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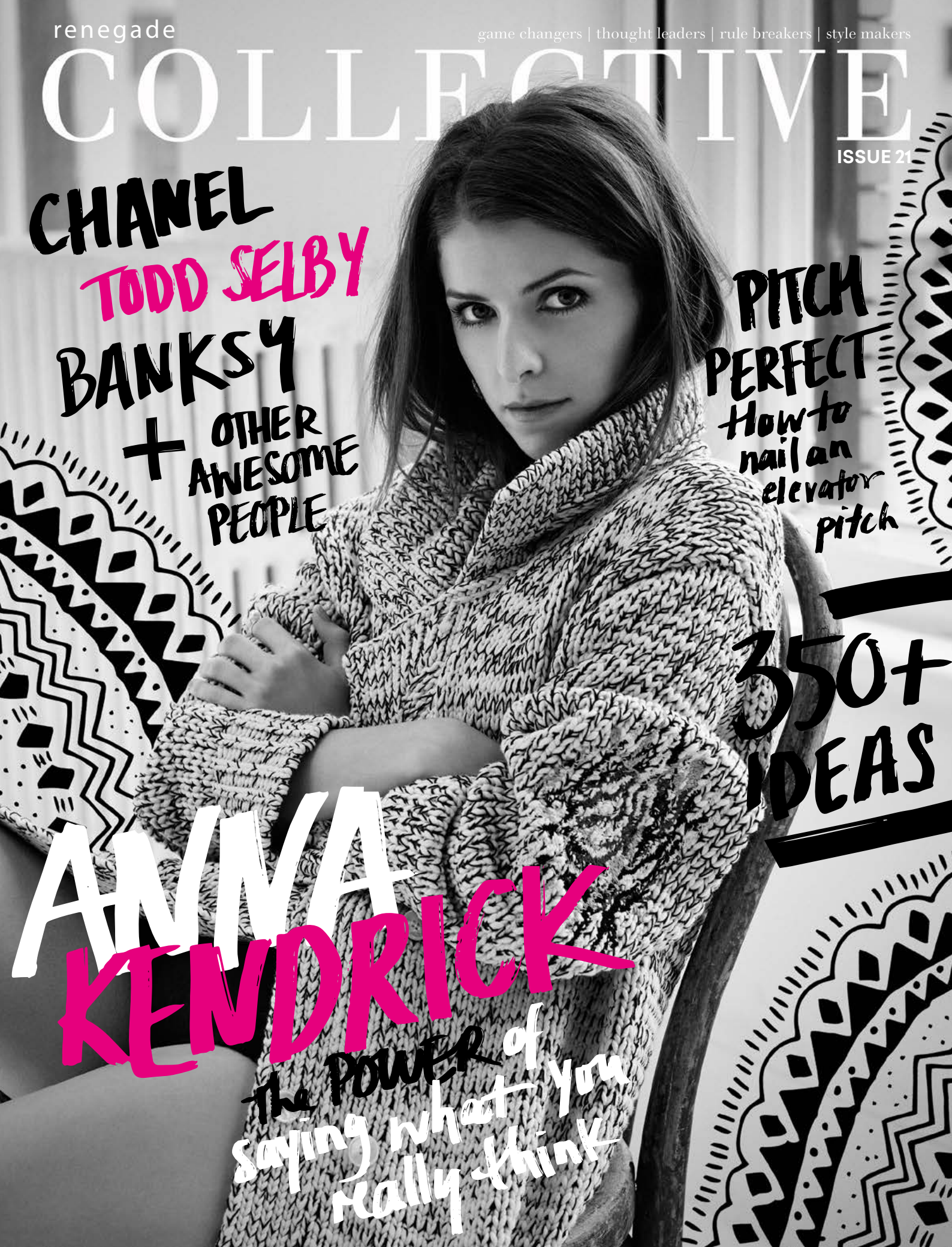
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Zero to Xero

In eight years, the Wellington-based SOFTWARE company XERO has raised more than US\$370 million and HELPED business OWNERS find FUN in the most unexpected place: ACCOUNTING.

WORDS SERENA RENNER

If it's true that people either live to work or work to live, Rod Drury is wired for the latter. The founder of the cloud-based accounting software company Xero spends Friday through Monday at his home in Hawke's Bay, New Zealand, where he goes to the beach between video conferences and is done with work by his kids' bath time. The rest of the week, he operates from the company's Wellington headquarters (which has a paddleboarding shed so employees can get onto the water at lunchtime) or he could be jetting off to Denver, Colorado, "to snowboard for a few weeks to check in on the team there", as he did in March.

"I thought I'd live somewhere nice and then just commute to where I need to be," says Rod. "We're proving that you can build a global business from this part of the world, which is cool."

With 19 offices and 1100 staff, Xero is now the number one online accounting software provider in New Zealand, Australia and the UK, with growing markets in other countries including the US. They topped *Forbes'* Most Innovative Growth Companies list in 2014, recently hit 400,000 worldwide clients and eclipsed US\$100 million in revenue.

"There are hundreds of billions of dollars in transactions flowing across our platform," says their Chief Marketing Officer Andy Lark. "If Xero stopped working tomorrow in New Zealand, we'd really impact that economy."

Whether Andy's claims are true or not, Xero has enjoyed incredible success in the small-businesses market of one to 19 employees, which also comprises the largest business sector after consumers. Rod – a serial entrepreneur who founded a software development team inside Ernst & Young and who was formerly on the board of Trade Me, New Zealand's version of eBay, which sold for NZD\$700 million – remembers watching tech innovations disrupting big business.

But he didn't see the same advancements reaching smaller companies, since a tech venture would require thousands of small-business clients to prove viable. The cloud changed all that, according to Rod, making it much cheaper and easier to reach that vast market. And in his case, what small business isn't looking for the right accounting software?

"Even with the state-of-the-art desktop accounting software, you looked at it and your eyeballs started to bleed," says Rod. "We saw a massive opportunity."

This wasn't the type of start-up that could be built and

sold overnight, so after Rod locked himself in his office for a few weeks to write the first bit of Xero's code, he had to shelve the idea for two years. In that time, he built and sold an email archiving company to shore up the cash he and former business partner Hamish Edwards needed to zero in on Xero.

Rod and Hamish decided to take a design-led approach where they followed small-business owners (nearly 300 of them) around to see what they needed from their online accounting software. The experiment resulted in one clear conclusion: the first thing these entrepreneurs do in the morning is log on to their Internet banking accounts to see who paid them overnight so they can make transactions that day. The problem was the information was never up to date, so business owners had to return to the office at night or over the weekend to settle up.

"It's a horrible process," says Rod.

"So our insight was, what if we could get the bank transactions automatically loaded into their accounting software so they'd actually start with the bank reconciliation and could tick things off from there? First thing in the morning, they get this positive feedback. We've really changed the way the whole industry works."

Taking advantage of the cloud, Xero was able to obtain real-time transaction information from banks and populate that into the software. They've since added sales and upcoming bills to the fold, and tools to track stock, automate superannuation payments, manage employee leave, convert foreign currencies and even file tax returns.

The concept and growth trajectory was clear, but funding was trickier. Rod and Hamish started with some cash from the email archive company, but the duo needed US\$11 million to get Xero off the ground. They had just shy of 100 clients but no real revenue, so they decided to start Xero as a public company.

"We told a big story and floated Xero from day one," says Rod. "We've had to report our numbers every six months, so people have seen us from zero to now. We really couldn't make any mistakes."

The upside to the company's transparency and top-of-class track record was the ability to interest investors like PayPal co-founder and early Facebook investor Peter Thiel.

"We had the same meeting with Peter [about Xero] that Mark Zuckerberg had about Facebook," says Rod.

"We actually got more money than [Mark] did. So we're soft and fluffy around some things, but, man, we operate.

More than anything, Rod says XERO is GIVING people their TIME and LIFESTYLES back.

We got to US\$100 million in US revenue at almost record speed for a software company. The Bunsen burner is under your toes every day [when you're a public company]."

What's most exciting to Rod is the social change that's possible when a company is tapped in to such a large network of small businesses, which make the greatest contributions to GDP.

"If we help every small business grow five per cent, that means people are paying more taxes, creating more jobs, dealing with issues like youth employment," he says.

"We're building this important network of businesses that can actually tackle some of the big social challenges and move the needle at scale."

More than anything, Rod says Xero is giving people their time and lifestyles back. From its own employees, who often work remotely and do exchange stints in foreign Xero offices, to the clients who now do the books from

bed, a café or on the road and actually enjoy the process for the first time, Xero gives people freedom, he says.

"Why not design an organisation where you swim with the tide rather than against it?" says Rod. That's what he'll be doing, whether in Hawke's Bay or the US. ■

HERE'S WHAT I KNOW ABOUT START-UPS, WITH ROD DRURY

X TREAT YOUR BUSINESS AS SOMETHING SEPARATE FROM YOU. You should be working on the business, not in the business. So quickly hire your replacement so you can focus on driving the company forward.

X ACCEPT WHAT YOU DON'T DO WELL and find a partner who's almost your polar opposite. With diverse and complementary skills, you'll have your bases covered.

X TAKE ADVANTAGE OF ALL THE FREE ONLINE TOOLS OUT THERE TODAY. We use Google Apps and Google Hangouts. Being able to work collaboratively from all over the world is huge.

X IF YOU'RE GOING TO GROW AN ECONOMY, YOU NEED TO GET INTO THE BIG GLOBAL MARKETS. Think about your export strategy and the lifestyle you want to live. Think big and think global.