

Swainson's Six Priorities

An Interview with John A. Swainson, President and Chief Executive Officer, CA, Inc., Islandia, New York



John A. Swainson

EDITORS' NOTE Before joining CA in November 2004, John Swainson was vice president of worldwide sales for IBM's software group. Prior to that, he was general manager of IBM's application integration and middleware division, which he started in 1997. Swainson was a member of the IBM Worldwide Management Council, IBM's strategy team and senior leadership team, and the board of governors for the IBM Academy of Technology. He holds a bachelor of applied science degree in engineering from the University of British Columbia.

COMPANY BRIEF Founded in 1976, CA, Inc. (formerly Computer Associates International), is one of the world's largest software companies, offering software for enterprise systems management, security management, storage management, and business service optimization and employing more than 5,300 software developers worldwide. The company's applications work across both mainframes and distributed computing environments, and its Unicenter enterprise management software is designed to give customers centralized control over software, hardware, and network infrastructure. Traded on the New York Stock Exchange under the ticker "CA," the company also offers services such as consulting, implementation, and training. Reporting sales

of \$3.5 billion and net income of \$11 million in the fiscal year ended March 31, 2005, CA (www.ca.com) has 150 offices in more than 45 countries, serving more than 98 percent of the Fortune 1000, as well as government entities and educational institutions.

Recently, Computer Associates changed its name to CA. What was the reasoning behind that change?

The company is 30 years old, and the name Computer Associates goes back to the heritage of the company. We came to the conclusion that it didn't completely reflect what we were trying to do with the company, nor did it reflect where we wanted to go with the company. Most of our customers already knew us as CA, so we did two things. First, we updated the look of the brand – made it more modern, simplified it, and tied it into our vision of simplifying and unifying IT. At the same time, we decided to change the name formally to reflect what people already knew about us. It's both a break from the past and a reflection of the continuity of the past into the future. So while our new name has ties with the past, it is a more modern, simpler interface. Our target audience – IT professionals and people who manage large IT installations – already knew us as CA, so now we are trying to reinforce that CA is a trusted provider for the management of IT and security products surrounding IT.

With many companies offering similar products and services, how can you show what makes CA unique among its competitors?

The English language has a small number of words that end up with a large variety of meanings. The word "solution" is one of them. So that sometimes makes it difficult for us to communicate the value that we provide. It's especially difficult for engineers to communicate their values, since they tend to talk in shorthand and assume that everyone knows the context behind everything they're saying. That's why we have communications guys to remind us that not everyone necessarily started from the same page. That said, CA tries to differentiate itself in a number of ways.

First of all, our customers are looking for someone who can help them manage and secure their IT environments. Those IT environments tend to be very complex, with many different types of hardware and software in the mix. A medium-sized IT organization might have several thousand servers, several thousand switches, and tens of thousands of PCs, all of which can be connected in a variety of different ways. Those companies need to understand how that stuff works – how the applications run on top of that stuff, how people are accessing those applications, what kind of security they have, and how well they're delivering service to their end users. So our point of differentiation is that we're the largest vendor that focuses exclusively on this area of management security. It's our exclusive focus, unlike many of our competitors, and we are dedicated to providing an integrated cross platform solution for our customers to allow them to manage IT more efficiently, more effectively, and more securely.

Large enterprise companies are visible targets for CA, but what about midsize and smaller companies?

Our first focus is on enterprise customers, in part because they have the problem I just described – a problem of complexity and scale that IT can solve. To address that problem for our customers, we often work with both the client and systems integrators, like Accenture, to make the applications work in their environments. Medium-sized businesses have aspects of that need, and therefore, we target our offerings for that base. For example, we have a set of antivirus and spyware products that are applicable to both very small enterprises and very large enterprises, and we sell those products across that entire range. We have some management products and security products that apply to medium-sized enterprises, but they want to buy it as part of a broader solution or application. So we use business partners in that case as well, to actually embed our solution with their product, so it gets delivered to the end customer as part of a single entity.

Are your business development

efforts aimed primarily at the C suite?

The C-suite gets involved in policy-level decisions. They will say things like, “The IT department needs to help us focus on Sarbanes-Oxley compliance,” or, “We need the IT department to ensure that we have the higher levels of security necessary to protect privacy and personal information.” That’s where the C-suite tends to get involved, and then those initiatives are handed off to the client’s IT professionals as a mandate, and they need to create a solution or solve the problem. Obviously, part of my role as the chief executive is to make sure I communicate to other C-level executives that CA has solutions to Sarbanes-Oxley or privacy-related concerns. But typically, those executives engage us with the appropriate technical people in their organization and then we determine whether our products have applicability to their enterprise.

Where do you expect CA’s growth to come from, and how do you evaluate growth?

We look at growth multidimensionally, because it’s not going to come from just one place. In fact, we have identified four places that we will find growth over the next few years. One is geographically. There are places where we are not as well established as we are in the United States, where we do about 60 percent of our business. So we’re focused on Eastern Europe, the Middle East, parts of Asia – particularly China and India – and parts of Latin America. These are slightly less mature markets, where the need for management security has not fully developed. The second way we’ll grow is by extending the reach of our products into the middle market by using business partners and other channels. Third, we’ll grow by selling more products to our established customers. We have done a lot of acquisitions and a lot of internal product development. We spend almost \$700 million a year engineering a broader and richer suite of products, with the goal of selling more to our existing customer base. And last but not least, we’ll grow by acquisition. We have done about \$1.6 billion in acquisitions in the last year, and we’ll continue to acquire technology, companies, and people that fit into our overall vision of enterprise IT management. Then we’ll integrate them tightly with our offerings going forward. That’s how we’re going to grow.

More specifically, what opportunities do you see for CA in China?

The long-term opportunity for CA in China is enormous. The short-term opportunity is tricky. We have a very small presence there – less than \$50 million today. That said, we have all of the issues you would expect to have in China. As examples, China is a huge and very fragmented country, finding good staff is difficult, and piracy is still a problem. However, we restarted our initiatives in

China about a year ago. We have created a much stronger focus on business partners in China, and now we’re going to market in China with and through those partners. The opportunity is stupendous. The IT market there is going to be huge, but the demand for management and security software doesn’t typically happen until a market matures. Companies typically don’t think about security until they realize that they are out of control. Obviously, we are trying to educate Chinese enterprises ahead of time about their



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need for security and accelerate their adoption of our kind of technology. We have a great opportunity in China, and we are working very hard with local partners to realize it.

Are you taking a similar approach in India?

Similar, but not the same. Again, we are closely working with partners. The IT environment in India is much more developed and much more sophisticated, with some very large IT firms offering services that equal those of companies anywhere in the world. Partnering with those guys is incredibly important for us. As in China, the number of large IT customers is restricted to big banks, the government, and organizations like that. But, in India, there are “outsourcing vendors” for whom we have a very relevant solution. So we’re focusing on them.

Does Wall Street have an effective understanding of your vision for CA?

We have not yet demonstrated to Wall Street a sustained ability to grow. A little more than a year ago, we were just emerging from a set of financial scandals. We had no management team in place and none of our current strategic direction in place. The company had just sort of picked itself up off the floor and dusted itself off. We created a new management team and a new strategy, and now we’re executing on it. I think it would be fair to say that Wall Street is watching and waiting to see if this strategy succeeds, before

they give us the benefit of the doubt. And I’m perfectly okay with that. I understand why they would want to do that.

How did you address the process of moving CA forward with the company’s employees? Were they truly thirsting for an opportunity to improve the company?

Absolutely. It was and is very important to keep up ongoing communications with our employee base. This is a dialogue; it’s not a speech. It’s listening and talking. The first 90 days I was here, I went out and talked to hundreds of customers and employee groups and tried to understand what made CA great and what made CA less than great. I wanted to know how we could address the things that were viewed as problems. I got great feedback from customers, but I got more feedback from our employees, and we’ve taken most of those things to heart and have put them in place.

It’s important to give employees a timetable and a road map, and communicate to them the milestones on that map and how we are doing against those milestones. They need the sense that the company is moving forward and making progress, and that they can be proud of this environment. In order for our company to thrive, they need to see that change is happening, that progress is being made, and that good things are going on.

What are your key priorities for CA, going forward?

The transformation of CA is multidimensional, but we have identified six priorities. First, we have to build very strong customer partnerships. In the long-term, customers are only going to do business with people they want to do business with. Furthermore, as our industry and market mature, they’re going to do business with fewer people and they will choose the partners who have a broader and deeper relationship with them. We also have to continue to focus on excellence and maintaining our leadership in the area of IT management and security for the enterprise. So keeping that deep focus is a second priority. Third, we need to make sure our business is aligned with our priorities, so that we don’t have sales going in one direction, marketing going in a second, development going in a third, and support going in a fourth. So we need to make sure we have an aligned set of management processes. Fourth, we need to broaden our markets, particularly through business partners. Our fifth priority is to revamp our internal systems and processes. We view that as a way to control and sustain our growth. Our sixth – and perhaps most important – priority is to create a culture of performance, success, and integrity for all of our people. We want them to feel proud of what they are doing and to deliver superior customer service. ●