

## CASE STUDY: AVID TECHNOLOGY 2.0



### Transforming a Troubled Legacy Company into a Leader in the New Digital Era

#### Introduction

A digital tsunami is transforming industries and challenging both established and new players.

One such established player, Avid Technology, dominated the market for video editing and music mixing. Early on, every movie studio had “the Avid.”

But Avid, which is still beloved by creative professionals, saw its relevance questioned as digitization created an entirely new business ecosystem. This new ecosystem shifted the industry’s strategic issues and generated problems beyond Avid’s capacity.

Under the leadership of Chairman and CEO Louis Hernandez Jr., Founder, Managing Director and CEO Black Dragon Capital, of which Avid was a portfolio company, Avid transformed into a radically new kind of company laser-focused on the industry’s new pain points.

*“Avid under Louis really had a vision of this world moving not just to a software solution, but to a collaborative cloud-based solution.”*

*-- Gary Bettan, president of reseller Broadfield Distribution*

*“The move to the cloud was forward-thinking. Louis created the first roadmap to move editorial-based systems to the cloud. Louis is a big believer in knowing what’s next, what’s going to happen and when industries are going to collapse. He embraced those trends and anticipated how they would impact Avid. He likes to say that there’s a significant blurring of industry boundaries and it’s true.”*

*-- Sandy Nasserri, CEO of reseller Melrose Inc.*

*“The pride came back, and people were excited about Avid. The transformation restored excitement about Avid as a brand, and the products we had. That was due to our much more focused vision.”*

*-- Mo Hussein, director of Global Procurement and Operations Avid, 2014-2018*

## Starting point: The film, video and music industries are struck by the digital tsunami

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***“We started with Avid in 1999-2000. It was obvious that this company was a battleship that was incredibly hard to steer.”***  
***-- Reseller Gary Bettan***

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What happened to Avid? Simply put, it was a victim of a new kind of digital disruption, which might be called Disruption 2.0. We call it the digital tsunami, a massive force that’s radically transforming industry landscapes.

We’re all used to the idea of tech-driven disruption – brick-and-mortar retailers having their lunch eaten by Amazon, traditional studios threatened by Netflix and other streaming upstarts, or digital direct payment providers replacing traditional banks.

In that first wave of disruption, innovation destroyed the barriers *between* industries. But now, the pace of innovation has accelerated so radically that it’s destroying the barriers *within* industries. Technologies themselves, and the companies founded on them, are being disrupted. The barriers between industry silos, and between tasks, are removed. Middlemen are eliminated, and the core business comes into direct contact with the customer. An entirely new business ecosystem is the result.

Avid was significantly affected by such an ecosystem shift, the new economic realities and the new shape of the industry.

## The tsunami swamped Avid and undermined its core business

Avid had built its business and its reputation before the digital tsunami hit.

Avid’s signature product was a digital editing suite. It was ubiquitous in Hollywood – so much so that studios called it simply “The Avid.” Nearly every studio had one, at a cost of \$150,000 per seat. “The Avid” digitized and streamlined the editing and post-production process for music, film and video producers. Thanks to Avid, studios could adjust and optimize scenes without labor-intensive physical splicing or the need for costly reshoots. The cost savings associated with Avid’s digital editing were so significant that, thanks simply to Avid, each studio that used it was able to greenlight an additional 2-3 films per year. This benefit more than offset the substantial cost of Avid hardware and software.

Avid’s core offering was perfectly suited to a world in which studios focused on creating quality productions for release in well-defined single channels. Feature films were made for theater release, with subsequent distribution on premium cable. Long-form television productions were created for premium cable. Episodic shows were built for networks. The focus was on creating the best quality production at the lowest overall cost.

But then the industry changed. New technologies, such as high-capacity broadband and the explosion of entertainment on mobile devices, led to an explosion in the number of channels, formats and devices, which in turn drove an explosion of content as creators rushed to fill the enormous new “capacity hole.” Between hundreds of new cable channels, the advent of over-the-top internet and the arrival in force of mobile entertainment, there was a 400 percent increase in available content per capita.

That altered the business problem for studio executives. Suddenly, their main concern was no longer simply reducing the cost of an individual production. It was, instead, how to produce the best content in higher quantity and make it available through more channels, at lower cost. The business model fundamentally changed. Yield per asset went down, and the new pain point was how to maximize the yield by other means.

The media industry shifted its focus. While the industry still wanted quality shows, it had less to spend on creation, and was forced to spend more on distribution, monetizing assets and increasing the lifetime value of the viewer. Budget priorities shifted to new imperatives, including distribution and access to new revenue streams, such as dynamic product placement or ad insertion, to offset the loss of traditional advertising or box office revenue. The focus was now on the quality and lifetime value of the audience.

And that in turn changed priorities on the production side. In an environment where ad revenue is growing in single digits, and distribution cost is up by 80 percent, a studio head looks to cut costs wherever possible. The \$150,000 price tag long gone; the Avid editing suite was increasingly less of a necessity; it was more of a burden. What creators needed and wanted were solutions that would maximize their asset value, including analytics, digital rights management, digital asset management and distribution tools. None of those were available in Avid's offering. And less expensive solutions emerged from competitors such as Adobe, Black Magic and Apple.

"The industry had changed – it had shifted away from expensive hardware-based solutions," said Peter Noethen, CEO of Qvest Media, a major Avid integration partner and reseller headquartered in Germany. "Apple was in control, and Adobe took more market share. There was strong competition, and clients questioned Avid's product development and its

product setup in comparison with its peers. We had clients who stepped away from Avid, especially clients who didn't need complex infrastructure."

**"The media industry is kind of interesting," said Rashid Desai, Avid's senior vice president and chief technology officer from 2015-2018. "There was still a passion for older proven technologies and a bias toward complex hardware due to the dependencies on them since the early days of media technology. That began to change as people came into the industry with a more emerging technology-based media-centric viewpoint."**

The Avid suite, and Avid as a company, was also a victim of its own success. The hardware and software, once sold, was functional without major updates for a period of five to eight years. Pricing and delivery models were suddenly out of step with industry trends. And the inflexible, hardware-centric nature of the product became a severe limitation.

So, for Avid, demand cratered, and revenue along with it. New sales fell victim to the new marketplace realities, and the installed base did not generate additional sales. Avid reacted by going on an acquisition spree that buoyed its performance and stock price. But, ultimately, it succumbed to the inevitable, and slowly sank in a swamp of disconnected acquisitions, the promise of which was never realized. While bingeing on acquisitions, Avid avoided addressing the core market issues it faced.

Avid's difficulties were not just a problem for the company, they affected the industry as well. "It's important to remember that Avid is an instrumental technology provider for our media and entertainment segment," said Sandy Nasserri, CEO of Avid reseller Melrose Inc. and a Black Dragon Capital advisor; she chaired the reseller board of the Avid Customer Association.

“Studios that have solid Avid installs have been successful, and a lot of these post [production] houses and broadcast companies had invested in the technology because it enabled them to produce and distribute their content into many different media outlets consistently.”

### **The problem was reflected in Avid’s results. Enter Black Dragon Capital**

Black Dragon Capital became more active in Avid when its founder Louis Hernandez Jr. became Chairman and CEO. By that moment in time, Avid was clearly struggling. Despite its status as a proud heritage player with significant distribution, Avid had undergone a three-year double-digit sales decline immediately preceding Black Dragon’s entry. In the year that Black Dragon took control, Avid lost \$45 million.

Because of the product mix, which was hardware-centric, focused on single-seat licenses, and with a long replacement cycle, recurring revenue was low, and cash flow was declining. The company’s focus was on slow-growth, low-margin businesses such as audio and editing solutions. There was little if any exposure to emerging high-growth applications for digital asset management and distribution. Avid’s prior CEO had done his best to divest nonperforming, nonstrategic assets. He had reduced expenses by \$150 million. But those moves weren’t enough to address the core issue: Avid’s failure to shift focus to address new marketplace realities.

The capital markets had given Avid a vote of no confidence. Market capitalization had declined to the point where the market ascribed zero value to the Avid R&D investment. In fact, the cumulative R&D investment in the prior five years was estimated to be almost twice the total enterprise value of the company, a dismal outcome by any measure.

And then additional problems emerged. Before Black Dragon and Hernandez stepped in, Avid had made a series of cost cuts, as noted, and had also attempted to launch new products. But these never took hold. Service began to suffer, and the old hardware model was showing signs of significant weakness. Many of the best performers at the company had left and those that remained were being paid above market rates just to stay on. Other problems emerged. Avid had failed to assign costs such as bug fixes and updates to revenue in the appropriate time period. The accounting issues led to the need to restate nine years of financials. As a result, Avid was delisted from NASDAQ, and shareholder litigation followed.

Cultural issues compounded the situation. An entrenched board of directors (some directors had been in place for 20 years) had been in conflict with two previous CEOs and with investors. Activist investors emerged. But the board took no action, overseeing a significant decline in value while collecting millions in compensation. Both the board and the senior leadership team seemed ill-equipped to adjust quickly enough. Many of the senior leadership team seemed emotionally attached to Avid’s past greatness and were not ready to make the drastic changes that the current circumstances required.

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**“Avid was a legacy company in a very fluid space,” said Mo Hussein, who was at Avid from 2012-2018; he served as Avid’s director of Global Procurement and Operations from 2014-2018 and is a Black Dragon advisor. “Missteps had occurred. When I came in, Avid was all over the place. We had divested businesses, we had over-purchased. The ship wasn’t right.”**

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“The company had become stale,” said Rob Ulke, global account manager at Avid from 2013-2018. “It was sitting back on its early success. I was meeting with customers in my first months and getting complaints. They’d say, ‘We’ve heard it all before. Avid does a lot of great marketing but it hasn’t innovated in quite some time. It’s watching the industry go by. Companies like Adobe are winning over the market.’”

**“The past leadership lacked innovation, it lacked connection with the end user, and it was very reactive,” said Nasser. “Things only changed when the end user complained or when the product was unstable or unusable.”**

Worst of all, senior leadership was a combination of those who had brought Avid to the brink of failure or retreats from other heritage companies with no track records of success. Despite the leadership, there were incredibly talented and loyal employees and customers to the Company. It was under these massively challenging conditions that Black Dragon began its turnaround efforts.

### **The first step was to develop a marketplace thesis**

Black Dragon is thesis-driven and operationally led. All actions and decisions proceed from an informed understanding of the industry, the marketplace and decades of successfully building high value software companies. In the case of Avid, Hernandez and his Avid and Black Dragon colleagues began by meeting with extensively with studio executives and content creators all around the world to learn more about their pain points, and how Avid might provide solutions.

The exploration showed that the industry’s economics had changed in a fundamental way.

By the numbers, executives were trying to cope with a content creation rate two to four times what it had been, a greater-than-tenfold growth in distribution platforms, a greater-than-50% increase in content consumption, all within the constraints of media technology budgets that were growing at a rate of 3-4%. Simply put, it was impossible to keep pace using current technologies. There was suddenly no budget for Avid’s solutions, which, still focused on video editing and music mixing, did not address the greater need for analytics, distribution, and rights management solutions. They were costly and did not provide support for new revenue generation strategies such as product placement.

Avid’s need for stable, predictable revenue and the industry’s need to maximize the value of each creative asset, taken together, provided the initial path forward. What was clear was that Avid needed to become less dependent on the older hardware model, shift to a subscription-based, recurring revenue model and deliver products that addressed the industry’s new pain points. A full-scale reorganization of Avid would be necessary.

### **Applying a framework for the turnaround**

To manage its portfolio companies, and to plan turnarounds of the scale required at Avid, Black Dragon began to apply its operational tools including the Black Dragon Playbook™, an analytic framework for managing downside risk and fully realizing upside possibility.

The Playbook begins with a strategic assessment to define the initial strategy and success definitions and develop the Transformation Plan with the management team. The first step is a deep dive into the industry’s pain points. There are interviews and surveys with dozens of clients (in the case of Avid, 100 interviews in all before the Transformation Plan was completed), combined

with industry research (in this case including a PwC marketplace analysis). Hernandez and his team personally participated in every client interview. This deep dive generates an assessment of the state of the industry, its perception of value, the major pain points the industry is facing and their impact on technology spending. Then there is an internal review of how well the product suite matches marketplace realities, where the company is best anchored to deliver higher value and where it makes money (including a detailed exploration of product line, geographic and segment profitability). There is also a look at operational and personnel questions, such as which employees should be near the customer, in what regions and how they should be aligned with overall revenue.

There are internal interviews and surveys as well, focused on both operational issues and the internal culture. This track leads to the decisions about staffing and hiring, as well as the creation of performance monitoring systems, internal controls, dashboards and cash management tools.

Once these steps are complete, a clear strategy begins to emerge on how to navigate forward. Initiatives are then established. Finally, employee incentives are put in place, and a comprehensive effort is made to align individual and company goals and performance. The endgame is nothing less than a fundamental change in culture. That's the structural overview. But what actually happened in practice?

## Implementing the Avid transformation

The Playbook assessment showed that there were many positives about Avid. It had a great brand, strong distribution, and a loyal following among creative professionals. But it also showed clearly that Avid was increasingly

irrelevant to the industry's major business challenges, and was reacting to industry issues, not solving them. Avid was grossly misaligned with the industry's product needs and pain points and was poorly positioned to serve the market cost-effectively. At the same time, there was deep inertia that crippled operations and limited leadership's appreciation of new

technologies such as the cloud and new delivery modalities such as subscriptions. The team and board were totally disconnected from the needs of the community.

*"We were a post-production facility, posting everything from NFL games to HBO boxing to MTV Cribs to a lot of long-form reality shows and projects like that," said former production studio head Michael Amoia. "I started as an editor on Avid. Media Composer was kind of the impetus for my success. I've invested millions of dollars into Avid technology over my 19 years in business and never had a direct relationship with Avid. We had a third-party sales rep but when it came to Avid, I felt like everything fell on deaf ears."*

*"Now fast forward to when I met Louis, that's when it opened up for me. He came down to our office and met with our team. It was then I had the access to start a dialogue and explain what was changing in this new era of production from my companies' perspective and how we could all adapt together."*

Based on the Playbook, a series of key actions emerged. Leadership acted quickly and decisively to remake Avid for the modern marketplace, radically remaking the product suite, the pricing strategy and the company itself. It then took long term steps, focusing on the company and its culture, to make sure that those critical changes were sustainable.

The most important realization was this: Avid's product offerings had to be rebuilt from the ground up. Both the solutions, and the business model supporting them, were transformed.

According to a close industry observer, Hernandez' data orientation gave rise to the analytic process he and his team applied. "Louis is a data hound of the first order. His combined background as a technologist, entrepreneur and finance expert made him uniquely qualified to meet the challenge. He is a very gifted analyst of a company's finances, markets and operations. He built on that by bringing to the table a deep understanding of hardware and software, and a deep chromosomal

## **A MAJOR SHIFT TOWARD CLIENT FOCUS**

*"The first meeting we had with Louis was about the trouble we were having implementing a system that the contractor couldn't manage," said Dr. Andreas Bereczky, director of production for German public television network ZDF from 2004-2018. "The Avid software was not useable; we could not accept it. I met Louis in Berlin and explained the problem, and also told him he had a legal right to refuse because it was the contractor that had made the obligation. He told me that while he doesn't have to make changes legally, he would do it because ZDF is a major customer. That was the beginning of an excellent relationship. It was a major experience to encounter that customer orientation."*

*"One cornerstone we could see from Louis when he joined Avid was the client participation he built around the world," said Peter Noethen. "He was really looking at what were the interests of the clients. What are their demands? What do they like, what don't they like, where do they want to go? And then seeing if there's a way that Avid can be on their side. Without a doubt, an important success factor was to build up again this strong relationship between Avid and the clients."*

*"Louis travelled 300 days out of the year to meet with clients," said reseller Sandy Nasser. "A lot of the clients that Avid had lost, he brought back. He invited customers to the Avid Global Sales Meetings. The reseller channel was invited so we could meet with Avid's salespeople and become part of the growth."*

*"Louis made it a point to be in the field regularly," said Avid global account manager Rob Ulke. "When he was in New York City or LA, I'd know, and we'd plan meetings accordingly. He was well received. He would give talks, share the roadmap, describe Media Central, describe the strategy, discuss how disruption and transformation were happening. He had people believing, especially after the Avid Customer Association was built. The ACA was where Avid began to deliver on the messaging, where we could bring in a thousand customers and talk about things that resonated with them. We would ask for their insight on the industry's biggest problems and then deliver our platform to suit."*

*"It was hard to get some of the customers on board," said reseller Gary Bettan. "Louis reached out to the users, and not just the highest-end users. It wasn't 'as goes Hollywood, so goes everyone else.' He got on the road. He talked to users at fledgling companies like Netflix and Hulu. He was at the networks. He was at the reality TV makers. He was at the sports broadcasters, regular broadcasters, really all over the world. And he laid out this whole vision of Media Central and where he was going to take the company. He made it a point to sit down with the key resellers and get to know them, talk about their business, their lives, their families."*

*"It was pretty incredible to see such a charismatic guy at the helm of the company because one thing Avid really never was, was charismatic," Bettan continued. "We used to laugh at – do you remember the old ads where one guy said, 'I'm a Mac' and the other one said, 'I'm a PC'? And the Mac guy was hip, and the PC was this dumpy guy? We used to say that really was, 'I'm Final Cut Pro' and 'I'm Avid.' And Avid was the dumpy guy that everyone laughed at with the glasses and the pocket protector. You know, Louis brought a whole different mojo to Avid that they weren't going to be this dumpy legacy company anymore."*

commitment to customer engagement and operational analysis. He has been in the media and technology business, and has been a successful entrepreneur, for over 25 years, and he is a recognized, award-winning leader and innovator. He brought all of that to bear for Avid,” the observer said.

Hernandez and team identified 11 product categories to exit, and a new range of products that would have to be developed. Avid’s focus shifted to high growth areas that addressed industry pain points, and reallocated resources to drive existing products that needed to be higher priority. Forty-four new high-growth products were introduced, supported by 37 new patents. In a wave of innovation, Avid’s patent portfolio grew by 22% in less than 5 years.

In the process, Avid changed to the core. Instead of focusing on standalone products, Avid in effect became an operating system – the “Avid Everywhere” platform. The main offering, Avid Media Central, was a solutions platform into which customers could fit highly targeted Avid applications focused on their particular asset-maximization needs.

“Avid under Louis really had a vision of this world moving not just to a software solution but to a collaborative base solution,” said reseller Gary Bettan.

### **Strategic direction was the result of extensive engagement with the marketplace**

The strategy was informed by renewed contact with the marketplace.

“It’s not sufficient just to be working with the customer’s chief technology officer or the R&D or IT people,” the industry observer said. “You also have to forge a relationship with the client’s CEO. Only then can you learn the insights needed to drive toward addressing not just their current problems, but their future challenges and opportunities, as well. Louis was very systematic about developing personal

relationships with his counterparts and key decision makers at major clients.”

“When I first got in, after just a couple of weeks, we met with Viacom,” Avid global account manager Ulke said. “I had been with the company two weeks, and was able to schedule a meeting with David Kline, Viacom’s CIO, and Louis. I listened to Louis present the Avid Everywhere messaging. It was a vision of a platform mentality, in contrast to what had gone before – a siloed product approach.”

International partnerships were a priority. “I decided to work closely with Avid,” said Shengli Han, former CEO and now vice chairman of the board of Beijing Jetsen Technology Ltd. “Louis brought his team and visited China several times, and we visited Boston. We created a very close distribution partnership. We knew that his thinking was going to change the company. And he knew that we wanted to change our company too. So we established a very good – not only a business relationship, but a personal relationship.”

### **Customer engagement led to the creation of the Avid Customer Association, which became an industry powerhouse**

*“The Avid Customer Association made sense because Avid was such a core component of the industry. The association became customer led. Customers were running point on everything from event content, to discussions about particular topics, to sharing what was awesome about a particular product, or voicing their concerns about what was wrong. It took on a leadership tone.”*

*-- Keli Callaghan, director, Avid Customer Association*

*“The success of the association was a surprise at first. You asked yourself, ‘who is going to come?’ The first year, we had, I think, 1,500 attendees. Eventually we had 10,000 attending. It became a wave. It was a place for people who wanted to hang out, the channel partners and Avid partners and third-party integrators. There was a real sense of community that Louis created.”*

*-- Sandi Nasser, Avid Customer Association reseller board chair*

*“I was involved in the customer association. I was part of the leadership team, the executive team that was trying to help track the future of things. The new business model that Avid came up with under Louis’ leadership worked because it prioritized the customers’ needs, instead of having the market just push us in whatever direction it wanted. We would all come up with our needs, they would collect the information and then it would be voted on. And the development of new solutions would come as a result of true customer needs.”*

*-- Mohamed Abuagla, Chief Information and Technology Officer and Executive Director of Technology and Operations, Al Jazeera Media Network, 2014-2018*

The launch of the Avid Customer Association put the company in regular contact with an enormous community of users, who served as an invaluable source of marketplace insight. The association grew to comprise 40,000 members. According to Keli Callaghan, who served as senior director of customer engagement and field marketing, the association functioned as in effect a collaborative industry group. “It made sense because Avid was such a core component of the industry. The association became customer led. It transitioned from an Avid initiative to a customer initiative where customers were running point on everything from event content, to discussions about particular topics, to sharing what was awesome about a particular product, or voicing their concerns about what was wrong. It took on a leadership tone.” Customers even voted on

product initiatives. “The feedback from the vote would be taken right into product management, and they would look at it and evolve their business based on what customers were asking for.”

Initially the association was met with skepticism. “Because it was such a new model of working deeply with customers, it wasn’t at first embraced with open arms,” Callaghan said. “It took a year or two. The initial reaction was, ‘What is Avid doing? This seems like wasted effort.’ But five years in, sentiment was more aligned to, ‘This is really impressive, I have to be involved. Avid is listening.’ It leveled up at one point when an industry analyst quoted the Avid Customer Association on how the group thought about a particular issue.”

Callaghan feels that the Avid Customer Association initiative was a key component to Avid’s transformation. “As Avid transitioned its business, they did an amazing job of bringing customers along on the journey. The goal was to bring people together, to share a sense of community, enabling them to connect with each other, and giving them insights and advance access into what Avid was doing. And we held the annual event where we could share the vision, bring everyone together, cultivate those relationships and deepen our connection to the customer.”

## **Shifting Avid to the cloud**

The new solutions strategy went hand-in-hand with a new pricing strategy. Avid stopped being a product company and instead became a cloud-based, software-as-a-service (SaaS) provider. A full cloud offering in partnership with Microsoft Azure was at the heart of the offering. Hardware was outsourced and focus shifted to new, expanded integrated solutions such as the S4 and S1 line of mixing consoles. Subscriptions became the norm, and enterprise pricing was established. Software-only bundles were introduced.

“The fact that Avid designed and realized the cloud strategy in collaboration with customers renewed customers’ trust in Avid to be an innovative leader,” said Jochen Pielage, who was Avid’s senior director, Broadcast Production from 2013-2016 and vice president, Software Engineering from 2017-2019.

“The move to the cloud was forward-thinking” said Nasser. “Louis created the first roadmap to move editorial-based systems to the cloud. A lot of the resellers are still struggling to figure out the revenue stream, because you’re cutting out the middleman when you go direct. However, you can’t stop technology, and Louis is a big believer in knowing what’s next, what’s going to happen and when industries are going to collapse. He embraced those trends and anticipated how they would impact Avid. He likes to say that there’s a significant blurring of industry boundaries and it’s true.”

### **Establishing new structures and stabilizing the company**

New structures were put in place to drive and support change. A project management office was created to oversee the new product strategies and drive behavioral change. A deal desk was established to manage the new pricing and delivery models.

As a result of the new strategy, and the resulting predictable revenue stream, Avid was able to stabilize its finances. Between 2013 and 2018, there was a greater than \$90 million increase in operational EBIDTA. Recurring revenue grew from 13% in 2012, essentially an afterthought, to 56% in 2018. The contractually committed backlog rose from \$92 million in 2013 to \$357 million in 2020, providing unprecedented forward visibility.

The accounting problems also needed to be addressed. An 18-month process led to the restatement of five million transactions

comprising \$100 million in revenue, at a cost of \$45 million.

In spite of those headwinds, growth was reestablished and continued apace. A program to optimize \$76 million in strategic costs eventually overdelivered. \$110 million in strategic cost optimization was the result. Avid now had more employees closer to the markets it served, and product quality and service levels rose.

Fundamentally, the result of the changes was an entirely new Avid, one that served an expanded market with scalable, flexible solutions, supported by new revenue streams (the result of renewals, support and service add-ons) in a lower-cost environment thanks to the common platform, which lowered costs and accelerated speed to market. Avid became a recurring revenue software business, leveraging its anchor clients to drive sales into higher growth and more predictable software sales over time.

### **Reorganizing Avid and remaking the culture**

*“Louis was committed to diversity, he pushed for it. Every time you add diversity, you gain because you have different perspectives. Specifically, In our industry, which is more male-driven, having more women present was a very good thing.”*

*-- Sandy Nasser*

The changes at Avid were drastic and far-reaching. Clearly, nothing on this scale could be implemented unless Avid’s organization and culture were also transformed.

On the organizational level, Avid had been somewhat misaligned for its new mission and focus. Leadership closed or relocated 70% of Avid’s offices, in order to ensure that leaders, managers and sales force were close to Avid’s new markets.

The lack of alignment extended to Avid's personnel as well. It was unsurprising, given the extent of the reorganization, that a large percentage of Avid's legacy staff would not fit well with the new reality. A simple illustration – the percentage of hardware in Avid's product mix shrank significantly from the 78% level it had reached before the reorganization. Staffing had to change accordingly.

To align Avid's personnel with the market, Hernandez and his Avid team began by conducting multiple town hall meetings with Avid employees, engaging in group and one-on-one discussions. Internal surveys were conducted, product line profitability was measured by multiple variables and Black Dragon assessed Avid's culture and organization. Among the metrics and monitoring tools put in place were a new performance measurement system and new internal controls, dashboards and cash management tools. Transparency increased as the leadership team posted to the employee portal the status of every initiative, no matter how difficult; it increased still more as Avid launched an employee engagement committee.

New compensation, incentive and bonus programs were put in place, roles were clarified, and a bonus program was established.

In the six years of the reorganization, 70% of the staff turned over and was upgraded.

"The new vision was significantly different, and many team members were up for the change," said Pielage. "Many were positively optimistic about it. But it was too much change for some of the engineers. They were great engineers, but some people are more open to change than others. The team members that were open to change followed the vision."

"The pride came back, and people were excited about Avid," said Hussein. "The transformation restored excitement about Avid as a brand, and

the products we had. That was due to our much more focused vision."

"Louis was the reason I joined Avid," said Jan Lange, Avid's managing director of the Central EMEA Region from 2015-2018. "It was because he has a vision about how to reshape an industry, not just manage a company."

As with many transformations, the board of directors presented a hurdle. A number of entrenched, holdout directors opposed many of the actions that the transformation required.

This opposition could only be met head-on, and in the end 40% of the board was replaced, albeit at a steep political cost. The board issues persisted. Conflicts between shareholders and the board of directors continue today.

Another goal was to diversify Avid's employee base, both in ethnic and gender terms, and in terms of professional background and skill set. What had been a hardware-centric firm had to be rebalanced with a combination of good legacy people and critical new hires with software experience. As for ethnic and gender diversity, both are worthwhile societal goals but also an essential component of business success. That was certainly the case with Avid, which needed to sell to a diverse creative community. With guidance from Black Dragon, itself minority-led and 75% ethnically or gender diverse, Avid's ethnic diversity improved by 50% and its gender diversity improved by 13%.

Diversity is not just about statistics; it requires a deep commitment to long term development.

By 2018, Avid had increased its management positions led by women by more than 40%; these women were key drivers of Avid's future development. Diversity also encompassed the senior leadership team, including the chief technology officer responsible for the new product architecture, the VP for finance and head of the deal desk responsible for pricing and bundling to meet strategic targets, the head of what became the largest new global

office and the head of the 40,000-member Avid Customer Association. Overall, taking both the skill set and diversity imperatives into account, critical hires were made in a number of leadership roles, including those just mentioned and also the chief financial officer, chief accounting officer and director of global procurement and operations.

“Louis was committed to diversity, he pushed for it,” said Nasseri. “Every time you add diversity, you gain because you have different perspectives. Specifically, in our industry, which is more male-driven, having more women present was a very good thing. I was the only female reseller on the advisory board, and also a new member to the Avid Partners. Louis was trying to get a fresh perspective on the channels and how they should evolve and embrace the new way customers were acquiring their media related gear.”

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“Louis not only made the product better but also gave us features we didn’t realize we needed such as cloud collaboration, an AppStore and deeper client engagement. But the biggest change was diversity. Avid had always had little diversity, and the influx of people of color and women was noticeable. I know many resented it inside the company. It was great because he was smarter and understood us better than anyone else on the team. I had never met with a CEO of Avid and I met him at many events, our studios and my friend’s studios, it was inspiring that he cared so much about what we needed. There is a noticeable return to less diversity at Avid since he left, which is predictable given the history and leadership”, said Jesse “Corporal” Wilson, a multi-platinum, awarding winning musician, composer, writer and producer of music for film, television and leading artists.

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Creating and sustaining the new Avid culture was possible thanks to the application of several methodologies. We’ve already noted the elements of the Black Dragon Playbook that focus on the creation of employee incentives

and goal-oriented performance metrics. In addition, The Black Dragon Leadership Index™ quickly identified and evaluated current and future leaders on a range of criteria, both hard (track record in hitting performance targets) and soft (emotional intelligence). The Black Dragon Way™ helped define elements of a high-performance culture.

### **The results of the turnaround: Avid is transformed into a long-term value creator**

“The company was siloed across individual departments and individual product teams, operating inefficiently. Louis and his executive team led the realignment to streamline the company around a singular product-platform strategy.”

-- Rob Ulke, Avid global account manager

**By the time, the turnaround was complete in 2018, Avid had been transformed. No longer a struggling legacy player, Avid reemerged as an innovator with a strong product suite aimed squarely at the industry’s pain point, the problem of maximizing value per asset that was keeping C-level movie, TV and music executives up at night.**

Avid’s digital cloud strategy served the marketplace; subscription-based pricing generated stable and predictable revenue. A largely new workforce drove the company toward lower costs and higher revenue.

For customers, Avid was the provider of an agile, customizable platform solution that addressed major challenges. It provided an end-to-end solution backed by superior service and straightforward deployability. The deep engagement with clients created many lifelong friendships.

For investors, predictable revenue went hand-in-hand with transparency as the restatement concluded and as Avid was re-listed on NASDAQ. Cost efficiencies arrived ahead of plan. Avid re-emerged as a strong growth platform.

**“Louis understands not only how to extract value from acquired legacy operations, but also how to build effective strategies and value for the future. That’s a rare and winning combination,” the industry observer said.**



**“The relationship with Louis was very friendly. And it was very frank. It was always about ideas,” said Abuagla. “We spoke a lot – sometimes he would come and ask me questions about what I thought about this or that. And if I had an issue with something, I’d call him and ask about it directly. We had very open communications. We’ve become very good friends over the years.”**

**“And I’m now an advisor to Black Dragon – the relationship has been very positive, and we continue trying to support each other’s missions,” continued Abuagla. “Louis is definitely a visionary when it comes to transforming the media industry into a 21<sup>st</sup> Century industry. There aren’t a lot of visionaries that are trying to change the future of an industry, or who are able to take on the challenge of making an organization be more agile, be a thought leader, be more flexible, more elastic, more innovative and at the same time more customer-centric. To do that you have to cut across the organization – operations, sales, the engineering side. It requires strong leadership and tenacity. Louis brought his ‘A’ game to that on every occasion.”**

**“I wish I had met Louis earlier in my career,” said Michael Amoia, former co-founder of New York City-based production studios Vidiots and Switchblade Entertainment Group and current co founder of Mibe Music. “It would’ve helped tremendously. Louis has been a seasoned leader for many years and understands the value of industry information from his clients’ perspective. I’m sure this insight was helpful in creating some of the new products Avid released throughout his tenure.”**

**“I was fortunate to be part of turning the company around,” said Ulke. “We made the turn and made it fast enough. That momentum is carrying Avid today – from when Avid made the turn to gain back relevance and lead the media industry again.”**

## ONE CUSTOMER’S STORY OF THE AVID TRANSFORMATION

*“We were a customer of Avid before Louis became CEO – an enterprise customer, a large media customer,” said Mohamed Abuagla, Chief Information and Technology Officer and Executive Director of Technology and Operations at Al Jazeera Media Network from 2014-2018. “And basically, we had been treated like a customer, not a partner. I didn’t appreciate the customer-vendor relationship. I felt that most of the media industry was very much tool- and infrastructure-obsessed – they wanted to buy hardware and tools and devices, and the vendors made sure to sell them as much as they asked for and maybe more. There wasn’t an approach that said, ‘Let’s build a vision together for how you want to operate in the future, let’s discuss your pain points and how we can help find answers – if we work together more like a partner, that would help us both.’”*

*“When Louis took over at Avid, he and I tried to move it from a customer-vendor relationship to a partnership, and he was very much on board. He had the same ideas I did, and when we sat down and discussed them, it just made sense. We became very good allies in trying to push the industry in a certain direction. I put Al Jazeera forward as a testing ground for some of these concepts that Avid and Louis were trying to push.”*

*“I came from a cloud background, and I wanted to see if we could move in that direction, toward a software architecture versus a hardware architecture, instead of just buying systems, buying hardware and getting more of the same. Those were our initial conversations, about how other technologies and other industries were doing. We were early thinkers and early adopters, trying to push the industry toward a cloud-based, software operating environment.”*

*“I had specific goals in trying to push the organization. The first one is that it’s very difficult to justify capital expenditures every year. So instead of going for a CapEx model, I wanted to move the organization toward an OpEx model. The second had to do with our ability to operate in 86 locations worldwide, which means 86 different offices and markets. Having to go through an upgrade cycle for even 10 of these was a large, time-consuming effort. The third was that the organization was on a growth path, and if we needed to set up a new facility or a new newsroom or stand up a new channel, it would take an average of six months to a year.”*

*“We were able to achieve all those goals. We moved into OpEx. We standardized the implementation across all our different locations, and then we started offering the Avid software through their Avid Everywhere solution, so there was a cloud-based solution that helped streamline implementation across all the different entities. And then there was the impact on training because you could train once and have everyone on the same page. We made strides that resulted in a partnership with Microsoft to set up the first newsroom in the cloud – a partnership led by Avid and Microsoft and Al Jazeera, where we as the customer built the requirements and provided the use cases. We checked all of those boxes. It was done really well.”*

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**“I hope that Avid continues to drive and innovate and invest in the new generation,” said Nasser, “so that young people can be musicians and produce and continue to be creative. It’s wonderful when you have a workflow that enables creatives to express their language in a way that we all get to enjoy.”**

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## Conclusion: a way forward in the new era of digital disruption

While Avid’s challenges were severe, they were by no means unique. The digital tsunami continued to roll. The impact of digital disruption and the collapse of business ecosystems will continue to transform industries and individual companies. Hernandez’ and Black Dragon’s approach, driven by an understanding of the industry’s strategic pain points and supported by a system for transforming the business at the most fundamental level, suggests a way forward. The results were dramatic moving the company from near failure to revenue and profitability growth, a refreshed cloud and subscription based product suite, an increase in recurring revenue from 13% the year before they arrived to 60% the quarter they left, a relisting on NASDAQ, resolution of the nine-year financial restatement they inherited and an upgraded and diversified employee base globally.

The transformation of Avid was a result of significant effort by a team of heroes from our industry. The foundation was set for a strong future. While many of the team have moved on, the intensity of their work should drive the continued reemergence of this market leader.