best practices

**Phase 3:** Implementation Plan
- Pilot the new process, validate, improve
- Roll-out (Announce new organization with key position filled)
- Follow-up plan for the next 6-12 months

**Phase 4:** Rollout
Appendix 7: Simplified SS7 Configuration

1) Phone A dials a telephone number
2) Phone A’s local switch analyzes the dialed digits and determines correct receiving switch
3) Switch A selects an unused circuit to switch B and sends a message with the number called and originating number to a point on the network called an STP (Signal Transfer Point). STP checks messages and forwards to switch B.
4) Switch B receives message and checks if called number is in serving area.
5) Switch B sends message indicating receipt of message from switch A and selects path for the call.
6) Switch B initiates the call to Switch A (yes-the receiving switch actually initiates the call)
7) Switch B rings the destination phone and places the ring tone to the calling party.