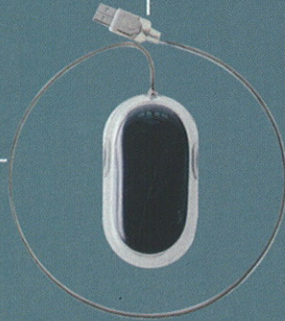


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TOP ICT COMPANIES IN AUSTRALIA
TOP COMPANIES SERIES 2003/4 EDITION

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ICT
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INFORMATION, COMMUNICATION AND TECHNOLOGY



**TECHNOLOGY
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M A G A Z I N E

Corporate Research Foundation



top ICT

TOP ICT COMPANIES IN AUSTRALIA

Part of Corporate Research Foundation's 'Top Companies' series, this is the second edition of the highly successful *The Best IT&T Companies in Australia* (2001). The book has been revised to take account of the rapid changes in the information technology sector, and the focus has been broadened to include the telecommunications sector, reflecting the continuing convergence of information and communication technologies (ICT).

This insightful and informative guide is based on interviews with senior management as well as extensive research and analysis, and demonstrates the successful strategies and best practices of these companies in the future.

Each company profile provides an in-depth appraisal of company dynamics, including corporate objectives, strategy and management, human resource priorities, operations and markets, innovation, key facts and figures as well as their vision for the future.

Based on rigorous analysis of the practices and strategies that enhance the long-term competitiveness and growth potential of successful Australian businesses, the book identifies those ICT companies that are likely to be the best performers in the future. It is an invaluable tool for local and overseas investors, analysts, the media, ICT professionals and future employees.

Corporate Research Foundation (CRF) is an internationally operating foundation. Established in 1991, it is a combined initiative of senior journalists and academics. This book has been created by CRF to inform a wider audience about corporation culture, effective human resource management and the strategies behind successful ICT businesses.

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TECHNOLOGY
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couple of ways to maintain growth in a sluggish economy – first by “keeping your focus on your relationship with your customer,” and factoring that into the development plans for new products. “The other way to grow is to be better than my competitor. To put it crudely, I eat my competitor’s lunch,” she says. “I was brought down to continue the growth, particularly in the software side and on the services side with partners. I want to deliver top line growth and drive up the market share.” This will require stealing market share from rivals, at least until the broader economy improves.

As to any Achilles heel that the company might have, McBride says: “The only thing that can get in the way of SAP is SAP.” There is, she says, no room for poor execution either at a management level or in delivering business solutions for the customer. The company must continue to focus on execution across the range of different industry sectors and geographies that it serves.



Sapphire One

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Sapphire One has long been a quiet achiever of Australia’s software industry. Sales of its flagship enterprise resource planning (ERP) software, the SapphireOne Suite, have grown strongly and steadily over the past 18 years and it now has users in several countries. The company’s hands-on culture emphasises individual contribution and innovation as drivers of progress.

Scorecard

Flexibility and Innovation	★★★★
Growth Markets	★★★★
Quality of Management	★★★★★
International Orientation	★★★★
Human Resource Priorities	★★★★

OUTLOOK

Firmly established in the small and medium-sized ERP business market, Sapphire One should continue to perform well. It is profitable, optimistic and has a can-do culture that is helping it deliver a uniquely Australian solution.

BIGGEST PLUS

Sapphire One has a growing base of satisfied customers, mature technology and the financial strength to continue innovating on its own terms.

BIGGEST MINUS

Competition in the mid-tier ERP systems market is heating up as larger players shift their sights downmarket. While there are questions as to how well their top-tier technology will scale to suit smaller companies, their marketing strength and brand recognition could be a formidable challenge to companies like Sapphire One.

KEY FIGURES

Sapphire One is privately held and does not reveal specific financial results.



has been profitable since its key product, SapphireOne, was launched in 1986.

THE PEOPLE

Founder John William Adams has been CEO of the company since its inception.

THE BUSINESS

Sapphire One was established in 1986 as Sapphire Software, a supplier of ERP software for small and mid-sized businesses. Its flagship product, the SapphireOne Suite, debuted in 1986. Since then, it has established a unique profile as providing the only fully Australian ERP accounting solution in a highly competitive market where price and user education are key obstacles to growth.

Nonetheless, Sapphire One has grown admirably: the company has been profitable every year since its inception, and profits are put directly into the business or into research and development. The fact that it is privately held by its founder and CEO has contributed to a unique management style and culture. Adams credits this with fostering the innovation that has helped Sapphire One remain competitive.

The company has a history of firsts. For example, its ERP system is the only major one of its type to provide equal functionality on both Windows and Apple Macintosh (including OS X) desktops. Sapphire One was also an early adopter of the Web browser client, offering its first Web interface in 1995.

Sapphire One's business is built on sales of its eponymous software, which over the years has expanded from its roots as an accounting solution. Its current version, 2003 Release 2, is a complete ERP system combining financials, asset management, payroll, human resources, inventory, supply chain management, support for multiple foreign currencies and companies, and full GST and Business Activity Statement (BAS) capabilities. Its interface is user-friendly, designed for easy navigation on both the Windows and Macintosh OS X platforms.

Like any financial management system, SapphireOne is designed to help companies introduce accounting rigour that keeps them on top of the financial performance of their business. SapphireOne is built to comply with generally accepted accounting principles and other international accounting standards, providing full audit trails to assist reviews of company performance.

Despite the strict functional parameters under which it operates, there is still a lot of room for innovation within the sector, says Adams. "Our key focus has been organic growth," he explains, "and then to be self-funding. We've



tried to innovate within those constraints. But I don't believe they're constraints because it gives a company like ours more flexibility to take risks. It's my belief that this has given us more strength."

STRATEGY AND MANAGEMENT

Sapphire One's private ownership has freed Adams to create the type of culture he wants and he believes it's contributed to a unique strategy. The company has avoided the shareholder-driven pressure that other, larger competitors face. Instead, it's been able to grow organically, when and as needed.

This approach has been particularly fruitful over the past few years. While punishing market conditions have forced other companies to consolidate, Sapphire One has been able to remain independent – basically because it was business as usual at the company, where leanness and efficiency have long been guiding principles. "The last two years have been a breeze for us," says Adams. "We deliberately didn't go with all the marketing and people overheads that meant our competitors didn't have the flexibility to get through."

So good have things been that Sapphire One recently moved into new premises. The company also continues to invest heavily in development, which reaffirms its commitment to innovation in contrast to the defensive posture taken by so many companies over the past few years. Despite the maturity of its technology, Sapphire One continues to devote much of its energies to improving the product. Around half its gross revenues are poured into R&D. This work comes to fruition in major changes – for example, version upgrades adding new features – and smaller point upgrades.

In many cases, suggestions for improvements come from across the company and client base. This follows from the organisation's focus on customer needs rather than selling the product. One recent enhancement came from Sapphire One's director of client services, who suggested the addition of a text entry field at a specific point in the program. It took just hours to code and debug the enhancement, but it's a "huge" improvement to the application, says Adams: "We refine, refine, and refine it some more. It takes years."

Although SapphireOne is winning converts overseas, the peculiarities of accounting software – namely, that it's governed by local accounting rules and regulatory controls – mean that it must be customised into a new version for each new country. While Sapphire One is happy to accommodate customers in other countries, and its technology is flexible to handle all sorts of regulatory structures, the company has not made international expansion a priority.



OPERATIONS AND MARKETS

Sapphire One has built up a base of thousands of users across the globe. Although the majority of its customers are in Australia, a growing number of sites in the UK, New Zealand and Asia are testament to the flexibility of the SapphireOne solution.

The company is based in Sydney. Support for all SapphireOne customers globally is run out of Sydney, with a call centre that aggregates product expertise from around the world. "It's just keeping the model simple," says Adams. "If you start opening an office in London, [for example], you have unnecessary overheads and support structure. Is that a benefit to the client? Not really."

Adams keeps specifics about the company close to his chest for competitive reasons. Nonetheless, the company's longevity and continued viability suggest that it is continuing to find a receptive audience among Australian SMEs, of which there are estimated to be hundreds of thousands.

Many of these companies lack the formal financial controls that a system like SapphireOne introduces, making them natural targets for the company and its competitors. Sapphire One regularly runs half-day educational seminars in Sydney and Melbourne, where most of its users are based, and in other cities throughout Australia and New Zealand, where it is experiencing significant growth.

"An integrated product like Sapphire One
is really starting to come into its own now;
it's much more appreciated than it would
have been 15 years ago."

Sapphire One's major rivals in the SME market include overseas competitors such as Sage, SunSystems, Nexus and Accpac. Another major player is Microsoft Business Solutions, which has bought into the market with the 2001 purchases of Navision and Great Plains Software, combining the well-respected software with its own marketing and delivery expertise. To a lesser extent, Sapphire One faces competition from big-business suppliers such as SAP, PeopleSoft and Oracle, all of which have stepped up their marketing efforts in attempts to scale their high-end technology down to suit the needs of SMEs.

Despite such competition, there is enough of a market to go around. That's allowed Sapphire One the comfort of letting it show potential customers why it's the best solution for their needs – and not just that it's better than its competitors (although Adams is confident that's the case too).



The days when Y2K and GST-fearing businesses would hop on the accounting bandwagon as much out of fear as genuine knowledge are gone. However, having successfully navigated that double whammy, customers are now demanding much more from suppliers. Specifically, they're expecting that financial systems will interoperate smoothly with complementary systems to provide seamless data flow between various parts of the business. They also expect this to happen in real time, all the time.

Adams believes these higher expectations have shifted the balance in Sapphire One's favour, because integrated data processing is much more straightforward in an integrated suite of applications that were designed to work together from day one. For customers that want a robust, flexible system that works, the appeal of SapphireOne is undeniable.

"A lot of medium enterprises are running systems that are far from efficient, and they're doing themselves a disservice," he says. "Today, [savvy] clients want everything integrated. They're expecting a lot more than they used to, when they would have spent a week or month collecting the data to put into financial accounts. An integrated product like Sapphire One is really starting to come into its own now; it's much more appreciated than it would have been 15 years ago."

HUMAN RESOURCES

Although Sapphire One's staff is based at its Sydney headquarters, there are opportunities for overseas travel to support the company's growing base of international customers.

The company's size means it does not have the scope to provide much room for formal upward or sideways movement. But that's not necessarily a bad thing: Adams' egalitarian approach to management has meant that working at Sapphire One is an engaging endeavour no matter what your position.

This management philosophy ensures that while employees have their own specialisations, they are also capable of supporting and providing additional services related to the SapphireOne product. All Sapphire One employees are aware of the importance of customer service, and it informs everything they do.

This awareness contributes to the organisation's efforts towards total quality improvement in the services and products it provides. It also leads to a cross-over between roles that might be separated by Chinese walls in a much larger company. "We encourage input from every level of the organisation," says Adams. "It's something unique, and something we've deliberately worked towards."

The sharing of interests within the company manifests in interesting ways.

As mentioned before, everybody within the company is involved with product development. Similarly, responsibilities are shared to the point that prospective employees are interviewed by a selection of people from across the Sapphire One team.

Just as individuals within the company play a broad variety of roles, Sapphire One considers all sorts of people as employees – as long as they've demonstrated commitment, enthusiasm and innovativeness. "There are no preconceived notions or opinions at all," says Adams. "Everyone has something different to offer, so we're happy to consider all comers."

THE FUTURE

Although it's managed to remain profitable for so many years, Sapphire One's position is by no means guaranteed. Competition in the mid-market ERP systems space is heating up, and it's entirely possible that Sapphire One could be outmanoeuvred by a competitor with a bigger marketing budget.

Competition is nothing new, however. In the past, the company has fought off its competition simply by providing a system that customers continue to prize for its flexibility and capabilities.

In the long term, the company's size and mature technology could make it an attractive takeover target for a larger player trying to enter the mid-market – although it's unlikely that the close-knit team would jump at such an opportunity. The company's culture of ownership and can-do enthusiasm mean that for the time being, Adams plans to continue the recipe for success that has gotten Sapphire One where it is today.

For Adams, continued success is not a matter of technology or business strategy; those have been proven sound. Rather, he says, "Our single biggest challenge is market perception. We're perceived as a bespoke player, and the leviathans out there have market perception but their products aren't necessarily that good. We spend a lot of time interfacing with potential customers to get our message out there. Once you build that interface with the customer from the software and human level, they understand it. People instantly see the difference and that's where we differentiate in the market."

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Since it was founded in 1982, Sun has remained focused on network computing. This strategy is based on the premise that the power of a single computer can be increased dramatically when it is interconnected with other computer systems.

Scorecard

Flexibility and Innovation	★★★★
Growth Markets	★★★
Quality of Management	★★★★
International Orientation	★★★★
Human Resource Priorities	★★★

OUTLOOK

Despite a recent downturn in its financial performance, Sun has stuck to its motto – "The network is the computer." Its innovative technology, based on the Unix operating system and the Java programming language, are a strong foundation for growth.

BIGGEST PLUS

Technological innovation and the increasing popularity of its Java programming language are major advantages for Sun. These offer a real alternative to the Intel/Windows environment in a more open, competitive setting.

BIGGEST MINUS

The difficulty of getting its message heard above the noise generated by its competitors in the IT market.

KEY FIGURES

Sun Microsystems does not release financial information about its Australian operations. The following table summarises its results worldwide. Values are in \$US millions.