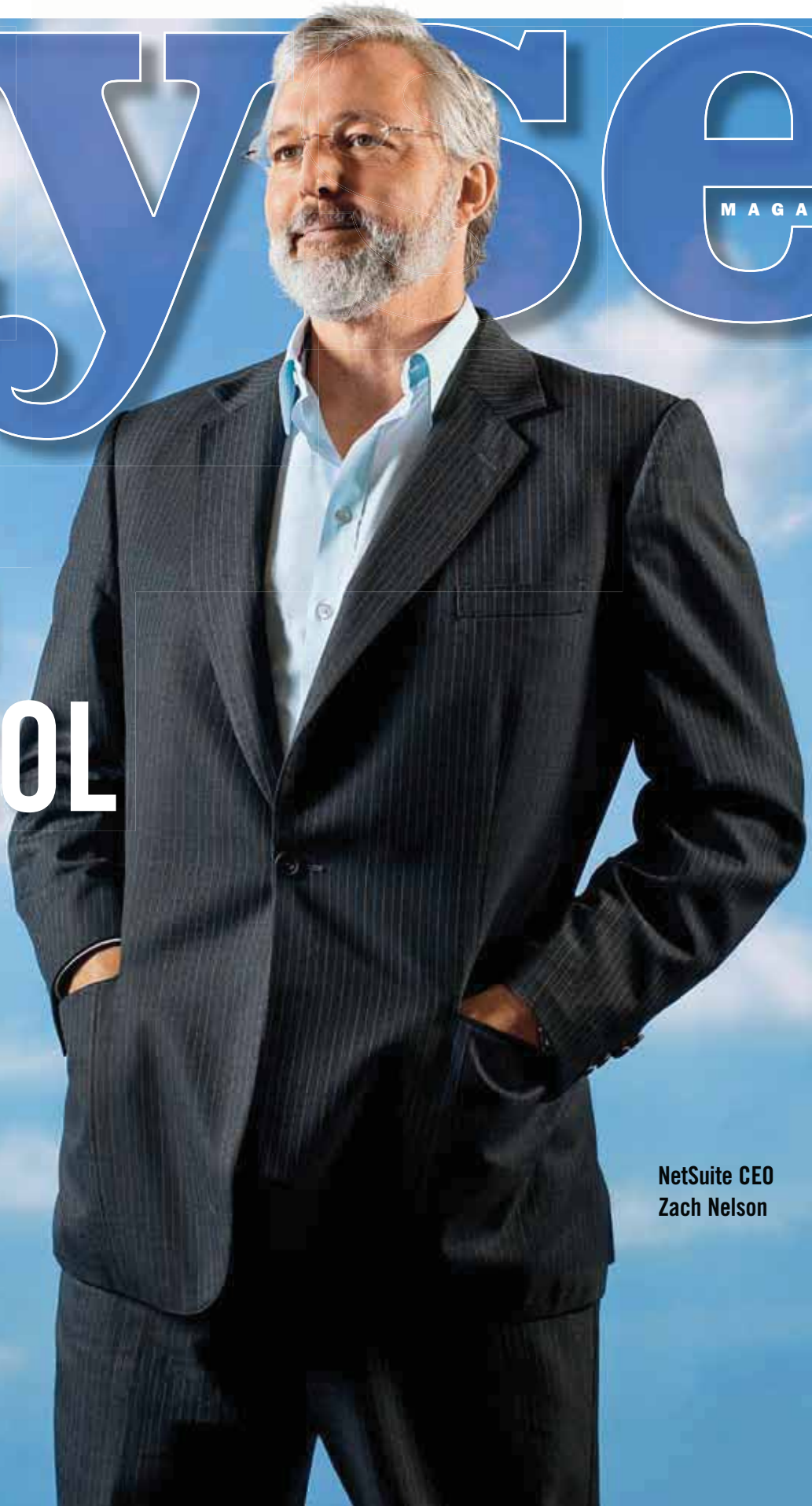




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>> CLOUD CONTROL

How companies are leveraging NetSuite's Web-based software to simplify and save

Vale CEO Roger Agnelli takes technology — and tenacity — underground

High-tech innovations make corporate boards more efficient

The semiconductor industry diversifies

NetSuite CEO
Zach Nelson

ON THE WEB To read about NetSuite's new, highly customizable platform, visit nysemagazine.com/suiteflow.

cloud control

CEO ZACH NELSON SAYS ALL COMPANIES, BIG AND SMALL, MUST VIRTUALIZE THEIR BUSINESS PROCESSES — AND NETSUITE HAS THE TOOLS THEY NEED TO DO SO. >>

BY CHRIS WARREN

PHOTOGRAPH BY JONATHAN SPRAGUE

“MOST SOFTWARE APPLICATIONS ARE DESIGNED TO RUN A DEPARTMENT. THE BIG IDEA BEHIND NETSUITE WAS TO BUILD AN APPLICATION DESIGNED TO RUN A BUSINESS.”

— ZACH NELSON, CEO

\$25 million in revenue annually, and now we are doing \$170 million,” he says. “We were just in North America then, and now we are in 10 countries and many different currencies. NetSuite has allowed us to grow very quickly and make acquisitions and integrate them quickly.”

The Sky’s the Limit

NetSuite was founded in 1998 by the company’s current chairman and chief technology officer, Evan Goldberg, with financing from Oracle Corp. founder and CEO Larry Ellison. Early on in the company’s history, says COO McGeever, NetSuite’s monthly subscription-based revenue model made it difficult to make much money. “Unlike traditional software, where you get all of your money up front, you get your money over time, and the most expensive part of a subscription model is acquiring customers,” says McGeever, who points out that the company didn’t become profitable until it went public in December 2007. Since then, however, things have changed dramatically. “Our profitability has almost doubled every year for the past couple of years,” McGeever says.

As far as CEO Nelson is concerned, NetSuite has a lot more future opportunity. Today, he says, the company has around 7,000 customers, most of them small and medium-size businesses that were finding it too difficult and expensive to manage the software hair ball. But these days, Nelson believes NetSuite’s potential customers include what he terms the “Fortune 5 Million,” meaning companies big and small, slow growing and fast, U.S.-based and international. Nelson says that NetSuite derives 22 percent of its

revenue from outside the U.S. — a big percentage for a software company, he acknowledges, but one that still leaves room for growth.

One reason Nelson is so optimistic is that cloud computing, at least as he sees it, is one of the most important ways the Internet will change all businesses. Which is why he ends all his sales pitches with the same argument. “So, the Internet is important to your business?” he asks, a question that is always answered in the affirmative.



FOUNDER, CHAIRMAN
and Chief Technology
Officer Evan Goldberg

Then he responds with: “And your strategy for success is to buy a business software application that was written before the Internet existed?”

Besides offering companies a way to put the Internet at the heart of all their business operations, Nelson believes NetSuite’s growth opportunities also lie with the global nature of business today, where companies of all sizes need to access markets everywhere. NetSuite OneWorld, a product designed for multinationals, was released in 2008 but, according to Nelson, is still in its infancy and is a major component in the company’s growth strategy (see “New World Order” on previous page).

Among other things, OneWorld helps companies with multiple subsidiaries and business units located around the world manage everything with just one account, he says, handling the varying currencies, languages, tax jurisdictions and financial reporting requirements in different countries. “Historically,” the CEO explains, “running a multinational company was the hardest thing to do because you had to put physical instances of each software application everywhere — one in the U.K., one in Australia, one in Japan. It was the software hair ball on steroids. OneWorld enables companies to manage a multinational company in a single application.”

Now that SolarWinds is a global company, Thompson says, the fact that NetSuite allows him to have just one system to run operations around the world has made it very easy to handle compliance issues and to be simply



COO
Jim McGeever

“IF YOU WERE DOING THIS YOURSELF, YOU WOULD HAVE TO HAVE SOMEONE MONITORING SECURITY, SOMEONE WHO DOES BACKUP AND DATABASE ADMINISTRATION, AND ON AND ON.”

— JIM MCGEEVER, COO

and constantly updated on how each geographic region is performing. “I get automated e-mails from NetSuite every two hours showing how much we’ve sold, broken down by sales region,” he says. “I don’t even need to log in.”

“It’s a Revolution”

By appearance and demeanor, Nelson, who had been a high-level executive at Oracle, Sun Microsystems Inc. and, most recently, security technology company **MCAFFEE INC.** (MFE) before joining NetSuite, hardly comes across as a revolutionary. Easygoing and affable while simultaneously enthusiastic, he, like so many Silicon Valley executives, usually eschews a coat and tie and seems to welcome informality. His colleagues say that Nelson — who got both his bachelor’s and master’s from Stanford University after growing up with nine siblings in Nebraska — is a remarkably good communicator. “What he does really well is paint a picture of the problems his company is solving,” explains SolarWinds’ Thompson, who adds that this is a particularly important trait because many of NetSuite’s customers aren’t interested in the technology — they just want to know how NetSuite can support their business operations.

“I think cloud computing is literally the final great computing architecture,” Nelson says. “Cloud computing today changes both how businesses operate and how individuals communicate, and you see that in things like Facebook. So it’s a business and personal revolution, where just about any type of service is

going to be delivered across the ubiquitous wide area network we call the cloud.” Not only is it revolutionary, he maintains, but it’s also very much in the early stages — a fact that provides plenty more opportunity for NetSuite.

To capitalize on the opportunities, Nelson says, NetSuite spends about 15 percent of revenues on research and development. Among the most important initiatives the company is working on, the CEO says, is how to increase mobility. “You can basically run your business on an iPhone now with NetSuite,” says Nelson, who also points out that NetSuite will soon release new applications that will allow customers to do more and more advanced things, like order management, on mobile devices. Additionally, Nelson says, a third-party developer has used NetSuite’s SuiteCloud platform to develop an application that will allow customers to run NetSuite on an Android smartphone. “That’s why the platform is so important,” Nelson says. “If we haven’t gotten to it yet, one of our partners is going to.”

Goldberg says the company is also working on ways to improve social interaction within

businesses, with a soon-to-be-released product called SuiteSocial. “SuiteSocial is a way to make structured processes like shipping products to customers or working on projects more efficient and easier by using social collaboration,” he says. One use for SuiteSocial, Goldberg explains, could be in the collections process, where those at all companies involved could access and make notes on important records. “The core of it is about collaborating around records in a system, like an invoice or a sales order, and being able to add comments and communicate around it without e-mail. People have e-mail overload.”

Whether it’s in developing something like OneWorld or SuiteSocial, one of the biggest challenges for NetSuite and any other company in the technology sphere, according to Nelson, is keeping up with the pace of change. Nelson is well aware of this dilemma and says that is why he encourages every one of his employees, not just the developers, to proactively contribute ideas on product development. Says Nelson: “Technology moves too fast to have ideas coming out of just two or three heads.” ■

IN MY OWN WORDS

ZACH NELSON
PRESIDENT AND CEO
NETSUITE

- » A perfect day outside work is taking my dog on a long walk.
- » The best management advice I ever got was from Scott McNealy, co-founder of Sun Microsystems Inc., who told me, “Goals only limit you.”
- » My first job was as a caddy at the Omaha Country Club at age 10.
- » My favorite book is *Moneyball*, by Michael Lewis. I like it so much, I put Billy Beane on my board!