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The journal of
high-performance business

Bruce Chizen, CEO, Adobe Systems

Adobe's Acrobat

High performance in software hinges on rapid responses to constantly evolving customer needs. The trick, according to this CEO, is to stay supple.

Customer focus is second nature to Bruce Chizen. He learned its importance in his dad's Brooklyn appliance store, where he helped out on weekends while still in elementary school. At San Jose, California-based Adobe Systems, where Chizen has been CEO since 2000, he has leveraged those early lessons into the sort of distinctive capability that most competitors can only dream of.

Adobe is best known for products that serve the needs of creative professionals like graphic designers, photographers and architects—content design tools including Photoshop, Illustrator and InDesign. The Creative Solutions business unit accounts for about 56 percent of the company's revenues and is set for a boost in the spring of 2007, when the latest version of Adobe Creative Suite is scheduled for release.

Chizen, however, has also raised the prominence of another division, Knowledge Worker

Solutions, which provides products that support customer collaboration and communication—most notably Adobe Acrobat, which creates and edits PDF files that can be viewed on any computer that has Adobe Reader software, which is already installed on more than 500 million computers worldwide and is also available as a free download from the Internet.

Microsoft Corporation, where Chizen worked in the 1980s, succeeded by making Windows a platform. Adobe's goal is to turn Reader, as well as the Flash Player, into a platform, building Acrobat and other applications on top. With revenues of \$1.97 billion in fiscal 2005 and a mid-November 2006 market capitalization of about \$24 billion, Adobe is still a minnow to Microsoft's whale. But it is already the fifth-largest software company in the world. And it's likely to double in size over the next few years.

With the \$3.4 billion acquisition of Macromedia in December 2005, which brought with it

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Born:

Brooklyn, NY

Education:

B.S., Brooklyn College, City University of New York

Professional highlights:

1980: Joined Mattel Electronics' merchandising group; became Eastern region merchandising manager

1983: Joined Microsoft as East Coast sales director

1987: Hired by Apple Computer's Claris Corporation; held various senior management positions

1994: Appointed VP and general manager of consumer division of Aldus

1994: Joined Adobe through its acquisition of Aldus

2000: Named CEO of Adobe

the Flash SWF format for creating interactive web content, Adobe strengthened its market focus and positioning, one of the three building blocks of high-performance business, in the Internet-enabled software market of the future. Adobe software now sits behind sites like YouTube and MySpace. And both Flash and Reader are spreading to cell phones.

Adobe's long-term aim is to provide the interface for any device with a screen—a cross-platform capability that could revolutionize the way users communicate. The company started life by creating an equally revolutionary product—the innovative PostScript printer controller, which helped pioneer desktop publishing. But Microsoft has similar cross-platform ambitions—and newer competitors loom as well.

Chizen knows that rapid growth will pose plenty of challenges for Adobe. But as he told Outlook Industry Editor Wendy Cooper, his commitment to “revolutionizing the way the world engages with ideas and information” remains undiminished.

Outlook: How does Adobe manage to stay so close to its customers' needs?

Chizen: We listen to our customers and try to understand their needs, but what I think we do that's unique is project those needs out based on where we see technology going. Our customers aren't always able to articulate what their needs are going to be, but because we understand where technology is headed, we are able to interpret what they are saying into future products.

How exactly do you do that?

We use both formal and informal mechanisms to listen to our customers. We have very sophisticated quantitative research. We also use focus groups. And we use informal networks through the Web. We use the Adobe Labs website, for instance [which includes customer forums

and a wiki—a piece of server software that allows users to create and edit webpage content], to showcase what we're working on and get real-time feedback from customers about products and technologies that we are thinking about. Sometimes we don't get it right and we have to go back and reinvent. But because we spend a significant percentage of our revenue on research and development, we are able to constantly realign what we are doing based on what the customers are telling us. We get their feedback and make changes accordingly.

You are in a highly competitive industry as far as skills and talent are concerned. How do you make sure that you are getting the best people for your workforce?

We have been ranked as one of the best companies to work for by many publications around the world, and we work hard on maintaining that status. We have an open environment—an open-door policy, without a lot of management filtering; I reply to every e-mail from an Adobe employee.

We also provide competitive benefits. We have tried to make sure that our high performers are differentiated, putting in a much more rigorous process to identify the low performers and helping them either to improve or to find new jobs within the company—or, where appropriate, a new job outside the company.

We try, above all, to make Adobe a unique place to work, and at the end of the day I believe that what makes us [different] is that we give our employees the opportunity to work on products that truly change society.

The industry is changing too, of course, thanks to the Internet. How are you helping your customers embrace these changes?

We are at the heart of a lot of the things that are going on with the

"Looking at how people are using the Web allows us to begin to adjust our business and delivery models to accommodate that usage."

Internet—how information is displayed and expressed, the types of media used, how content is created. Much of that is already done using Adobe software products, so we have an intimate knowledge of the capabilities that the Internet can offer.

Our customers can already develop content that could be communicated both on the Web and through a mobile phone—content like a digital image or digital photo or a graphics animation. In fact, if you look today at any content, whether it is in print or on the Web or on a mobile handset and even on some consumer electronic devices, there is a high probability that that content was touched by an Adobe product.

What are some specific steps you are taking?

Right now, we are looking at how we could take our existing offerings and make them more appropriate in a world in which everybody is connected—eventually, through very high-speed networks. Looking at how people are using the Web and accessing and engaging with information allows us to begin to adjust our business and delivery models to accommodate that usage.

Our competitors are trying to do similar things. But we believe that as long as we stay true to what we do well and focus on our unique customer set, we will have a competitive advantage over them.

Even in the mobile space, which is so hotly contested?

Many mobile handsets today include our technology, with products like Flash Lite. For 25 years, we've been learning that the only way to compete successfully is to innovate—and to innovate aggressively. We are one of the few commercial desktop software companies that was around 20 to 25 years ago. I like to think that's because we

focus aggressively on innovating and developing solutions for our customers in areas where we think we have intimate knowledge.

You are also moving much more aggressively into the enterprise space—an area where you have not been historically dominant and where you have a lot of competition.

We have always been a provider of enterprise solutions. There are many magazine and newspaper publishers and broadcast companies that rely on Adobe solutions for the mission-critical delivery of their products and/or services. Where we have become much more aggressive is in offering mission-critical solutions for workflows in vertical industries like financial services, health [care] and pharmaceuticals, where the quality and reliability of information are really important and where the information has to be communicated to the outside world. That tends to be industries that are regulated by government agencies or government agencies themselves.

Won't that involve a whole new marketing and sales model?

Entirely new—and that takes time to develop. But it's really no different from when we made the transformation from being a PostScript company to developing desktop applications like Photoshop and Illustrator that are sold directly to end users. That was a major transformation for Adobe, and we demonstrated that we could make it happen. My background is in sales and marketing, and it's certainly a place where I've focused a lot of my attention. Over time, we have been able to leverage the success of our products into our sales and marketing efforts. In particular, we have been able to take advantage of the success of Adobe Reader and Adobe Flash Player to help increase exposure to the company brand and what we do.

"It's nice to have employees in places like India, China, Japan and Korea who understand the advances in mobile, because in the U.S. it's harder to internalize."

How are you responding to the emergence of software as a service—or selling software on a fee-for-use basis?

A number of our offerings today are sold as a service. We sell an Acrobat product for PDF creation and collaboration, and we have an online subscriptions service that offers similar functionality over the Web. We also just released Acrobat Connect, which allows users to do conferencing, voice collaboration and instant chat online on a real-time basis. These are subscription-based services. You will see us continue to roll out new solutions that can be offered as host-based or software as a service. Some of our offerings, though, are still more appropriate on the desktop because the capability of a desktop computer is much more powerful. And some of our solutions will be hybrid in nature.

Won't all these efforts involve forging new types of partnerships?

Adobe has a history of working closely with very important partners. From day one, with our PostScript business, we worked with Canon and HP and Apple. We have also worked closely with folks like Sony and Eastman Kodak in our digital photography business. Now we are working with partners like SAP in our enterprise business. We are part of SAP's new platform. And we have new partnerships with Google, and with Salesforce.com, which offers PDF creation online, in the software-as-a service space. We have learned by partnering that we can compete more effectively, especially against very large competitors.

Adobe is poised to become much bigger too. Doesn't that suggest you will have to become less fluid and flexible and much more process-driven?

I learned early on at Adobe that it's all about managed anarchy—giving our technical, engineering and research community a lot of flexibility to experiment and to play, but with a layer of discipline on top.

In late 1998, we got into trouble. The world around us was moving very quickly: the dot-com bubble was just beginning, Adobe had grown very quickly, and its business was not doing as well as we had hoped. We were forced back then to add a whole series of business processes that allowed us to survive and are still serving us well today.

Can you give some examples?

We did not have clear definitions of product milestones, for example. Every team's definition was different, so we never really knew when a product was going to ship. We also had multiple ERP systems around the world that didn't tie easily into one another. It would take us weeks after the close of the quarter to really understand how well we were doing.

Now we have a very formal product lifecycle process through which every major project passes, all the way from concept to delivery. And because we have one ERP system, we also know on any given day which products are selling where and how we are doing against our plan and our forecast. We can close our books and report our financials within a week and a half of the close of the quarter—and that includes going through the audit process.

But the challenges of today are very different from those of 1998. How will you manage them?

It was easier in some ways when we were a smaller company for a few of us to make all of the decisions. As a \$3 billion company and certainly as a \$5 or \$10 billion company, that model can no longer work. We have to have more people working for us who are skilled and experienced enough to make the right decisions and able to push decision making down into their own organizations. We also need to make sure that we are prioritizing our growth opportunities, putting the appropriate resources against them and revisiting decisions

frequently because of the way that the industry continues to change.

We need to recognize, too, that we are a global provider of solutions with a global workforce—half our revenues are generated outside the U.S. It's sometimes easy to be very Silicon Valley-centric!

We now have a management team that represents many executives from around the world. We also have employees who understand the differences between the markets we are trying to serve. A great example is mobile, where here in the United States we were laggards. It's nice to have employees in places like India and China and Japan and Korea who understand the advances in mobile, because here it's harder to internalize.

Our facility in India, where we have about 900 people, also allows us to tap into a very highly qualified talent pool. They do high-quality work either on components of our products or, in some cases, on whole projects.

Adobe will obviously be a much bigger company five years from now, but will you also be a very different company? If there is one company I try to model Adobe after, it's Honda. We might think of them as an automobile company, but what they really do is build great engines—of all kinds and for all kinds of customers. And as they've evolved from motorcycles, through cars to aircraft, they've remained true to their mission—great manufacturing of very high quality.

It's the same with Adobe. You might think of us as a digital photography company if you use Photoshop, a supplier of mission-critical workflows or as the people who produce

Acrobat. However you see us, at the end of the day there will be a consistent theme running through all our offerings and for all our customers—providing software that revolutionizes the way the world engages with ideas and information.

With PostScript, it was about taking information off the computer screen and making sure it could print reliably on any printer. We now want to do the same thing across platforms—with documents, with images and graphics, and with video. We want to make sure that anybody who is creating information can do so in a reliable, compelling and engaging way.

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