

Cranes Software

Innovation Summary

□ Context

- Tapping into the international market would not be easy
- Faced the threat of non-acceptability in the international market

□ Innovation

- Unique business model of “Acquire, Enhance, Expand”: allowed the company to grow at 93% over 5 years
 - Search for undervalued scientific software products, enhance them and then sell to the international market through a well established network
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Innovation Scorecard

□ Uniqueness

- The “acquire, enhance, expand” business model

Data source: Cranes, various media reports and international articles, Microsoft Innovation endorsement

□ Impact

- Cranes’ revenues grew 165% during the two year period (FY 2003 to FY 2005)

Data source: One of the fastest growing technology company in the Asia Pacific region by Deloitte Technology Fast 500 Asia Pacific 2005

- Operating margins have increased from 27% to 57% from 2000 to 2005

Data source: Cranes. Validated via financial reports

□ Leverage

- Revenue per employee is up 48.5%. FY2005 was Rs 4.59 million

Data source: Cranes. Validated via published financials

Jury Questions and Auditor Remarks

- ❑ Whats the process of scouting for acquisition targets? Mature methodology (not willing to divulge details) that identifies and values targets in the “scientific software space”
 - ❑ The model is one that is unique to the industry and is obviously working for the company. Uniqueness lies in the fact that acquisition is not merely to get headcount or cannibalization of the market, but as a business model that builds on the technical uniqueness of the target and its user base.
 - ❑ Their strength lies in their ability to identify the right products and resell enhanced products in various markets
 - ❑ The smartness of the business model lies in interweaving these inherent strengths with the advantages of offshore based product development
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