

Q & A With Dr. J Patrick Kennedy, OSIssoft



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Dr. J. Patrick Kennedy is the CEO and majority owner of [OSIssoft \[1\]](#). Under Dr. Kennedy's visionary leadership, the company has grown from a small software startup in 1980 to a highly profitable \$125+ million per year global corporation. Prior to founding the company, Dr. Kennedy worked as a research engineer for Shell Development Company and as an applications consultant for Taylor Instrument Company. Dr. Kennedy attended the University of Kansas where he earned a Bachelor of Science in Chemical Engineering and a Ph.D. in Chemical Engineering. A registered professional engineer in control systems engineering, he holds a patent on a catalytic reformer control system. He co-authored a chapter of the book "Planning, Scheduling and Control Integration in the Process Industries," C. Edward Bodington, ed. (McGraw-Hill Co., 1995), and is the author of numerous papers.

Q: What are the basic guiding principles behind your company?

Kennedy: I founded the company in 1980, and from the beginning the guiding principles were to protect the investment of our users, respect and nurture our employees, and always keep a focus on being profitable. The first two are obvious (although not always followed by vendors) but why the last? It does a customer grievous harm for a company to go broke, be sold on the block, or find other ways

of disappearing. Perhaps it is a feature of the software business, but keeping a product modern while continuing to deliver value is a very expensive proposition. Funding by borrowing, or under funding, are both unacceptable. We have stayed focused on our main expertise for the same reason. Concentrating resources on what you do well is a different way to support your customers that have already invested in your products. Finally, all of this does not help if you do not make what the customers need. This is the business risk that we take every year, and it makes business fun (as long as we make the right decisions).

Q: How has this foundation encouraged the company's success?

Kennedy: We have built a company that is known for high levels of support; most of the questions we get on our support line are still answered by the person taking the call. A focus on our existing customers has been a key element involved in our growth. The other affect is that, because we grew slowly as the company was able to earn money, we do not have outside capital, venture, or banks involved in our business to any degree.

Q: In your experience, how has OSIsoft adapted to the changing global environment?

Kennedy: Fortunately, our original scope was the refining industry and it is, and has always been, global so with only a few employees, we had to become global. Today we have five support centers around the world, and we "follow the sun" with local support, which is appreciated by our offshore users. At this time, 45 percent of our revenue comes from the U.S., and 55 percent from the rest of the world.

Q: How has offshore competition affected the company's business strategy?

Kennedy: The U.S. has over 90 percent of the world market for intellectual property (IP), and we have enjoyed good reception towards our software around the world. In addition, we are in a niche business and our size, number of interfaces, stability, support, and software functionality have provided us with a large barrier to the competition. One of the factors that often comes up is why we don't outsource our software. The reasons for this are simple: right or wrong, most good software comes from developers that do both the design and the implementation, and outsourced software is only good with the latter. In our formative years, our model for this was Microsoft. This company has not always guessed right, but when they determine they are wrong, they can change direction on a dime.

Q: How have you tried to foster an environment of consistent innovation and continuous improvement in OSIsoft?

Kennedy: We absolutely have tried to implement both innovation and continuous improvement (and they are quite different). Innovation is usually a goal which conflicts with quality. The way around this is straightforward: the definition of quality in the early days of the ISO was "value, or perceived value, of the product when placed in the service for which it was intended." This is a very difficult

definition, and noteworthy in that it does not mean bug-free. Many of us have bug-free software in the drawer that we do not use, and yet other packages, with a few flaws, that have become invaluable to us.

We, like many, attempt to do both, but we do not lose sight of the value. Most of our technical hires are graduate engineers, many with advanced degrees and a few that were professors, because we must understand why our customers are using our software. The other elements behind the continuous improvement process is good support and fault detection, for which we have always gotten extremely high marks.

Q: How would you advise start-up companies to see the type of growth OSIssoft has seen since its beginning?

Kennedy: Keep in mind that our growth has been quite steady for nearly 30 years. The advice is simple: hire the best people you can, do not under fund, and make money. Fail in any of these and it is the beginning of the end. Unfortunately, you have control over only two of these three. As for funding, we chose to sell property instead of getting funding from the market or banks, which is not an option that is always open to people. There is a pretty good outline on the Elements of Success on the Sequoia Capital website (just because we did not use their money does not mean they don't know how to fund successful companies). I feel these are spot on; I wish I had such a clear list when I was learning the hard way:

<http://www.sequoiacap.com/ideas/> [2].

Q: What types of benefits can companies see from maintaining strong, consistent leadership throughout the expansion/growth process?

Kennedy: There is a pretty good quote in the book [*Dynamics of Software Development*](#) [3] by Jim and Michele McCarthy (great book by the way) that says “..if any combination of product management, program management, and development are fighting over who owns a product, your ‘team’ is goofy, looking for institutionally established authority, a weak substitute for genuine established authority, which comes from having the best grasp of the situation.” There are many other recommendations on how to create this environment but, believe me, innovation and nothing else fuels growth.

Management must understand the fact that their job is to build people, not to think for them, or direct them. This is very hard for many people. They think, 'I have finally made it to the top,' and then start to act in the way that they thought management should act, only to find that they are a destructive force because their style stifles innovation instead of supports it. It is neither easy nor straightforward to succeed. The best thing about starting a company is that you are so high on the ideas, you do not notice the incredible road blocks ahead.

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