



Features

Small fish in a big pond

By **Brad Howarth** • Published: *Friday, 26 January 2007*

Some large enterprises are happy to deal with up-and-coming IT firms. They say they are more flexible, more responsive and quick to solve problems and make decisions.

Every week VicRoads chief information officer John McNally receives at least two proposals to meet with start-up or small Australian technology companies. Wherever possible he obliges. It sounds like a chore, but as the head of technology for the government body that manages the Victorian road network, McNally says he is always scouting for ideas that will serve his organisation's needs.

"Small players in a marketplace can be incredibly agile, don't have the bureaucratic processes to slow them down and can come up with some really out-there solutions," McNally says. "That's not to say that it doesn't happen in the bigger organisations – it just happens to be harder to find the players who can do that, and then to have them freed up."

Not all large companies are so willing to embrace smaller suppliers. Many feel that the risk of working with a smaller company can outweigh the benefits.

Common fears are that a small company will lack the resources required to service a large implementation and will be stretched too thin to deal with problems. Then there is the question of the company's on-going viability, given smaller businesses fail at a much higher rate than large ones. This then leads to the problem of working out where the ownership of the technology will reside in the case of a company failure, or if the company is acquired by another party.

Large clients are important for start-up businesses, as they can act as important references for winning additional sales and provide invaluable feedback for product development. For the Melbourne-based internet software maker Adweb Agency, a contract with Shell that was signed 10 years ago has been instrumental in the development of its Intranet Dashboard, and has resulted in the technology being adopted by Shell globally.

Shell's B2E communications and solutions developer, Andrew Fix, says his company has been very happy with the service level received from this smaller supplier.

"Using small companies has many advantages," he says. "They are quick to respond, personal and more accommodating to customising the service or application. There's always a risk using small companies, as there's no guarantee that they'll be around in the future, which is a concern many people have. I think with the amount of international customers Adweb now have, they're going to have to look at expanding to support them."

In many cases, however, the procurement processes of larger businesses lack the flexibility to purchase from smaller companies. Often their contractual requirements, particularly with regard to project liability, fall beyond the supplier's capabilities. There is also the possibility of larger businesses bullying their smaller suppliers, safe in the knowledge that the smaller company can afford neither the time nor the resources to battle a contract dispute in court.

Fast movers

VicRoads is working with the Melbourne-based start-up EYEfi on the trial of wireless data network systems for IP video cameras. EYEfi's founder, Simon Langdon, was formerly the VicRoads account manager for Telstra.

The trial began in July 2006 following discussions between McNally and Langdon on how VicRoads could modernise the Intelligent Transport Systems component of its business, moving it beyond the network of hardwired copper-connected roadside devices (ITS is a collection of various applications and devices that enable VicRoads to control and manage the state's road assets).

McNally says one of the key advantages of working with a smaller company is the ability for them to move quickly.

"The larger the entity, the more extensive are the number of players in that organisation who have their finger in the pie," he says. "So you end up with a far more complicated process involving a significant number of people around the table. In the case of dealing with EYEfi and Simon, the conversation gets you to the point of conclusion a lot faster.

"But I do find with the smaller companies there's a bit more work involved in getting them up to speed on what our needs are."

McNally says that for him, having good relationships with his suppliers is a key success factor in business, regardless of size. With larger suppliers, he runs facilitated relationship development workshops.

While EYEfi is being formally assessed, it will require further due diligence if it is to be rolled out commercially.

In order to foster flexibility in suppliers, VicRoads will bundle up projects to make them large enough to warrant the interest of large service providers – but equally it will break projects down to encourage small local firms to retain skills. But McNally says VicRoads will always satisfy itself that its supplier is a viable business, able to satisfy the requirements of the contract, and may seek bank guarantees to cover contingencies should something go wrong.

Langdon says he knows that should the trial prove successful he will need to ensure that his business is in a position to engage in a formal relationship with VicRoads. This may mean joining the Victorian government's e-services panel, which pre-qualifies tenders. It is also possible that EYEfi will seek to subcontract through one of VicRoads' existing suppliers.

Challenged marketplace

However, not all relationships work out so well. In September the small Sydney-based marketing technology

company Beach Hut Media lodged a \$120 million statement of claim against Coles Myer and Fujitsu Australia following the termination of an agreement to supply Coles with in-store digital advertising services.

While few smaller businesses will ever take a large client to court, the IT and telecommunications manager at hotel group Accor, Kyle Stubbs, agrees that larger organisations can prove challenging for smaller developers for other reasons.

“We do a lot of work with larger suppliers of software,” she says. “But in such a challenged marketplace, we do actually look at a lot of small enterprises for special niche products. I really quite enjoy working with the smaller ones. It’s a refreshing change where the creator of the product is there to talk to you about it.

“I often feel very sorry for the smaller guys, because they’re competing in such a niche space. Their sense of urgency and delivery are juxtaposed to a large corporation where there have to be many layers of ticking off and approvals.”

Stubbs says she often describes her own business as being somewhat like the QE2 ocean liner: “You want to be part of this giant luxury liner, but it doesn’t turn really fast. When you talk about big business and small software companies, they’re obviously a lot more agile than people like us,” she says.

When Stubbs went looking for an interface system to allow Accor to communicate with staff and customers using SMS, she started by checking out the big telecommunications service providers, but found they lacked the flexibility that she wanted. In the end, Accor settled on a mobile technology developer called Soprano Design.

Stubbs says that because Soprano’s staff are the code writers and the designers, their flexibility and problem-solving skills are far greater than those of people bound by a large corporate bureaucracy. She says it can make all the difference to have people who can work on the fly, because you often don’t know what problems or changes may occur when working on a new and innovative product.

Stubbs believes that there is also a benefit in working with smaller companies in that it helps to develop the local technology industry, which benefits all sides.

“I’m not afraid of small companies,” she says. “And I also think they don’t get any bigger unless you give them a shot.”

From services to products

One of the most common areas where start-ups and big business collaborate is in the field of web development. As service providers have matured, many have become product developers, moving to sell outside their service client base.

It was in this way that the Melbourne-based international crop protection company Nufarm came to be working with the small web software developer Komodo CMS. Nufarm’s global business analyst Christina Cheung says her organisation had used Lotus Domino for managing its website, but found it limited.

What they wanted was a very user-friendly system that could create a template which the different branches of the company could use to do their own site customisation and maintenance. She was also keen to buy a system from a

company that also had an office in Melbourne.

A shortlist of four companies was whittled down to Komodo, which has created a pilot which is being used to roll out 30 sites, with more to follow over the next six months.

“Komodo were excellent at listening and defining functionally and technically how they were going to build it,” Cheung says. “We developed a lot of faith and confidence in their capabilities. The issue with working with a smaller corporation is that you do worry about what happens if they go bankrupt in a year. So we did ask those questions. They hold all of their development code in escrow so we’d have access to the functionality to bring it all in-house if anything did happen. So we covered our bases that way.”

Despite having more than 2600 employees globally, Cheung says Nufarm is fairly light on bureaucracy, which means it leans towards working with smaller organisations such as Komodo.

“Because we don’t have those levels of approval, we don’t want to deal with other companies that do. And we’d much rather deal with a smaller company that can satisfy our requirements, where we’ll be one of their larger clients, because that gives us a lot of pull.”

For the Australian Fisheries Management Authority (AFMA), working with the Canberra-based geospatial technology developer Integeo on its data mapping applications has meant having a development partner that can respond very quickly to AFMA’s needs. The relationship stretches back three years, and is based on the authority’s desire for new methods of visualising data from its complex spatially-tagged databases.

According to AFMA’s senior data analyst John Garvey, Integeo manages to get staff on site on the same day to take care of any problems.

“Because they’re a small up-and-coming company, they’re very interested in their product being successful, and very interested in increasing uptake,” Garvey says. “They were very responsive in making sure they could get the thing up and running, because they had a vested interest in having a satisfied user and a working product that they could show to other people.

“These guys may be bought out by another company in a year or two, but we try to keep a close relationship. Being a small innovative company, they’re constantly producing stuff of interest to us.”

Overall, he says, the experience of working with Integeo has been a comforting one for AFMA.

“Being a smaller company, they gave us a lot more personal service than we would have expected and they could solve our problems fairly quickly. They’re looking at an integrated product suite, and they’ve got knowledge not just of one end, but also the whole thing.”

Garvey says there were people in his organisation who were concerned about working with a small unknown company, especially given there were larger companies that produced the sort of software AFMA was seeking.

“The competitors are often aimed at large organisations and come with a large price tag. The beautiful thing about the Integeo product is that they can target the niche very well and do a very good deal, and were very flexible.”

Tips and benefits

Tips on working with small technology suppliers Make sure that your procurement processes do not make it prohibitive for smaller suppliers to bid for contracts.

Smaller companies can deliver greater value by being more nimble. Don't let them become bogged down in your own company's bureaucracy.

Negotiate to hold technology in escrow in the event that the supplier goes out of business.

Ensure a constant line of communication between you and the supplier.

Five benefits of working with smaller companies

Often you are dealing directly with the technology's developers.

You can have greater input to product development at its early stages.

Smaller companies can be more flexible in their pricing and service terms.

Smaller companies will seek to use you as a reference site, and so will often go further in order to ensure customer satisfaction.

Supporting smaller companies helps to develop the Australian industry.,