



IS THE
FRAMEWORK OF
ADOBE'S DNA

By Tony Bingham and Pat Galagan

**ADOBE, THE GIANT SOFTWARE FIRM,
RANKS HIGH ON MANY "BEST" LISTS,
INCLUDING "GREAT PLACES TO WORK."**

The company is a strong financial performer, with six consecutive years of double-digit growth, more than 10 years of strong cash flow, and a steady stream of product innovations that keep customers coming back for more.



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Millions of developers, consumers, and companies have downloaded Adobe software to help them express themselves and interact in the digital world. Two months after it was introduced in 2008, Adobe's free Flash Player 10 had been downloaded to 55 percent of computers worldwide. Its Flash Platform supports the proliferation of video content on websites such as Disney.com, HULU, and MLB.com, and powers social networking sites including YouTube and MySpace. The company also is working to bring Flash capability to a wide range of smartphones. Many instructional designers use the components of Adobe's e-Learning Suite to create courses quickly, edit media, and deploy content to learning management systems.

Adobe is a quintessential knowledge economy company. Its software enables the rich expression of ideas, and the company itself runs on brain power. We talked with Adobe president and CEO, Shantanu Narayen, about the firm's commitment to its intellectual capital.

Q As a tech company, Adobe relies heavily on innovation to support growth. How do you make sure you keep that going?

A Innovation is the DNA of this company. For 25 years, we've celebrated innovation as our reason for being. The fact that innovation is so widely celebrated within the company both attracts people who want to innovate and really is the way we drive the company forward. We like to say that even though we are a software company, we are all about people.

Through our seed program, we allow entrepreneurs within the company to pitch plans to management, and if a plan is approved, we give the person a certain amount of money to use to develop the idea. When they run out of money, they come back for the next phase, just as they would have to do with a venture capitalist. We like to say we're bringing Sandhill Road to Adobe. [Sandhill Road, in Menlo Park, California, is where the venture capitalists who started most of the tech companies in Silicon Valley are located.]

In the lobby of our main building in San Jose, California, there is a wall of patents representing the work of people doing fundamental innovation. It's our way of recognizing and celebrating the inventors in our company.

Another way we foster innovation is to celebrate failures. If you create an organization where failure is perceived to be punished, then you're not going to encourage people to take risks.

Also we have a bonus program that is clearly on the generous side in the industry.

Q So you foster innovation throughout the company. It's not sitting just in R&D.

A John Warnock (a co-founder of Adobe) once said, "Great

ideas come from everywhere in the company.” And that’s true.

In addition to technology innovation, two other things are really revolutionizing our industry. They are business model innovation, such as hosted software or software as a service, and supply chain innovation. In many cases, these new models are delivering the same technology, but with a very different deployment mechanism. New advertising-based business models are showing us that the person who pays for the software is no longer the end user, but somebody else within that value chain who is interested in getting his brand in front of customers. So that’s why you can’t just celebrate technology innovation. You have to celebrate business model innovation and supply chain innovation just as much.

Q Adobe had a good year in 2008 despite problems in the economy at large. Do you see a connection between that performance and the way the company manages its talent?

A Absolutely. In a tech company nowadays, flexibility and adaptability are so key. So I think that part of the reason for our success is our ability to adapt, to change, and to course correct. That has put us in good stead, not just in 2008, but for many years prior to that. We’ve had double-digit growth for six years in a row.

The company is all about seeing fundamental trends in the industry—what is getting disrupted and how we ride that wave to create markets. We’re not a fast follower. There are other companies in tech who wait for others to create a market. These are the fast followers, who by virtue of their size, can come in and take control of a market that someone else has created. But we create markets.

We have to continue to invest in innovation and in research and development. But if you have a workforce that recognizes that change is inevitable, and if you can change quickly, you can have good economic performance even in tough times.

Q How do you know the company’s efforts at talent management and training and development are working?

A We have annual surveys to determine the level of employee engagement with our mission and vision. We talk about the mission of our company as revolutionizing how the world engages with ideas and information. With those who are in the business of creating a compelling user experience, we want to be their partner in terms of how they create and deliver that experience.

The second thing we look at quite actively is whether we are providing opportunities for our employees. How many positions are we filling internally? Are we providing career opportunities for people within the company? In 2008 alone, we found five or six new general managers as a result of internal promotions.

If we think our employees are driving change in the industry trends we watch, we know at one level we’re okay. But if we see that we’re reacting rather than pro-acting, then I’d say the organization doesn’t have the skill set we need.

Q Engagement goes all the way to shareholder value. Tom Rath, at Gallup, has done research on engagement, trying to quantify its impact on EPS levels. He’s seeing two to three times earnings per share performance where there’s a highly engaged workforce.

A Employees are not shy, especially when they’re telling you about things they want you to work on. A big part of our company culture is accountability—demonstrating that we are listening and that we’re going to make changes. Otherwise, the cynicism or skepticism about employee surveys can be significant.

Another thing we do is focus on communication. Our belief is that the more you can communicate about what’s happening in the company, the better motivated your employees will be.

Q Many of the CEOs we’ve talked to are very active in executive development. Many of them act as teachers, mentors, or coaches. Do you play such a role at Adobe?

A Executive development is something I’m very passionate about. We’ve done a number of new things to try to provide development opportunities for executives. In traditional companies, you get pigeonholed into roles such as engineering, marketing, or finance, so one thing we’re trying to do is champion leadership in overall general management.

We started an Adobe Leadership Experience class. It’s a week-long program, which in tech, is still considered a significant investment of time. We did it in conjunction with the University of California at Berkeley, so it includes internal instructors, but also the best faculty from UC Berkeley. The entire ops staff, which is what we call the executive team, participates in the Adobe Leadership Experience by teaching their part of the curriculum.

We also use each graduating class to help us with particularly vexing problems. They act as consultants, and the area they chose to focus on is built into their goals for the year and becomes their area of development.

In addition to executive development, we have a ton of management programs at all levels.

Q When someone submits a budget for learning, how do you decide if it's enough, not enough, or too much?

A Frankly, I rely on the learning organization to have the appropriate metrics. Historically, we've had a section in the budget for employee training and development. And to be honest, that's one of the things we never cut, even in tough economic times.

People are the real assets of the company. It's really very shortsighted to say you're not going to invest in your people.

It's one of those things that is so core to us that I don't spend a lot of time thinking about it. Training resources are available and abundant, and all managers have it in their quarterly and annual objectives to provide and encourage development among their employees, so it's really pushed.

We also make some serious investments in bringing people together. You can't look at the ROI of the energy and enthusiasm and the dissemination of ideas. To quote the MasterCard ad, it's "priceless." We can't put a value on it.

Q How do you identify your high-potential employees?

A We look at both potential and performance. We have a rating mechanism with specific criteria to identify high performers, solid performers, and people who have areas for improvement. The top 10 or 15 percent are easy to identify. Doing

what's expected of you—that's sort of table stakes. The high performers are constantly demonstrating initiative, demonstrating passion, and pushing the organization to do things that others think are not feasible.

Q When you're looking for a leader, internally or externally, what attributes do you look for?

A I tend to look at passion first and foremost. I want somebody for whom this is not just another job, and who demonstrates a passion for what the company stands for, and who believes in the values of our company. Things like intelligence are table stakes right now in our industry, so I look for passion and I also look for initiative. Are people constantly going to ask how they can do things differently or better?

Q Over the next 12 months, when you look at the trends in your industry and the whole set of skills in the company, do you foresee needing anything new that you haven't had in the past?

A In our strategic planning process, we look at the fundamental macro trends in our industry. Where do we see this industry going? For example, we see a trend toward more use of rich media. We see a movement from single PC-based communication to multiple-device communication. We see online monetization for our industry moving to advertising-based models.

When we look at these macro trends, we ask ourselves if we have the right skill set to lead those market trends. In some cases, we send individuals from the company off

to think about the trends, to talk to customers, and to get our unique Adobe perspective on how a trend will evolve. In other cases, we hire from the outside, but we tend to put more emphasis on people inside the company.

Q The organization Glassdoor.com publishes a list of the best CEOs as rated by their employees. You're in the top 10. What is the core of your leadership philosophy?

A Truthfully, that's more of a reflection of how people feel about the company. Adobe is a very unique and special culture. It's a culture where people come first and where ethics and integrity are really critical. The company's core values are to be exceptional, involved, genuine, and very inclusive. These are things that truly differentiate us from other companies. It's highly unlikely that you will succeed at Adobe if you don't believe in those core values.

Q Adobe tools are used by lots of training professionals for development and delivery of learning. Which of the macro trends that you talked about do you think might have an influence on the training profession?

A Certainly training is moving online, and there's more self-help. Take our own products—we used to have extensive manuals for our products, but increasingly, we are moving that online and offering self-paced help.

Another change that will likely influence training is the use of the community for help with learning.

For example, Adobe will never be the expert on the way the community uses our products. So with the new version of Creative Suite 4, we are working to engage the community to provide help to users. And with Connect, which is our real-time conferencing solution built on top of the ubiquitous Flash player, we see that people are using it to get really quick diagnostic help.

The whole notion of social computing is absolutely exploding. We see it as a fundamental vector of innovation and are looking at how to use that within our own products.

I do think that future learning will involve the community in hands-on, real-time collaboration. This is a fundamental trend, not just for training,

engaging experiences—that we think are so important.

We also talk about the consumerization of IT. Individuals who are exposed to business-to-consumer sites providing these great experiences are going to demand the same thing of the fundamental transaction systems in their organizations.

The whole premise behind AIR and Flash is to provide the runtime and tools to deliver these rich, engaging experiences. The Flash platform has always been used for creating those experiences. AIR extends that so that Flash can work offline and outside the context of a browser. In the first year that AIR has been out, we've had 100 million downloads. Major companies such as eBay and Salesforce.com are using it to deliver the next generation of rich, engaging applications. If you go to the Adobe website, you'll see hundreds of applications that people

Q When Adobe launched AIR, you described it as Adobe's "fourth platform," positioning it as the next link in the chain that includes PostScript, PDF, and Flash. The first three created disruptive paradigm shifts in their respective fields—typesetting and document printing, electronic document interchange, and web interactivity. Is AIR, which allows developers to build applications that run outside the browser on multiple operating systems, doing the same? Did the bet—that the future is about a hybrid environment of the "cloud" and leveraging desktop computing power—pay off?

A We firmly believe that a new generation of applications is going to emerge and that they will leverage both the power of the desktop and the connectivity of the web. And they're going to have those attributes of richness—rich

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have already built using the Flash and AIR technology. We think it's just the tip of the iceberg in terms of adoption.

Q What was the driving force behind the development of AIR?

A There were a couple of driving forces. One was that browsers have some significant limitations for delivering rich, engaging experiences. That led to thinking about how to use local computing power.

The second driver was the fact that you want these applications to work not just on your PC but on hand-held devices. The next generation of people accessing the Internet will not use the PC as the predominant access point.

The third driver was what is now called cloud computing or whole space computing. The ability to have a significant amount of the computing infrastructure be driven by a server enables you to do things very differently. It allows you to have independent, location-based access to your computing resources.

So, while looking at these fundamental vectors of innovation, we asked ourselves what kind of environment might enable people to build these next-generation applications.

I'd love to learn more about how we as a company can help people in training and development better meet their needs. We have an e-learning suite that enables people to create interaction and experiences, but what else would help them deliver more engaging experiences?

Q There is a need for tool sets that allow the fast development of learning, for example, by taking the best of gaming technology to drive engagement. Gamers

are tremendously engaged, and whether you like the content of the games or not, they're learning through that process. Something like that has the potential to really change the way learning is delivered.

A True. I think that the movement to multiplayer online games—part of the social computing phenomenon—reflects the power of the community. In that sense, I think there are parallels between where gaming and training are headed in terms of providing engaging experiences. Also, gaming offers the possibility of working at your own speed through different layers requiring more and more skill. That's applicable to self-paced learning.

A big focus in our products is the ability to explore. That's also a big part of gaming and a big part of learning.

Q How are you using Adobe products to drive more engaging experiences at Adobe?

A We're moving some of our employee communications to our technology for large meetings. We like to bring the company together to talk about our priorities and strategic objectives, but it becomes tougher to do with a global workforce. And the in-person meeting tends to be less two-way. Starting this year, we'll still have a couple of in-person meetings because of the energy and enthusiasm that comes from having everybody in the building, but twice a year, we'll use Acrobat Connect to do it online.

We also use that technology for our investor and analyst meetings. If we expect the industry to use these new technologies, we have to lead the way. There's not a meeting at Adobe today

without an associated online component for sharing. It's changing how we think of what a meeting is.

We also use our technology in one of our corporate social responsibility programs. It's our global philanthropy program called Adobe Youth Voices. Our employees go out to underserved youth through schools and community organizations, at locations in the United States, India, and Canada—more than 30 countries in all.

They work with educators and community organizations to train young people how to use our tools to express themselves through video and photography. The work these students have done has been shown at the Sundance Film Festival and other high-profile venues. The employees who take part in Adobe Youth Voices are passionate about the difference that they're making.

Q So what drives your passion?

A I think our products change the world. It's nice to know that you're part of a movement that is changing how the world communicates. That's such a fundamental attribute of human society. **T+D**

Shantanu Narayan was interviewed by Tony Bingham, president and CEO of ASTD, and Pat Galagan, editor-at-large for ASTD; pgalagan@astd.org.



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