

IT should become the fourth science in schools: Orion Health boss

Ian McCrae discusses his company's growth, his view of graduates and suggests that IT should be recognised as the fourth science

BY SARAH PUTT | AUCKLAND | FRIDAY, 3 FEBRUARY, 2012 | 2 COMMENTS

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Orion Health is on track to employ 650 staff and post revenue in excess of \$100 million at the end of its financial year in March. CEO Ian McCrae reckons his is the "biggest software company in New Zealand by a country mile." He talks to Sarah Putt about the growth of Orion Health (anchored by its core product the Rhapsody Integration Engine) and the perceived IT skills shortage in New Zealand.

In 2006 you told *Unlimited* magazine Orion Health would be a billion-dollar company by 2016.

We might be a bit late, you know how it is.

Not really. But you're doing pretty well. What's the ownership model – you've still got 62 percent?

Thereabouts. Then I have friendly shareholders, so what it means is collectively we can set a direction for the company and if you have a not-so-good six months then you can reassess. You have a consistent direction for the organisation. Myself, plus other friendly shareholders, we all have the same vision or idea for the organisation. It's a long term one, not a short term one

So you would never think about going public, you don't see the need?

I'm not allowed to comment.

What is driving the growth?

First of all we're in a good market, with the size of the health IT space. Estimations vary as to whether you have hardware in there or what you include. The overall market is probably \$60-\$70 billion, the software portion of it, plus services, might be \$30-\$40 billion. And it's growing as well. The competition has some pretty old products that we can certainly compete very well against. We do have definite market leadership in a couple of areas.

At Orion we look at it slightly differently than most people – basically we have lots of ideas in New Zealand and it's well and good, but you need a conduit for getting it into the global market. Just having the ideas by themselves is only probably 20 percent of the problem.

If you don't have the conduit to the global market then basically the ideas are sown on barren ground and other international vendors probably pick up the ideas themselves and as a country we miss out on the economic rewards of those ideas.

What's the conduit?

At Orion we have, [while] the majority of our development is done in New Zealand, we have this [global] distribution network, which is 15 offices. It sounds like quite a few but we need to have it much, much bigger so we can produce a product more quickly then chuck it into our international market operation.

When did you first take the plunge and open offices overseas? Did you start initially with just one or two?

We went with North America, we put a guy up in Europe, another in Australia. We already had some sales via internet into North America and so we sort of did it very cautiously. North America wasn't a stellar success for the first two years and it was probably the very first time we really struggled as a company.

When was that?

Probably ten years ago now, 2000.

You struggled to get into North America, you had a couple of really bad years, and then you turned it around – how?

Just gradually, bit by bit. Hiring a good person or two. It's no sudden breakthrough, it's just slogging it out. There's no epiphany or fantastic breakout. You just incrementally get better and better. Sounds a bit boring, doesn't it.

No, it sounds realistic. Building slowly on your strengths, keeping a close knit group of people together who believe in the same vision, and I guess be 100 percent sure that you have the right product?

It's not necessarily making sure you've got the right product, because products only last for a period of time, you really have a flow of products and ideas and what you've got to be able to do is turn the ideas into products more quickly than anybody else.

Then be able to market them effectively to the world so it's really like an ideas factory and you just have to have a better ideas factory than anybody else.

And you do that by investing continually in software development and people and skills?

We do it more by trying to invest in our processes. Because when you are a small start-up being innovative is very, very easy. When you become of intermediate, or larger in size then keeping that innovation going you've got to change your processes because start up, entrepreneurial, three-four people, that innovation model doesn't work when you become of intermediate size.

We spend a lot of time on trying to make development more efficient, making sure our consulting services are able to install the products more quickly. It's not having the idea that is important, it's also equally – if not more – important to get the idea to the market more quickly than anybody else can as an elegant product.

Technologies are changing all the time. There are new technologies coming out right now that we're struggling to understand how we can take advantage of them more quickly than anybody else can.

Fortunately we're up against a lot of fairly large, slow, stodgy VC-backed companies that are very quarter-by-quarter focused. And so that works to our advantage because we can take a longer term view of what we want to do.

What are some of those new technologies?

One of the things we're really keen on is that its quite clear that patients are going to start participating in their own healthcare. Devices are getting miniaturised, so that with iPhones and small devices you can monitor patients in a very unobtrusive way 24/7. You you can spot people about to have a heart attack, you can detect all sorts of things. And so that's a clear trend.

Also you're going to have patients participating in their own medical records, so what drugs did the guy proscribe me? Can I have a beer or two with those drugs, can I drink with them or not? All that sort of stuff should all be available.

More importantly you have a circle of care that often look after the sick elderly or the young, usually it's either the young or the old that are sick. So often the circle of care will want to know what appointments are coming up, who's going to pick up Mum and drop her off, so that's the big trend in the market.

At the moment patients themselves are bystanders in their own healthcare, they're not involved, they're not engaged, and I think that's a clear major trend. The Facebook, LinkedIn, social media stuff.

You're employing a lot of graduates, so what do you think about the state of universities in New Zealand, what kind of graduates are they producing?

I think that the university system could do better. You're getting students out of the universities – some have programming skills, some don't. They're basically clean sheets of paper and we are educating, training them. That's not always true, some of them are quite good, some of them have lots of programming knowledge. But I don't think we do a great job of integrating the business sector with the universities.

How can more internships be created – do you have internships?

Yeah we do, about 10 or 20. I think its at least 12, maybe 15.

Is this something that should be government-supported?

I think what would really work well is having degrees modified so that in the subsequent years there are projects that are done with commercial organisations where credit is given for those projects so that undergrads can spend some time in the real world and, when they do, they will see what the different roles are in business.

The business world will only ask them to do things that are useful. I do feel that a lot of the university research projects are very academic, so that the lecturers can produce papers, because every lecturer has a quota of papers they must publish, and sometimes they are detached from what companies like us really want.

There's also that concern that computer science is no longer considered a very good subject even though companies like Orion are crying out for developers?

It's just nonsense. Biology and chemistry are considered to be significantly better topics at high school than computer science is. Part of the problem is the comp sci curriculum at high school was built around the same approach as they took to cookery and woodwork so you learn how to use things like Microsoft Word and Powerpoint.

Fortunately the curriculum's been redesigned by a lecturer at Canterbury, I haven't seen it but I believe it's pretty good. We need to actually make information science the fourth science. There are more jobs in information science then the other three (biology, chemistry, physics) put together. So why are we on a par with cookery?

The other problem is going to be to get teachers to teach it because people like us pay more money then the Ministry of Education. I've got five kids and some of them have taken computer science and it's laughable.

Information science should be teaching logic and reasoning, it should be a really cool, interesting fun topic. It's not.

So we have a bit of a vested interest here because if we carry on growing as a company then we'll need to hire a lot of people. Already we'll hire 150 people out of the New Zealand market this year, and maybe more the next and after a while you can't keep doing that so you've got to address the supply side of things.

On Monday, in part two of this Q & A, Ian McCrae discuss how to create a Hi-Tech nation.