



As featured in
The CEO Magazine
For more info visit
theceomagazine.com.au



The Path to a GLOBAL PLATFORM

Founded in 2006 and listed on the ASX in 2012, Xero is an up-and-coming cloud disrupter that is reshaping the small-business world and redefining accounting software's limits.

Images by Estelle Judah Photography

From his background in economics, marketing, and sales, Chris Ridd, Managing Director of Xero Australia, stopped working for US-based multinationals to take on the role with the New Zealand-based start-up in late 2010.

"I spent 15 years at Microsoft, and my last role before I went on to Xero was running their business applications division, which was their Dynamics brand," he says. "That was a great experience because it was multidiscipline: sales, marketing, channel, and product.

"I envisioned that would be my last gig at Microsoft, and that role certainly prepared me for this because having multiple disciplines gave me a good launch pad to go

into a managing director role. I've always intended to get out of a big corporate and do something that was smaller in the start-up space, and that's exactly what I did."

However, leaving Microsoft also meant leaving the extensive resource network of the organisation to take on greater responsibility with a company still in its infancy. "When I came into this role, the business was starting to ramp up, so I needed to recruit staff and understand a whole lot of governance issues since I was basically a company director. I also had a couple of legal issues in the first year.

"In the days of Microsoft, I could just pick up the phone; if I needed to hire, they had a recruiting department; if I had a legal issue, I could go down and meet a team of

lawyers. So there were just resources on tap. Coming from Microsoft into this little start-up with seven staff, I really had to tap into my network to understand things. It was a little scary initially, but you work through it and it was actually a lot of fun."

Those initial challenges have flowed on to fast growth for Xero, which Chris has helped facilitate. "In the past 12 months, we have more than doubled our staff numbers, so we've hired 58 staff in less than a year. Part of that was really about ensuring we have the right leadership in place. With rapid growth, you've got to manage things like managing new staff members: so making sure you've got sound induction processes, maintaining the values and culture going from this nimble start-up with this fantastic >



“We’re a pure cloud-based model, and that’s everything that we do, so it hasn’t just shaped our business; it is our business.”

- Chris Ridd

entrepreneurial spirit, and ensuring that you preserve all those things on the journey.”

Xero has been a vocal advocate for cloud computing, utilising the surging popularity of this emerging technology to form the basis of the company’s service. “For us, it’s pretty simple: we are cloud-based. From day one, we ‘architected’ small business accounting software to take advantage of the cloud. We’re a pure cloud-based model, and that’s everything that we do, so it hasn’t just shaped our business; it is our business.

“We deal with small businesses, which are often very pragmatic, and, while they love embracing technology, they’re not technical experts. What cloud offers is a really simple way for them to automate their business. They may have questions about the cloud, but we have invested a lot into the back-end infrastructure and security to ensure that we provide a highly available service.

“We’re seeing huge movement to the cloud; we’re signing up 200 to 300 customers every day that are moving to Xero in Australia. And the reason is that the cloud phenomenon is a great medium for them to get on, do their business, run their application, get access to the data, and not have to worry about the underlying infrastructure and security that go with managing your own IT.”

The company recently secured \$150 million in investments to help

launch Xero as an international brand. “The primary reason was to ensure that we could expand globally unabated. We’ve obviously had a lot of interest from investors in the past 18 months to two years as we’ve continued to grow. This was really about ensuring that we’ve got substantial capital to be able to take on the US market. It’s a big market, but we’re already investing quite aggressively and seeing excellent results. It’s all about how we use that investment and capital to drive the business, to ensure that we develop new capabilities, and do it at pace.

“We believe the key in this game is innovation, and we want to continue investing in building up the core product and also make sure we’re providing some great new innovations that people don’t necessarily expect but will still change the game. That’s at the core of what we’re about as a company. So that investment into the US is exciting because we really do have a competitive advantage in our ability to invest in things as we see the need.”

Xero works closely with key suppliers to remain at the leading edge of accounting software and technology. “I think it’s fair to say that collaboration with our partners is core to our success. It’s everything. For example, 70 per cent of our small-business accounting software customers sign up through an adviser. That will be an accountant, a bookkeeper, or a financial adviser. If you can create a win-win, which I believe we

have, they can provide huge efficiency gains by working with their clients and blurring the lines of what the accounting software does and what the accountant does, which is what Xero is all about. We’ve always stated very openly that we are all about amplifying the value of advisers. The big change we’re seeing in the industry is advisers being able to go to Xero to streamline their operations, take the compliance headaches out of what they’re doing, and getting to the business of providing real advice.

“The second part of that supplier-partner case is our add-ons ecosystem. We deliberately, from day one, have opened up Xero as an application with an open API [application programming interface] to allow developers in the market to integrate with Xero and provide their solutions, like an app store for small business. So they can start with Xero as a platform and then they can choose different applications depending on the nature of their business. To give you an example of the massive growth we’ve seen there, when I started three years ago, we only had about 25 of these add-ons; today there are well over 300. And we don’t monetise that; we’re about ensuring that if we’re a successful platform and create enormous opportunity for these developers to be able to plug into Xero, which is exactly what has happened, that’s good for the industry, it’s good for our partners, and it’s a win for us as well.”

The future is bright for Xero as the company leads the industry in technological development and progress, bringing new services and applications to the market through its platform. “We’re about changing the whole client accounting market as a category, so we see Xero being more of a digital platform for small business since it allows them to connect key stakeholders. It’s also about streamlining digital workflow. As an example of that, we’ve been able to take Xero and allow small business to connect with advisers through this whole single-ledger approach by having financial data in the cloud.

“But we haven’t stopped there; we’ve allowed banks to feed directly into the accounting software. This year, we’re delivering an online tax-lodgement platform so that advisers can lodge all of the tax and business forms directly with the ATO. You can expect more innovation from us in the future, and, with the capital backing that we have, we’re about really finishing the core platform. We’ve got some gaps today that we want to plug so we can have a really good core platform, and then we also want to invest in some really compelling new innovations that are totally unexpected by the market.

“A great one that we released a few months back was the ability to drag and drop source documents into accounting software in the context of any transaction, which has had enormously positive feedback. We’re not just about providing accounting software; we look at the workflow of small businesses and think about how we can streamline and improve the way that they are working with stakeholders in a digital sense.

“And that’s what you can expect from Xero: continuing to look at ways we can innovate and make the lives of small business-owners, with their advisers and stakeholders, a lot easier.” ●



“We’re about changing the whole client accounting market as a category, so we see Xero being more of a digital platform for small business since it allows them to connect key stakeholders.”

- Chris Ridd

