

Handelszeitung magazine

## Interview with Temenos CEO

### Winner Medium-Sized Companies

"All or Nothing, Do or Die." That is the underlying principle in the software industry. Tech giants like Microsoft, SAP and Oracle rule the marketplace. They have the funds required to stay in the game – to invest, develop, sell, acquire, grow and invest once more. Which means that smaller software companies face a hard struggle, as only one in a hundred survives.

"In our business there are only winners and losers," says David Arnott, boss of Temenos. He is aiming to make his company the leading banking software provider. Since he took over the helm in July 2012, the Geneva-based software firm has enjoyed a resurgence. The company had lost sight of its core business and become too much of a service provider, says Arnott, who had previously spent twelve years as Director of Finance at Temenos. "Service is personal, so it's cost-intensive, and that makes it difficult to grow." Arnott, 45, had to remind his team that Temenos is a software company. Selling, implementing and providing support – that should be left to partners such as Deloitte and Accenture. It is a model that sector giant SAP has deployed with great success, "It took SAP from nought to sixty because all the major management consultancy companies sold SAP to their clients."

### Big boys breathing down our neck

When Arnott talks, he can hardly sit still in his deep leather seat. He slides to the edge of the chair and explains that it is all about survival, "We're now investing every dollar in product development again. It's the only way to survive – and grow". He wants Temenos to smash through the billion dollar revenue barrier "as quickly as possible". "Once you achieve that, they can't swallow you up then, as you've got enough money to adequately invest in the development required." But to get there Temenos needs to double its current revenue – in 2013 the company did over 468 million dollars in turnover. To speed things up the Briton would prefer to wrap up the next acquisition sooner rather than later – but it is difficult to find good candidates. Most of them would have made some error on the way to the billion dollar barrier and thus become good candidates for a takeover, says Arnott, who placed seventh in the "2014 CEO of the Year".

The business is moving forward more rapidly on the customer side. In 2013 Temenos acquired 44 new clients worldwide compared to 34 in 2012. Arnott has focused his sales efforts on emerging countries, as Temenos has been doing little business in Europe since the financial crisis. "None of the banks here were wanting to make any more medium-term IT investments." In contrast, the emerging nations needed entire IT infrastructures to be able to operate and expand. In Europe, Arnott is opting for add-on products, such as mobile banking platforms, which



## Big things in mind

David Arnott > The boss of software firm Temenos, on growth as a maxim and hesitant banks.

are aimed at strengthening banks as they compete with new rivals, such as supermarkets and online banks. Recently, domestic IT activities for large projects have picked up again. "Let one person build it once. Even a major bank that has had its own software up to now is no longer going to commit 3,000 developers, each costing 200,000 Swiss Francs per year, to implement Basel II, for example. No one can afford that expense any longer," says Arnott. He is still on the edge of his chair, talking ceaselessly and apparently with complete confidence.

Many banks continued to be reluctant to act, "but at some point something has to give," he says. They needed a new business model which, for example, would give younger private clients online access to their portfolio or a social investment network. Investors can use social investment platforms to follow share dealing gurus and buy their top stock list, like with iTunes.

### Stability generates trust

Having a well-structured team with clear individual responsibilities delineated is crucial to Arnott. If there is a problem he demands transparency, "If targets can't be achieved people are free to say so and explain why." What else does he believe to be important? "Stability." He applies that to both his business and private life. After twelve years in Chamonix, France, he and his wife and two daughters, aged 11 and 14, have moved to Oxford "for school reasons". He flies to see them every weekend. So they are missing out on the mountains, climbing and skiing.

Management stability is also important to Arnott. He feels it is essential in the IT sector, as was illustrated by Microsoft. When their business was going downhill, they fetched Bill Gates back. "It's a question of trust, a particularly vital asset in the banking sector." This was something Temenos' founder George Koukis understood perfectly. Everything has been achieved via bank recommendations.

Not only the banks, but also the investors have faith in Arnott's software – Martin Ebner's Patinex is his largest shareholder with 11.26 per cent of the business. "Ebner trusted us because we deliver. You have to keep delivering with Martin," laughs Arnott.

“ Selling, implementing and providing support – that should be left to partners such as Deloitte and Accenture

#### CEO: David Arnott (45)

**Best decision:** When I became CEO I quickly took action to reduce costs and introduce a clear strategy.

**Worst decision:** Taking an unnecessarily long time over making unpleasant personnel decisions. I've learned to rely more on my gut feeling.

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