GS-insight
people • technology • business
Gillamor Stephens
Issue 13

In this issue

Making the case for service reform

Capita founder Rod Aldridge says services companies need to show more ambition when dealing with government.

Rod Aldridge has called for services companies to be more innovative and persuasive in opening up the market for shared services and outsourcing.

Aldridge told GS-insight there is room for a competitor to Capita, and added that the government's need for cash offers vendors an opportunity to persuade the government that the time is right for change.

"We estimated at Capita that the support services market is worth £100bn a year. And only 12% of it is being outsourced. This is a massive opportunity but only two companies, Capita and Serco, have really made it.

"It's a big ask to get someone to outsource something or to sell it. But the government's strapped for cash, so they need it.

"I'm a Non-Exec on Foreign and Commonwealth Office Services, which deals with the security of embassies. They've moved from being in-house to become a Government agency. But really it should engage with a private sector partner to enable it to grow to reach its full potential. But there'd be a lot of political pressure against that, and you'd need a very strong minister to say, "I'm going to do it."

Aldridge, who retired from Capita in July 2006, is now focused through his Foundation in helping young offenders.

"I'm not an airy-fairy, policy-driven charity where I want to put papers out. What I've done is go for the controversial end. It's a bit scary taking this on, but I think the skill of entrepreneurship gives you confidence that you can make a difference."

Read the full interview with Aldridge on pages six and seven ➲

Viewfinder

Gillamor Stephens is the leading executive search and selection company serving the international technology, media and communications sectors.

Despite the challenging macro-economic conditions, Gillamor Stephens have enjoyed a very busy first quarter of 2008 with demand for executive hiring occurring in Venture Capital backed companies as well as large corporate organisations. A reflection that in a challenging market, our clients recognise the difference outstanding leaders can make to the future success of their company.

GS-insight is published in both print and electronic formats, and can be viewed at www.gillamorstephens.com.

We welcome your suggestions at gs-insight@gillamorstephens.com.

Steve Morrison, Founding Partner

James Caan

Entrepreneur James Caan recently joined the BBC venture capital series, Dragons' Den. He reveals how investing is based on an understanding of people and whether they can deliver that dream.

When did you first realise you had an entrepreneurial streak?

I probably realised I was going to be in business at the age of 12. My father had a manufacturing business for leather garments. And I used to borrow jackets from my Dad and I remember one of my friends telling me "Love the jacket. Where did you get it?" I said, "My Dad made it for me." A couple of weeks later, my friend said his Mum had said he could have one for his birthday. So I went back to my Dad, and asked him to make the jacket, and I made £15 on the deal. My pocket money was £2 a week, so you can imagine how I felt. I thought I'd won the lottery.

Seeing that kind of deal, buying something and making that sort of money really appealed to me. After that I realised that the conventional idea of working for someone else probably wasn't me.

What would you say has been the key ingredient for your success?

In the beginning there was just me, a broom cupboard, a phone, and a Yellow Bible. Why has it worked for me? I think because I have tended to focus on people.

I'm probably not a stereotypical entrepreneur because I believe there are people better than me. And if you've got the confidence to surround yourself with people better than you, then all those challenges you face in the business, you take in your stride.

When I was at Harvard, we did a case study on eBay. eBay was launched by a couple of techies who came up with a fantastic idea, but they also recognised that they couldn't build the business, so they had the vision to track Meg Whitman, who was an accomplished CEO of a substantial business. I take my hat off to them. They have this little techie business, and yet they've still got the confidence to go out and pitch to Meg Whitman.

How does your interest in and understanding of people translate into your work in Dragons' Den?

One of the things I'm renowned for is I don't back businesses for the product, or the service, but I back people, because I think that whatever business it is, it is people who breathe life into it.

Some of my other Dragons in the Den really get into a great venture or idea. For me, yes, the idea has to make sense and it has to emotionally stack up, but that's it. What I then focus on, and the reason why I make the investment, is because I rate the guy. There are people who've presented to me with something that I've thought, 'This could change the world' - but then I've looked at the guy and thought he could never do it, because to me the success of the business is based on the skill of implementation.

What makes it work is your ability to implement the real dream. When I focus on the person I ask "can he implement?" If he can't, it doesn't actually matter what the idea is.

What are the necessary skills of an entrepreneur?

Being an entrepreneur is about running a business, being a leader and a business winner.The challenge is actually running the business: dealing with growth, expansion, technology, investment, finance, legal, commercial, and governance. What happens when you start to run the business is you find that all the things that made you successful are not the things you end up doing, but as the owner of the business, the buck stops with you. And a lot of entrepreneurs probably don't realise that.

What entrepreneurs constantly find challenging is hiring their own people, which is very, very different to hiring for someone else. I don't know any owner today who's got it right and it's still one of my biggest challenges.

How are you finding life in the Dragons' Den? Is it easier or harder than you thought?

When I was offered the chance to do Dragons' Den, I thought it'd be a walk in the park. I do this for a living, I'm actually quite good at it, and when I studied the other Dragons, I thought I'm probably more experienced than they are. What I didn't realise was that was actually a handicap: if you're a

> I don't back businesses for the product or the service, I back the people, because I think that whatever business it is, it is the people who breathe life into it.

professional at something, you have a set structure and method.

I've been investing in people for nearly 20 years and when someone comes to meet me we see if there's chemistry. Then we'll go through their business plan, the market, the numbers, and so, typically, you're going to meet four times, spending 12-15 hours together. Whether it's £100,000 or half a million pounds, the principle's the same.

So, for twenty years, I've been following a particular programme of 15 hours, and now you expect to make the same step in 20 minutes. So I'm sitting in the Den in a kind of daze, unable to make an investment.

You have no CV, no business plan, nothing. And then I realised that at the end of the day, you have to take a punt on it. It was ten times harder than I thought because when it's your own money, when you say "I'll make that investment," on the back of just 20 minutes, it's so tricky!

In the Dragons' Den, you're helping make the ambitions of others. Do you have any ambitions left for yourself?

Really to continue what I'm doing. I had my chance of a sabbatical and retirement when I sold Alexander Mann. I decided to take a gap year so I went to Harvard, then learned to fly helicopters and planes, sail a boat, until my daughter turned to me one day and said, "Dad, all my friends' Dads have got real jobs."

Private equity had been a big buzzword at Harvard, and I thought I'd give my money to the private equity industry because it's something I understand and believe in. So, I met all these very fancy private equity firms and I got treated extremely well. And I'm sitting in these very plush boardrooms thinking that when it's all going well, I'm sure these guys are fantastic. But when it goes wrong, I'm not sure they know that as an entrepreneur running a business, you need to get back in the trenches and deal with the issues. When I looked at these guys, I thought, "This is not about spreadsheets or theory, this is about being there." So, instead of giving my money to 'suits', I set up my own private equity firm.

You recently completed the Haj pilgrimage. What was that like?

It was an amazing experience. The mosque is an enclosed building with 1.5m people in there. The biggest number you can probably think of is 100,000 people, and that's probably open-air. Just imagine something 15 times that size that's enclosed, and the 'spiritual impact' of it. At the Haj, 1.5m people pray five times a day, and even with all those people, the place is pristine. Not a single piece of paper, not a speck of dust.

You can also only wear two pieces of white cloth, which can't be stitched. The idea is that you all go as equals. So I could be standing next to the Sultan of Brunei in exactly the same thing. There are no privileges, no dress codes. And I found that to be quite powerful, because you all look exactly the same: Chinese, Malaysian, European, Asian – every nationality, all the same, all equal. ▪

Visit our website to read more Route to the Top interviews at www.gillamorstephens.com

Career Highlights

CEO of private equity firm Hamilton Bradshaw, James Caan has been building and selling businesses since 1985. In 2001 he was awarded the BT Enterprise of the Year award for outstanding success in business and was named PriceWaterhouseCoopers Entrepreneur of the Year in 2003. That same year he graduated from Harvard Business School and won the Entrepreneur category in the Asian Jewel Awards. In 2005 Caan was named one of the 100 most influential Asian people in the UK and in 2007 he joined the panel of the BBC's Dragons' Den for the fifth series of the show.

Europe: stable and thriving

In the first of a series of three, we examine each region — Europe, Asia Pacific and the US — as a place for VC-backed businesses to thrive. Kaj-Erik Relander, General Partner in the London office of Accel Partners, offers the European perspective.

The venture market has seen steady growth across the region over the past five years. From the Accel perspective, we are continuing to see our portfolio grow and diversify geographically, with more investments in Germany and France, as well as in the more established markets of Israel & the UK. As a global VC firm with offices in London, Palo Alto and Beijing, we are able to see the broader industry dynamics and investment trends and this provides a valuable perspective and context.

Cleantech

Cleantech is one of two new areas many VCs are looking at - the other is nanotechnology - but the industry needs to be clear in its definition of Cleantech. For example, there is a huge difference between photovoltaic semiconductor-related technology and that which helps coal-burning power plants in China. If you go into Cleantech, you'd better know what you're getting into, and if it relates to your core business.

The German Market

We have found the German market has picked up well and we're very active there. The dotcom bubble was difficult for Germany but a lot of strong entrepreneurs were able to use the large domestic market to bootstrap their companies, particularly in the area of e-commerce. And those companies are now coming up nicely. The German character is more analytical, and if the analysis doesn't show good results, then they don't take risks. But if you are in a good market sector and have very robust, sensibly-run projects they can be very, very profitable.

France is also becoming a market with many strong entrepreneurial tech companies, and Spain too could be an interesting area, especially in telecommunications and banking software. Spanish banks have such efficient back-end systems that their profitability is better and this can potentially be leveraged into other markets and sectors.

A Diminished Position

The row over Capital Gains Tax has not helped the UK's position in the region. The policymakers haven't really understood that it's less about the money, and more about trust and the reputation

of the UK as a good place to do business - so it's a bit of own-goal for the government.

Mobility

Looking ahead, mobility is going to be a key area for investment. We all remember when we had our first Web experience: it was frustrating over slow dial-up lines, and expensive. But now that's all changed with broadband and the emergence of rich and diverse web applications. The same thing will happen with mobile: we're still the equivalent of the dial-up phase but in the next five years that will move to a more broadband-like experience. That's going to drive the development of a lot more applications and investment in infrastructure and devices. Already we are seeing Mobile data traffic doubling every 90 days.

Companies to watch out for

Some of our companies to keep an eye on? Well of course there is Facebook which is very high profile these days.

Also Qliktech, which is in business analytics and intelligence; The Cloud, which is now Europe's largest Wi-Fi access provider; and Kayak, a high growth vertical search sector focused on travel. ▪

Jeff Bussgang of Flybridge Capital Partners will be offering his views on the US venture capital market in issue 14

Looking for the brighter side

GS-insight welcomes technology sector analyst Ian Spence who will be offering his thoughts on the performance of the UK's public software and services companies and commenting on the outlook for the industry.

As we approach the end of the first quarter, it is clear that technology investors are assuming the worst when it comes to the outlook for technology spending. Notwithstanding the fact that, as I write, share prices are enjoying a bounce following the injection of £100bn of additional liquidity into the banking market, the share price performance of listed SCS companies has been very poor in Q1. The average share price decline of the ten largest stocks in the sector up to mid March was 14.8% and that number hides some even weaker performances.

Share prices drop

Shares in Logica, Misys, Telecity and Micro Focus have all dropped over 20% since the start of the year and the picture is little different across the sector. As a consequence of this share price performance, unsurprisingly, valuations have continued to decline. PE ratios for the current year have slipped from 17.8x to 16.1x for the larger stocks and from 13.6x to 12.6x for the smaller stocks.

What is interesting is the juxtaposition of this share price performance with the tone of recent company statements. We are coming to the end of the reporting season and the vast majority of results for UK listed SCS companies were positive. Whilst almost without exception, the outlook statements accompanying those results made reference to tougher macro-economic conditions; they also said that they had seen little no impact on new business as yet.

Bellwethers of tech spending in the UK such as Computacenter reported its first revenue growth for some time and continues to experience solid demand in 2008 especially in areas such as data centres.

Some will point to Logica's somewhat lackluster UK performance (outside of Public Sector) as evidence of a slow down, but I see this as a company specific issue.

Whilst comments from SAP specialist Axon that UK margins would come down over the next period were perhaps more worrying, of the 70 companies that have reported results or issued trading updates so far this year, only nine have been below expectations. Of the rest, 14 were ahead of expectations and the remainder were neutral.

Future trends

But all of this is missing the fundamental point that the City is looking 12-24 months ahead and, frankly, it doesn't like what it sees.

For my part, I'm afraid I have to agree with the City on this one. Put aside for one minute the top down view of slower economic growth, there are a number of bottom up reasons to be worried about the outlook for IT budgets over the coming months.

Primary amongst these is that the two largest sectors for spending on software and IT services in the UK, the public sector and financial services, are under increasing pressure to reign back spending.

Austerity measures by the Brown government are starting to bite into IT budgets in local and central government resulting in a tangible slowdown – reference the recent profits warning from housing software vendor IBS Opensystems. In financial services, the confluence of the credit crunch and weak capital markets is starting to impact spending in both retail and investment banking.

Optimists will point to megatrends such as SaaS and mobility as reasons to be more cheerful but, for me, spending on these areas, whilst growing rapidly, will not be sufficient to offset a general decline.

Whilst we may we may get the odd optimistic bounce in share prices as we move through 2008, I'm convinced that the general trend will remain downwards. ▪

Profile

Ian Spence has been analysing the performance of technology companies in the UK for 15 years. In early 2007, Ian left his career in the City to set up IS Research, an independent research company which analyses the corporate and financial performance of software & IT services companies in the UK. Subscribe to his daily news feed at www.megabuyte.com

Rod Aldridge: A Foundation for Social Entrepreneurship

Capita founder and entrepreneur Rod Aldridge has set up his own Foundation to offer disadvantaged young people a second chance in life and is asking the awkward questions on shared services, public sector reform and social exclusion.

Rod Aldridge
Founder, Capita and The Aldridge Foundation

What do you do after creating and running a £4bn company for over 20 years that has transformed the landscape for shared services and outsourcing in local and central government? If you're Rod Aldridge, that's an easy question to answer. After overcoming the barriers of a reticent government attitude to outsourcing, and his own initial lack of confidence in setting up what eventually become business process outsourcing specialist Capita, Aldridge, who retired from Capita in July 2006, has set himself a new goal: offering a real opportunity to young offenders that re-offend within two years of being released from prison.

The Capita experience

Aldridge created and drove the successful development of a company that now employs 27,000 people, and interacts with 33m people in the UK.

"To be honest, I never really considered myself to be an entrepreneur," says Aldridge. "Before I first started CIPFA (Chartered Institute of Public Finance and Accountancy) Computer Services, which eventually became Capita, I was 38, in something of a hole because I'd applied for 12 jobs and I'd got nowhere. I was working at CIPFA and was quite frustrated, and then the opportunity to start CIPFA Computer Services came along really almost by luck.

"I can honestly say that in those 20 odd years with Capita, I never once didn't want to go to work. I guess, being an entrepreneur who's building something, it's really down to you. If you don't do it, it's your own fault. I think it's that mindset I'm pursuing through my Foundation, focusing on underachievers, people who are not getting the best out of themselves, and who probably don't have options in what to do with their career.

"Having said that, when I had the chance to do a management buy-out of CIPFA Computer Services, I almost rejected the idea, because at the time, I didn't actually know what a buyout was or what would be involved. When I look back now, I had no business experience, and we had to change the name of the company to Capita because CIPFA wouldn't let us use the original name. We had four customers and 20 staff, so although we'd got a start, we were in consultancy, which frankly means you live and die by what you win."

Encouraging entrepreneurship

Aldridge's success at Capita was driven by his own determination to silence the doubters within CIPFA. With that behind him, he is now adamant that he can apply his experiences of entrepreneurship to give others a chance in life.

"What I find in a lot of the people I meet, particularly in the extreme cases of people who have gone off the rails, is that they've got the brain of an entrepreneur. It's just gone in the wrong direction. It says, "If I can't eat, I'll find how I can. If I want drugs, I'll go and find how I can get them." And unfortunately, they're very good at it. So what the Foundation tries to do is use entrepreneurship as a way of helping them better themselves.

"Coming from a public sector background, having worked for both East and West Sussex County Councils before I joined CIPFA in 1974, I had the good fortune of

> “We were selected more on our capability to change something than we were our price, which is the ultimate business model.”

starting a business almost in a protected environment. That was because the company was owned by CIPFA, so although we were a company bidding for work, we had the massive protection of the Institute around us. Then once we were outside that protection, I had a determination. They riled me. And then they tried to rubbish me, and you don't do that to me. And that fierce determination was in me from that day and it continued for 22 years. I wasn't going to fail.”

Aldridge's leadership also ensured that Capita retained a focused mindset on success.

“The engine driver of intensity was in it from Day One, and I think we timed our move into a market perfectly. That's a bit of luck but it's also understanding your market. We kept the energy sustained for 20 years with 36 consecutive half yearly reports of growth. We never talked about flotation because those who say they're going to float in two years never get there. And we never talked about moving up through the markets, the 250, or FTSE 100, because people would think that was all that matters to you. It was a brilliant day when we were elected into the FTSE.”

Driving the market

Now, looking at the wider services market, Aldridge understands that to be successful, you have to be both big, and able to recognise and create a market.

“Capita actually developed and drove the market, not followed it, like so many others. We said to our clients, ‘If you're paying us to advise you, why don't we take on the responsibility of making what we advise happen? And why don't you give us the people?’ In the end, we were selected more on our capability to change something than we were our price, which is the ultimate business model, where the customer isn't looking at you from price but more what you can deliver out of quality.”

Aldridge would also like to see more competition emerge.

“This market relies upon people persuading other people to outsource. If Permanent Secretaries in government departments had three or four outsourcing companies all coming at them, it would be irresistible. But if they only have a Capita as a solid option, they won't do it, because the government would be scared to risk it.

“Some of the private equity guys get into this market in the belief that they can create a Capita. But it will require a number of moves for a company to put itself in a position to do that. A better way, in my opinion, is to say, ‘That's where Capita is. We're now going to move to the next phase’.” And Aldridge deems there to be key untapped areas such as legal services.

He also believes that the relationship needs to be reviewed.

“Outsourcing's not a great word. It gives the impression that you're giving part of your business away. You've almost got to construct a joint venture where organisations have a stake in it. Then you have a shared objective.”

Making Government listen

Aldridge is now involved in the creation of two City academies in the 12-19 age group in the two massively deprived areas of Blackburn and Brighton. Most of the kids have no home life, and only 29% of them are getting A-C grades, if you include Maths and English.

“We're getting together 30 or so young offenders in April to talk about the justice system they've been through, where currently, 74% re-offend within two years of being let out of prison. These kids have committed crimes but they're still entitled to a chance.”

However, he recognises that progress won't be easy.

“I saw the Prime Minister, and as a result of our conversation, he had a breakfast at No 10 of the ‘great and good’ in this area. And I had to say I felt disappointed because everyone simply seemed to feel good about being there. I said to them, ‘I don't know why you feel good? If you were running a business, you'd be out of business, because you're letting your customers down. 74% of them go back to prison.’

“They didn't like it, but I don't care any more. It's my job now to say these things. I've been successful in what I've done, and though people may disagree, they can't ignore facts. So we will give them facts about what it's like to be a young offender, and we will publish it, even if it makes a lot of people feel uncomfortable.”

For more information visit www.aldridgefoundation.com

Maintaining a relentless pace in the search for top talent

Vance Kearney, VP HR at Oracle EMEA, is regularly named as one of the HR world's thought leaders, and after 18 years at Oracle, he's still in the thick of it.

You've been quoted as saying people are the differentiator between organisations. Can you explain your thoughts?

I've approached this a few times over last two years, and I've always said that people are our most important asset, because of what they do and what they say, how they manage and how they lead.

We have seen significant changes in the last twenty years at Oracle, through hardware to software, through a focus on marketing and branding, to the creation of the Net and its implications on the way businesses are run, whether they're the banks, retailers, car companies or software companies.

Given that continual change of landscape, the key differentiator between whichever of those companies you look at, is their ability to execute. And the largest part of that comes down to leadership and good management. That defines whether you're a market leader or not, together with effective execution of a corporate strategy. If you look at retailers, you'd probably say Tesco, as Britain's biggest retailer, appears to have been the most successful in its strategy execution, though clearly both Sainsbury's and Marks & Spencer have improved their performance recently. What's the key driver? Leadership.

Oracle has been very fortunate to have had similarly strong leadership over the years, from Larry Ellison and the rest of the executive team. We are the world's largest enterprise software company, and if you have the right strategy and the best technology, it will show up in your results. Last year, our annual revenue increased $3.6 billion to $18 billion, and our operating income increased $1.2 billion to $6 billion. Over the last five years, we have achieved our goals through execution of a very clear, globalised strategy that combines innovation with acquisitions and in that, HR has had and will continue to have a huge impact.

Is there any prospect of Oracle's acquisition rate slowing down?

We've made 42 acquisitions in the last two years, with 25 of them in Europe. There have been some big acquisitions, but a lot of smaller ones too, though the smaller ones tend to get less attention. The pace of Oracle is relentless and all consuming. Everyone is doing more with less people – more efficiency, more performance, and more productivity. We'll always want to find the best people because that's the nature of our industry.

I think our challenge now is how to continue all this activity. Over the last five years, our rate of acquisition transactions and the actual number of people hired and managed has been extraordinary. The challenge for HR is to have the time to achieve that. So we automate and eliminate any HR activities we consider to be low value-add and adopt those that will make a difference to the business. We are very well disciplined.

When Oracle is in the process of acquiring another company, does it try to integrate that company's culture?

The largest acquisition that we've made is in scale less than a tenth the size of Oracle. So it is clear which company's culture is going to be dominant, though having said that, each of the companies Oracle acquires brings a valuable set of skills and capabilities that we didn't have before. But it is not at all a question of merging cultures.

How does HR within Oracle go about attracting and retaining new talent?

Everyone within HR efficiently does their job. A big part is working with the senior management to unlock new and emerging top talent that we are developing ourselves, or that we're gaining through the acquisitions we make. We're going out and recruiting new skills as the business develops, and gaining new products and new capabilities that ensure we have the breadth and depth of the skills we need.

Does Oracle's HR team have a system (or structure) for managing the people it has acquired?

Oracle's HR does not manage people. Managers do that. What

“In the past, organisations have been able to move ahead of their competitors with better equipment, technology, or geographical location. Today, there is a pretty level playing field for most industries in all these respects. So, what is left? People.”

Vance Kearney, Vice President Human Resources, Oracle EMEA

HR produces are the tools and processes that enable managers to do a very good job of it. We have recently introduced ‘buddy systems’ for new employees to be able to team up with Oracle employees. And there are plenty of Oracle employees to go around: there must be 15 Oracle employees for every new Oracle employee. We do have to be careful with smaller acquisitions that we don’t swamp them with our processes. And sometimes, we are so focused on the work we’re doing that the relative number of people working on an acquisition is greater than the number of people being acquired!

Does Oracle need to acquire companies to maintain its pace of innovation? Or does innovation come from smaller players?

In the early 1990s, we were a single product, relational database business. Now, we have easily 200 plus products covering databases, middleware, business intelligence, business and industry applications. We are selling to many different markets, and there are many more players than in 1991. In EMEA, we used to operate in 20 countries. Now we operate in over 60 countries.

But to compete, you have to be a large company. We are already seeing a consolidation of the industry. Yes, there will always be small niche companies providing specific skills and capabilities, but the market will be dominated by a few larger software companies. Technology innovation will come from big companies like us, IBM and SAP, as well as from small companies. The smaller ones that have a significant impact are likely to find themselves becoming more attractive to the larger ones.

Do the employees you acquire really believe in the benefits that can arise from working for an organisation of Oracle’s size? Or are they concerned that the way they work may change after the acquisition?

Making an acquisition offers the potential to channel any duplication into hard savings through economies of scale, and that also includes HR.

The smart people we acquire do see that there are 60,000 opportunities that we have here within Oracle. Some of the people who are coming from small companies will still be people who like to work in a small organisation, very flexibly, and very entrepreneurially. Others will see the opportunity we offer and grasp it.

Looking at careers, are the skills needed to be a successful HR leader transferable from one industry to another?

Yes. HR skills are transferable, and you can go from one industry to another. I did. People are people. There will be times when to be considered for some roles, it would be preferable if you had knowledge of working in a particular industry, and that includes the IT industry, which has seen a number of changes, going from being hardware-based to software-driven, and now Web-dependent. Gaining and building talent is the same in any industry; the challenges are very similar.

The way you build a great career is having a strong focus. Get experience of as many aspects of HR as you can: recruitment and retention, policy development, learning and development, compensation and industrial relations.

The alternative is to develop a specialism. You could, for example, spend 10-15 years doing recruitment, and recruiters do make very good HR people through their skills in finding the talent and understanding their clients’ needs. As I said before, it is people that make companies. ■

Gilles Babinet: entrepreneur

Gilles Babinet has created and managed several successful businesses in France and has been involved in the emerging Web and mobile entertainment and music market from its earliest days. Here he opens his busy diary to GS-insight.

Monday 10th March

I spend most of my weeks working on Eyeka, which is a provider of mobile video and image service applications; but I am also committed with three other projects: Awdio, a live-streaming web radio site; Digicompanion, a company using film and music to organise retail promotion, with a download platform specifically designed to enable brands to offer digital rewards to their consumers on mobiles and PCs; and Musinaut, which has created a new interactive digital audio format for artists, professionals and listeners.

My week begins with a catch-up meeting about Eyeka and then a lunch meeting with an executive from MTV in France. Later in the day, I had an appointment with an investment banking contact from Athema, a company specialising in corporate finance.

Tuesday 11th March

I start with an administrative meeting, and that is followed by a discussion about marketing for Awdio. At lunchtime, I had another meeting, this time with the CEO and COO from the branding and disruption specialist TBWA, which is among the largest advertising agencies in France, and in the afternoon, there was a conference call to discuss our public relations strategy for Eyeka. In between, there is the inevitable flood of emails to catch up on.

I get about 200 a day, but I can usually manage to isolate the important ones!

Wednesday 12th March

I'm not really an early starter - usually because I'm working late at the other end of the day - but today I had an early morning management meeting about Awdio, followed by further mid-morning discussions. Lunch today is with a journalist, Anne-Lise Carlo from the magazine 'Strategies', which is a well-respected French business title that covers the world of marketing, advertising and communications. I'll probably have lunches with journalists a couple of times each month.

When I get back, I catch up on more emails before a late afternoon meeting with the Managing Director for the New Media arm of one of France's largest investment and industrial holdings groups.

Thursday 13th March

A busy day of meetings, which means I was able to make use of Paris's cycling scheme Velib, where you can pick up and drop off bikes at various places for journeys around the city. Although I'm busy, I am usually pretty organised and I hate being late for meetings. So Velib helps me get around and I'm certainly a 'power user', doing hundreds of kilometres a month. It's the best way for me to get around Paris during the day.

The day began with a meeting with IP, which is the advertising sales house for RTL, Europe's largest TV, radio and production company. Then it was lunch with a former Eyeka executive to help him set up his own business.

In the afternoon, I had a meeting with a senior executive from Demain TV, which is France's TV channel devoted to employment, training and business. Then I have a discussion with the Chief Executive of 24h00, one of France's main Web-based retailers.

I'm a great fan of yoga, doing half an hour for relaxation at the end of every day, and after today's line-up of meetings, it certainly helped!

> A busy day of meetings, which means I was able to make use of Paris's cycling scheme Velib, where you can pick up and drop off bikes at various places for journeys around the city.

Friday 14th March

Almost the weekend, and the day begins with a meeting with Medef (Mouvement des Entreprises de France) which is France's largest federation for employers.

Then there's a briefing with Capgemini, which I'm not obliged to attend, but do so anyway.

My final appointment of the week is an important one with the COO of SACEM (Société des Auteurs, Compositeurs et Editeurs de Musique) which provides protection, representation and service for original music composers, authors and publishers, and collects authors' rights and redistributes payments to the rights-holders.

The Weekend

I try not to take part in too many time-slotted activities. I like sport, so I'll also try and fit in some swimming, doing at least 2Km each time.

On Saturday night, I just cannot conceive staying home. A dinner, or even better, a dancing party at some friend's place is customary...

Visit www.gillamorstephens.com for more diary excerpt interviews

Gilles' Projects

Awdio

Awdio is the first platform to broadcast music 100% live, where users listen to the music played in clubs and concert venues worldwide, in real time! This is fast becoming the new model for music broadcasting.
www.awdio.com

Ekeya

Founded in 2006, Eyeka is an online platform that enables brands, media, content owners and mobile operators to seize opportunities in new media, with solutions that include platforms, hosting and content services.
www.eyeka.com

DigiCompanion

DigiCompanion provides solutions that deliver premium digital content to mobiles or PCs to create innovative marketing campaigns that address a host of needs, including recruitment, loyalty, brand building, and building durable consumer relationships.
www.digicompanion.com

Musinaut

Founded in June 2006, Musinaut is a visionary centre of research and development for musical creation, aligning artistic excellence with technological leadership. Musinaut supplies creative products that multiply the current opportunities available to musicians and fans.
www.musinaut.com

Background

Gilles has successfully created and managed various successful businesses as CEO. At the age of 24, he set up Absolut, a consultancy firm specialising in product design and marketing which he eventually sold to fully dedicate himself to the creation of Musiwave. In five years, Musicwave became the leading European provider of mobile music and entertainment services to telecommunication operators and media.

Since then, Gilles has co-founded Eyeka, a new-generation platform for promotion and syndication on the Web and mobile phones, and a live-streaming web radio site, Awdio.com. He has also been co-funding two companies, Digicompanion, and Musinaut, which raised $7M in seed funding in June 2006.

Delivering 'outside-in' thinking

David Kutena, Ericsson's Director of Innovation explains how he's driving customer-focused thinking that delivers value to the business and its customers.

It can be a risky thing to say you're Director of Innovation, because it can sound like jargon. Actually, my role is customer focused and I am target driven in that I have to deliver hundreds of millions of pounds of incremental business based on innovation.

Ericsson sells innovation. So our core business is research and development; developing new products, patenting them, delivering new capabilities and either filling a hole that exists in the market, or creating something that we know the market wants. We also drive innovation in our approach to solving operationally and commercially complex challenges for our customers with our services and multimedia businesses

Since 1995 we have been doing between 10,000 and 20,000 face-to-face interviews each year to understand trend, behaviour, expectations and desires which allows us to focus on where we spend the research and development budget.

The research and development lifecycle can be up to 10 years, so if we don't understand where the consumers are going to be in three to five years time, the product we're developing today is going to miss the target.

We have a very mature, robust innovation process, and the companies we partner with profit out of leveraging the things we innovate.

Creating value

I sit directly under the Vice President of Multimedia, and I drive innovation across the whole business. My conversation is about the business opportunity in the market, where those opportunities sit, and how we and the organisations we work with might need to play in that space: as an operator, a broadcaster, a production company or a content owner.

I believe that businesses are getting faster, smarter and more capable, driven by a generation that is stronger, smarter and faster than the previous one. Only a few of my peers did an MBA, but now everybody's doing one.

Human capital is getting greater, which means that things get commoditised faster. So an organisation has to have the ability to create value by innovating. If you want to drive sustainable growth, you actually have to be creating new value in new initiatives, new offerings, and new services. And that's my role.

The essential skills

You need to understand project and programme management, and critically, the importance of governance. What I've seen at other companies is people thinking they're the innovation owner. If you're enabling new capability in the business, you're the deliverer of innovation, but not necessarily the owner of that innovation.

Innovation comes from the business and people need to feel that they are part of the innovation process and can participate in the delivery. But innovation has to be tied back to the owners of the business.

You also need to have a broad-ranging set of thinking, and be able to bring that down to tangible reality. There is no point being the pie-in-the-sky guy, because there are lots of them. You also have to be a good communicator, on a number of different levels.

Allies within the business

My 'power base' is my relationship with the CEO, who I've worked with before, and who knows and understands what I do. I also have a strong relationship with the CFO. He comes to me saying, "Surely there's an opportunity over here. Can we make money out of it?"

If I was in the banking or airlines industry, innovation would be driven through technical enablement coming out of the CTO or CIO's office. In Ericsson, we sell innovation, so we need an Innovations Director. What I give is the outside-in perspective, the out-of-the-box view, and not only do I do it for us, I also do it for our customers. I'm always challenging our business to think about our customers' issues, and not simply about our products. ▪

See www.gillamorstephens.com for more Director DNA interviews