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ATLASSIAN: ANALYSIS AND STRATEGIC RECOMMENDATION

By

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ABSTRACT

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Atlassian: Analysis and strategic recommendation

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This research consists of an external and internal analysis of, as well as a strategic recommendation for Atlassian, an Australian software company. The external analysis will use various frameworks to analyze the following: changes and trends in the environment, Porter’s Five Forces industry analysis, competitor analysis, industry segmentation and demand issues and opportunities in the industry. The internal analysis will use various frameworks to perform an internal resource assessment, financial resources assessment and assessment of opportunities for the company. The analyses are used to identify the competitive dynamics in the external environment and the strategic factors that make the company stand out, which allows for a thoughtful strategic recommendation to be made. The strategic recommendation for Atlassian is to expand by market development in emerging markets for knowledge workers and tech startups, specifically, the countries of Ireland, Sweden, India and China. The recommendation will include justification, strategic alternatives, an implementation plan, financial projections for the and a risk assessment and contingency plans.
Atlassian: Analysis and strategic recommendation

**External Analysis**

This section will use frameworks to describe the external factors, such as environmental changes, industry position and competitors, that affect Atlassian. It will include a brief introduction to the company, changes and trends in the environment, industry analysis, analysis of existing competitors and industry segmentation and demand issues. These analyses provide a description of the industry landscape, which allows for informed and thoughtful conception of opportunities in the industry.

**Introduction: Industry Position**

Atlassian is a software company headquartered in Sydney, Australia, founded in 2002. In 2013, Atlassian’s parent company, Atlassian Corp, PLC, was incorporated in United Kingdom, and had its Initial Public Offering (IPO) on NASDAQ in 2015. Atlassian develops hosted or installed software for software developers and project managers. Notable products offered by the company include JIRA, BitBucket, Confluence and HipChat. The company’s 60,000 customers, spread across all industries and in more than 170 countries, range from small start-ups to enterprise, including around half of the Fortune 500 companies (Atlassian Corporation Plc., 2016, p. 33). The industry Atlassian operates in is the software industry, more specifically in the sub-industry of business-to-business (B2B) workplace software. The industry is global; however, the majority of top software companies are headquartered in the United States.

**P.E.S.T.E.L. Analysis**

A P.E.S.T.E.L. analysis looks at six segments, political, economic, social, technological, environmental and legal, to describe the business climate. Political and economic changes that affect Atlassian include Brexit and the 2016 election of United States President, Donald Trump. These two political events have caused the U.S. dollar to strengthen, while foreign currencies have weakened. This is a good change for Atlassian, as the company solely accepts U.S. dollar as payment, but incurs costs in various foreign currencies from countries in which it operates. Social changes include the trends of inclusion and acceptance of all people. Atlassian is vocal about being a proponent of inclusion for all. This is also positive for Atlassian, as it makes the company attractive to the rising number of consumers who support these values. Two changes in the technology segment that affect Atlassian are cloud computing and X-as-a-Service business
models. To stay relevant considering these trends, more companies will develop digital products to add to their portfolio. One of Atlassian’s main targets for its products is software development teams, so this change will increase its number of potential customers. An environmental trend is climate change, and the idea that companies have corporate social responsibility (CSR) to reduce their affect and impact on the environment. Software companies as a rule are ‘green’, having only two main inputs: humans and electricity. Atlassian is no exception to this rule. Potential trends in the legal segment could have negative impacts on Atlassian. One possibility is cyber security laws. As they mature, Atlassian’s product development and delivery could be impacted by higher security standards. Secondly, U.S. President Donald Trump has proposed increased import tariffs. Atlassian’s products are subject to U.S. import laws, and so this could increase their expenses. Analyzing trends in these segments provides an explanation of Atlassian’s current and future business climate.

Industry Analysis: Porter’s Five Forces

Porter’s Five Forces model, as the name would suggest, analyzes an industry’s attractiveness based on five forces: threat of new entrants, power of buyers, power of suppliers, threat of substitutes and competition within the industry. To understand the software industry’s attractiveness, a Porter’s Five Forces analysis has been completed. Within the software industry, the threat of new entrants is medium. This is because it is relatively easy to enter the software industry, with very low initial investment costs, but it is more difficult to create a product that will gain traction. The power of buyers is also medium. Buyers in the software industry traditionally have had low power due to high switching costs due to the vast scope, cost and schedule of enterprise software implementations. The new model of monthly subscription cloud-deployed software, however, has lowered the cost of switching and inversely raised the power of buyers. The power of suppliers, on the other hand, is high. The main input for a software company is their employees. Competition for highly skilled workers in the tech industry is extremely competitive, and so the ‘suppliers,’ or employees, have great power in negotiating their ‘price,’ or salary and benefits package. The fourth force, threat of substitutes, is medium for the software industry. The software industry is reaching maturity, and there are many alternative enterprise software solutions available for any industry, task and price range imaginable. The ability to create a homegrown solution using basic tools such as Microsoft Word and Microsoft Excel also exists as a substitute to the software industry, especially for small and medium
businesses. The final force, competition, is high within the software industry. As the industry reaches maturity, and the market is saturated, the competition increases. See figure 1 for more information.

![Porter’s five forces analysis for the software industry.](image)

**Figure 1.** Porter’s five forces analysis for the software industry.

**Existing Competitors**

Within the software industry, specifically the B2B workplace software industry, the key success factors are as follows: product capabilities, flexibility, total cost of ownership, ease of access and use, performance and scalability integration, customer satisfaction and global reach (Atlassian Corporation Plc., 2016, p. 42). Atlassian breaks its competitors into three groups, based on the recipients of the products: IT and service teams, software and technical teams, and business teams. Figure 2 shows the distribution of Atlassian’s competition based on recipients of product offerings. Competitors of Atlassian within these three groups include Microsoft, IBM, Hewlett Packard Enterprise, Google, ServiceNow, salesforce.com, Zendesk and several smaller software vendors like Slack and GitHub (Atlassian Corporation Plc., 2016, p. 42). While these companies include some small startups and some legacy solutions, the majority are enterprises
who have been actively engaging in acquisitions of solutions to create a ‘one-stop shop’ software solution for other companies. Even small, niche companies could create change in the competitive dynamic in the software industry, if acquired by one of the tech giants to create a competitive offering.

Figure 2. Atlassian’s existing competitors distributed by product.

**Industry Segmentation and Demand Issues**

Customer satisfaction and loyalty in the software industry is driven by the following: product capabilities, flexibility, total cost of ownership, ease of access and use, performance and scalability, integration, customer satisfaction and global reach (Atlassian Corp Plc., 2016, p.42). This general base of customers, in which Atlassian competes well, is segmented by various factors, namely, deployment, size of customer and customer need. The three types of deployment are cloud, on premise and data center solutions. Though Atlassian’s original deployment method was on premise, they positioned themselves early to pivot to cloud deployment, which has allowed them to gain traction in the cloud space. Atlassian also offers data center solutions (Atlassian Corporation Plc., 2016, p. 42), allowing them to provide solutions for customers of all sizes, from individuals to enterprises. Beyond knowing that they have over 60,000 customers, and that they provide solutions for 291 of the Fortune 500 companies, the distribution of their customers across company size is unknown, so it is difficult to say where they are positioned in the customer size segment. The overall customer need that the Australian software company fulfills is software for teams. Figure 2 breaks this category into
the three main teams for which Atlassian creates team software: IT and service teams, software and technical teams and business teams. Atlassian, through their flagship product JIRA, is extremely well positioned in the segment of products for software and technical teams. The recent acquisition of Trello, a free online collaboration software targeted at business teams is allowing Atlassian to further position themselves into the segment for business teams. Atlassian has footing in the segment for IT and service teams with JIRA ServiceDesk, but is directly competing with large, well-known companies like Salesforce.

In an article published by S&P, “Software Industry Survey,” it is predicted that companies in the software industry will to increase revenue and cash, continuing the trend of the last five years, and that gross margin will likely decline as companies invest in cloud technology and complete acquisitions (Kessler, 2016). These acquisitions reflect a trend in enterprise companies creating ‘one-stop shop’ solutions. This, along with the software industry reaching maturity, indicates that low-cost competition will soon begin. However, the workplace and collaboration software industry specifically will likely see an increase in potential revenue due to the increase in global knowledge workers and the conversion of companies and industries to digital.

**Opportunities in the Software Industry**

Using these frameworks to analyze the software industry and the external environment allows for identification of opportunities in the industry. Customers and segments that are not well served within the current workplace collaboration software subindustry are non-technical businesses and consumers. The options that exist have vast features that the average user will never utilize, but the price is reflective of the features. Applying Clayton Christensen’s theory of disruptive innovation, shown in Figure 3, indicates that there is great opportunity at the bottom of the market that is open for a company to fill and begin to siphon off those lower hanging customers. Eventually, with increasing features, the disruptive innovation will reach the trajectory of customer needs and disrupt the traditional legacy technology. Another opportunity that exists in the software industry is upward vertical integration. As stated previously, the main input in the software industry is skilled workers, and the competition for employees is extremely high. An interesting opportunity for a company in the software industry, then, would be to be their own supplier of talented workers. One way that a company could do this would be by offering a free training program in return for an employee to sign a contract to work for them for
a specific amount of time. This runs the risk of a company expending time and incurring costs in an area that isn’t their core competency, but could work if internal training content had already been developed, as is the case for Atlassian.

![Image showing disruptive innovation](image)

*Figure 3. Disruptive innovation (Innovation Zen, 2006).*

**Internal Analysis**

This section will use frameworks to describe the internal resources and capabilities of Atlassian. It will include an introduction to the company, an assessment of internal resources, alignment of major areas with industry opportunities, basis of competitive advantage and enduring value of resources and competencies. The analysis of resources will include financial position, key performance ratios and comparison to industry averages. These analyses allow for the proposal of opportunities for the company to better use and leverage the resources and capabilities.

**Introduction**

Atlassian’s mission is brief and to the point: “Our mission is to unleash the potential in every team,” (Atlassian Corp Plc, 2016, p.32) In the cover letter to the 2016 Annual Report, they announce that they “aim to have every knowledge worker, in every team, in every company use an Atlassian product every day.” (p. 2) Founded in 2002 to help software teams work better together, they developed JIRA for team planning and project management. Soon following JIRA
came Confluence, a product for team content creation and sharing. Today, their portfolio includes twelve products focused on different aspects of helping teams work better. Other notable products include HipChat for team messaging and communications, BitBucket for team code sharing and management and JIRA Service Desk for team services and support applications. Complementing their products is Atlassian Marketplace, a platform for outside developers to create and sell integrations and add-ons for Atlassian products. Their generic strategy is differentiation, which they achieve through their product strategy, distribution model and company culture. Key aspects of their culture include openness and innovation, dedication to the customer, team-driven and long-term focused (Atlassian Corp Plc., 2016, p. 35). Atlassian also claims a reasonable price, indicating the generic strategy may be edging toward ‘Stuck in the Middle’ between Differentiation and Low Cost Advantage. Figure 4 shows the relationship between the three generic strategies, and highlights where Atlassian primarily sits.

**Figure 4.** Generic strategies.

**Internal Resource Assessment**

**Strengths.** One of Atlassian’s greatest strengths is their unique company culture. They place a high value on people, both employees and customers. The section titled ‘Competitive Advantage’ will further explain the aspects of Atlassian’s culture. Another strength is their expansive knowledge management efforts. They use Confluence, their tool for team content creation and sharing, to document all internal processes and best practices. Documentation shared with customers is equally expansive, including technical support, Atlassian Community, a Knowledge base, online courses and certification and blog posts by Atlassian employees on relevant topics. Other strengths include their quality of software that they produce and distribute.
As their President Jay Simons explains in his interview with Inside Intercom, “What attracted me to Atlassian really early on was it had the key ingredients needed for great marketing, which were awesome products.” (Hodges, 2016) The quality of their software and focus on customer success and satisfaction has allowed them to successfully sell their products with no sales team, reducing a costly business expense and giving them a unique relationship with customers. Another strength of Atlassian’s is the success of their Atlassian Marketplace, a platform for third-parties to develop and sell integrations and add-ons to Atlassian products. As of their 2016 annual report, the marketplace during its lifetime had garnered over 2,000 add-ons and extensions, and Atlassian had reaped over $30 million in revenue from the 25% portion that they claim from each sale (Atlassian Corporation Plc., 2016). These add-ons not only generate revenue for Atlassian, but also provide complementary benefits to attract customers to try their products. A final strength for Atlassian is that their revenue is highly distributed throughout their customers, so losing any single customer won’t significantly impact their revenue. As of April 29, 2017, Atlassian’s total number of customers was 85,031 (Atlassian Corporation Plc., 2017c, p. 2), and each of those customers made up no more than 1% of their revenue in 2016 (Atlassian Corporation Plc., 2016, p. 44).

**Weaknesses.** Though counterintuitive, one of Atlassian’s greatest weaknesses is their rapid growth. As stated in their 2016 annual report, “As of June 30, 2016, 2015 and 2014 we had 1,760, 1,259 and 769 employees, respectively” (p. 43). More than doubling their employees in two years leads to concern of weakened company culture and core values, which have been key in complementing their product strategy and distribution model, creating their competitive advantage. Another weakness for Atlassian is that the majority of their revenue, over two thirds, has come from JIRA and Confluence (Atlassian Corporation Plc., 2016, p, 13). If either of these products are threatened or replaced by competitors, this could deal a significant blow to Atlassian’s revenue. A potential weakness for Atlassian is the unique model of customer self-service. Certain customers could respond better to a traditional sales team, allowing Atlassian’s rivals to compete more effectively in that segment. If their rate of gaining new customers doesn’t sustain, their business model of selling quality products at a fair price could fail, as they wouldn’t have sufficient revenue stream to continue supporting their product quality. A fourth weakness of Atlassian’s is that part of their competitive advantage is difficult to maintain. While their culture is hard to imitate, their distribution model of self-service, subscription-based cloud deployed
products is quickly becoming the norm for software service providers. The final weakness is the age of the company’s co-founders. Mike Cannon-Brookes and Scott Farquhar are each 37 (Forbes, 2017). While they have proven successful thus far, their lack of business experience prior to Atlassian (Tay, 2014) could be a weakness when planning their next strategic move as a business. Typical pieces that indicate a company’s strategy, such as a vision statement or strategic initiatives are difficult to find, both on Atlassian’s website and other sources. If this information isn’t published because it doesn’t exist, it could prove to be a weakness as Atlassian continues to grow without a specific direction.

Alignment with Industry Opportunities. Atlassian’s major areas, based on their costs as percentage of revenues, are research and development, marketing and general/administrative. The costs of these areas make up 45%, 20% and 19% of revenue, respectively (Atlassian Corporation Plc., 2016, p. 49). As stated in their 2016 annual report, “Our employees are our greatest asset” (p. 42). This is confirmed in the source of their expenses, as the greatest percentage of cost in each of the aforementioned areas comes from employee and labor-related expenses (Atlassian Corporation Plc., 2016, p. 46). Their investment in research and development costs is well-aligned with opportunities in the industry, though it is far greater of a percentage of revenue compared to peers in the software industry who average around 20% of revenue in R&D costs. As they put it in their 2016 annual report, “Relative to other enterprise software companies, we invest significantly in research and development rather than sales and marketing. Our goal is to focus our spending on measures that improve quality, ease of adoption and expansion and create organic customer demand for our products” (p. 34). As industries go digital, from media to retail to education, the need for tools to manage and deploy these projects will be greater, and more varied, so Atlassian’s investment in diversifying their offerings and creating more integrated, versatile tools is well placed. Also, the tech industry has an extremely high turnover rate, so to stay relevant companies must continue to innovate (Kessler, 2016). The alignment between Atlassian’s investment in marketing and the industry opportunities is dubious. Where other SaaS companies marketing budgets are between 45-55% of revenue (OPEXEngine, 2013, p. 8), Atlassian’s is only 20%. This due to their unique model and lack of sales force. Atlassian does strategically use targeted marketing to catch the eye of potential customers before they become strongly branded to another company, but whether that is a sustainable method to bridge the gap of their lack of sales force is unknown. Their general and
administrative costs as a percentage of revenue has remained steady around 18% the last three years, and are is par or under the average for the software industry, which is 20% of revenue (River Cities Capital Funds, 2011, p. 24).

**Competitive Advantage.** Atlassian’s 2016 annual report states “Product strategy, distribution model and our company culture work in concert to create unique value for our customers and competitive advantage for our company” (p. 32). Atlassian’s general product strategy is products for teams, from startup to enterprise. The product strategy and all the products in their portfolio are built on the following elements: built for teams, easy to adopt and use, versatile and adaptable, integrated and open (p. 33-34) Their distribution model is a “high-velocity…low-friction online channel [that relies] on word-of-mouth and low-touch demand generation to drive trial, adoption and expansion of [their] products” (p. 34). Traits of this model include innovation-driven, simple and affordable, organic and expansive, scale-oriented and data-driven. Working in conjunction with product strategy and distribution model to complete the competitive advantage is Atlassian’s company culture. Their culture is based on their core values, shown below in Figure 5. Each of these unique aspects of their strategy works together to support the other. For example, Atlassian’s core value of ‘Don’t #@!% the customer,’ ensures that everyone in the company is working toward the ultimate goal of providing the best product and service to the customer. This drives product strategy to be focused on customer satisfaction, which creates customer advocates who engage in word-of-mouth marketing that their distribution model relies on. This is just one example of the myriad of interdependent relationships between these three aspects, all of which create Atlassian’s competitive advantage.

![Figure 5. Atlassian core values (Atlassian Corporation Plc., 2016, p. 35).](image)

**Value chain.** In *Mastering Strategy: Workshops for Business Success*, Braun and Latham explain that “the value chain describes the activities a company must engage in to bring its products or services to market” (p. 61) These activities, both primary and support, should work together to support the generic strategy of the company, to create the greatest value for
customers, which is measured by profit margin. Primary activities contribute to the physical creation of a product, its sale, transfer to the buyer and post-sale service, while support activities provide the underlying base for primary activities to be able to occur. Atlassian’s value chain is shown below in Figure 6. Primary activities for Atlassian which create value are as follows: recruiting great employees and investing in company culture; focus on improvement of products and heavy research and development investment; their high-volume, low-touch online distribution and deployment model; and finally, their heavy focus on and investment in customer satisfaction and retention, specifically, their many avenues for support on their website. Support activities which add value independently or through relationships include their culture of development and improvement which provides value on its own, as well as supports operations and inbound logistics. Their highly responsive and open model with employees provides value through its relationship with inbound logistics of great employees. Technology development, a core competency of Atlassian, provides value in the exceptional products produced through the heavy research and development investment, as well as in supporting outbound logistics through the online distribution model. Finally, their recent IPO allowed Atlassian to gain cash to make acquisitions of products that can further provide value to their customers, both independently and in combination with their already existing products. These activities work together to support Atlassian’s generic strategy of differentiation through product strategy, distribution model and company culture. This synergistic flow allows for greater value for the customer, and in turn, higher profit margins for Atlassian.

Figure 6. Atlassian’s value chain.
**Core competencies.** A tool to analyze a company’s core competencies is a core competency tree, shown for Atlassian in Figure 7 below. The core competency has four levels, from outermost level to innermost level they are as follows: end products, business units, core products and core competencies. As shown below, Atlassian’s end products include the following software offerings: JIRA Software, JIRA Service Desk, JIRA Core, StatusPage, Confluence, Trello, HipChat, BitBucket, SourceTree and Bamboo (Atlassian Corporation Plc., n.d.). These end products can be split into the following three business units: ‘Plan, Track & Support,’ ‘Collaborate & Chat’ and ‘Code, Build & Ship’ (Atlassian Corporation Plc., n.d.). The core products that Atlassian produces, then, can be categorized generally as software products for teams. Though Atlassian commonly references their goal as creating software for teams, and tools for teams, that isn’t what their core competency is. As Figure 7 shows, Atlassian’s core competency is making great software. Their software, and core competency, lies in their ability to make tools that are versatile, affordably priced, integrated and easy-to-adopt.

**Figure 7.** Atlassian’s core competencies.

**Enduring value of resources and competencies.** The enduring value of a company’s resources and competencies is based on the following factors: inimitability, whether the resource is hard to copy; durability, how quickly the resource depreciates; appropriability, who captures the value that the resource creates; substitutability, can the unique resource be trumped by a different resource; and competitive superiority, whose resource is better (Collis & Montgomery, 1995, p. 119-121). For Atlassian, the overall enduring value of their resources and competencies
is medium-low. Their core competency of their company culture is very hard to copy, but their product is not. The overall features and quality of their product is hard to copy, but many of the most useful features can be found in less expensive alternatives. The durability of their resources is extremely low. In an article for Forbes, it is estimated that the current rate of obsolescence for web-enabled technology is a mere twelve months (Gersh, 2013). Additionally, the durability of their culture is being eroded by their rapid growth. The value created by the resources is captured by several parties. First and foremost, customers capture value from products that they buy, as they increase operational efficiency and productivity amongst their teams. Also, Atlassian captures value from their products because they are used internally by business, software development and service/IT teams. Finally, Atlassian’s competitors capture some value from the products when they can integrate their products together and gain customers through that relationship. Based on this, the appropriability of the resources is medium. The substitutability of Atlassian’s products is very high. Many alternatives exist, ranging from freemium offerings for start-ups to ‘one stop shop’ product bundles offered by tech giants, in each product category and customer segment to which Atlassian. The one area of enduring value where Atlassian’s resources and capabilities rank very high is competitive superiority. Atlassian’s core competency, that they make great software, exemplifies this.

**Financial Resources**

**Key performance ratios compared to industry.** Key profitability ratios for software companies include operating margin (%), net margin (%), return on capital (%) and cash flow to sales (%) (S&P Capital IQ, 2017, p. 2). Key valuation ratios include the TTM P/E (price/earnings ratio from the prior twelve months), average EV/EBITDA (enterprise value divided by earnings before interest, taxes, depreciation and amortization), average price to sales, and average price to book. Atlassian’s peer group, as determined by S&P Capital IQ in their 2016 stock report, includes the following companies: Fidessa group plc, FireEye, Inc., New Relic, Inc., RingCentral, Inc., Salesforce.com, Inc., ServiceNow, Inc., Splunk Inc., Tableau Software, Inc., VMWare, Inc. and Zendesk, Inc (p. 3). These companies are chosen to be part of Atlassian’s peer group based on industry, lines of business, geography, size of business and performance criteria (S&P Capital IQ, 2017, p. 6). Figure 8 shows Atlassian’s key profitability and valuation ratios compared to their peer group for the last five fiscal years. As the graphs show, Atlassian has exceeded the peer average for the last five fiscal years in operating margin
and net margin, which can be partially attributed to their lack of expense for a sales force. It could also indicate that their operations are more efficient than their counterparts. Their return on capital has been higher than the peer average for the last five years, but has been trending negatively alongside the peer average, largely due to share-based payment expenses (Atlassian Corporation Plc., 2016, p. 8). The final profitability ratio is cash flow to sales, which Atlassian has had nearly double or more the peer average for the last five years, since most of their cash flow comes from operations, and their customer acquisition cost is low. Atlassian’s key valuation ratios can only be used to compare their performance to competitors during fiscal year 2016, as no data is available prior to that year. No data is available for the TTM P/E high or low. Atlassian’s 2016 EV/EBITDA ratio is on par with its peer average, indicating a high valuation of companies, which is typical for SaaS companies. The average price to sales ratio is also on par with the peer average for 2016, but the current average is nearly double, which can be attributed to the rising price of shares outstanding from $21 in their IPO, to $34.48 at close on April 28, 2017 (S&P Capital IQ, 2017, p. 1). The average price to book is also higher than peer average during 2016, but the current numbers are within .3 of each other. This ratio is high, but again is typical for SaaS companies.

Figure 8: Key performance ratios for Atlassian and peers (S&P Capital IQ, 2017, p. 2)

Expected changes in firm’s financial position. S&P Capital (2017, p. 3), in their stock report for Atlassian, predicts the following changes for the subindustry of application software:
growth due to excitement about cloud computing, but a limited margin of expansion in the future. For Atlassian specifically, they predict that the annual earnings per share will decrease slightly in 2017, then rise in 2018. Annual revenue will increase in both 2017 and 2018. Figure 9 shows these predictions in further detail. Atlassian will likely continue to invest aggressively in research and development, as well as increase staffing expenses in marketing and operations to support growth. Their net income will likely hover around breakeven while they invest in positioning themselves in the workplace productivity software subindustry.

Figure 9. Expected changes in Atlassian’s financial position (S&P Capital IQ, 2017, p. 2).

Opportunities for Atlassian

The analysis of Atlassian’s internal resources and capabilities, as well as their financial position compared to their peers, allows for identification of opportunities for the company. One opportunity is to use some of the available cash to invest more in human resources, to ensure that the competitive advantage of their company culture is being protected. Another opportunity that exists for Atlassian is to “tell the story” of their unique activities, culture and values better. These are not replicable by competitors, and so should be used to differentiate Atlassian. The Atlassian Marketplace is another area of opportunity. Atlassian should invest more in marketing it for two reasons: it is a source of passive income through the percentages of sales that Atlassian claims, and it adds value and competitive advantage to Atlassian’s core products. The final opportunity that Atlassian has is to utilize company leadership to identify and publish their next strategic initiative. This will give the company clearer direction moving forward, and allow them to escape the potential of being ‘Stuck in the Middle’ with their generic strategy.

Strategic Recommendation

Executive Summary

As Braun and Latham put it in Mastering Strategy, “Having identified the competitive dynamics in the external environment and delved into the strategic factors that can make our company “stick out,” we are now in a position to ask questions about growth, expansion, and
diversification” (2014, p. 87). As discussed, Atlassian is an Australian software company that focuses on creating software for teams, and they traditionally have targeted enterprise software developing teams. The company puts a heavy focus on customer success and satisfaction, which enables their self-service product distribution strategy. Their core competency is great software, which is versatile, affordable, integrated and easy-to-adopt. As their president, Jay Simons, explains, the core aspect of marketing is having a great product, and Atlassian’s sales model is reliant on the ability of their software to sell itself.

In order to maintain profitability, then, Atlassian must continue to sell more software. The strategic recommendation for Atlassian to achieve this, then, is to expand through market development in emerging markets of knowledge workers and tech startups, specifically, India, China, Ireland and Sweden. To push into these markets, Atlassian should do the following: develop channel and reseller partners within these countries, use targeted web based marketing to identify and connect with potential customers in those countries, offer their website in key languages for those countries and invest in customer service representatives to offer support in those languages.

**Strategic Alternatives**

Strategic alternatives to this recommendation, in order from least feasible to most, are as follows: overhaul, realignment to environmental changes, expansion through a new product in a new market and expansion through a new product. An overhaul would involve a comprehensive change in the way that Atlassian operates. This type of strategy would be necessary if Atlassian’s assets and activities were both threatened, and their company could not continue to exist without a drastic change. This is unnecessary, and doesn’t apply. The next alternative is realignment to environmental changes. As the P.E.S.T.E.L. analysis on page one indicates, the environmental changes are trending positively for Atlassian, so this type of recommendation is also not applicable. Complete diversification, by launching a new product in a new market, is also an alternative. This is the riskiest strategy in the Product-Market Growth matrix (Braun & Latham, 2014, p. 94), and would likely lead to Atlassian moving outside of its core competency of great software for teams, which is bad strategy. The final alternative is diversification through a new product. This is something that Atlassian does naturally, through their extensive research and development and their Atlassian Marketplace, and so it was not considered for the strategic recommendation.
**Recommendation**

The final alternative, then, is the best choice: expand through market development, by pushing into countries that are predicted to have emerging markets of knowledge workers and tech startups. This supports Atlassian’s goal stated in their 2016 annual report, “We aim to have every knowledge worker, in every team, in every company use an Atlassian product every day” (p. iii). As an Australian company incorporated in the United Kingdom that sells mainly to U.S. customers, along with having subsidiaries and trademarks in multiple countries, and customers in virtually every country, Atlassian was “born global” (Crawford & Fletcher, 2014, p. 282). This makes expansion by market development in emerging markets an ideal strategy. In the Product-Market Growth matrix, expanding into new markets is a strategy with medium risk (Braun & Latham, 2014, p. 94), and may be lower considering Atlassian’s status as a “born global” company. Atlassian has registered trademarks in the United States, Australia, the European Union, Russia, China, Japan, Switzerland, Norway, Singapore, Israel, Korea and Canada (Atlassian Corporation Plc., 2016, p. 60). The parent corporation of Atlassian Corp Plc has wholly owned subsidiaries in the following countries: United Kingdom, United States, Australia, Japan, Germany, Netherlands, Philippines, France and Bulgaria. Finally, the website is available in the following languages: English, Spanish, Dutch, French, Japanese, Portuguese, Russian and Korean. Modis blog called out Ireland, Australia, Canada and Sweden as the “Next Global Silicon Valleys” (2015) for startups, and since 2005, when Thomas Friedman announced it in “The world is flat, after all,” the number of knowledge workers in India, Russia and China have been increasing. This recommendation, then is that Atlassian pushes into those pockets that are hot for startups and knowledge workers where they do not already have a large presence: Ireland, Sweden, India and China. As Figure 10 shows, Atlassian has some partners in each these countries (Atlassian Corporation Plc., 2017a), but the total number of partners in each of these countries compared to other countries that Atlassian has partner companies places them in 16th, 24th, 27th and 29th for Sweden, India, China and Ireland, respectively. A greater presence in these countries would lead to gaining name recognition from customers, and as greater numbers of teams emerge, they would reap first-mover benefits as the most recognized and recommended software for teams in the market.
The implementation plan for this strategic recommendation contains four parts: develop more local channel and reseller partner relationships, use targeted web based marketing, offer their website in key languages and invest in customer service representatives. These are all existing aspects of their marketing and sales strategy, but the recommendation is that they invest more in and further develop these different pieces with the specific aim of supporting their push into these markets.

**Timeline.** Figure 11 below shows the task level breakdown of the implementation plan, and Appendix A shows the associated Gantt chart for the task level breakdown. Based on this chart, the implementation timeline is from June 1, 2017 until December 29, 2017, with a total duration of 152 business days, or about seven months. The first step will be to hire operations staff to support the hiring of marketing and CSR staff, as well as the website translation project.
The next step will be to hire the marketing staff who will be in charge of maintaining and developing partner relationships in each country. While the hiring of the marketing staff is occurring, the website translation project will begin. In her blog series “Countdown to Going Global,” Sarah Siwak calls out translation, localization and internationalization as three of the five big processes that are brought up in relation to the process of translating content when going global, and identifies the average timeline for an enterprise website translation project to be anywhere from days to months. As Atlassian has already undergone multiple translations of their website, it is likely that the identification of content to be translated will take less time than normal. Also, due to Atlassian’s model of open source translation of their documentation and products (Atlassian Corporation Plc., 2015), as well as their policy of only accepting USD for payment, makes their translation efforts less extensive than an average enterprise website translation project. As Figure 11 shows, the website translation should take about three months in total. Beginning concurrently with the website translation project is the identification of factors that indicate customer interest, in order to effectively launch web based target marketing in these countries. The actual launch of the marketing will occur once all hiring and training of new marketing staff has completed. Once the web based target marketing has launched, an evaluation of the need for Customer Service Representatives (CSRs) in each geographic market will be done, based on the amount of customer support provided by partners in that region as well as the customer need for CSRs in that region. While Atlassian Partners generally provide local language support, it is recommended that Atlassian hires some in house CSRs who speak those countries’ major languages, such as Chinese and Hindi, to provide dedicated support for each region in order to maintain their awarded reputation for customer support. The final task is the evaluation of need for more operations staff, based on the number of CSRs and marketing staff hired, as well as the impact of the website translation project. If needed based on the evaluation, interviews, hiring and training of operations staff would occur in the final two months of the implementation plan.
<table>
<thead>
<tr>
<th>Task Name</th>
<th>Start Date</th>
<th>End Date</th>
<th>Duration</th>
<th>Predecessors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeline for Strategic Recommendation</strong></td>
<td>06/01/17</td>
<td>12/29/17</td>
<td>152d</td>
<td></td>
</tr>
<tr>
<td><em>Hire Operations Staff</em></td>
<td>06/01/17</td>
<td>07/26/17</td>
<td>40d</td>
<td></td>
</tr>
<tr>
<td>Identify number of new staff and positions necessary to support new staff and website translation project</td>
<td>06/01/17</td>
<td>07/12/17</td>
<td>30d</td>
<td></td>
</tr>
<tr>
<td>Interview candidates for positions</td>
<td>06/01/17</td>
<td>07/12/17</td>
<td>30d</td>
<td></td>
</tr>
<tr>
<td><strong>Hire Marketing Staff</strong></td>
<td>06/01/17</td>
<td>09/06/17</td>
<td>70d</td>
<td></td>
</tr>
<tr>
<td>Identify number of new staff and positions necessary to support new partners and web-based target marketing efforts</td>
<td>06/01/17</td>
<td>06/28/17</td>
<td>20d</td>
<td></td>
</tr>
<tr>
<td>Interview candidates for positions</td>
<td>07/27/17</td>
<td>08/23/17</td>
<td>20d</td>
<td>5</td>
</tr>
<tr>
<td><strong>Translate website</strong></td>
<td>07/27/17</td>
<td>10/25/17</td>
<td>65d</td>
<td></td>
</tr>
<tr>
<td>Identify content to be translated</td>
<td>07/27/17</td>
<td>08/09/17</td>
<td>10d</td>
<td>5</td>
</tr>
<tr>
<td>Find translation service</td>
<td>08/10/17</td>
<td>08/30/17</td>
<td>15d</td>
<td>11</td>
</tr>
<tr>
<td>Translate content to Hindi</td>
<td>08/31/17</td>
<td>10/25/17</td>
<td>40d</td>
<td>12</td>
</tr>
<tr>
<td>Translate content to Chinese</td>
<td>08/31/17</td>
<td>10/25/17</td>
<td>40d</td>
<td>12</td>
</tr>
<tr>
<td><strong>Begin Web-based Target Marketing</strong></td>
<td>07/27/17</td>
<td>09/13/17</td>
<td>35d</td>
<td></td>
</tr>
<tr>
<td>Identify factors that indicate customer interest</td>
<td>07/27/17</td>
<td>08/23/17</td>
<td>20d</td>
<td>5</td>
</tr>
<tr>
<td>Launch marketing effort based on above factors</td>
<td>09/07/17</td>
<td>09/13/17</td>
<td>5d</td>
<td>9, 16</td>
</tr>
<tr>
<td><strong>Hire Customer Service Representatives (CSRs)</strong></td>
<td>09/14/17</td>
<td>11/10/17</td>
<td>42d</td>
<td></td>
</tr>
<tr>
<td>Gauge need for CSRs in each geographic area based on Partner support and customer need</td>
<td>09/14/17</td>
<td>10/11/17</td>
<td>20d</td>
<td>17</td>
</tr>
<tr>
<td>Interview candidates for positions</td>
<td>10/02/17</td>
<td>10/27/17</td>
<td>20d</td>
<td></td>
</tr>
<tr>
<td><strong>Potentially Hire More Operations Staff</strong></td>
<td>11/13/17</td>
<td>12/29/17</td>
<td>35d</td>
<td></td>
</tr>
<tr>
<td>Evaluate need for more operations staff based on number of marketing staff hired, number of CSRs hired and status of website translation</td>
<td>11/13/17</td>
<td>12/01/17</td>
<td>15d</td>
<td>21</td>
</tr>
<tr>
<td>If needed, interview candidates for positions</td>
<td>11/20/17</td>
<td>12/15/17</td>
<td>20d</td>
<td></td>
</tr>
<tr>
<td>If needed, hire and train employees for position</td>
<td>12/18/17</td>
<td>12/29/17</td>
<td>10d</td>
<td>24</td>
</tr>
</tbody>
</table>

*Figure 11. Task level breakdown of implementation plan.*

**Costs.** The tasks in the implementation plan are associated with various costs, some that will be startup costs and some that will be maintenance costs. One-time costs include the translation of the website into Hindi and Chinese. Based on an assumption that Atlassian will use a translation service to translate 400 of its 1600 pages (Magnolia, 2015), with 1,000 words per
page (Wordcounter.net, 2017) and that the average cost per word of translating a website is $.15 for Chinese and $.18 for Hindi (Straker Translations, 2017), the total up front cost of the website translation project is $132,000. This is the only one time cost associated with the implementation plan. Maintenance costs for the plan include the salaries of all employees hired to support the implementation plan, including operations employees, marketing employees and customer service employees. As Atlassian published in their 2016 annual report, the bulk of their expenses comes from “employee and labor-related expenses, which include salaries and bonuses, share-based payment expense, employee benefit costs and contractor costs” (p. 46). Based on a straight ratio of number of employees, 1760, to total expenses, $387,155,100 (Atlassian Corporation Plc., 2016, p. 6), it is projected that each additional employee will increase expenses by $219,974. The projected increase in marketing and sales expenses and general and administrative expenses as a percent of revenue associated with this implementation plan is one percent, and half of a percent, respectively. This increased percentage of cost, multiplied by the average cost of an employee found above, results in recurring yearly costs associated with this implementation plan.

**Value chain.** Various pieces of the value chain will be affected by this plan. Figure 12 shows Atlassian’s value chain, with the affected activities in red font. The support activities of technology development will be affected, as additional resources will need to be allocated to translate the website to Hindi and Chinese and support the evaluation of the outbound logistics. It is not recommended in the implementation plan to offer the website in Swedish, as the majority of Swedes speak English, or in Irish, as virtually every Irish person speaks English. Human resources will be affected, as they will need to increase costs by hiring employees to support the growth of the company. Outbound logistics, which is Atlassian’s high-velocity, low-touch online distribution model, will be affected, as the backend systems will need to be evaluated to ensure they can handle the increased volume of sales that will come from the expansion into the new markets. Also, the back-office systems will need to be able to support Hindi and Chinese. Marketing and sales will be the most highly affected by the implementation plan. Marketing costs will increase as staff will need to be hired to manage the channel and reseller partners, dubbed “Atlassian Experts” (Atlassian Corporation Plc., 2016, p. 44), in the new markets, as well as the increase in web based targeted marketing efforts. Service will also be highly affected, as it is key to employ customer service representatives to support the increased number of customers, to uphold Atlassian’s focus on customer satisfaction and retention. This will cause costs to
increase, but will support the marketing strategy by creating customer advocates who will spread Atlassian’s name through word of mouth. Activities that will not be significantly affected are procurement, firm infrastructure, inbound logistics and operations. These changes in the value system for Atlassian should ensure that all activities are working together to support the implementation plan, create value for the customer and drive a higher profit margin for Atlassian.

Figure 12. Areas of Atlassian’s value chain affected by implementation plan.

Activity map. Activity maps, as Braun and Latham explain in *Mastering Strategy*, are “simple charts meant to keep your attention on the activities that need to be accomplished on a day-to-day basis, in an effort to maintain your company’s competitive advantage” (2014, p. 128). Figure 13 shows the activity map for Atlassian. The largest pink circle in the middle represents Atlassian’s strategic imperative - every knowledge worker using Atlassian products. The medium-sized pink circles represent the aspects of Atlassian’s competitive advantage, which will help the company reach the strategic imperative. These are company culture, distribution model and product strategy. The smaller, blue circles represent activities that the company engages in that support these competitive advantages, ultimately supporting their strategic imperative. Activities to take note of, considering this implementation plan, are dedication to the customer, no sales team, use data-driven marketing and customer-driven sales. It is key to maintain or bolster these activities in order to successfully expand into the new markets while continuing to maintain competitive advantage. These activities are Atlassian’s ‘secret sauce’ which have
driven its success thus far, and engaging in them will ensure a more successful implementation of this plan.

![Activity map for Atlassian](image)

**Figure 13.** Activity map for Atlassian.

**Performance metric.** The performance metric that should be used to evaluate the success of this implementation plan for the strategic recommendation is a S.M.A.R.T., or specific, measurable, assignable, realistic, time-bound metric (Braun & Latham, 2014, p. 120). The metric to be measured is the number of new customers per quarter per geographic region. Atlassian defines a customer very conservatively, as a single organization with “at least one active and paid license or subscription as of period end, for which they paid more than $10 per month” (2016, p. 44). This definition of customer ensures that any customer counted in the metric is one that is increasing Atlassian’s revenue. This performance metric was chosen because Atlassian already measures their customers, and likely already measures them by geographic region, though that information is not public.
Financial Projections

**Five-year financial projection.** Figure 14 shows the five-year financial projection for Atlassian, based on the changes in operations due to the implementation plan for the strategic recommendation. Do note that all numbers are in thousands.

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>146,659</td>
<td>296,036</td>
<td>384,847</td>
<td>500,302</td>
<td>650,392</td>
<td>845,510</td>
</tr>
<tr>
<td>Maintenance</td>
<td>218,848</td>
<td>179,944</td>
<td>233,927</td>
<td>304,105</td>
<td>395,336</td>
<td>513,937</td>
</tr>
<tr>
<td>Perpetual license</td>
<td>65,487</td>
<td>46,437</td>
<td>60,368</td>
<td>78,479</td>
<td>102,022</td>
<td>132,629</td>
</tr>
<tr>
<td>Other</td>
<td>26,064</td>
<td>58,046</td>
<td>75,460</td>
<td>98,098</td>
<td>127,528</td>
<td>165,786</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>457,058</td>
<td>580,464</td>
<td>754,603</td>
<td>980,984</td>
<td>1,275,279</td>
<td>1,657,862</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>75,783</td>
<td>98,679</td>
<td>260,282</td>
<td>166,767</td>
<td>216,797</td>
<td>281,837</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>381,275</td>
<td>481,785</td>
<td>494,320</td>
<td>814,216</td>
<td>1,058,481</td>
<td>1,376,026</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>208,306</td>
<td>255,404</td>
<td>332,025</td>
<td>431,633</td>
<td>561,123</td>
<td>729,459</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>93,391</td>
<td>116,093</td>
<td>158,467</td>
<td>206,007</td>
<td>267,809</td>
<td>348,151</td>
</tr>
<tr>
<td>General and administrative</td>
<td>85,458</td>
<td>110,288</td>
<td>147,148</td>
<td>191,292</td>
<td>248,679</td>
<td>323,283</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>387,155</td>
<td>481,785</td>
<td>637,639</td>
<td>828,931</td>
<td>1,077,610</td>
<td>1,400,894</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>-5,880</td>
<td>0</td>
<td>-143,319</td>
<td>-14,715</td>
<td>-19,129</td>
<td>-24,868</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>9,280</td>
<td>11,609</td>
<td>15,092</td>
<td>19,620</td>
<td>25,506</td>
<td>33,157</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>4,373</td>
<td>11,609</td>
<td>-128,227</td>
<td>4,905</td>
<td>6,376</td>
<td>8,289</td>
</tr>
</tbody>
</table>

*Figure 14. Five-year financial projection for Atlassian (in thousands).*

This projection was created using financial data for fiscal year 2016 found in Atlassian’s 2016 annual report (p. 48-49). Areas that have been impacted by the implementation plan have been highlighted in orange font. The financial projection was created using the financial data from the results of operations, and the results of operations as a percent of revenue. Figure 15 shows Atlassian’s percentage distribution of revenue by type for the past three fiscal years. As shown, the percent of revenue gained from subscription and other (Atlassian Marketplace) have been increasing, while the percent of revenue gained from maintenance and perpetual licensing has been decreasing. To represent this trend in the five-year projection, the percentage of revenues by type were calculated as follows: subscription at 51%, maintenance at 31%, perpetual license at eight percent and other at 10%. To capture the increase in total revenues based on general growth and due to growth in revenue from the expansion into new markets, the 2016 revenue was increased by 27% to project for fiscal year 2017, based on the average year over year change in number of customers from the last three years. To account for the increased number of customers, and revenue from those customers, the revenue for fiscal year 2018 and onward was calculating as increasing by 30% year over year. Based on Atlassian’s historical percentage cost
of revenue of 17%, the cost of revenues was calculated as 17% of total revenues for each year. In 2018, $132,000 was added to the cost of revenues to account for the cost of developing Atlassian’s website in Hindi and Chinese. The income tax benefit (expense) was calculated as two percent of total revenues per year, based on Atlassian’s historical data. Finally, to account for the increased marketing and operations staff to support the strategic recommendation, the marketing and sales expense as a percentage of total revenue in fiscal year 2018 and onward was increased to 21%, and the general and administrative expense as a percentage of total revenue was increased to 19.5%. These adjustments result in a projection of a net loss in fiscal year 2018 of around $128 million, and net gains in each following fiscal year.

The following table sets forth our results of operations data for each of the periods indicated as a percentage of total revenues:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>32%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>48</td>
</tr>
<tr>
<td>Perpetual license</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>100</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>17</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>83</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>45</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>20</td>
</tr>
<tr>
<td>General and administrative</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>84</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other non-operating income (expense), net</td>
<td>—</td>
</tr>
<tr>
<td>Finance income</td>
<td>—</td>
</tr>
<tr>
<td>Finance costs</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income (loss) before income tax benefit (expense)</strong></td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Income tax benefit (expense)</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1%</td>
</tr>
</tbody>
</table>

**Fiscal Year Ended June 30, 2016 and 2015**

*Figure 15.* Results of operations indicated as a percentage of revenue (Atlassian Corporation Plc., 2016, p. 49).

**Key performance ratios.** Using this five-year financial projection, Atlassian’s key performance ratios in 2021 can be assessed, along with how they compare to industry averages.
Atlassian’s gross margin as a percentage of revenue will be between zero and negative one percent, which is higher or on par than the industry average which is between negative 10 – 20% (Kessler, 2016, p. 2). The percent net margin will be around .5%, which again is slightly higher or on par with the industry average, which has been hovering between -10 and -20 for the last five years and will likely continue that trend. Other performance ratios compared to industry averages are not able to be calculated due to the limited scope of the numbers produced by the five-year projection.

**Risk Assessment and Contingency Plans**

In order to reduce the potential effect of risks on Atlassian, a risk assessment of three significant risks has been done. Should one or more of these risks occur, contingency plans have been proposed to help Atlassian respond effectively. The first risk is if Atlassian lacks understanding of cultural differences in the countries they attempt to penetrate, Ireland, Sweden, India and China, it may lead to inability to develop channel and reseller partners and customer relationships. The second risk is if Atlassian dedicates a higher percentage of their budget toward marketing and operations, specifically marketers and customer service representatives, their research and development could suffer, which would hurt their core competency of great products. The final risk is if outside forces, such as taxes and regulations, affect Atlassian negatively, their reputation could suffer and they could lose customers. If the first risk, lack of cultural understanding and connections, occurs, Atlassian should perform a financial analysis per geographic region to gauge whether the revenues they would be able to gain without those key partners and customer relationships would be sufficient to justify their costs. They should make the decision at that point whether to continue the expansion or not in each country individually, to ensure they aren’t bleeding cash. The second risk can be avoided, by ensuring that the percentage of costs allocated to research and development does not dip below 44%. The company may be unable to sustain profitability while maintaining the percent of budget allocated to research and development and increasing the percent of budget allocated to marketing and operations. As shown in the five-year financial projection, increasing spending may result in a short-term net loss, but will lead to higher net income in the long term. The final risk is the potential for external forces, such as taxes or regulations, to affect Atlassian’s reputation. The contingency plan to reduce this risk is to maintain open and honest communication with
customers. This could be published in Atlassian’s quarterly letters to shareholders on their website, as well as through their various social media presences.

**Conclusion**

Atlassian has been incredibly successful in the fifteen years since their inception, growing their customer base to 85,031 customers in more than 170 countries (Altassian Corporation Plc., 2017c, p. 5). Their revenue has grown by 34% or more in the last six quarters, and they have reported a net gain in every fiscal year (Altassian Corporation Plc., 2017c, p. 9). Their mission is to unleash the potential in every team, and their goal is to have every knowledge worker, in every team, in every company use an Atlassian product every day (Atlassian Corporation Plc., 2016, p. iii). Figure 16 shows a figure that co-founder Mike Cannon-Brookes presented in 2008, during a presentation on ‘Scaling Atlassian’ (Tay, 2014).

![Atlassian Model](image)

*Figure 16. Atlassian model for enterprise software (Tay, 2014).*

This was Atlassian’s original sales model for distributing their software, which was completely unique for the enterprise software subindustry. It has proven successful for Atlassian thus far, and for it to continue to be successful Atlassian must continue their global expansion. In order to sustain their rate of growth, achieve their mission and support their sales model, the best path forward for Atlassian is to expand by market development in up and coming markets for knowledge workers and tech start-ups, specifically, the countries of Ireland, Sweden, India and China. They should do this by developing channel and reseller partners, using targeted web
based marketing, offering their website in Hindi and Chinese and investing in customer service representatives. This will result in increased year over year revenue growth of three percentage points. It will also bring them one step closer to achieving their mission of unleashing the potential of every team, driving their progress forward in creating what’s next in fossil fuel alternatives, space exploration and genetic sequencing.
References


Appendix A
Gantt Chart for Implementation Plan