

Businessworld

BUSINESS MODEL: Cranes Software

Lord stork Cranes' war cry: acquire, enhance, expand.



Founders Mukkaram Jan and Khader

HEMANT MISHRA

INNOVATION

Search for undervalued scientific software products, enhance them and then sell to the international market through a well established network

JURY SPEAK

"The model is one that is unique to the industry. Their (Cranes') strength lies in their ability to identify the right products and resell enhanced products in various markets"

MOST companies battle their way through management theories, expensive consultants and benchmarking efforts to come up with that elusive business model that can bring in the profits. But Cranes Software Solutions' breakthrough business model was conjured up in-house, resembles no jargon, and can be summed up in three easy words — acquire, enhance, expand.

An erstwhile distributing company for a US-based high-end mathematical modelling software firm, MathWorks, it had to shut this business in 1997 when India exploded her second nuclear bomb. Because it sold mathematical modelling products, Cranes came under the numerous bans that were slapped on Indian companies as part of US sanctions.

It was then forced to look at other business possibilities. An internal SWOT analysis threw up one. The model rested on zeroing in on a company in the scientific and engineering software space that had a loyal customer base and a sustainable product, but had fallen on hard times. Cranes would acquire the software, build on it and release the enhanced version in the market, from which it would get a premium.

The idea was to leverage on Cranes' expertise in understanding and selling high-end scientific products and tap opportunities in the scientific and engineering community, which was already taking extensive recourse to software tools.

Is there a template to the process? "What one has to go with is the 'pulse' of the deal. It could be the R&D, the marketing and sales force, plus something more," says Asif Khader, managing director and co-founder, Cranes.

Products it acquired were the AISN data visualisation software suite; SYSTAT, a popular statistical software; Sigma, a data presentation and analysis software; and NISA, a popular computer-aided engineering software. And in each case its strategy worked. For instance SYSTAT, which was acquired for \$2.25 million and then had revenues of \$2 million, is now generating revenues of \$8 million.

"Once we generate enough revenues from a product we pump in 15 to 20 per cent into R&D. This is where the real enhancement starts. And when we can start absolute innovation. Till then it is incremental innovation," sums up Khader.

■ PR