Around the turn of the century, big software companies got bigger and small software companies got nervous. When behemoths like Oracle and SAP started muscling their way into the retail systems business, tiny JDA software saw an existential threat.

Those were the glory days of E.R.P.—for enterprise resource planning software—as companies spent the late 90’s girding up to face the Y2K bug and passed the early 2000’s scrambling to seize the Internet initiative. As the big E.R.P. vendors moved beyond functions like accounting, finance and human resources into supply chain and customer relationship management, JDA’s profitable niche in retail systems was vulnerable. JDA had to get bigger and broader quickly, or be swept away.

So JDA embarked on a series of acquisitions that would transform the Scottsdale, Ariz.-based company from a $50-million retail specialist to a leading player in supply chain management, with nearly $700 million in revenues in 2011. But in 2006, when Oracle acquired Retek, a direct competitor to JDA in retail systems, that outcome was hardly obvious.

“I think the whole market assumed we were going to get flattened,” says Hamish Brewer, JDA’s chief executive officer. “We recognized that the business we had been in for the past 20 years—inventory management and retail systems—was becoming commoditized, and because SAP and Oracle could offer a complete suite of H.R., financials and other things we didn’t do, we didn’t have a competitive offering.”

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JDA was a small company, so its initial acquisitions were correspondingly small, like Intactix International Inc., which JDA acquired in April 2000 from Pricer AB, a multinational based in Sweden. Since its founding in 1990, Intactix had grown from two to 250 employees in 12 countries in six years, offering space- and category-management software and consulting products. Next came the E3 Corporation, a privately held provider of inventory systems, in September 2001. As about half of E3’s customers were non-retail, the deal accelerated JDA’s move into collaborative planning, forecasting and replenishment, and helped the company gain presence in wholesale distribution.

Growth Path: JDA Acquires

We started to make some acquisitions, and at first they were pretty darn small, but putting it in context, JDA was about a $50 million company itself at the time,” says Peter Hathaway, JDA’s former executive vice president and chief financial officer. “We were buying technology, with a bit of capability,” he says. But by 2006, JDA leadership determined “that there was a lot of effort put into buying and integrating these little companies, but it wasn’t having a lot of impact on revenues. You just didn’t get the bang for your buck,” says Hathaway.

It was time to think bigger. JDA’s first transformative acquisition came in 2006 with the purchase of Manugistics, a provider of decision-support software for manufacturing, logistics, statistics and transportation. Though Manugistics had been an early entrant in that market, with products that were still considered innovative, its financial performance had suffered from increased competition and the bursting of the dot.com bubble. Manugistics had about $175 million in revenues at the time; JDA, $229 million.

“Manugistics was the No. 2 behind i2, but at that time the company was in trouble, and I think people regarded this as one desperate company buying another,” says Brewer. “But the product was still very good, and we were able to rebuild that brand in the marketplace.” The merger boosted earnings, but post-merger integration presented challenges, technical and managerial. JDA’s applications ran on Microsoft’s .NET architecture. Manugistics had written all of its code for Java, a software development system created by Sun Microsystems that allows programs to run on multiple hardware and software platforms. Despite resistance from JDA’s engineers, the company’s leadership decided Java offered more flexibility for their target market, so JDA’s programs were gradually rewritten for the Sun code. (Sun was acquired by Oracle in January 2010.)

Mergers of tech companies often founder on such concerns, but analysts say JDA managed it well. “To JDA’s credit they have often improved the situation for one of their acquired companies, improving things like customer satisfaction and product investment,” says Dwight Klappich, a supply chain specialist with Gartner Inc. “When JDA acquired Manugistics, there was client dis-
Some big technology companies that have grown through acquisitions make a point of erasing cultural identity. JDA takes a middle course, preserving brand equity, but renaming product, while integrating technologies and management.

satisfaction with Manugistics’ Transportation Management System offering. JDA turned this around relatively quickly, and customer satisfaction improved.” That was a non-trivial task, but so too was integrating two disparate cultures. JDA was a bit of a mom-and-pop operation, whose founder, James D. Armstrong, had moved the company from Canada to Arizona in 1987 to be close to one of his largest customers, a major Phoenix auto parts dealer. Manugistics had been founded in 1969 in Bethesda, Md., as the Scientific Time Sharing Corporation, by engineers who left I.B.M. to develop their own programming language. “Manugistics put us on the map as a supply chain player, but the merger was a struggle,” says Hathaway. “The relative size was a big jolt. ... The result was actually extremely positive, though it took a year or so for the traction to really take hold.”

Some companies make a point of erasing an acquired business’s brand and cultural identity as soon as possible. Cisco is famous for replacing branded coffee mugs on desks the day a deal closes. Others seek to capitalize on the remaining brand equity and culture, and let their purchased companies function semi-autonomously. JDA takes a middle course, preserving brand equity but renaming products while integrating technologies and management.

“We try to deliver all the bad news on day one,” says Brewer. “We try to let everybody know within 24 to 48 hours if they’re going to lose their job. In that sense, we move very quickly. We don’t eradicate all existence of the brand that we’ve just acquired. You’ll see their logos on our Web site. Our message to the associates is ... ‘If you are still with us, you are part of JDA. We respect your company and your brand, and we won’t try to eradicate the history of what you’ve done.’ We respect their tenure.”

JDA leaders speak of being “acquisition-ready” when they’ve integrated one acquired company and are shopping for another. The integration of Manugistics took about three years, by which time i2 Technologies, the other major competitor in supply chain software, had also become available. The two were complementary, in that Manugistics’ strength was in process manufacturing of consumer goods, like cans of soft drinks or tubes of toothpaste,
while i2 specialized in discrete manufacturing, the assembling of parts into complex products, like cars and computers.

“The opportunity came up to buy i2, which had also run into hard times,” says Brewer. “The company had had a sale process for at least a year or two, and nobody apparently wanted to buy them. We completed the deal in January 2010. We took on the moniker from i2: The Supply Chain Company. It’s working out pretty well for us.” In early 2012, JDA began exploring the acquisition of the RedPrairie Corporation, whose heritage was in warehousing, workforce management, store operations and e-commerce. But then the market intervened, in the form of shareholder activists who prodded JDA’s board to sell the company, believing it could command a significant increase in share price.

“We started a quiet process, talking to a few companies and a few private equity firms,” says Brewer. One of them was New Mountain Capital, which owned RedPrairie. “We had had a conversation with them about acquiring RedPrairie, and they saw that this was a spectacular opportunity for JDA to create a lot of value for the shareholder, so they were holding out for a higher price. So now, the tables were turned, and in the end, they bought us. We sold JDA to New Mountain on Dec. 21, 2012, for just under $2 billion.”

After this merger, JDA emerged as the big, broad supply chain leader it had set out to be. The now privately held company retains the JDA brand, and Brewer continues as chief executive. The combined company has revenues of $1.1 billion. Through all the changes, JDA sustained robust revenue and earnings growth after the market crisis of 2008. But the rapid expansion has caused some growing pains. “This is one of the toughest parts of the transition,” says Brian Boylan, executive vice president and chief human resources officer. “We used to be a small company with a small-company mentality ... and we had to have changes pretty dramatically.”

Adds Brewer, “We found people ... who understood how a multibillion-dollar software company ran and what you have to do to compete with the big boys. We hired a lot of talent. The truth is there’s some risk in that. Some of them work and some of them don’t. In the process, you really try to re-establish in your company what the definition of ‘good’ is.” JDA must also play the part of a much bigger company, because in today’s market $1 billion in sales is small relative to the competition.

“This is a huge change-management process for the entire leadership team: to get out of that cottage industry mindset and into world class,” says Brewer. “SAP is 20 times bigger than us, Oracle 40 times, and that’s who we compete with every day. Most of my direct reports are from much bigger companies than JDA, and they know how a large company runs. The toughest thing for us to figure out when we’re interviewing someone from a bigger company is can they rescale to a company of our size? You don’t have armies of people to do things for you. It’s a lot more hands-on.” As JDA begins to depend more on organic growth and less on acquisitions, the company intends to place more emphasis on internal talent and less on aggressive recruiting. JDA’s Leadership Supply Chain program includes the Emerging Leader Program, which aims to spot high-potential employees at a lower level to groom for future vice presidents, and the Fearless Leader Program, aimed at building up future senior vice presidents and executive vice presidents.

“When we started in 2005, we didn’t have the leadership in place to execute on our strategy,” says Boylan. “We had a number of people who had been on board since the company was very small, but who didn’t have the capacity to scale with the organization. We were forced to go to the outside, but you don’t want to be in that position all the time.” Competing with the likes of Oracle and SAP also required a geographic expansion. Of JDA’s 4,500 employees, nearly 1,600 are based in Bangalore and Hyderabad, India, engaged in software development and support, as well as providing consulting and cloud services to customers globally. The company also has employees in Europe and the Asian-Pacific countries, including China and Japan.

“The offering we have is fairly complex. You can’t just find people off the street to explain it,” says Brewer. “We really need to have our own presence in each of our major markets. We have to run like a multibillion company even though we aren’t one yet.” Indeed, JDA’s low profile is almost striking in itself for a company that has grown so fast; there have been no big spreads in Forbes, Inc. or any of
JDA's forte is supply chain expertise that big general-purpose software companies do not match.

Growing to more than 15 percent of global technology M&A deal volume. That pace has accelerated in 2013, with non-tech companies like Wal-Mart joining the likes of I.B.M. and Oracle in bidding up cloud deals. Often, EY reported, "established software companies were surprised by faster-than-expected customer adoption of SaaS."

For Hamish Brewer, the cloud presents a huge opportunity for JDA's customers and a challenge to his company. He sees the cloud giving bricks-and-mortar retailers a better way to compete with pure Web players.

"Today every retailer has a Web presence. But try walking into a retail shop and saying, 'I want to do something with my online shopping cart.' Our job is to help the world's leading retailers become competitive with Amazon," he says.

For JDA, "the big challenge now is moving to providing all our products in the cloud," Brewer says. "Where it used to take months and months to install a program, now we can literally do it in an hour. It's still not the majority of our business, but I bet you in five years it will be."

And the company will again augment internal development with acquisitions. "We have a strategy: to build out the biggest suite of supply chain products for retailers and manufacturers," Brewer says. "For the near term we are completely consumed integrating JDA and RedPrairie into one company, but once that is complete and we are once again 'acquisition ready,' then I am sure we will start looking again."