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# Broadcom's Hock Tan on Partners, Scale and Choice for VMware

A CCS Insight  
Podcast  
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Report with

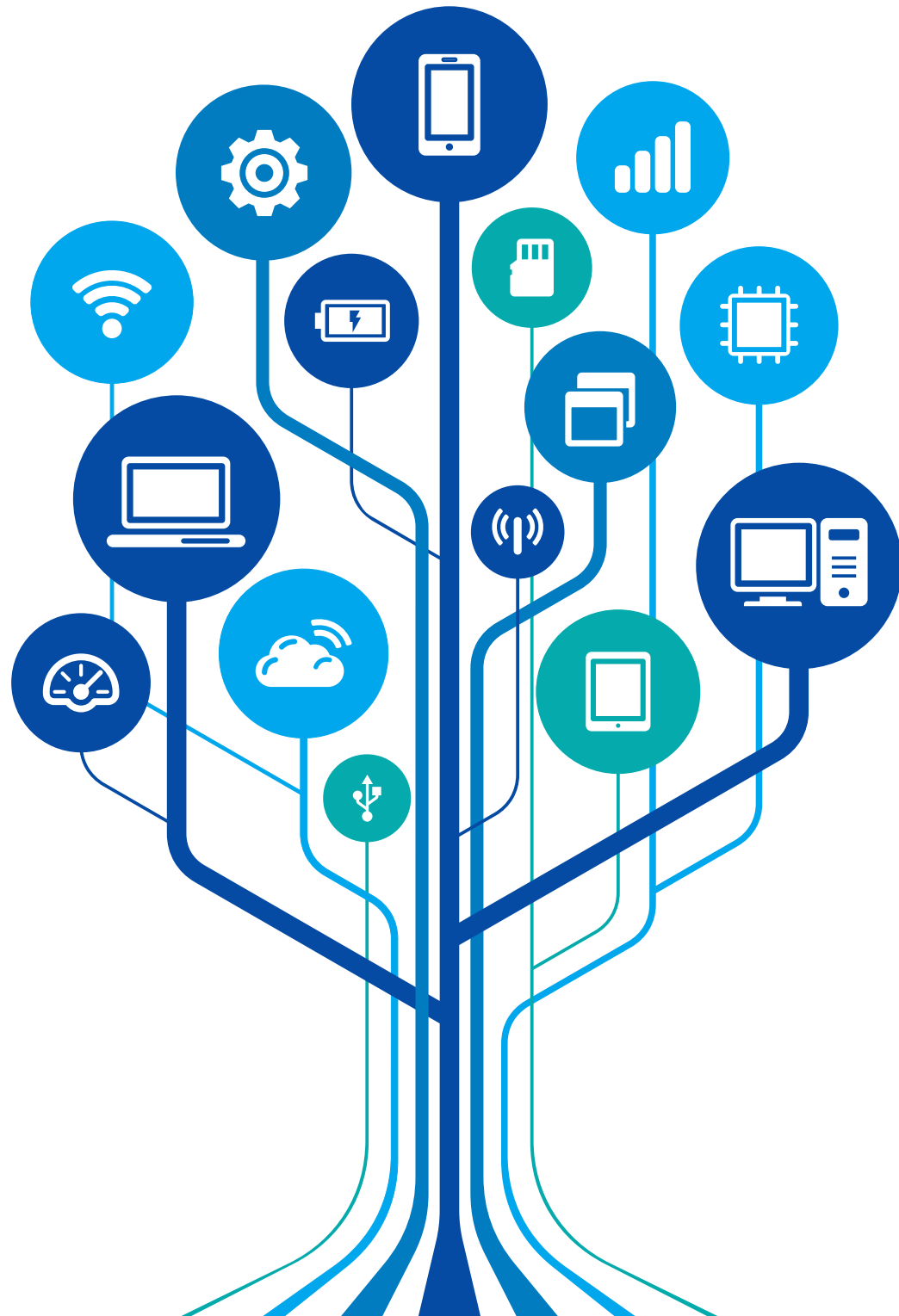


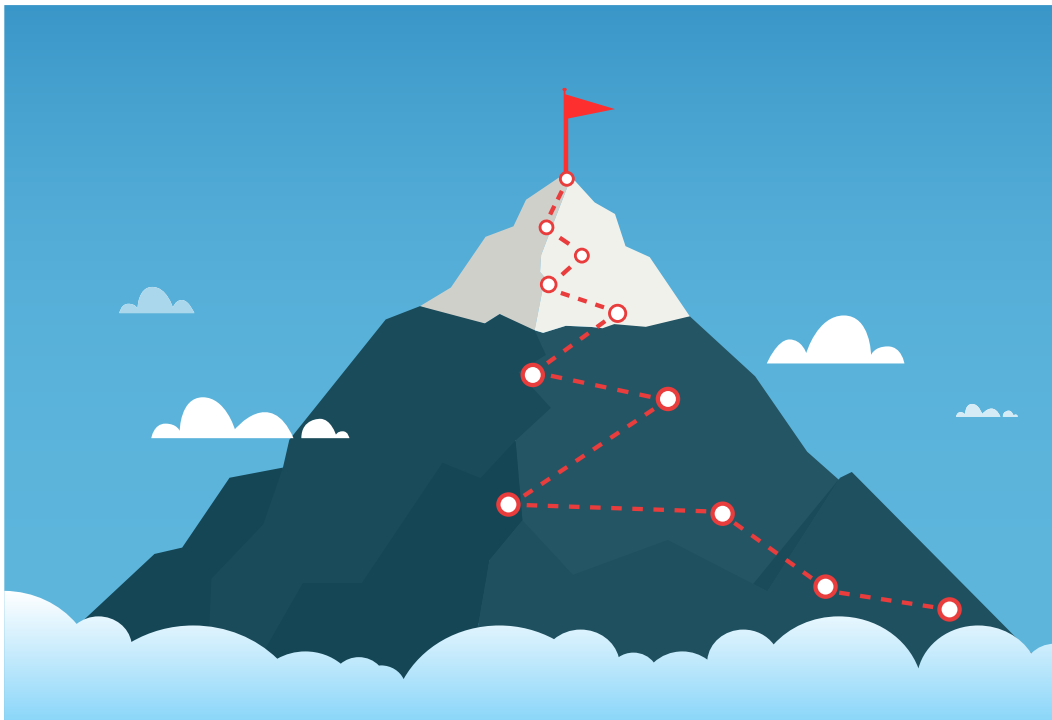


This is an accompanying report to CCS Insight's podcast discussing Broadcom's intended acquisition of VMware. Our Chief of Enterprise Research, Bola Rotibi, spoke with Broadcom President and CEO Hock Tan.

Mr Tan is a veteran of the IT industry, having run Broadcom for 17 years. With qualifications from MIT and Harvard, his career experience includes stints at PepsiCo and General Motors before joining what is known today as Broadcom in 2005. In May 2022, Broadcom announced its intention to acquire virtualization company VMware.

The podcast is available [here](#).





## The history of Broadcom

“If you put out the best technology available to the marketplace, you make a difference”.

**HOCK TAN**

Broadcom began as Hewlett Packard Enterprise’s semiconductor business in 1999. In 2005, as part of an acquisition, it became

Avago Technologies with Mr Tan as CEO. Then, 10 years later, it acquired Broadcom and took on its name. In his 17 years at the helm Mr Tan has taken the company from \$1.4 billion in annual revenue to \$33 billion and has acquired businesses including CA Technologies and Symantec Enterprise Security Business.

The company now has a portfolio covering hardware and software, with 22 distinct product lines. The business enjoys 16% compound annual growth with 40% bottom line growth. However, it continues to invest heavily in research and development, with 25% growth in spending here. In our conversation with Mr Tan, he outlined how investment is critical to growth and how Broadcom looks for businesses that have sustainable market needs, helping to realize their greater potential. This is the plan Mr Tan has for VMware should it become part of the Broadcom business.

## Proposed acquisition of VMware

“When we make an acquisition, we look at the business and the assets, particularly the technology and the opportunity in it ... We look at it on a standalone basis and our capabilities to managing it, to understand where it sits in the broader ecosystem”.

**HOCK TAN**

VMware would be a sizeable acquisition for Broadcom, at \$61 billion, and Mr Tan believes there is an opportunity that has not been realized under VMware’s previous ownership. The firm was acquired by EMC in 2004 before partly moving to Dell Technologies with the acquisition of EMC in 2016. As with all of Broadcom’s acquisitions VMware will be run independently, something Mr Tan sees as an important factor for success.

It is Mr Tan's belief that VMware's talent and products offer a significant opportunity. This is based on the latent ability of VMware's underlying technology, if sufficient investments were to be made, to deliver private clouds for customers to run on-premises, allowing them to embrace the same benefits in resilience, scale, and ease of use available from large public clouds such as Amazon Web Services, Microsoft Azure and Google Cloud Platform.

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**"My vision in acquiring VMware is simply to realize that vision they have in place".**

**HOCK TAN**

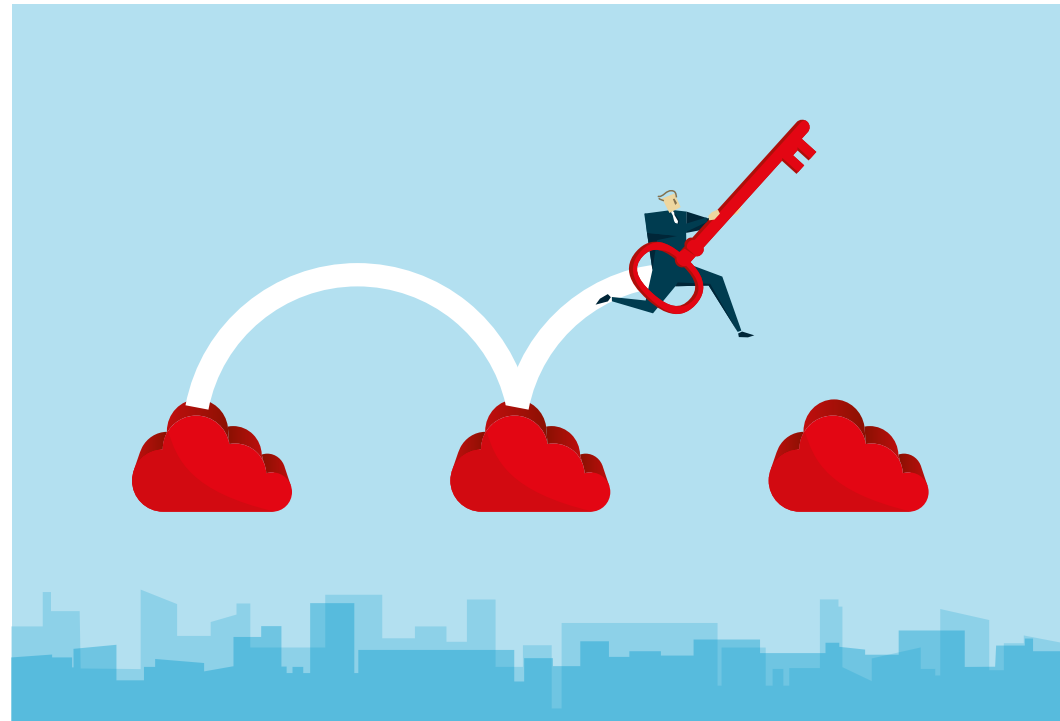
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Customers should then be able to run the same data and workloads in those public clouds with consistent capabilities and experiences. This grants customers the benefits of cloud on- and off-premises, with workloads deployable and portable across all environments.

As Mr Tan points out, much of the components that would go into building this type of solution are available today with VMware's portfolio, but customers are not making use of them. He believes that this is primarily because it is too difficult to do. But through a \$2 billion annual investment, with half going to research and development, he intends to change that.

VMware has been on a cloud journey in recent years — as many have — moving away from plans to run its own public cloud to being the provider of a software platform that can be run on different infrastructure, in the company data center or public cloud. The core concept is to deliver a next-generation software defined data center (SDDC).

This next-generation SDDC takes VMware's core capabilities in virtualized computing and networking and turns them into an entirely virtualized environment that a customer can use to house their hardware assets. It also enables the firm to provide IT with a flexible platform on which to build and deliver modern software solutions.



CCS Insight explored VMware's plans for supporting hybrid cloud following its European VMware Explore conference in late 2022. We highlighted how its latest cloud offering provides a strong cloud story for customers, especially IT operations which can be left out when discussing cloud.

A core strength for VMware are its sizeable customer numbers. Most enterprises today will be running VMware virtualization products in their data centers, giving them significant knowledge and experience of the company and its products. The ability to transform this into cloud — both on- and off-premises — offers customers a fast on-ramp to the technology that can be otherwise difficult.



## A vision for the future of VMware

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“It needs a lot more investment to [create a software-defined data center easy to deploy]. Something like a billion dollars more a year just in research and development”.<sup>1</sup>

**HOCK TAN**

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<sup>1</sup> Since the interview, Broadcom has confirmed its intention to invest \$1 billion a year in VMware's research and development.

The portfolio is strong — especially for those wanting or needing a single platform spanning different cloud environments. A good example is customers in regulated industries that need workload portability. Part of what VMware talked about at its 2022 conference was not only providing capabilities that support development, but also support for IT and the business to manage cloud costs — an increasingly complex area.

VMware has created versions of its cloud solutions to run on specific public clouds. However, this has the challenge of creating differences between how and what a customer would run on one cloud compared with another. Mr Tan talks about this need to make VMware's portfolio easier to deploy both locally and on public clouds. Essentially, the aim should be to have a single platform with one experience and set of capabilities regardless of where it is running.

That would fulfil the promise of VMware and make for a powerful solution for many enterprises that see hybrid cloud as the future. Combined with its 25 years of market experience, this should place VMware well ahead of others in the market. It is this potential that Mr Tan is looking to harness.

## What does Broadcom do better than others?

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“Our new generations of products come out better and better, and we don't do that in a vacuum, it'd be impossible ... we work with our customers to define what they need in the next generation and the next, and we create the technology together”.

**HOCK TAN**

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According to Mr Tan, Broadcom's success is down to innovation. This is not done alone, but with customers. By understanding a customer's future needs, the firm has been able to develop solutions ahead of time to meet those requirements. Collaborating with customers is something Mr Tan also sees VMware doing, but at greater scale. Again, he cites the need for significant investment in VMware's internal support capability to meet the large number of customers and demand for new features.

To help address this and fulfil VMware's potential, Mr Tan plans to create a global network of system integrators out of partners large and small to create private clouds that expand into major public clouds. Broadcom will teach the integrators how to do this effectively, and in turn they will teach customers. Mr Tan believes this will take three years to accomplish.

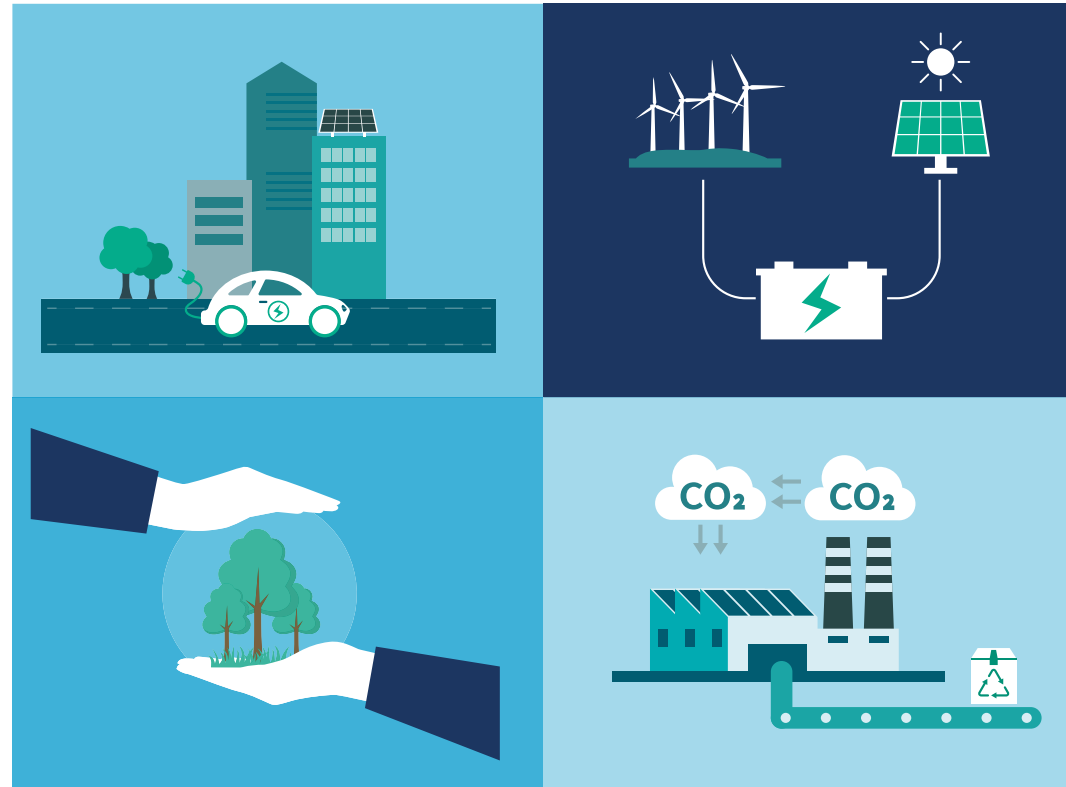
When the acquisition closes, we will see how this differs from VMware's current partner network, which consists of many of the integrators that Mr Tan mentioned.

### Achieving sustainability

**"We look at [sustainability] holistically, in several levels and dimensions ... and we make sure that our products address this bigger agenda. The biggest agenda is very low power".**

**HOCK TAN**

A hot topic in the industry right now is sustainability, and it is no surprise that Broadcom has invested in this area. As a major IT supplier of hardware and software, Mr Tan believes that Broadcom has played a significant role in shaping the global community agenda regarding energy efficiency.



If not for green reasons, the company has driven down energy use to reduce costs. Using less power is one way to either reduce costs or get more for one's money. He cites that a Broadcom product halves its power consumption over a five-year period and believes that Broadcom's move to energy efficiency has helped cloud hyperscalers lower their carbon footprints.

A further interesting aspect of Broadcom's energy saving approach is that it is not just the final product that Mr Tan is concerned with.



He says it is also important that the process is also energy efficient and has a low carbon footprint.

Broadcom has achieved this by hiring the best talent. A highly capable workforce can deliver more with fewer human resources. That keeps energy use down and makes for a more efficient company. His belief in these skills is why 16,000 of Broadcom's 20,000 employees are engineers.

## Conclusion

If the bid for VMware is successful, there will be difficulties. Mr Tan's three-year plan may be too long given the speed at which the market is moving and how quickly many organizations are maturing regarding their use of public cloud. Moreover, some of the plan is not entirely new, and there may be a question as to whether ploughing money into the strategy will reap greater rewards.

That said, Mr Tan's belief that VMware offers significant untapped potential held back by a lack of investment in ease of use and being consistent throughout clouds aligns with what others have been saying. Mr Tan has decades of experience, and has delivered solid growth for almost 20 years in a business which has diversified over that time. If he delivers on his plans for VMware, it could re-establish itself in enterprise IT for many years to come.

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To read more about Broadcom's approach to the acquisition of VMware, see [Hock Tan's blog](#).

