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in Australia**

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Title Slide – Establishing and Running an IT services Business in Australia

I developed and grew A-DB Group over 11 years and successfully exited the company last year.

Has anyone here heard of A-DB Group?

I started a company called AcknowledgeDB in Queensland in 1997. In 2005, I purchased Igatech, a South Australian company, and started operating as A-DB Group in 2006.

By 2007, we had in excess of 300 clients throughout Australia, mostly in Qld and SA.

The whole group was sold to ASG Group in 2008.

Has everyone heard of ASG Group – listed company, outsourced service provider … is anyone here working for ASG?

A-DB Group was an IT services company specialising in database administration and application development with a staff of 60 and a turnover of around $10m at the time of the sale.

I decided to speak to you today because ACS has been an important part of my career … every major career move in the first 10 years of my career was fostered by people I had met through ACS.

ACS Young IT did not exist in 1985, so I participated with the wider ACS community. While it is great that Young IT has been developed, I encourage you to consider the opportunities that taking part in the ACS programs and SIGs can give you, in terms of widening your networks and opening your mind to different perspectives.

Putting this presentation together has been a cathartic process for me. It's been almost 12 months since the sale and this is the first 'work related' presentation I have done since then.

In October, the exclusion period that ASG requested will be over and I will be free to start work on my next enterprise, so it's been a great opportunity to think about the things I did right as an entrepreneur.

I feel very proud of A-DB Group and the things that we achieved.

Today, I'll be sharing with you some of the things I found out along the way over the last 15 years or so.

I'm going to talk about my background, why I decided to start a company, how I developed the first business plan and started the company, the things that made the company sustainable, the decision to sell and finally how we achieved the sale.

So, how did I get to the point where I wanted to start my own company?

I have no family background in business and it wasn't part of my original career plan.

I graduated from UniSA in 1985 with a Bachelor of Applied Science in Computer Studies.   Fortunately, I also had a major in accounting as part of that degree which became very important as I started to tackle the financial aspects of running a company.

For the next 3 years I worked in application development positions including COBOL programming and project leader roles. I saw myself as a technical person … not someone in sales and certainly not management.

For those of you that were here for Fiona's session yesterday, I started out as one of those people working developing those legacy systems written in COBOL.

In the late 80's, database administration was developing as a specialization and I decided that I wanted to move into that stream.

My ACS network, through the Data Management SIG in South Australia led me to find a position as a trainee database administrator

For the following 6 years I worked as a DBA first for Progeni – a company which was acquired by CA, then IBM, then as a freelance contractor working for Telstra in Melbourne, BankSA in Adelaide, and DMR in Darwin and finally working with Dialog in Malaysia and Queensland.

Working for a multinational such as IBM, Microsoft or Oracle is great preparation for your own business.

For me, it gave me training in sales and organizational structure. The biggest advantage from A-DB's perspective was that I had an insider's understanding of how these companies worked, allowing me to work with them effectively as business partners, which wasn't always easy.

By the time I started A-DB Group, I'd been retrenched 3 times and been part of one company merger, so I had excellent experience in operating in difficult corporate circumstances from an operational point of view.

One of the reasons for starting my own business was to provide the stability that was lacking in my contracting business. I wanted to stay put in one place instead of moving around to a different city to take up the next exciting contract.

The other reason was to take advantage of what I saw as an opportunity – a requirement that medium sized businesses had that wasn't being met.

Establishing an IT Services business in Australia

By 1992, I knew I wanted to start my own business. By 1994, I'd found a business model that I thought could work.

The main inspiration came in 1994 from working at NCOM, the NT governments IT department in their DBA team, which supported various government departments throughout NT.

I was convinced that there was space in the market for a database specialist group that provided services in the same way that chartered accountants or lawyers structure their client base … a group of clients that used our services for the time they needed, varying depending on the clients' needs.

The idea was that the DBA team would share the client portfolio so that each member could take time off – holidays, training, work on a favourite project – holidays and training time are big problems if one is working as a freelance consultant as I had done since 1989.

It took me another 3 years to decide to leave the safety of an in-demand contracting career and start up a company.

I moved to Brisbane in 1996 for family reasons. This turned out to be a great time in Queensland's economic growth, and in 1997, I started the company – my first client was Lion Nathan, second was Gold Coast City Council … one of our largest clients at the time of the sale.

Slide 2 – Step 1 – Establish the business model

My Business Plan

What makes a good business concept:
- The idea doesn't have to be original but it does have to be commercial and something that could be well executed by me and my team
- The service offering and market needs to be well defined (what would we sell), (who would buy it) and how much would they pay. Finally, how much will it cost to provide. I was able to draw up a budget for the first few years to convince myself that it was viable.
- For me, the business needed to be able to evolve gradually – I didn't want to invest money or time before it started to be profitable. I wanted to start on my own and grow the staff base as the clients arrived.

I decided that the target market for the services generally had the following characteristics
- SME's on the larger size of the scale - $50M+ turnover
- Small or non-existent DBA team in house
- Small number of internal IT staff in comparison to the company as a whole
- Tendency to outsource specialist tasks.

In addition to this client base, we worked with ICT start-ups and there was always a long-term contracting team that was separate from the DBA team.

It was important to me that any business that I started, pay for itself and be profitable from the beginning.

I didn't have any financial backing and no real assets at the start of the business.

This meant that for the first couple of years, I had to control overheads and manage administrative tasks myself.

An IT services business doesn't have to carry inventory, so from that point of view, it's an easier business to start than many because there is no large upfront investment.

Although, the inventory is actually the people in the team and it's hard to keep them under lock and key, hard to replicate them and they need constant attention. So in that sense, it's harder than product sales.

Slide 3 – STEP 2 – Grow the Business

Growing an IT Services business

Starting a business is the first step. The next step is growing it to a size that is sustainable and maintainable.

From Progeni and IBM, I knew that **customer satisfaction** was key to success and I think that is the reason A-DB survived and prospered through the last 11 years.

Each year, we managed to retain about 80% of the previous year's clients.

We grew the business by:
- keeping in touch with the clients … staying top of mind and asking for referrals
- consistently delivering a high standard of service
- direct marketing to new clients in our target client base on a consistent basis
- constantly improving our service delivery by automating services and streamlining our procedures

I'm going to talk more about this later.

As I said a moment ago, an IT Services business is different to a product business in that it relies heavily on people.

Growing A-DB Group involved setting up procedures and standard practices that enabled us to provide the same 'look and feel' regardless of which consultant was providing the service.

Managing an employee that is a technical expert primarily working outside the office in client sites is different to handling an employee that works in house.

How do you make them feel like they are still part of the team - a big concern for IT services companies and a major concern for A-DB Group.

One of the advantages that we had as a small company was our adaptability and agility in the face of our clients' and employees' requirements and in the face of market conditions.

We were able to adapt our operations quickly and effectively to fit in with our client's requirements and we were able to provide individual attention and practices to fit in with them.

The same was true in our employment contracts, and we were able to attract staff because we could offer them a flexible package and working conditions.

From about 2004, my business plan included expanding the business by acquisition. When Igatech became available in 2006, we purchased it retaining one of the founders of Igatech as part of our board and as a manager of the Defence operations of the business which we acquired in the takeover.

Picking up Igatech had a surprising side-effect for the group.

A-DB Group was seen as more capable and more resilient than previously. We found it easier to bid for and win larger pieces of business and larger companies were more willing to do business with us.

Brand awareness – it's all about brand awareness and in our target market it was extremely important.

Our catch phrase was "We're part of your team". This appeared on our logos and in all our presentations.

Slide 4 – Brand awareness – Boat Picture

At trade shows we used the same backdrop for our stand. This was a full length picture of the crew of a racing yatch with the crew all in blue and there in the middle was the A-DB consultant in a yellow jacket, helping the team achieve its objectives.

This epitomised our attitude ot our clients – that in fact we were part of your team of experts and we were there to work for you. This picture appeared on all our promotional material, as the background on our website and any slide presentations.

Does anyone here recognise it?

It was a great conversation point and ice-breaker.

Of course, recommendations from our existing clients were the ultimate selling tool, so working on customer satisfaction was the best way to increase brand awareness in our market.

As well, we established our brand by promoting the company consistently though we didn't spend very much money on it.
We used the usual standardised document headers and email formats, including standardised fonts and colours.

Our team and our techo clients had T-shirts in our colours, our staff had a corporate uniform and our offices were painted in the corporate colours.

Naming the company is the most obvious branding opportunity. For instance, I picked a short name that was easy to remember.

A name that starts with 'A' is useful in getting your business close to the top in lists of companies at trade shows, telephone lists and search lists.

By year 3, people started to know we were there, by year 5, people in the industry recognised us as longterm players, by year 9, we owned the space in Brisbane and people wanted to partner with us rather than compete with us.

Slide 4 – STEP 3 – Sustainability

Making an IT business sustainable

Next, Making a company sustainable and staying in business for the longterm is quite another part of running a company.

Systems that streamline the back-office work especially HR and payroll, tax and other external reporting, cash management and management reporting are critical to longterm success.

Management systems were developed early to allow us to identify areas that were important in controlling expenses and managing our cash flow effectively.

Cash is king in a small business and at times we tracked our cash flow on a daily basis.

Working capital requirements in a growing company are always increasing, so it's important to understand that the faster the company is growing, the more working capital will be needed.

The 80/20 rule consistently applied in A-DB's business and one of our strengths was that we were able to focus on the 20% of issues that made the most significant difference to our profitability.

We did this by carefully tracking costs against revenue for each site and by being able to analyse the financial results accurately.

Around 2003, we changed our sales process and started to sell a managed services contract of 12 months duration to our DBA services clients. Payment for the managed services was made in advance. This largely solved any cash flow problems.

We developed our own software that allowed us to automate our clients' database monitoring tasks, record their configurations so handover and account sharing was facilitated, and track all our work with the client, plus track any R&D work that was done.

All this informaiton was made available to our staff and our clients through our portal, which was still a relatively new concept in 2003. This supported the distributed nature of our work environment and enabled our business processes.

Apart from the obvious operational support, the software supported our invoicing so that any time-keeping leakage was minimised and disputes with clients were easily resolved.

We were able to invoice our clients in the first few days of each month, so that our cash flow was optimised.

The software was developed as an R&D project, so it was partly funded by the Australian governments R&D concessions.

What about when things go wrong? It's been important to take tough decisions quickly – in a small company, an employee that doesn't fit into the team can cause a major rift and have an extreme effect on everyone's productivity.

Overheads need to be managed carefully and cost control is vital. So it is important to act decisively when an employee needs to be moved out of a team or out of the company or when its necessary to hold back or modify spending that isn't directly related to operational capability.

And guess who got to make those decisions.

As I said earlier, high levels of customer retention were maintained throughout the life of A-DB Group by:
-   regular contact with clients
-   high quality of work in a consistent, timely manner

When A-DB Group was sold, our client base of over 300 clients comprised of about 80% of retained clients year on year. About 80% of our revenue was generated from the top 50 or so clients.

As you would expect, it was always easier to widen the footprint we had in each of our clients' companies rather than constantly finding new clients.

To achieve this, we met regularly with the operational people who used our services, and in addition, someone from A-DB Group met with the management of the operational team, and the senior management of the company.

Typically, our DBA team leader met with the operational team as often as possible and at least once a month.

Our account managers met with the management of the operational team at least 3 or 4 times a year – more frequently for our top 20 clients.

Part of my role was to meet with the senior management of our clients, so that they knew who we were and what we did for them.

We always continued to 'sell' our services.

It was important to give the operational managers enough detail so that they could continue to justify using our services, so a monthly report was provided to them detailing our activity in the site.

These reports allowed our clients to have a tangible resource that described our activities without jargon. As well, we built a plan of action that fitted with our clients' business plans, so that we continued to be relevant to them.

This interface with clients was critical for us to maintain a strong relationship with them and understand where it might be possible to expand the relationship.

Other ways that we strengthened our relationships with our clients included having an end of year party exclusively for them and including anyone we knew in the account, taking small groups to sporting events and industry events, and holding focus-group lunches, allowing them to get to know each other and A-DB's staff.

The other side of a services business is the employees or contractors that provide the service or support the service delivery. It's an art to get recruitment right – if you can pay for expert HR assistance, it may be worthwhile.

I found it hard to find agencies that wanted to deal with my small company. I ended up using a consulting firm to help us put an effective recruitment process in place which had a dramatic effect on our success in staff selection.

As part of the recruitment process, we developed job descriptions, organisation charts, person descriptions and interview plans that were used as a basis for the procedure.

Employment contracts and an employee orientation program and review process were developed as well as termination procedures.

Our Organisation goals and objectives were considered when writing the person description. Part of the interview process included discussing these things with the applicant, along with the culture of the company and company ideals.

Employing people is one thing – next is keeping them.

Most of A-DB's people worked externally on client sites and often didn't come into the office for months.

One of our strengths in retaining our staff was in the communication practices that we adopted.

The account managers retained responsibility for consultants in their accounts and met with each consultant on a monthly basis as a minimum.

Each month, each employee received an email from me, listing things such as where everyone was working, who had joined the company and who had left, company events, recognition of work done and information about new accounts that had been won.

Each July, we had a company conference where everyone met for 2 days to set corporate goals for the year ahead and cover procedures and practices in the company.

Customer management training was covered and account managers had an opportunity to explain how they planned to meet their targets and how each consultant could contribute to this.

The main purpose of these conferences was to allow staff to get to know each other and build networks within the company. The conferences were always fun and I often tried to push the guys out of their comfort zones. They always had to introduce someone that they didn't know, we used to have an after lunch meditation and last year I had them all up in a circle massaging

each others backs. All these hardened IT boffins and sales guys loved it and it would lift the team 'attitude' for about 6 months.

To reinforce the annual conference, we had a one-day kick off meeting each January in each location, to talk about the goals for the company and how we were tracking against budgets for the year.

So everyone met everyone else at least twice a year.

Slide 6 – Step 4 – the Exit

Exiting an IT business successfully

When I drew up the first business plan, I was told to start with the end in mind and make sure I paid myself first.

I always had a clear goal for my personal wealth. I built my personal asset base along with the company's but separate from it throughout the life of the company.

My personal asset base supported the expansion of the business and gave us options during the life of the company.

I'm really a property developer masquerading as an IT professional.

Now that the business is sold, I have significantly more options than I would have had if I had focussed solely on the business.

I knew it was time to sell the business because all the major services companies were calling us and asking us what we wanted.

I had also reached my personal goals and I was ready to move on to the next bigger challenge, whether that was taking A-DB to the next level or stepping aside, cashing up and starting again on something else.

When I started thinking seriously about selling A-DB Group, I decided that I wanted to leave A-DB when it was sold. This was an important decision in selecting the final buyer and structuring the sale.

The sale took about 3 years to plan and achieve.

In 2005, we didn't have a board or a management layer in the company, so the first step was to identify a management structure and put it in place. Then put a board in place.

My aim was to set up a corporate structure that didn't include me except as the chairman of the board.

Throughout my business career, I have attended workshops and seminars to learn about how to run a business effectively. Two of the workshop programs that were invaluable when it came to separating myself from the company were:
- The Qld government's GrowthMax program and
- AIIA's Developing Business Skills program.
-

I gradually withdrew from the day-to-day operation of the company and put a management team in place over a three year period.

The profile of the ideal buyer was put together early in the sale process and A-DB's business was gradually tailored to fit with that profile – particularly from an accounting and reporting perspective.

The financial structure of a company comes under intense scrutiny during due diligence, so it's important to be able to put at least a 3 year picture of improving performance in front of a buyer and have a set of books that highlights the strengths of the company.

The structure of the chart of accounts was critical here so that the value proposition for A-DB Group was highlighted.

We were able to provide the mandatory 3 years of successful operating accounts – showing an increasing profitability and sustainable growth.

The client base is an obvious reason that another company would want to acquire us, so it was important to be able to demonstrate a strong relationship with our clients, particularly our major clients and have a client base that complimented the buyer's client base, adding to it significantly.

In the final 6 months, we used a broker to market the company.

The biggest advantage in this was that the business of selling the company was separated effectively from the operation of the company.

For due diligence, the data room was located at the broker's office and all the meetings with the prospective buyers took place there. This helped us maintain some level of confidentiality around the process.

There was never any guarantee that the company would be sold, so confidentiality was important, as was protecting our client base and operational 'secrets' from buyers who were also competitors.

It was important to maintain a 'business as usual' profile, particularly since the sale process was so protracted, and I wanted to ensure we had the option to continue operating if the sale was not successfully negotiated.

Slide 7 - Do you have what it takes

So that's my story. What about you.

The Australian published a checklist for entrepreneurial suitability in March this year which I'd like to share with you today and put some of what I've said into perspective.

1. **Firstly, are you willing and able to bear great financial risk?**
   Would you be willing to mortgage your home … do you have assets that you can mortgage … what if you lost it all. I've been told if you haven't been broke at least 3 times in your business life, then you're not really trying.

   The other side of this is to consider what you are giving up in your career and personal financial plan to start your own business and invest in its growth over a long period.

   The IT industry particularly provides excellent earning potential for employees and contractors. This is generally relatively risk free. So would it be easier to achieve your financial goals if you work for someone else.

2. **Are you willing to sacrifice your lifestyle for, potentially, years**
   Small business people work hard and rewards are sometimes slow in materialising.   The lifestyle that you enjoy as an employee is not the same, especially if you are involved in a startup and you plan to grow quickly.

3. Is your significant other on board

Are you willing to put a big strain on that relationship, especially if you have a young family at home.

4. Do you like all aspects of running a business

I loved working with the clients. As the owner and the entrepreneur, I also had to embrace financial management and staff recruitment, legal matters, developing procedures and standards, terminating staff, cold calling. The owner does everything that either she can't get anyone else to do or can't afford to pay other people to do.

5. Are you comfortable making decisions on the fly

You will have to make decision that affect the lives of your staff and business partners, as well as yourself.

6. What's your track record of executing your ideas

You will need to have a strong faith in your own ability to generate good ideas and execute them. You may find that, at times, nobody else will share your enthusiasm. So you have to be able to motivate yourself and the people around you.

7. How persuasive and well-spoken are you

The owner and entrepreneur is the person that represents the company, internally and externally. Your powers of persuasion will be constantly required to continue the growth of the company.

8. Do you have a concept you're passionate about

Mine was changing the DBA services industry so that small and medium sized companies could access the same high calibre DBA's as large companies.

What is it that you will sell ... who needs it and who will work with you to provide it.

9. Do you have a business partner?

Selecting your business partners means that you are selecting the people who will intimately share every decision you make about your business.

- The key is that they are complimentary to you
- Everyone on the team needs to have something to offer that is unique
  - o Working with family/close friends may not be wise if they don't bring something unique to the table.
- Are your partners as committed as you are.
- Who is in control – make sure you set up clear contracts and expectations

Slide 8 - Closing

In closing, I've discussed the background to my starting a business, how I started it, how it was strengthened and made sustainable, and finally how the sale of A-DB Group was planned and executed.

I hope that I've prompted some thoughts about starting your own business. It was a steep learning curve, a great experience, and well worth all the effort and work.

I'm happy to take questions or chat over lunch about this, and my details are available here for you to contact me.