

The South's



Most Ambitious Companies

BOND INTERNATIONAL SOFTWARE

— The South's Most Ambitious Companies —

FOREWORD

Which are the most ambitious companies in the region, those which have the most potential?

Research commissioned by law firm Rawlison Butler reveals that most are names which simply don't tally with those which appear regularly in the media as exemplars, because they tend not to be networkers or publicity hunters.

The research programme to identify the companies took as its criteria:

- * A desire to build a business of some significance, to be a leader rather than a follower.
- * An ability to think (and act) strategically as well as operationally and opportunistically.
- * A willingness to build a management team and to be open to new ideas and advice.
- * Either an ability to re-write time-honoured modus operandi, or a skilful perpetuator and up-dater of traditional beliefs to achieve/sustain competitive advantage.
- * An organisation which is determined to continually develop new standards in terms of process, practice, and delivery.
- * Demonstration of a will to succeed despite obstacles.

This paper considers the attributes of one of the researched companies.

BOND INTERNATIONAL SOFTWARE

How does an ambitious company with a technological advantage over the competition react to recession?

By continuing its investment in product development, says Steve Russell, chief executive of Bond International Software. "Had we turned off the tap we wouldn't have emerged still ahead of the game."

From the moment he acquired a controlling interest in what is now Bond International Software in 1987, Steve Russell's intention was to turn a business with three staff into a public company. Even at that early stage he saw the potential of the business, and having taken his previous business, Scan Data International, public he knew how it was to be done.

The company was founded in 1973 and Russell took a controlling interest in 1987. Russell says he already knew of Bond and was attracted because of their "extremely clever" software. But it was being run by "typical techies", producing a rather unfocused product portfolio.

So one of Russell's first tasks was to focus the company on what was to become its core activity of recruitment software. The main product, Adapt, can be configured by users to suit their own purposes, which has made it attractive to larger, multidisciplinary companies. The company has since developed a whole suite of other products, all to do with staffing (or what Russell says the Americans call "human capital management"), and Bond have become a world leader in staffing and talent management software for recruitment consultancies and companies.

One of the most significant early events in the company's history was a big order from a multi-national customer. "Suddenly we went from doing deals worth £20,000 here and £50,000 there to supplying £1million-worth to a customer with 4000 desktops," Russell recalls. "That gave us credibility and money – it effectively recapitalised us."

Meanwhile, Russell had been working towards his goal of taking the business public, and floated Bond on the AIM in 1997, by which time he had grown it to 100 staff. He

admits to being surprised by how smoothly that process went. "I remember going to talk to the brokers about going public and I thought they would say 'give it three years', but they said 'we can get this done in six months'."

Was floating the right thing to do, with hindsight? "It depends which week you ask me that!" replies Russell. "We're the only public company in our space and that has advantages and disadvantages." The latter being? "It's not always easy being a small-cap public company because of the short term approach of the City," he replies. "For example, I might think it's a good idea to get involved in the Russian market by spending £1million on opening three offices there with twenty people. We could generate £3million a year in income from doing that so as a private company we would do it, if we had the money. But as a public company, if £1million is spent and there's no return this year, profits will be reduced by £1million. If the City doesn't like the short-term implications of what we have done, the share price dives and no-one will back us with the money we might need for future development."

The other disadvantage of being a plc, he says, is the visibility it gives into the organisation. "Everything you do is in the public domain. If everything goes well that's fine but if anything goes wrong it's out there and your competitors and clients know about it." Russell says that British public companies also have constraints their US counterparts don't. "We're wrapped up in all sorts of regulations and we have to put our strategic plan into our report and accounts – our US competitors don't have to do that. They can make statements and they don't have to verify them."

But the flip side is the advantages of being public. "The big benefit was kudos," says Russell. "Our sector is littered with companies that are three people and a dog crammed in a back bedroom somewhere. Being a public company adds to the feeling of security for the customer; some of the deals we do can be £5million or £6million, and if customers are

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going to spend that sort of money they have to have confidence in the supplier.” Using their listing to fund-raise has also allowed Bond to make acquisitions it wouldn't otherwise have been able to do. There have been a number of purchases, some, says Russell, purely designed to “take out” competitors, others designed to buy recurring revenue and others to gain technology that could be cross-sold. He cites a £8.5million deal to buy a payroll company that specialises in companies which are expanding into new countries.

Being able to fuse customer requirements and technology is an overriding reason for growth. “A prospect might ask ‘does your system do this?’ and I can go to the developers and ask them to build that in,” says Russell. “A major part of our CTO's job is to see clients and ask them what technology they would like to have. Their response today is more about social media and integration.”

Bond, says Russell, have resisted the temptation to move outside its areas of expertise. Yet one of the company's characteristics is its adaptability. “Market conditions have changed considerably – when I started there were huge peaks and troughs in software and we've since been through the worst trade conditions I've ever experienced. Notably, after 2001, the US market dropped off entirely and we realised our vulnerability to the vagaries of the market.”

That led to a decision in 2003 to increase recurring revenue by providing payroll services, which moved Bond from being a pure-play software supplier to being a services supplier with recurring revenue - “A decision which saw the company through the most recent recession as well as the post-2001 one,” says Russell.

There was another change – to be more global. “I wouldn't say we were forced to internationalise but we were driven by clients who wanted to install our software in other international offices,” says Russell. The group now has offices in the US, Australia, South Africa, Peru, Japan, Singapore, China and Hong Kong - with a global team of nearly 500 employees, 3500 customers and more than 140,000 users. Bond have joined the sparsely populated pantheon of UK

software companies which are successful global businesses. Revenue in 2014 was £40.1million (up from £28.3million in 2010), of which recurring revenues through software rentals accounted for about 67%.

“There's a lot of market share we can gain through organic growth, but the big potential is acquisitions,” says Russell. “Our business is highly scalable and there are lots of products we could take on board, like background checking and candidate testing software.” There will be further geographic growth too. “We claim to own our market in the UK – the idea of a staffing company in this country going out to tender without talking to us is unthinkable,” Russell asserts.

“Now we have to get all our products to that position to dominate our market in the geographies we choose.” Bond opened a Japanese office three years ago and Russell is excited about that country, which he says is as big a market as the UK yet less competitive and less price sensitive.

The two factors that frustrate an ambitious company's quest to be bigger and more successful are funds (for acquisitions) and people - but not necessarily in that order, says Russell. “I'm always whingeing that it's harder to find people who want to get up in the morning, who you don't have to push from behind, who have entrepreneurial skills as well as industry skills. Having said that, most of our management team have been with the business a long time, having started in quite junior positions, in tech support or sales. I encourage people to move up through the company. If we could clone the management team we'd be five times bigger.”

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