

KEVIN DOBBS: X as a Service Files first podcast. We're really excited today to be kicking off our series and I'm Kevin Dobbs and I'm with Accenture. And today, we're going to be talking to one of the industry leaders around digital transformation. We're really happy to have Doug Merritt, the President and CEO of Splunk join us. And, Doug, thank you for participating in our first podcast series.

DOUG MERRITT: Thank you, Kevin. Thank you for having me. I'm definitely excited to be here and eager for our conversation.

KEVIN DOBBS: Great. So, you know, the whole series is about digital disruption and digital transformation and, boy, are we in a period right now where it seems like everything is being disrupted. And I hope first off, your family and the whole Splunk family are doing well and are healthy, given all the things that are going on right now.

DOUG MERRITT: Yeah, our family has been fortunate to not get meaningfully impacted with our health and so, amazing how grateful you are for small things when you're in the middle of so much unrest, health unrest, societal

unrest. It's definitely a really unusual and important time I think for all of us. Certainly, when I look at my views and Splunk's views, how we view America and the ideals it was founded on, which basically is opportunity for all. What we're seeing and experiencing and what we've seen and experienced for the past couple hundred years is not meeting the ideals and capability of the country. And we are all locked in at Splunk to certainly help the world through this pandemic given the importance of data and helping us get to the effective way of living as a society and eventually getting to appropriate therapies and vaccines. But we feel the same in turning statements, important statements and feelings into decisive action around social unrest as well.

KEVIN DOBBS: Yeah, and I think everyone at Accenture feels the same way. I mean it really is probably an unprecedented period of time. I mean, like you said it, we've got the societal changes with Black Lives Matters and the national protests we've had recently and the pandemic. You've got the recession. We've got 20 million people out of work. You've got global warming. You've got, you know,

and it's election year on top of that. So if there was ever a time where companies are starting to reevaluate what they're doing, I've heard multiple clients talk to us about we had a digital plan on our roadmap in terms of what we were going to do around building out the next generation of our growth model. And they thought maybe it would take them three or four years to get there. Now, all of a sudden, it's taken them two to three months and all of a sudden, everything's been compressed.

So I know you're out in the market talking to lots of people. What do you think all the big drivers are right now for people who are kind of thinking about building out the next generation business model?

DOUG MERRITT: Yeah, we've definitely heard and seen the same things, 5-year projects, 10-year projects, 8-year projects that through necessity, it's amazing when pressure's on, how people respond and how important stress is to innovation. People very rapidly pivoting because it's a matter of survival at this point in time.

What our team has witnessed and I think what we're hearing from so many other CEOs and conversations we're

having is there's not necessarily brand new trends occurring. We've all been working for many years on digital transformation. We've been working on virtual and remote workforces. The shift is now for survival, especially over the past three months, as we've all been sheltering in place in so many countries around the world, if you are not software driven, if you haven't gained significant traction on your digital progress and/or digital transformation, if you're not conversing with data and gathering data from that overall landscape and from the interactions that are happening around us day in and day out and if you're not effective at making decisions around data, it's now really difficult to manage your organization given the amount of change that we've just talked about in the introduction.

KEVIN DOBBS: So when you're talking to these leaders in the industry, I mean you're talking about data driven obviously, that's near and dear to Splunk's heart. Are there other characteristics of companies who seem to be doing better during this kind of disruptive period of time?

DOUG MERRITT: I think the underlying characteristic that, again, many articles have been written about is what

kind of resiliency do you have as a business and there's certainly cultural aspects of that, but there's also business model elements to that. Are you subscription based or do you live and die based on daily or monthly payments and deal terms? Are you focused on being more of a platform, something that's woven into many other businesses, economics and success or are you an organization that's trying to march up that hill by yourself carrying a weight of your own company's capabilities on your shoulder?

And then, obviously, culturally, what kind of employee population are you driving? How diverse is it? How effective are those multi-viewpoints and how they actually listen to and adhere to within the company and how gritty is your team? So that when you get to time periods where things get really, really hard, with a growth mindset, people find ways of leaning into that hardship versus maybe more from a fixed mindset where it now becomes overwhelming and frightening for people.

KEVIN DOBBS: So you're in the technology market. So do you see other industries or are they having a particular

harder time? I kind of would think about manufacturing, if you have large, large manufacturing, it's hard maybe to rotate to a digital model versus - obviously, Splunk is mostly a digital model to begin with, so the rotation for you might be a lot easier.

DOUG MERRITT: Yeah, when we see these really rapid shifts where we moved 80% of our population, virtual and online in a week. That is a form of digital transformation transforming a manufacturing entity into more of a subscription and software driven organization and all the business models that come with that. That obviously is something that's really difficult to do in a month or two or three months.

What we've all been reading about and partnering with different organizations around Accenture certainly and Splunk as well is watching as companies that once were much more a manufacturer and seller discreet item. You pay me the total cost of that item and I walk away and maybe collect some maintenance dollars, move to I sell you a service whether it's something like Rolls Royce with jet engines or similar to GE with their power plant capacity

that would sit next to different factories or power consumptive entities, moving from you buy new equipment to I am getting paid based on successful flight hours or I'm getting paid based on power consumed by organization and we're now in this together. That obviously is a much more resilient model that especially as you move to larger software component on all those different offerings is a little bit more durable, agile and flexible when we're dealing with really, really, really rapid economic, societal changes like we're experiencing right now.

KEVIN DOBBS: And I can imagine the supply chains were a big part of that as well because if you have a digital supply chain, it's a little bit easier to change if you need to versus let's say, everything's being done in China and all of a sudden you can't move anything out of China.

DOUG MERRITT: A really good wake-up call for, I think, many organizations around the world is low cost is important, but resiliency is important also and centralization can be good, but resiliency is important also. How do you have empowered high quality and affordable supply chains, different raw and intermediate and finished

good parts and make sure that when something happens, an earthquake, a hurricane, a typhon or some type of global unrest or a pandemic, you at least have more options on how to respond and there's some things pervasive enough. Maybe there are no options, but buying optionality, I think we'll see over the next 5, 10 years becomes much more important business criteria again than maybe we've seen over the past 10 or 20 years.

KEVIN DOBBS: And I'm sure having all that data available that you can make really informed decisions is also important?

DOUG MERRITT: Well, thank you for bringing it back.

KEVIN DOBBS: It's all about you, Doug, come on. Well, one of the other things I was going to kind of probe on, so as you're looking out at the market or let's talk about the leaders, the type of people who are kind of making this pivot, are there different - like we were talking about with the business model, there are characteristics of successful companies pivoting. What about leaders? Are there specific things you're seeing on how they're dealing

with kind of the disruption and also, as they were thinking about kind of rotating their business?

DOUG MERRITT: Yeah, definitely is a time for both heightened leadership and the demand on leadership and that's leader of a family, you know, leader of a group, CEO of an organization, political leader. That's a broad sense of all of us have the opportunity no matter what role or aspect we're looking at to actually lead and help drive in a positive direction.

And certainly, what I've been experiencing and I think the leadership at Splunk and many of the leaders that I talk to on a day-to-day basis is, number one, we are all rotating really hard on communication. One of the attributes of leadership that people have talked about for a while, but their nature does not like a vacuum and human beings wind up creating all kinds of different answers where there is no effective communication. So whether it's a good answer, a hard answer, I guess, or less hard answer, communicate on a consistent basis is absolutely critical.

I think along with that, courage is really, really important that as we're seeing this with social unrest

right now and Black Lives Matter, it takes a lot of courage on all sides to have many of these conversations that we deeply, deeply need to have. And I think that's probably talked about in leadership circles, but I think it's at front and center right now, all the way back to data. If you're really going to be paying attention to data, especially in rapidly evolving situations like we're seeing now, if you want to communicate and help guide people, then you've got to consistently be giving them updates on where you are going, but then feel comfortable with good courageous backbone of saying it. You know, the data is telling us something different or got new information and now, we're going this other direction as well.

And then the final piece that I certainly focus on intently at Splunk and I see so many others focusing on as well is you really, really have to triple down on your customers. Hopefully, everything in business, in any business out there, is very centered on customer interactions, customer value, customer success and I think that at this point in time for us as it has been for so many years, customers are the North Star and are really

helping us make the most effective and rapid decisions that over time continue to help Splunk, but immediately help our customers.

KEVIN DOBBS: Yeah, and I think what we see with a lot of as a service companies because it is so important that the customers are successful and renew is it's infused in the culture, right? I mean it's just part of what you need to do if you're going to be successful. It's hard in the old model where it's I sell you something, I leave. If it breaks call me, versus I really want to make sure that we're focusing on you, making sure you're successful, that you feel good about it, you become an advocate and then, ultimately, you renew.

DOUG MERRITT: Yeah, which is part of the benefit of the resiliency of these models, but it also as you so appropriately how it, Kevin, it really emphasizes that customer partnering activity. As your business and usage goes up and down, our value, our revenue goes up and down with you. I think that requires much better knowledge and information and insight out perspective of those customers, if you want to serve them effectively and then assures

alignment between the two organizations 'cause you're not just getting this big lump sum payment and as you said, call me if something goes wrong. Now you're getting it over time on a daily or monthly or quarterly basis and you've got to continue to show up and continue to perform and continue to add value if you want that successful partnership with the customer.

KEVIN DOBBS: Another thing that we see is that this concept of you're a platform-based business and I think there's a lot of confusion around maybe what a platform is. I know you and I probably talked about this before is that I think sometimes thinking its companies think its technology specific, but a platform can be kind of a lot of different things. And as you move into these new as a service models, you see companies become a lot more focused on platform. I'd be interested kind of your perspective on when you talk to customers, what are you talking about when you say a platform kind of based business?

DOUG MERRITT: That's interesting. We moved all of our new hire training virtual and I dropped into two of the virtual new hire classes yesterday and this came up and as

one of the conversations that you talk about Splunk's a platform, what do you mean by that? And it is easy to drop into the technical definition and for me, at the highest level, what it really ultimately means is in the total economics that are attributed to something like the usage of data for Splunk, that the majority of the economics go to the partner community and not to the person that's actually providing the underlying capability set.

And then if you focused on that going back to customer centric and partner centric, then your primary goal is to make sure that your partners are doing extraordinarily well and have been rewarded for making a bet, a risky bet in many cases in building a whole practice and focus area and investing their own dollars in people around that company or in this case, that Splunk platform.

So when I look at a very famous example of a platform company, someone like Apple, and what they've been able to drive with the App ecosystem and all the activity that supports their iWatches and iPhones and iPads and desktops and laptop, Apple has certainly done well through that journey, but the economics that are going to the partners,

are going to the community is significantly above what Apple is bringing back in. And that to me is a clear example of someone that's been very successful in driving a platform orientation.

KEVIN DOBBS: Great. So when you're talking to all these customers out in the market and they're going, Doug, you run one of these businesses today, do you have any quick pointers for them as they're thinking about kind of making the move much more to an as a service model?

DOUG MERRITT: Yes. Be very - take your time and be thoughtful about what it is that you're actually trying to achieve. Why do you want to move to as a service for example? And ideally, if you go back to the earlier parts of conversation, it better be around a strong customer value set and the customers are going to do much better because of this technological shift, business model shift, employee cultural shift that you're going to have to drive to be successful. So be really clear on why you're doing it in the first place. And then we wound up taking a lot of time as actually part of my interview cycle to be CEO, I was the incumbent candidate and had some insider knowledge

and my entire prep was laying out a 5-year roadmap of what is the from, to, for Splunk around that customer centricity, but then there was quarters and quarters of continued double-click on each one of the elements that we had highlighted as I was going through that interview process and then constant iteration and refinement knowing that there's no way if you're doing something that dramatic that you're going to be preinitiant enough to get everything right. You're going to be guessing a lot of different pieces and you need the resilient and agile and gritty as different feedback loops are coming back in.

So know why you're doing it, be thoughtful on the different major drivers and components, be willing to listen and change and buckle up for a 4 to 9-year ride before you really get the traction and the assurance that you've gone in the right direction.

KEVIN DOBBS: Alright. Well, that's great, Doug. Thanks for your insights and we'll look forward to our continued dialogue.

DOUG MERRITT: Thank you, Kevin. Thank you for the great questions.