Napsal uživatel Martin Zikmund
Úterý, 12 Říjen 2010 21:37 - Aktualizováno Úterý, 12 Říjen 2010 21:42

J. R. Smith, an entrepreneur born in Seattle, lives in the Czech Republic on and off since 1997. During his career, he managed companies throughout Europe, including the Middle and Eastern European Region. Since 2007, he is the President and CEO of AVG Technologies, a Czech company currently owned by investment banks and management, which is famous for its AVG antivirus solution. We interviewed him about his experience with managing Czech multinational and cultural differences he had to face.

There are currently three renowned multinational companies in IT security industry coming from former Czechoslovakia, which is such huge number that can be beaten only by the U. S.? Why do you think that 'Czechoslovakians' are so good in this industry?

Honestly, I don't know, but it really looks interesting. And even more interesting is the fact that all these three companies have started almost in 1991 or 1992. One started in Prague, we started in Brno and the last one started in Bratislava. And almost since the beginning the founders of these three companies know each other very good and they stay in limited contact even now.

What was the key to success for AVG?

10 years ago, our company has chosen quite unusual business model to start giving out our product for free to residential customers. And it worked well, and it still works well also for other companies in this business all over the world. Once you have the ability to try our product at

home and you experience how good it is, you simply tell it to others, who might also install it for free on their computers at home or who might to tell their boss – hey, I'm using this great antivirus and I think that it would be helpful for us to use it in our company. This is one we simply monetize it, very little marketing department and moreover, thanks to 110 million users community that support themselves very little CS support staff. This is how we keep growing on average 80 % a year, even. I remember my colleagues to tell me about the beginning of free AVG 10 years ago, when people from Alwil Software (currently Avast Software), the other Czech IT security global player, came to them and thought that they're crazy if they want to start giving out AVG antivirus for free. 2 years after that, they started to do the same and now the owner have also become billionaires (in CZK). This model simply works.

But AVG Technologies was the only one going really multinational with hundreds of millions of US dollars in annual sales. What was the difference?

We're extremely good in monetizing our user base. We have twice as high margins as the industry average, which is not achieved through higher prices, but through lower costs. As I've mentioned above – very little marketing and almost no support staff. The other thing that helps us is our strong focus. We do not want to go to enterprise market, even though we have some enterprise customers and we have some basic tools for enterprise IT administrators, etc. We focus only on SMEs and on households, this is where the money is for us. If you look e. g. on ESET, which is the only Czechoslovakian IT security company that went to the enterprise business, they spend huge amount of money on marketing, sales and support. This is something that we know we don't want to do.

AVG Technologies were also the only one, who started to grow using the acquisitions of foreign technology companies. Why did you choose to acquire a company e. g. in Germany rather than developing the functionality on your own?

I can spend time and money supporting 50 developers doing skunk works or I can leverage the fact that there are no less than 1,000+ technology companies on the planet developing interesting and innovating security technologies. This is reason, why we leverage our engineers to develop the core technologies and new innovation and when we find an interesting technology developed usually by a small start-up, which has problems with sales and lacks money for other development, we're pleased to buy it and utilize their technology in our product. We also adapted our products to such a scenario. They're all modular so it's no problem for us to add a technology developed by someone else as an additional module to what we already have.

How do you choose the companies you acquire?

We have a special M&A department, consisting of our own employees and external consultants that are constantly looking for new interesting technologies and companies that we might benefit from when we acquire them. We also have one simple rule, when deciding whether acquire such a company or not. We asked them for 3 year roadmap of their technology or product. If they have it and it makes sense for us, we acquire the company as it is, with all its developers at a reasonable cost. Even if we acquire a company in Germany, where the workforce is much more expensive than in the Czech Republic, we keep the developers there, because they are the ones having the vision and drive for future development of their product or technology and we can be sure, that we'll use much more than 10 % of what they develop during the 3 year period. Moreover, it's still much cheaper for us then developing such a technology from scratch on our own.

How would you describe the Czech employees in your company? Are there any cultural differences when compared e. g. to Americans or Germans?

I think that Czechs working in our industry have a certain mindset that is very hard to replicate and that cannot be found anywhere else. Czechs are smart very good engineers, they have both very good knowledge and good drive to finish what they start to do, especially those in age around 30 and less. Maybe it's because of the educational system on the technical universities here. We cooperate with Czech universities a lot and I see many people, that are still studying and that already have extremely good knowledge and that want to bring it to praxis as soon as possible.

Many foreign managers think that Czechs are pessimists, what is your point of view on that?

No, I strongly disagree with that. What I think, that we Americans, are often overly optimistic. Czechs are very good realists. They love the facts and on facts they base their decisions. The only thing I had to learn our Czech employees, was to stop start their sentence with NO, that's not possible. I asked them to rather start with yes, but it will take us these challenges to make it happen. In fact, sometimes they start the sentence with 'Are you crazy?!' which is still better than no. And yes, I am crazy. This is my job, to bring crazy ideas that might move us forward.

Napsal uživatel Martin Zikmund
Úterý, 12 Říjen 2010 21:37 - Aktualizováno Úterý, 12 Říjen 2010 21:42

However, I need someone realistic, who will put me back on the ground and tell me what it would mean for us to bring the idea to life. And Czechs are extremely good in doing that. And I must repeat again, this is not pessimism, it's simply being realists. It's about facts and practical point of view.

AVG Technologies is currently owned by variety of investors like Enterprise Investors, TA Associates and Benson Oak that do not really understand the IT security business. What is your experience with managing an IT company with banks and investment funds as shareholders?

Well, I must say that I have a very good experience. It's true that most of our shareholders do not really understand the IT security industry. However, they very good understand the 'business side' of our business. They come up with great ideas that help the company to spread out to new markets, gain more customers, etc. Our relationship is extremely good. Despite the board meeting is on monthly basis, I'm in contact with our shareholders almost every week. And I'm in contact with them because I want to, very often I discuss with them some business topics and other business topics and they're really coming with ideas that help the company to keep growing and keep growing fast. And even though we have a higher number of shareholders coming from finance, which makes it sometimes harder to agree on something, I think that our shareholders really help the company to grow and to raise the value they might get back from it.

[Joomla SEO powered by JoomSEF](#)