Scaling US technology companies in Europe

GSinsight spoke with three General Managers, **Matt Piercey** (Zscaler), **Martin Moran** (Insidesales) and **Ian Tickle** (Domo) about their experience of scaling US technology companies in Europe, the challenges this presents and their tips for overcoming them.

Matt Piercey (Zscaler)

Martin Moran (Insidesales)

Ian Tickle (Domo)

What is your experience of growing businesses in Europe?

Matt Piercy: My first experience of working with high growth technology businesses was at Citrix in 1999. When I joined there were around thirty people in Europe, which grew to almost a thousand during the five years I was there. I was primarily involved in building out the channel and we built a very successful two-tier channel, distribution and VARs.

I subsequently joined VMware as the 6th employee in Europe and over the next 10 years we built the European business to 3,500 employees. In my final role at VMware, I ran Northern Europe which on its own was over a thousand people, with revenues approaching $1bn.

Today, I'm General Manager EMEA at Zscaler, an American cloud security vendor. We're around one hundred people in EMEA and we expect to double that over the next twelve months. We've focused on building a strong European business from day 1 and as a result, we regularly come close to matching the North American revenues. The percentage of revenue that comes out of EMEA is higher than any other company I've ever seen before.

Martin Moran: I spent my formative years at Oracle in the 1990s when the business was growing fast in Europe. In the early 2000s I left Oracle with a group of colleagues to establish Salesforce in Europe. At first it was just the three of us in an office, with three laptops and that was it. During my ten years there however, we grew the company from nothing to a $300m run rate.

I now find myself in the start-up environment once again with Insidesales. I joined as the first person in Europe and we've so far grown to a headcount of around forty. We've got a data centre and telephony centre in Ireland and are due to open a data centre in Germany, whilst our first full year in operation saw us grow by just under three hundred percent.

Ian Tickle: My first significant scale-up experience in Europe was at Omniture where I was part of the team that grew the European business to $50m+ and a headcount of around one hundred people. During that time we made and integrated several acquisitions before being acquired ourselves by Adobe in 2010.

I next joined RightNow with a brief to return the European business to growth and we took it from less than $10m to around $25m within a very short period of time, before being acquired by Oracle. Here I was responsible for the acquisition of cloud businesses whilst managing Oracle's transformation from an On Premise to SaaS business model in EMEA. This included integrating many of their recent SaaS acquisitions.

Now I'm Senior VP and General Manager EMEA at Domo. I joined when we were three people and it was a true start-up. For the first two months, I was negotiating phone contracts with Vodafone, sorting out our local credit rating and setting up the general administration of the EMEA subsidiary, all whilst prospecting and selling. Now we're into a structured scale-up phase with clear investment trigger points in order to take advantage of the great progress being made throughout EMEA.

What is the current state of the European market?

Europe has experienced its fair share of political uncertainty in recent times but technology sector continues to go from strength-to-strength. For many technology businesses, the effects of Brexit and close fought elections across the continent have thankfully been muted.

More salient is the imminent introduction of new EU-wide General Data Protection Regulation (GDPR). The legislation includes the requirement for organisations to make clearer their terms and conditions by which data subjects consent to giving up personal information. It also provides subjects with the right to access information as to whether their data is being processed, where and for what purpose, as well as the right to be forgotten. Organisations that fail to comply with the new regulations by the time they come into effect face fines of up to 4% of their annual global turnover.

Despite these changes, Matt, Martin and Ian remain positive about the conditions for business in Europe.

Matt Piercy: Generally, the conditions in Europe for doing business right now are surprisingly good. The economy is in good shape and organisations generally are investing for growth. Though Brexit has caused political shockwaves, it hasn't presented any problems for us at a business level. It has had an impact on businesses that have had to make decisions about where they have their employees and their infrastructure but that hasn't impacted us because we're a service provider to those companies. If a client said to us tomorrow, we're going to leave the UK and move to Austria on account of Brexit, it wouldn't be a problem because we can simply relocate their users over to our datacentre in Austria and carry on providing the same service.

The big thing on the horizon is GDPR which will need to adapt as it becomes mandatory. Nonetheless, we have a feeling as to which way it's going to go and we need to be ready for it. GDPR is one of the things taking up a lot of our time at the moment, as we go into organisations to assure them that we understand the new regulations and will ensure they can adhere to it.

Martin Moran: I fear GDPR may go too far and could act to ultimately slow expansion and negatively affect European economies. Ironically, I think GDPR is a case of closing the barn door after the horse has bolted. As individuals, most of us already fully consent to give away our data, we do it with everyday things like Google, Facebook or Netflix. One positive effect I'm hoping GDPR will have however, is to homogenise the diverse legislations of Europe that hinder many early stage companies when it comes to effectively doing business across borders. If it doesn't achieve that then I think it has failed.

Despite GDPR, I believe there's a new wave of technology entrepreneurship in Europe. This is partly evidenced by the rise of European VCs but more importantly, the extent to which US VCs now invest right across the continent. Whereas, they used to land in Britain or Ireland and then sweep East, they now see greater opportunity all over Europe. This I believe is due to the growing liberalisation in European countries who have become more open to Foreign Direct Investment (FDI) - money coming in from the US and the ways in which that money can stimulate the economy.

What are the challenges posed by the European market and what advice do you offer to US CEOs looking to grow their business in Europe?

The European market presents numerous challenges to businesses looking to scale across the continent, due to the different legislations, languages and cultures found in each territory. Ian, Matt and Martin discussed these issues and the questions they raise as to the best business model to adopt.

Ian Tickle: If you want to be successful in Europe you have to go all in. By that I don't simply mean in terms of headcount, resources or investment, but in terms of ethos. You have to ensure that the European organisation obtains a prominent voice at HQ in the US. Europe is a phenomenal market space which can offer 30% to 40% revenue contribution and has the potential to grow really quickly. Hence, if you're going to invest in Europe you have to give them a seat at the table, a voice for strategy and a vote in decision making. If you've got the right people in place they won't care what time the call is, or how many times they have to get on an aeroplane, so long as they get to have their say.

A big question when scaling in Europe is what model are you going to build in terms of sales? The burden of having headcount across Europe often puts companies off trying different regions so a partner model becomes more palatable. From our perspective at Domo, it made sense as an American company to go to English speaking territories first as that market alone is huge. Recently however, we've experienced a lot of interest from France so now we're looking at how to support that market. There's a certain amount we can achieve in France working from the UK but ultimately it's a partner approach for us to start with. Once

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the partners have experienced strong, substainable traction, we can then look to put dedicated supporting headcount in place. I believe a partner play to expand your distribution capabilities / test new markets is a fundamental requirement.

With the adoption of internet technologies and video conferencing, we are starting to find that customers don't necessarily need face-to-face contact as they used to and for sales reps, there's more productivity in being on the phone, rather than travelling all the time. However, this has also brought about new complexities around building the right culture and environment to work in. People can work increasingly from home now and we trust them to do so but as a start-up, it is then very difficult to build a culture where people are truly collaborative and where they all learn together. You have to decide very early on, whether you are going to invest in office space (and what type) because once you start with a culture where people don't need to be in the office and collaborating, it is very hard to reverse.

Matt Piercy: Persuading an American organisation to appreciate the differences over here, in terms of legislation and culture is sometimes a challenge. We have a fantastic economy in Europe which can deliver results almost on a par with the US. But in order to achieve that, some things have to be done differently than in North America. Namely, I have to hire people in every major country. The success I can have by flying someone based in London around Europe is not comparable to basing someone in New York and flying them around the states, due to the language barrier. You are never going to unlock the potential of Europe unless you go into each territory, particularly when selling a cloud service where the client is trusting you to look after critical data and deliver a service on behalf of their employees because then you are into the realms of legal responsibility, workers councils and employee rights which varies across borders. At Zscaler, we went into Germany, France and the UK from day one and what that's given us is a business in Europe that almost matches what we do in North America.

Martin Moran: CEOs mustn't assume that the European market is all the same because it isn't. However, it's important not to over fixate on cultural variations. I think Europeans like to portray to the US that we're all completely different, whilst they might look at us and think "you're all the same". The reality is something in between. Generally consumer behaviour and the ways in which people acquire are relatively patterned across borders but if you land in the UK and are successful, don't assume that means you've cracked Europe, because some things such as language and legislation are not homogenous. To overcome these sorts of challenges, CEOs must use their network, talk to people they know, who have done it and know what it's like.

One thing I've seen go catastrophically wrong which I think any CEO looking to scale in Europe should be mindful of is when a business tries to land all across Europe. Don't think you're covered because you have a salesperson in every country. That will almost certainly fail because you won't be able to build any cohesion and some individuals will almost certainly become detached from the organisation, its culture and processes. My view is you should find a single location to start from and then test continually into different markets.

What are the challenges regarding talent when expanding into Europe?

Martin Moran: The European talent market is certainly becoming more competitive. It's getting tougher and tougher to find really good people. Take sales for example, I'm not seeing an explosion of growth in the number of people coming into the profession. The barrier to entry at the lower levels is almost non-existent but it's much harder to find the best people at the top of the profession and it's very expensive.

Ian Tickle: There's definitely been a change over the last five years in terms of availability of talent and the associated attitude. As one example, the expectations of promotions and pay rises have increased dramatically as well as general expectations so you can't tell a twenty-four year old who's just made their target for the last three quarters that there is no progression option. You now have to create micro-promotions and find alternate ways to keep the momentum going as ultimately this isn't going to change. Success can only be achieved if you build a culture that motivates people in multiple ways. Part of this is making sure they enjoy work and that there are other (non-financial) incentives to be in the office. The other way to motivate people is to present the bigger picture, trying to help people understand where they want to get and how to get there. I see a lot of CVs of people who've moved from job to job every eighteen months and that is fine in some cases. The challenge however is that although this might help them get a bigger salary with each new role, the impact is only realised when someone then wants to make a more senior grade, such as General Manager. That lack of ability to show commitment is just not going to fly.

Matt Piercy: Finding and securing the right talent as one of thousands of small businesses takes time. I found that my personal involvement was important in the early days. People are far more likely to respond if you personally tailor an approach to them and a lot of people we have are with the business because I personally targeted them and went after them with a never say die attitude.

In EMEA we are currently having to recruit someone every two and a half working days so we've really had to scale up our ability to hire. We have a dedicated recruitment team, making calls, building pipelines and coordinating calendars. It is one of our most critical teams for the next three to four years as we continue to grow.

Unfortunately, the challenge isn't simply hiring, it's firing as well. You have to be good at both because the people you have from day one, when no one has ever heard of your business are often very different to the people you need when you've got one hundred and fifty customers or more. Some people can make that journey successfully but for others it proves more difficult so you have to be good at hiring and firing.

The challenge to find and retain talent is just one of the many challenges posed by the European market. Political uncertainty stirred by events such as Brexit and the introduction of GDPR, as well as regional variation and the difficult decision as to how best to go to market all prove daunting factors for US businesses to overcome when looking to realise their international aspirations. However, as the experiences of Matt, Martin and Ian attests, these challenges pale in comparison to the potential the continent still has to offer. If CEOs are willing to truly invest in Europe from an early stage, and treat it on a par with North America, then the European market can be a powerhouse for any technology business.