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## The EMC Federation: To Be Or Not To Be, That Is The Question [1]

by [Joseph F. Kovar](#) [2] on March 30, 2015, 12:30 pm EDT

The EMC Federation, which held together despite a big push last year by large EMC investors to split it up as a way to improve shareholder value, appears to have escaped from the battle with few if any apparent wounds and a new determination to succeed as a whole rather than in parts.

Indeed, Joe Tucci, EMC's feisty chairman, president and CEO, seems to have made keeping the EMC Federation whole a key part of his legacy, taking the charge to defend it against investors even though he was expected to retire a couple of years ago.

EMC and the EMC Federation are uniquely positioned to help customers move their IT infrastructures from legacy technologies to the digital age, Tucci told analysts and investors at the EMC Strategic Forum for Institutional Investors 2015 conference in early March.



[3]

**Click to enlarge image. Courtesy Elliot Management**

"I challenge you to find a company with more technical assets," he said.

Chris Riley, EMC's new senior vice president of global alliances, told CRN that everything EMC does for its OEM, strategic and channel alliances [4] takes advantage of the EMC Federation.

"I work closely with VMware, Pivotal, RSA and VCE," he said. "We have a common set of global partners. And the value they see is the Federation. Our value proposition is

unmatched in the industry."

EMC is using a truce between it and its investors to continue strengthening its message that the EMC Federation is the key <sup>[5]</sup> to long-term success for the Hopkinton, Mass.-based company.

For now, it is a message that has been accepted by channel partners and large EMC customers who are understanding the benefits of having EMC, VMware, Pivotal, RSA and VCE work together in the EMC Federation. But whether investors will over time come around to EMC's long-term view of the company or go for short-term gains via a sale by EMC of VMware or another part of the Federation remains to be seen.

## WHAT IS THE EMC FEDERATION?

The EMC Federation includes EMC's core storage business, virtualization and cloud technology developer VMware, big data and business analytics software developer Pivotal, security developer RSA, and converged infrastructure solution developer VCE.



The term "EMC Federation" <sup>[6]</sup> first came into play in 2013 after EMC and VMware jointly launched Pivotal. But the seeds of the EMC Federation go further back to EMC's 2004 acquisition of VMware.

That acquisition, followed by EMC's 2006 acquisition of RSA and 2013 acquisition of software platform developer Pivotal Labs, led to questions about why EMC, best-known as a company focused on storage and the leading independent vendor in the storage market, was purchasing companies outside its normal business realm.

### *Joe Tucci*

Questions about EMC's rationale behind the acquisitions continued <sup>[7]</sup> as EMC ran those organizations as independent companies with very little interaction between them. This was an unusual model in an industry where acquisitions and their related technologies are typically absorbed into the purchaser.

The reason for EMC's hands-off approach to many of its largest acquisitions was explained to CRN by Diane Greene <sup>[8]</sup>, the co-founder and former president and CEO of VMware, in a 2008 meeting.

Greene told CRN that it was assumed that VMware would be integrated into EMC after the acquisition, but then realized its success stemmed from strong partnerships with such IT giants -- and EMC rivals -- as IBM, Hewlett-Packard and Dell.

"We realized that, if we suddenly had EMC selling our software, that's going to be destructive to our partner channel," she said. "And so, I said to Joe [Tucci] and we were small then, miniscule compared to EMC's revenue -- 'I don't think you want to disrupt this, because it's really going well.' I [didn't] think EMC should sell our product because we had immediately heard from a lot of our partners, and they were pretty concerned. So [I told him], 'Let's send out these rules of engagement to all of our partners about how we're going to sell, and that EMC is not going to be selling our product.' And he said OK."

## WHY KEEP THE EMC FEDERATION?

What is more difficult for EMC today is to explain why it is keeping the EMC Federation intact.

EMC has two problems in explaining the EMC Federation.

First, three of the key components of the Federation are essentially run as separate companies, each with its own top executive with the experience to run his own major IT organization.

EMC II, or EMC Information Infrastructure, has as its CEO David Goulden, a 12-year EMC veteran who previously served as its president and COO, and before that as CFO.

Running VMware is CEO Pat Gelsinger, who prior to joining EMC was widely considered the front-runner to eventually run Intel.

Pivotal has at its helm CEO Paul Maritz, who joined EMC to run its cloud business and, for a couple years, VMware, after his company Pi was acquired by EMC. Prior to that, Maritz spent 14 years at Microsoft.

Second, given that EMC has kept the various parts of the EMC Federation separate, it might in some investors' minds make more sense to sell some or all of the components.

It would be easy enough. Tucci in November told investors <sup>[9]</sup> at the Wells Fargo Securities Tech, Media and Telecom Conference that while EMC could easily spin out VMware as a separate company, EMC staying together as a whole is better positioned for growth.

"[EMC and VMware] go together around Vblocks and we know where we compete," he said at the time. "You have competition from Oracle. You have competition from Microsoft. You have competition from Amazon Web Services. These are big, big companies. So, the thing we have to understand, and I have an underlying belief, is that either you've got to be very niched or you better be big and have scale."

## **CONTINUING TO DEFEND THE EMC FEDERATION**

During the EMC Strategic Forum for Institutional Investors 2015 conference, a parade of EMC executives made the case for keeping the EMC Federation intact.

Tucci used his opening keynote to tell investors that EMC's customers are dealing with multiple challenges, particularly with the need to run legacy applications on mainframe and other existing infrastructures while making the transition to the digital world of cloud, mobility and big data.

"No surprise, but that's why we built the Federation. ... And yes, we have a unique business model," he said. "And unique times require unique business models."

Tucci also told investors that the EMC Federation is set for long-term success because of its scale. The company has 21,000 go-to-market people able to compete in developing clouds with companies such as Amazon, Microsoft Azure, HP Helion and Cisco, and can put 22,000 consultants in the field. EMC can do joint cloud consulting and management with VMware, develop new converged infrastructure solutions with VCE, and develop larger offerings together with VMware and Pivotal.

"This is how we're pulling our companies together while still giving [customers] choice," he

said.

Pivotal's Maritz said at that investor's conference that, in a world where applications increasingly define corporate image, customers are learning that off-the-shelf software will no longer work.

"There's almost a sense of panic within larger enterprises when they realize they need to catch up with modern app development," he said.

Pivotal's suites of technologies for modern application development, open-source cloud development, and big data not only run on EMC technology, but also on Amazon Web Services, OpenStack and other environments, Maritz said.

The EMC Federation provides the scale for solutions like those provided by Pivotal to reach customers from anywhere, Maritz said. "We get tremendous leverage from the Federation," he said.

VMware's Gelsinger used the March investor's conference to talk about how the EMC Federation enabled VMware to work with EMC and other companies to get several major joint wins, align with multiple cloud offerings using a single architectural model, eliminate points of internal contention over technologies such as software-defined storage, and re-align the VCE converged infrastructure solutions around the entire VMware software stack.

"The Federation model in 2015 is clearly allowing us to resolve grains of sand in the gears," he said.

Goulden reminded investors that EMC is already working with the EMC Federation to bring out complete solutions. These include the Enterprise Hybrid Cloud combining EMC, VMware and VCE Vblocks; the Cloud Foundry Development Platform, which adds services and hardware from EMC and VMware to help customers quickly deploy applications; the Business Data Lake built on an open-source hybrid cloud and with Pivotal technology; and Security Analytics, which adds RSA security to the Business Data Lake.

Solution providers and their customers have needed some time to understand and accept the idea of the EMC Federation.

It was hard to see the value of the EMC Federation at first, said Aaron Cardenas, CEO and founder of P1 Technologies, a Hermosa Beach, Calif.-based solution provider and EMC partner.

"It seemed a lot like marketing hype," Cardenas told CRN. "But EMC has stuck with its story. And customers want the Federation approach. They like the IBM mainframe approach, and how HP has done with its offerings. But the EMC Federation path is better positioned for the new data center than HP or IBM. And it makes sense when talking about software-defined data centers or the cloud."

Andy Pratt, president of Unique Digital, a Houston-based solution provider and EMC channel partner, told CRN that the EMC Federation provides the classic "one-throat-to-choke" scenario.

"We can tell customers, 'If there's a problem with one part of the solution, we know where to go,'" Pratt said. "And customers want to make things work well together."

Pratt said the term "EMC Federation" could in the eyes of customers be more of a marketing term to help EMC better partner with competitors on certain product lines.

"But the Federation will continue to grow both the individual parts and the overall brand," he said. "With the Federation, we can go to one client and talk Pivotal, then go to another and talk RSA. But we can tell them we can bring the other companies to do everything they need."

The idea of the EMC Federation is good, but the term itself can be confusing, said Jamie Shepard, regional and health systems senior vice president at Lumenate, a Dallas-based solution provider and longtime EMC channel partner.

Customers want to hear about integrated solutions, not some "Federation," Shepard told CRN.

"EMC needs to talk about integrated solutions," he said. "In the field, the message is not getting through. It's a good play when it's addressed properly. But there's a huge segment of the population that doesn't understand the entire organism."

EMC could easily break the EMC Federation apart, Shepard said. "But if I were EMC, I'd keep it together," he said. "It shows EMC is investing in solutions. It takes time to understand. But when you do understand, you see a lot of collaboration."

Customers and investors should expect the EMC Federation to evolve, Shepard said. "Was EMC's ultimate goal with VCE to bring it back into EMC? No," he said. "It was set up as a stand-alone company. But it evolved. VCE is now a unique solution within EMC. EMC is supporting the uniqueness of a lot of customers."

Steve Taylor, CTO of Plan B Technologies, a Bowie, Md.-based solution provider and EMC channel partner, disagreed with several of his peers by saying that EMC has become too complicated.

With EMC, doing one thing like storage with a backup and recovery systems certification is complicated, and gets more complicated when something else like RSA security is added, Taylor told CRN. "It involves moving a lot of cogs in EMC to support the solution," he said.

Taylor said he would like to see EMC split.

"Carve it up," he said. "Cut it into micro-pieces. With each part of EMC, you have more reps and more overlay people. As you work with EMC people, the pile of business cards climbs to the ceiling. But it gets hard to contact people, and hard to manage the solution. And that's a tough place to do business."

When it comes to investors' talk about breaking up EMC and the EMC Federation, solution providers are not listening.

Cardenas said investors tend to be more short-term-focused than customers, and are looking for the immediate gains they might get if the EMC were to sell VMware or another part of the Federation. "But the Federation is better for EMC in the long run," he said.

***This article originally appeared as an exclusive on the [CRN Tech News App](#) <sup>[10]</sup> for iOS and Windows 8.***

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