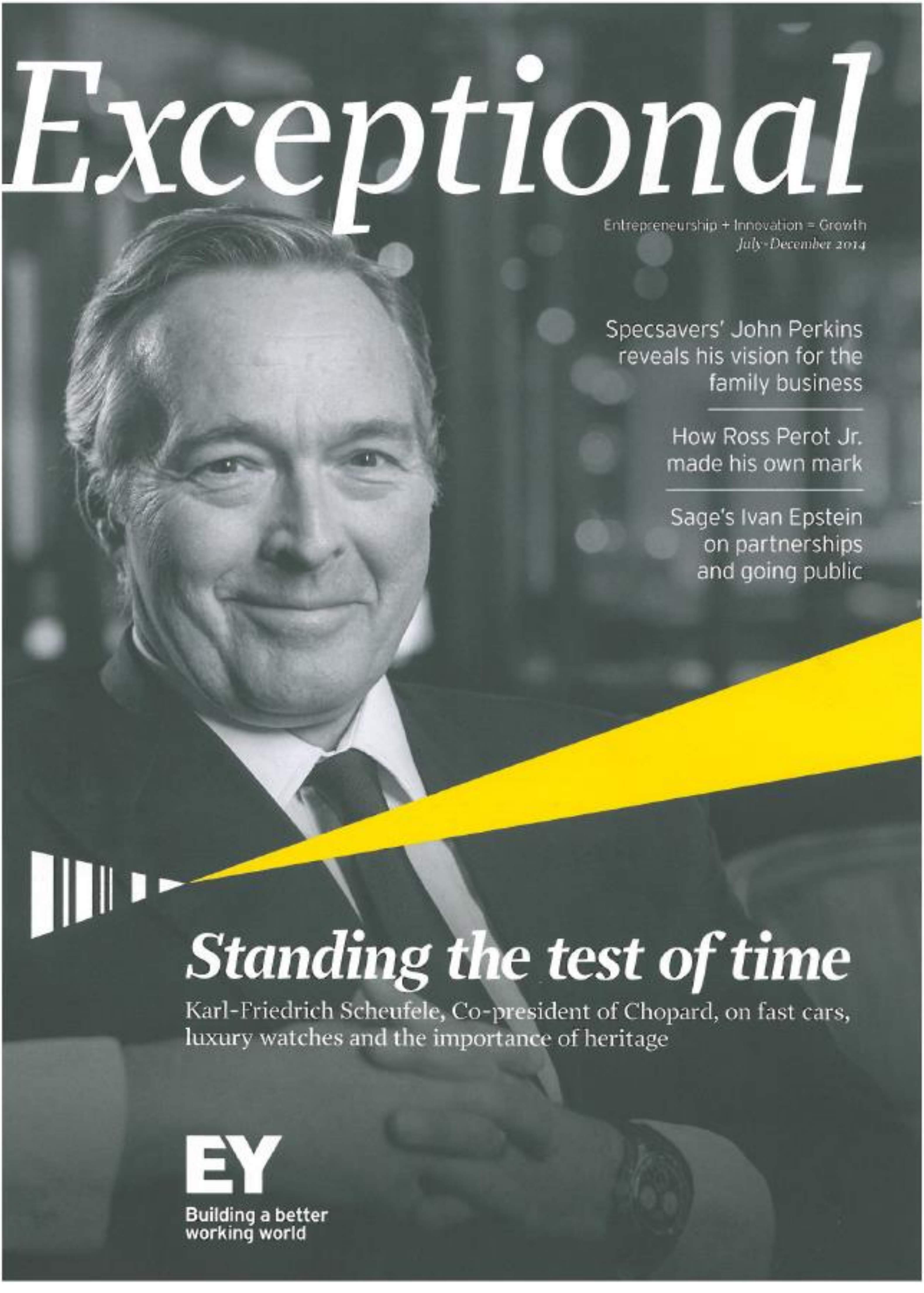

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Entrepreneurship + Innovation = Growth
July–December 2014

Specsavers' John Perkins reveals his vision for the family business

How Ross Perot Jr. made his own mark

Sage's Ivan Epstein on partnerships and going public

Standing the test of time

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A state of permanent revolution

Ivan Epstein, CEO of Sage in Africa, Australia, the Middle East and Asia, has been through it all. From start-up to going public, delisting and a buyout, he has never lost his entrepreneurial spirit.

words Adam Oxford_ **photography** Brett Rubin

"No one knew anything about computers back then," reminisces Ivan Epstein, "not in the small business world. So if you quickly taught yourself some software skills, you'd immediately be better off than most, and you could immediately start assisting them."

Epstein is recalling when he and his business partner, Alan Osrin, established one of South Africa's first small business accounting software firms, Softline, in Johannesburg in 1988. Fresh out of university with accounting degrees, the two of them had big dreams but no real plan.

"It was a classic start-up," Epstein says. "We were consultants to start with, selling somebody else's software. We soon realized we needed intellectual property – an asset. We wanted our own product, as being consultants would have restricted our growth ability." Eighteen months later, the third partner, Steven Cohen, joined the business and became the product's chief architect – allowing it to progress to the next level.

According to Epstein, while the three partners knew what they wanted to build, they had limited software-development skills, so they employed a developer, to help to write the company's first product, Brilliant Accounting. It grew to be one of the most popular accounting products for SMEs in the country within two years. What drove them, he says, was the fact that they had to succeed: there was no plan B, just a bank loan of R5,000 (about US$2,200 at the time) to make Softline work.

In 1991, the business had a windfall when VAT replaced GST in South Africa. This change placed an administrative burden on small organizations, and many chose to upgrade to Softline's product. The sudden fresh but limited inflow of capital allowed the business to be financed for the next few months, and as the use of computers grew, so did Softline.

Today, Epstein is technically still with Softline. The firm was acquired by Sage Group plc in 2003, but it continued as Softline until a name change to Sage in February 2013. Epstein now serves as the regional CEO for an area that his employer calls Africa, Australia, the Middle East and Asia (AAMEA). He also sits on the Sage Group Executive Committee, and has done so since the Softline acquisition.

It's been almost three decades since Epstein founded a new company himself, but he maintains that constant change in the business has kept his entrepreneurial edge sharp. Eight years after founding Softline, for example, he and his colleagues decided to take the company public, allowing it to raise money and pursue a strategy of offshore and local expansion by acquisition.

"In 1997 we decided to take our company public," Epstein says. "We were a small company, about 30 people, with low revenues. Profits were about US$700,000 at the time."

The transition from private to public business was one of the most exciting periods of his life, says Epstein, and equivalent to starting out all over again. "One day you have this private company run and owned by three individuals," he says. "The next day you're public, and everything that was confidential is out there."

> **"Any stock exchange should have ... training for people moving from private entrepreneurship to head of a public corporation."**

Perfect partners

When Ivan Epstein and Alan Osrin (today Managing Director of Sage Software Australia and Sage HandiSoft) went into business in 1988, they were school and varsity friends, with a mutual desire to build a global company. In 1990, Steven Cohen joined the company (today he is Managing Director of Sage Pastel), as did former Development Director Grant Lloyd. "I cannot emphasize enough how important it is to choose and trust the right partners," Epstein says.

Out in the public sphere

With Softline floated on the Johannesburg Stock Exchange (JSE), Epstein began a huge spending spree that saw the firm acquire 33 companies at home and abroad – including its largest domestic rival at the time, Pastel.

"We were so young," Epstein says. "I had limited experience and knowledge in running a public company. In hindsight, any stock exchange should have some form of training for people moving from private entrepreneurship to head of a public corporation. It was very exciting, but we lacked public company experience."

"I'm of the opinion that, no matter how large the business, you should run it with the heart of a small business."

Epstein didn't realize the successes and challenges that listing the business would bring. With the company no longer his alone, Epstein says the seven years that Softline was listed on the JSE were transformational for the founders and the business.

When the dotcom bubble burst in March 2000, despite staying profitable, Softline's share price started to decline. In April 2003, Epstein and his team launched a management buyout, but they were hindered by both the refusal of shareholders to sell back their shares and a hostile takeover bid from a Dutch investor. Fortunately for Epstein, he was able to negotiate a deal with Sage Group. Softline was delisted from the JSE in late 2003 and became the Sage Group's southern hemisphere arm.

"Sage was our white knight," Epstein says. "What Sage was in the UK, France and elsewhere, we were in South Africa and Australia. It was really a hand in glove fit."

Softline to Sage

1988 Softline is founded by Ivan Epstein and Alan Osrin
1991 Steven Cohen joins Softline
1997 Softline is listed on the JSE
1999 Epstein awarded EY South Africa's Best Entrepreneur Award
2000 Dotcom bubble bursts
2003 Softline delists and is bought out by the Sage Group
2009 Epstein awarded IT Personality of the Year by the Computer Society of SA
2013 Softline changes its name to Sage

The greatest challenges for Epstein and his team today are the fundamental shift to the cloud for software and services, and ensuring Sage continues to deliver high levels of customer service to SMEs across the globe.

"There's real truth to the 'Africa Rising' narrative," he says, quoting a recent *Economist* cover which was bullish about the continent's prospects. "There's such a strong spirit of 'can do' all across the continent. You speak to any young Nigerian, for example, and they're going to conquer the world.

"There is a large population on the continent of under-30s," Epstein continues, "which means that if you project ahead 10 years, Africa will have potentially the largest workforce of any continent."

To tap into this rapidly expanding small business community, Epstein has offices in Lagos, Nigeria, and Nairobi, Kenya. Despite ongoing problems with reliable bandwidth in many countries, the firm's investment in cloud technologies is helping its African strategy, too.

"In most cases, small businesses will leapfrog straight to mobility and the cloud," he says, "just like they skipped fixed-line telecoms, out of necessity, and went directly to the mobile phone. We're focusing on developing as much as possible for numerous mobile devices. There's additional functionality and connected services that we're working on, where for example, you'll be able to click on a button on an invoice and pay the vendor directly within the application."

Not all change

In an unusual case for a company that has been through so many changes, not only are the three Softline founders all still with Sage, but so are most of the leaders of the companies that Softline acquired in the 1990s. The firm encourages continued entrepreneurship and independence among its different business units.

"I'm of the opinion that, no matter how large the business," says Epstein, "you should run it with the heart of a small business. It gives you a massive competitive advantage. The software is all locally tailored, your salesforce talk South African to South Africans, Australian

to Australians and French to the French. Our call centers are local. R&D, technical staff, sales and admin are based within the country where the product is sold. And that's true for a lot of our regions. Our customers get the advantages of a global brand, but the core is local."

The fact that a number of the senior staff at Sage globally have gone through the experience of starting up a business also helps to retain the shared mindset.

"In many areas across the business, we've managed to retain the entrepreneurial individuals in their respective businesses," explains Epstein. "In South Africa, within the management team, we're predominantly all the original founders of the business."

Epstein doesn't exactly disdain professional management and the world of MBAs and venture-led start-ups, but the fact that he succeeded without such things is not just a point of pride, it's a solid recommendation to those starting out today. He says that part of the reason for his success was that he "jumped without a parachute" and worked hard at building his business on daily experience rather than seeking investment from the beginning. Many start-ups today go out looking for investment based on paper plans, rather than actual experience and success in the market.

There's a tone of disappointment in his voice when he admits that, although he does invest in young, up-and-coming companies, his days of starting a business from the ground up, on a shoestring budget and living the life of a young African entrepreneur, are over.

"Would I start a business from scratch again?" he muses. "I wouldn't bootstrap again – I wouldn't need to. But it's always exciting to get involved with a start-up or near start-up and build something. For us, it was the creation of a brand; it was the naming of a product from inception until you see it all over the country. Softline was just a name we dreamed up, and we watched that become synonymous with accounting software in South Africa. You can't beat that for pride." ■

Viewpoint

Keeping cool in IPO mania

Martin Steinbach, EMEIA IPO Leader, EY

Forbes has heralded 2014 as "the best new year for stock offerings since the bubble burst," just as a recent EY report highlights the strongest IPO activity in the first quarter since 2011, with 228 IPOs worldwide, generating total proceeds of US$42.6b. And the IPO pipeline for the remainder of 2014 is looking strong.

For many fast-growing private companies, an IPO can raise the capital they need to accelerate growth, finance innovation and achieve market leadership. Taking a company public is an exciting time, but with increasing transparency demands from shareholders, having a plan for what will happen after the bell rings is vital.

The IPO process should be a structured and managed transformation of the people, infrastructure, processes and culture of an organization. Although the IPO execution phase generally lasts 90 to 120 days, the value journey begins at least a year or two before the IPO and continues well beyond it.

While an IPO is a key turning point in the life of a company, an IPO is far from a single financial transaction. The IPO event itself is just one defining milestone in a complex transformation from a private to a public company.

Not all companies are fit for public life, but if it is the logical next step for yours, an IPO readiness assessment is key. Ideally, senior managers should take one or two days to workshop how going public fits with the company strategy, balance the benefits and risks of going public, identify and know more about the gaps to get IPO-ready, and then formulate a plan to fill any identified gaps.

One of the benefits of an IPO is that it raises the attractiveness of the company to top managers, who may be interested in joining the firm in its new public life. This also gives founders and entrepreneurs a new bonding instrument and an opportunity to attract top management and bring key people on board.

This year, the technology, energy, real estate and financial sectors are set to lead in IPOs, with private equity-backed investors as a driving element. In fast times and with positive forecasts, it is easy to get caught up in the IPO mania and rush the process. The challenge is to co-ordinate two project streams at once – the IPO project itself and getting IPO-ready for day one. Balancing these two streams is tough, both in terms of time and having the right people on board to execute them, but with robust IPO preparation, going public is one global trend that is set to continue.

More information

Please visit **ey.com/ipocenter** for more information on going public.