

Autodesk: Transition at the Top

CIMdata Highlight

The morning of February 7, 2017 brought news that Carl Bass was resigning from Autodesk effective February 8. This seemingly sudden announcement is the culmination of years of transition at Autodesk, marked by an accelerated pace over the past few months. Mr. Bass acknowledged as much in a blog post, where he commented that he has been in discussions with the board related to this change “for the past couple of years.”

Mr. Bass is only the third CEO in Autodesk’s history, having taken the helm from Carol Bartz in 2006, who succeeded Autodesk founder John Walker in 1992. Mr. Bass is notable for leading the company through major transformations of both its product offerings and business models.

Pivoting Autodesk Toward the Future

When Mr. Bass took control of the company, Autodesk had a relatively limited product portfolio compared to its offerings in 2017. Under his leadership, the company acquired dozens of businesses and technologies to expand its capabilities in areas ranging from digital mockup to simulation and visualization. He also led a major investment in cloud capabilities—Autodesk is arguably the leader among its peers in the breadth and maturity of its cloud offerings. Autodesk’s commitment to and investment in its Forge platform to promote the development of cloud platform partners is forward-thinking and a model for the industry.

Mr. Bass also led a major business model transformation. In 2006, Autodesk’s revenue was predominantly driven by the sale of new perpetual licenses—the company had introduced subscription several years earlier but had not yet developed the kind of steady revenue stream typical of its competitors. By 2017, not only had Autodesk developed a mature subscription business, but it was in the vanguard among its peers in moving toward a term subscription model.

Short-Term Pain, Aiming at Long-Term Gain

These changes under Mr. Bass’ leadership are intended to position Autodesk as a leading platform provider of software as a service (SaaS). This strategy mirrors wider trends in the technology industry and provides Autodesk with an early mover advantage. At the same time, the expansion of Autodesk’s product portfolio has incurred significant development and support costs. The business model transition has had an even more profound short-term impact as the company moves from depending upon license sales to a model based upon ratable revenue. The combination of higher costs and revenue deferral has led the company to post recent operating income losses.

The involvement of activist investors in late 2015, led by Sachem Head, foreshadowed Mr. Bass’ resignation. The pressure to successfully navigate the simultaneous transition of Autodesk’s product portfolio and business model resulted in the activists obtaining three board seats in March 2016. Notably, the announcement of Mr. Bass’ departure coincided with the announcement that two of the three activist board members would resign, to be replaced by new independent directors.

CIMdata believes that cloud services and term subscription will capture a growing share of the applications software market in the future. Autodesk has come far in its transition, and the to-be-announced fourth CEO of the company will have the responsibility of charting the company’s course through a complex market environment.

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