iopener

Gillamor Stephens

Cable & Wireless: a corporate turnaround

Jim Marsh, CEO of Cable & Wireless, is betting his reputation on returning the good times to the UK telecoms company.

The maxim "irresistible force meets the immovable object" could have been coined to describe the impact Jim Marsh has had on Cable & Wireless' Europe, Asia and US business (formerly known as UK), since he became its Chief Executive just over a year ago.

Marsh joined the company following its acquisition of Energis where he was Business Development Director. His challenge was to mastermind the turnaround of Cable & Wireless, the country's second biggest telco, which in the past has struggled in the wake of fundamental structural change within the telecoms industry.

Now, led by Marsh, the company is in turnaround mode following a major structural overhaul, a focus on multinational corporate accounts and a new 'customer-experience' strategy.

Marsh is a chartered accountant by training, specialising in corporate finance and recovery, and insists he was not daunted by the challenge of transforming the fortunes of Cable & Wireless. Although he didn't necessarily expect to find himself in such a critical role in the telecoms industry at this stage in his career, he's relishing the challenge.

"Ultimately, this is more inspiring than daunting. I feel proud and privileged to have been given the opportunity. I hadn't expected to have the role I now have working in a telecoms company that is known around the world - it's a fabulous opportunity."

Viewfinder

Welcome to *iopener*, the quarterly magazine from Gillamor Stephens, a leading Executive Search and Selection company serving the international ICT sector.

iopener gives you access to key executives who are shaping the sector - focusing on the people aspect of the technology industry.

In this edition you will find interviews with senior executives at Cable & Wireless, Dell, Symbian, Northgate IS, Focus Solutions Group as well as a leadership feature on England RFU captain, Mike Catt MBE.

iopener is published in both print and electronic formats, and can be viewed and downloaded from our website www.gillamorstephens.com. We trust you find *iopener* an interesting and enjoyable read and we welcome your feedback at iopener@gillamorstephens.com.

Steve Morrison, Founding Partner

Success with integrity

Stephen Murdoch, VP of Solutions and Services, EMEA at Dell. After a long career at IBM, Stephen Murdoch is enjoying a different culture at Dell, and insists on 'always leaving something behind'.

iopener (io): How did you progress to your current role at Dell?
Stephen Murdoch (SM): IBM turned me down three times because they didn't hire for sales straight from university. I persisted, and spent 17 fantastic years there. By the time I was 28, I'd had five different sales roles within IBM. I was there when it was going through its most difficult times and most interesting times. For example I was in Germany when Greg Lock was given the challenge of being one of the first Global General Managers for a business, creating a worldwide strategy within IBM. I got called back to the UK to be the RS/6000 Unix Sales Manager, which was a job I really didn't want to do. My boss said I was bristling about it, saying I thought the job was beneath me, but he told me my experience of sales management wasn't deep enough and it would always be a gap unless I solved it now. So I came home and did the job – and it nearly killed me. Not only was the training superb, but the leadership development was world class.

io: What was it that persuaded you to leave IBM?
SM: Leaving somewhere like IBM feels like a divorce; I had a huge amount of personal friends there but 17 years is a long time. In a company that is broad and complex it's easy to lose accountability. I never wanted to do that. I also found I was having to fix things I

had fixed before. I used to always get broken things or businesses that needed a shake-up, with the message 'Go fix'. I was tired of fixing things. I wanted to build something, and test myself. When I started talking with people at Dell I found it has an incredible culture, it's grown rapidly and continues to grow rapidly. The people have a strong 'can do, will do' attitude and I welcomed the opportunity to be part of the challenge in transforming the company to a Solutions business.

io: How would you describe your management style, and how does it set you apart from others?
SM: I really believe the team you leave behind is your most important legacy. There are those executives who you might classify as 'scorched earth'. Their attitude is 'I will deliver what I'm asked to deliver, even if it means leaving carnage. Whatever it takes – I'll get it done.' I've never subscribed to that. My job as a leader is to build on what I've inherited and make people feel passionate about their role and contribution to the team, and the values and goals of the organisation, but not necessarily about me. I do care, and it is nice to be liked, but it is critical that you are first respected and trusted. I think I'm quite cuddly although I don't get that feedback from people. I think part of it is that is I'm brutally straight – but I

won't damage people. As General Patton once said "You don't lead by hitting people over the head. That's assault, not leadership."

I'm very, very competitive, and I hate missing any target or goal, but I always think in terms of developing things. I try and leave people more capable, or in different jobs. I've moved roles or jobs 14 times, and I've never taken people with me because you're supposed to leave more behind than when you started.

io: Is that a philosophy you have evolved because of someone you've worked with in the past?
SM: Yes, many of the best leaders I have worked with embody this. But also in part it's a reaction to a more negative thought. I hate the macho approach, because it's counter-productive. At one of my previous jobs, it became the done thing to schedule a meeting on Saturdays so that it didn't interfere with the working week. I would get instructions, "Get the German or the French team on the call on Saturday mornings." And I would refuse. I'm not getting people on the phone on Saturdays just to be macho. Sometimes people drive you nuts. For example presentee-ism, when people send an email so you can see they're working at 11.00pm. Or people say "I'm on holiday, but it's OK to call". No, it's not OK – you're on holiday. It's not altruism, it's respect and pragmatism. ➲

> " My job as a leader is to build on what I've inherited and make people feel passionate about their role and contribution to the team, and the values and goals of the organisation "

You're no use to me if you come back from holiday knackered. I always, always take holidays.

io: When you're hiring, is there some sort of wow factor you look for in a candidate?
SM: The one thing I do is I make sure the people who are involved think differently to me, so I get different perspectives and insight, but always built on the same values. I have a quote on my wall from Warren Buffett, "When valuing executives, look for three qualities: integrity, intelligence, and energy. But the most important is integrity because if they don't have that, the other two qualities, intelligence and energy, are going to kill you. Without integrity you really want them dumb and lazy." It's a key part of my philosophy. I've worked with people who work harder than me and are smarter than me, but they don't have that fundamental integrity. I don't mean they're dishonest, but they don't care what they leave. I just couldn't do that.

io: How have you taken to the Dell culture – does it differ greatly from that of IBM?
SM: IBM has huge capabilities and resources internally, and looks to do everything they can first, for example promoting from within, developing things themselves. Dell, in contrast, is a younger, faster growing company, and a very externally oriented organisation,

so it's a hugely different challenge for me. There's almost always a complete absence of politics. I think some of it is that people are too busy. This is a 21 year old, and it has all the attributes of a 21 year old – lots of energy, but that has to be allied to discipline. It has that very dynamic, get-stuff-done attitude, which is a lot of fun. But when you're trying to transform something, you can sometimes be over-empowered. What I'm trying to do here is put in some structure, some direction, without stifling the entrepreneurial-ship. That said, you need to get the balance right between collaboration, listening and understanding.

io: What makes Dell's approach different to the competitors?
SM: As a services and solutions business it's important to be much more targeted on where you can be world-class. If a customer says 'Can you do...?', most of the IT industry has said 'Yes' before the customer's finished the sentence. The whole industry's like that. For Dell, it's 'We do this. We don't do that.'
Hardware price performance and what you get for your money has changed out of all recognition in the past five years, and now Dell is in a position to bring some of that process improvement and standardisation to IT services. One of my jobs is to make sure we don't allow ourselves to drift into the idea that, 'All those people

have been doing it for a long time, so maybe we should do that too.' HP can't be IBM, and nor can we, and at the same time they can't be Dell. We have a unique approach with our direct model and ability to drive standardisation and process efficiency that other companies can't easily imitate.
Customers are finding more sophisticated, more demanding use of the technology, whereas five years ago x86 was file/print and a little bit of Web. As people begin to do more sophisticated things, they demand more from you as a provider. They're interested in the optimum way to architect Exchange, or a strategy for back-up and recovery, or guidance on when they should deploy Vista. They expect us to have a point of view on how the technology can be exploited. So we've built a service capability that enables us to have that point of view. ∎

Career Highlights

Prior to joining Dell, Stephen worked for 17 years at IBM where, most recently, he was Vice President, Communications Sector, responsible for the complete IBM portfolio for Telco Media and Utilities industries. During his career with IBM, he held a number of EMEA and UK senior management roles. His experience spans storage, enterprise systems, software and services.

Safeguarding your 'NetRep'

It's no longer sufficient to 'Google' a candidate; you can now MySpace, LinkedIn, or YouTube your next employee - or employer.

A recent report "What does your NetRep say about you?" commissioned by business social network Viadeo, concluded that mis-managing your personal and professional reputation online could cost you your next job.

By posting information about your personal life in the growing number of Web communities, you are opening yourself up to scrutiny because it's not just friends and old school mates who look at or search for your profile on sites such MySpace, Facebook, Linked In, Viadeo and YouTube. Your current and future employers have the same access to 'your' information, views, habits, interests or even prejudices.

Some might say that what you post on social i.e. personal,

networks should remain just that, personal, but more and more recruiters and companies are using these communities to research interview candidates. However unethical this may seem, already 59% of hiring managers who came across a candidate's profile online say this influenced their recruitment decision. If the information is out in the public domain, some might argue, you should use it.

But it's not all bad – the modern CV or application form can be stifling, and having an online persona can enhance your chances of employment success. Viadeo's research concluded that 13% of recruiters were positively influenced by additional information they had found on the internet.

The brief for a recent Executive Search conducted by Gillamor Stephens for a major online media company specified that the ideal candidate would have "A huge online presence, contributing to forums, writing their own blogs and having their own website..." So achievements, character traits and common ground not easily conveyed through a paper based resume can be expressed. Of course, context is key and the nature of the role dictated this.

It's not just a one way street, however. Potential recruits can also research the good, bad and ugly side of working for a company before stepping through the door, with 'alternative' company websites giving a frank account of what happens behind closed doors. ∎

The rise and rise of GS Select

One year on and GS Select, Gillamor Stephens' search and selection practice, is going from strength to strength, with one-off and multiple recruitment programs underway.

Providing our clients with a selection level solution whilst maintaining the high levels of service akin to the Gillamor Stephens executive search projects, has proved to be a winning formula for GS Select.

We have established an impressive client portfolio which includes Dell, Yahoo!, 3 and Computacenter. We recently

assisted a leading global IT products and services company to strengthen its capabilities in professional services by placing five senior commercial Solution Architects in Q1 of 2007. We also helped NewHeights, the Canadian software company, enter the European market by placing their first commercial hire in the UK.

Over the past five years the ICT

recruitment market has been reliant on executive search for the very senior end of the market, and web-based and contingency solutions for the more commoditised end of the market. With the current growth in this market, the £50,000 to £90,000 level of recruitment is returning. GS Select fills this gap perfectly. ∎

Get in touch with a GS Select consultant on +44 (0)1494 687 020

The smart people's director

Richard Lowther explains how he's building Symbian's HR infrastructure to reflect its market leading global presence, its drive for customer-focus, and the recognition that smart engineers need smart managers.

The importance of HR Symbian is at the centre of an industry that is highly competitive and growing at a phenomenal rate. Our engineers are involved in phones with a long product development life cycle but a pretty short shelf life so there is a constant demand to innovate.

Last year we shipped over 50m licences globally. That's more Symbian smartphones sold in a year than Apple shipped iPods and twice as many as all Sony PS2s, PS3s and PSPs combined. Naturally, this growth has brought change to Symbian's culture and there is a need to continue to become more agile and continually evolve ahead of the rapidly-changing market.

The job is to retain what's great about the current culture - and decide what we need to bring in.

Recruitment criteria
As with all companies, the best thing you can do is hire the right people to begin with and we have to do that across the world to be competitive. I was in Bangalore recently where we have an engineering centre of 300, and this week I am visiting our new centre in Beijing. Talent is everything at Symbian. To make sure we hire the very best team we can in China, the first permanent employee we've hired in the new Company is the Head of HR. We're starting with the people bit first.

Global recruitment is a key element of the business strategy. We have a great graduate hiring programme that attracts talent from many of the best universities, including Oxbridge and Imperial.

We're reviewing our senior recruitment processes to look at national and international labour pools. When hiring technical people, it is very important that we're not just testing people's technical abilities, but also their ability to work in teams, to work to deadlines, and to solve the right problems for our customers.

The organisations we work with invest multi-million euros in product design, marketing and sales campaigns. Products must ship at the right time and they have to work.

Creating a global company with the right culture
As the market leader, one challenge is to ensure Symbian doesn't fall into the trap of being complacent.

Symbian's leadership team is developing strategies that will make Symbian become even more customer and performance focused and develop an effective global company - we call it fixing the roof while the sun's still shining!

Symbian's culture is very, very strong. People work here because this is where their friends work and they are certainly not backwards in coming forwards with feedback. In response to that, we're improving our annual staff survey mechanisms. We're focused on making this more effective to get very fast feedback from management to employees on the issues reported by their teams.

Manager capability
Our challenge is to ensure that our technical people don't have to go into people-management roles to get promoted. Assessing manager capability and motivation early on is important, and we're building up those processes now. We have great employees, some of them are world experts in their chosen field. We want the very best, managed by the very best. ∎

Read the full interview on our website, www.gillamorstephens.com

Director DNA

- Be commercially focused and understand the business you're in, as well as the people working in that business
- If you're lucky you'll have a bit of in-built intuition
- Understand what the company needs to do in terms of change
- Having a keen interest in the future makes the difference between quality, operational HR, and high value-add people management.

Richard Lowther
Executive Vice President Human Resources, Symbian

An irresistible force drives the Cable & Wireless change

Jim Marsh, CEO, explains how his journey to turn around Cable & Wireless requires hard work, customer-focus and a reliance on his colleagues to deliver.

Jim Marsh
Chief Executive Officer,
Cable & Wireless
Europe, Asia and US

Keeping up with evolution
"Our story stretches back over 100 years and we have seen technology evolve through cable, radio, satellite and beyond, to a new era of international communications. Throughout, we've developed our business to suit the constantly evolving global communications marketplace.

"What I always felt and imagined was that this was a job that I could do, but I honestly didn't expect it to be in a telecoms company because I had no experience in this industry – my background is in retail.

"However, that lack of sector knowledge is a good thing because you come to the job with no preconceptions, so you can see things more clearly. You can certainly see the big picture afresh.

"In fact, this is a view we take across the company. We actively look to recruit roles from different sectors – not just telecoms – so colleagues can add valuable insight and knowledge to the service we deliver to our customers."

No pigeon-holing here
After being 'spotted' to bring dynamism and energy to Cable & Wireless, Marsh is equally keen to look beyond CV's when it comes to recruiting others in his own image. And having made an employment decision, he expects it to work.

"In the same way that I'm doing this job, even though I didn't have a history in the telecoms business prior to my time at Energis, I don't let myself be guided just by what's on someone's CV. If I have a hunch that someone can do a job that feels right for them to do, I'll back that hunch. Generally, people flourish in the roles you ask them to do. Taking risks on people is something that's worth doing because they grow into the role."

It's about people not technology
Having got the opportunity to tackle Cable & Wireless' recovery, Marsh wants to offer the same developmental opportunity to Cable & Wireless' colleagues to deliver on the turnaround, and at the same time, set down a marker for their own careers.

"Our people (we call them

colleagues as it's our business and we all share in its successes) – are critical. We can't do this without taking them with us. I've been very clear with all of them over what's needed, and yes, there are some colleagues that we've unfortunately had to let go.

"We're only at the beginning of this journey, and we have a long task ahead of us. And it will be a challenge because the telecoms industry is a fundamentally different place than it was five years ago. But the energy, drive and commitment of our colleagues are what will see us through. They are not part of the problem, they are part of the solution, and they all want to do a good job. It's our great people who deliver great service and who our customers identify with, so our colleagues are vital to our transformation."

Broadening skills
Marsh has found that since taking on his new role his time is even more in demand than before, and that, as the Chief Executive of Cable & Wireless' Europe, Asia and US business, he too must ↻

> " *Our people – we call them colleagues – are critical. We can't do this without taking them with us.* "

learn new skills to understand every aspect of the company – and almost every customer and 'colleague' within the business.

"We're a global business and managing time is a challenge for me. It's important for me to be in touch with all parts of the business and our customers, across all of the three continents in which we operate.

"I'm also passionate about giving and getting feedback and developing a learning culture, and we need to have that constant view from both colleagues and customers. So, often at the end of meetings, I'll take a few minutes to get some response from attendees, and get their thoughts on how something could have been more effective and how we could learn from the experience."

Delivering a great customer experience
Besides energising and engaging his colleagues, there is another key challenge that Marsh believes he has to focus on in turning around Cable & Wireless: creating a seamless company that delivers a great customer experience.

"Our industry is not known for providing a great customer experience and so we're defining what it's like to work with the best global communications company in the industry.

"We have plenty to do over the next few years and, as well as having a strategy to say what we are going to do, we also have

to have a plan which covers what we're not going to do. We're going to focus solely on multinational corporate customers.

"Our obsession with delivering excellent customer service can make a difference to their business, helping them manage their telecoms agenda. They tell us they need new ways of working, and new ways to engage with their consumers, while being innovative and reducing costs. We can help them achieve all those goals."

Managing the work-life balance
Although the commitment and drive to lead Cable & Wireless means his role could be a '24x7' job, Marsh insists that he manages the work-life balance to get some family 'downtime' away from the company.

"I do set some parameters. From 6am Monday to 6pm Friday, I am totally immersed in doing this job, though I am always available on the phone if family issues arise. From 6pm Friday to 6am Monday, that's the weekend, and

I don't bring my work home."

Come Monday morning, however, Marsh will once again be setting his sights to land a few targeted blows on an old rival: BT.

"A few years ago, I would not have considered telecoms as a sector to be working in, and now I don't want to go anywhere else.

"You're constantly faced with different challenges, and you have to meet them head-on. It's tough. It's demanding. But it's infectious and it's exciting. Of course, if you just want lots of structure and a slower pace, go and work for BT. If you want to learn in a challenging, rewarding and satisfying working environment across global offices, then Cable & Wireless is the place to be."

Given Marsh's ambition to turn Cable & Wireless around, even the famed immovable object might consider its stationary days numbered. ∎

What are your thoughts on the Cable & Wireless turnaround? We'd love to hear your feedback. Email iopener@gillamorstephens.com

Supporting the biggest telco turnaround in 50 years

Gillamor Stephens has been supporting Cable & Wireless in its transformation by recruiting executive level talent with the mindset and experience to help execute the dynamic transformation vision Jim Marsh outlines in this article.

We have targeted candidates with a broad experience beyond telecoms and a passion for customer service to join Jim's team and add crucial momentum to the credibility of the whole transformation program.

Find out more by contacting Dominic Burrows who is leading this program, telephone +44 (0)1494 687 025 or email dburrows@gillamorstephens.com

The US continues to be bullish

Boston-based Mainstay Partners, one of Gillamor Stephens' mosaic executive search alliance partners shares their view on the North American tech-sector marketplace.

Four James Bonds ago, Commodore was the leading PC vendor, Charles and Diana were yet to become an item, analogue was king, and the pound was worth $2. This past week, we got in our Tardis and re-set the clocks to 1981 as sterling rose to its highest level against the dollar, crashing through the $2.010 mark. Without the political will in the US to support the dollar, the greenback has fallen to a 26-year low so the US now offers new-found added value for European companies.

Yet despite some broader economic (and geo-political) black clouds, the North American technology market remains fundamentally strong.

• US venture capital invested in

2006 was the highest since 2001.
• Employment is tightening, with 4.4% unemployment consistent with that of 2001 meaning candidates are presented with multiple, competing offers.
• Technology compensation and remuneration has increased only slightly, with engineering salaries held down by offshore competition. Sales, marketing and business development have drifted upwards by 5-10%.
• The VC market is shifting. Networking, Telecoms and Semiconductors now account for less than 14% of the market.
• The Consumer arena, comprising entertainment, media, gaming, and social networking has been particularly active,

leading to significant talent shortages in marketing, business development, and consumer-oriented sales channels. As one VC said, "If you can sell interactive advertising, you can name your price."
• Meanwhile, the software sector is finding new legs in Web 2.0 and Open Source. One local CEO described this as "fully amortized shelfware making room for software that makes a company's current applications better." Well, that's one way of describing it.

All these trends suggest we can continue to be bullish about the US economic outlook through the remainder of 2007.

Who needs Daniel Craig anyway? ▪

Sourcing executives in Japan

BSP, the Asia Pacific member of mosaic, explains the challenge of recruiting in Japan.

It's no great secret that India and China are the two economies that will make the biggest impact on the global economy and the fortunes of multi-national companies over the next 20 years.

Mark Braithwaite, Director, BSP comments, "Our clients see India and China as key targets for their investment and the war for talent has never been greater. This is why we have appointed Raj Dalal to spearhead our growth strategy

in these areas." He continues, "We are seeing a great deal of activity in the semiconductor and manufacturing space in China while the global IT vendors seem to prefer Singapore as their base for regional executives." BSP has effectively serviced the search needs for Chinese executives from its Hong Kong office over the last year, and plans to open a Tokyo office during the next 6 months.

Japan is a problem country for

many companies. It's the second largest economy in the world and the hardest one to do business in if you are not Japanese. Only about 5% of Japanese executives speak English, so the search pool for western companies looking for a Japanese MD who they can communicate with is very small. This pushes salaries to a level that is difficult to comprehend. ▪

For more information on mosaic see www.mosaicexecutive.com

Reducing your carbon footprint

With energy costs eating up a third of IT budgets the debate about 'going' green no longer exists, just how to get a corporate advantage from it.

The ongoing debate over the environment has reached the Boardroom, where it is now on the cusp of being used to gain a competitive advantage.

Meanwhile, researchers from Germany's Fraunhofer-Gesellschaft, the largest organisation for applied research in Europe, has suggested energy consumption for thin clients can be up to 50% lower than for conventional PCs, and market researcher Gartner has predicted that within the next few years, half of the world's data centres will become obsolete because of power and space restrictions, with energy costs eating up a third of IT budgets. IDC too has suggested that IT organisations are spending a quarter of every hardware dollar on power.

With this in mind, we questioned two CIOs on how their companies are dealing with these issues. ∎

Key Facts

- Globally, the IT industry accounts for 2% of all CO_2 emissions. That's the same as the Aviation industry.
- ISO 14000 standards are designed to help organisations minimise their negative impact on the environment.

John Lockett
CIO
Northgate Information Solutions

Climate change is one of the biggest challenges of our time. The IT industry has a real opportunity to make a difference by using intelligent and sustainable technology. Our company is committed to sustainable development. The Board is responsible for overseeing this work.

We are promoting collaboration and developing innovative and sustainable services which meet the needs of future generations. We recently introduced an environmental policy which promotes a co-ordinated approach combining business development, changing working practices and influencing stakeholder activity.

Northgate is working with public authorities to develop online services to the citizen, and is one of the first companies in the UK to have secured accreditation from the BRE, the leading environmental certification body, for its home energy performance software.

Our newly implemented green travel policy encourages staff to reduce car travel by 20% and use other modes of transport such as cycling and walking.

We are investing heavily in video-conferencing, teleworking and messaging facilities, including webcam technolog and encouraging home-working.

We also take into account the environmental performance of our suppliers when awarding contracts.

Ian Campbell
CIO
British Energy

We're the UK's largest energy provider and the environmental impact of our business is something we're critically judged on. We have a number of programmes in place to address this.

We already use videoconferencing and video-to-desktop as an alternative to travel. We've had a No Email Day to try and get staff to talk to colleagues whilst at the same time saving on storage and disk space. We've also progressed from a weekly to a nightly shutdown of PCs.

Other successful projects we run include trading carbon credits and operating an online car-share scheme, and we'll be recognising World Environment Day on 5th June.

We are the first organisation in the public sector to gain government approval for highly secure remote access for workers, which also addresses environmental concerns relating to travel.

IT asset recycling has been added to our list of requirements when selecting IT vendors, and in my role as Chairman of the CIO forum I envisage other businesses doing the same over the coming years.

We've held ISO 14001 for ten years now, and I expect this to become a necessity for organisations in future.

How to effectively value a company

How do you define the value of a company, and the rationale for its possible acquisition or disposal?

Back in the late nineties, I came across an analyst who, after reviewing the acquisitions made by Cisco over the previous two years, concluded that they had been paying an average of $2m for each engineer. This simple arithmetic became a valuation metric or 'multiple' and led him to conclude that a key part of your exit strategy should be to fire the sales force and hire more engineers!

This may seem to be a bit extreme, yet perfectly illustrates how we look for ways to simplify matters when tackling complex situations. The problems arise when we forget the underlying assumptions to the simplification process.

When established companies are operating in a stable, slow-growth market, there is a good chance that many of their operating characteristics will be similar. Indeed ratio analysis has been used for years as a tool to fine-tune such businesses and it is reasonable to use multiples in order to arrive at what might be called

the 'financial value' of a company. If however we are dealing with a small number of young companies in an emerging, rapidly-growing market, then the game changes dramatically. For this reason, it is critical to understand the reasoning behind an acquisition.

In a technology market, the acquisition is all about the acquirer's 'opportunity' to control the assets of, say, a small, young, entrepreneurial company which has done a great job of innovation, but lacks the resources to scale quickly enough.

I call this the 'opportunity discontinuity.' The opportunity for a given product or service is not a fixed number and is strongly influenced by the capabilities of the organisation making the product or delivering the service. If we equate value with opportunity, then value too is influenced by these capabilities. So the value of a company to an acquirer depends not just on what the target company has done thus far, but on what the acquirer can achieve in future.

Therefore the starting point for valuing a company should not be the revenue or profits to-date but the strategic opportunity for the acquirer.

In other words, forget simple multiples, and think strategic value. ▪

Do you agree? Email your thoughs to iopener@gillamorstephens.com

Paul Rivers-Latham
Partner, Cobalt Corporate Finance

Web 2.0 drives EU VC surge

Online communities have led Europe's VC deals.

Interest in the latest iteration of Internet technologies and services has led to a string of new European venture capital deals, with 2007 continuing a drive in 2006 to raise capital and fund the growth of new Internet companies.

According to Tornado Insider, 57 Internet companies have already raised 54% of last year's total amounting to €409m. A surge in interest in online communities is one of the trends behind the increase, with the Internet Services category leading the way, and 27 companies garnering €89.7m of capital.

The explosion in online communities and the success of sites such as MySpace, and travel site WAYN, means VCs are now hunting out specific countries and cultures to drive new ethnic or national communities, such as epuls, a social network focusing on Poland; Nagi, which offers an online photo community similar to flickr, but in the Estonian language; and Koolanoo, a Jewish online global social network. Online storage of software, documents, photos and videos is also being viewed as a continued area for future investment.

Internet Commerce is also making progress, with 20 companies having raised €95.9 million, approximately half of 2006's total performance. ▪

Setting a World Cup Strategy

Mike Catt MBE, Managing Director of some of England's 2007 RBS 6 Nations performances, could be a leading figure in England's performance in the Rugby World Cup in France later this year.

This autumn, Mike Catt looks set to play a key role in what will be his fourth Rugby World Cup having been part of the side that won the trophy in 2003. He was called up by new Head Coach Brian Ashton to lead the side in the 2007 RBS 6 Nations game against France at Twickenham. Catt also captains London Irish.

io: How do you offer leadership on the pitch? Are you a natural leader?
MC: I thoroughly enjoy it. I'm not a screaming and shouting captain – I lead more by example. If you're playing well, it's easy to do this. It's more about tactical than motivational communication.

The expectation of the players in the professional arena is to perform, because it should be a lot easier to perform now, rather than as amateurs. You can and should expect things to be done better than before. It is a very individual thing though – you have to get it right on match day.

io: Are there any parallels in business to how the captain's relationship with the coach works?
MC: The coach-captain relationship is a parallel to that of the Chief Executive with a company Director. I am the Managing Director on the pitch. Strategy and delivery once the match starts is up to me, executing what we've planned beforehand.

I've always been in a key position as a fly half or centre, and had a hand in the way we're going to do things tactically. Working together with the coach, I'm able to define the way we're going to play and then go out and execute it.

io: England have had a disappointing couple of years. How do you go about trying to achieve future success?
MC: This will be my fourth Rugby World Cup so I have some experience in a tournament campaign. I've also worked with Brian Ashton before.

Turning England around ahead of the Rugby World Cup is akin to turning around a company, albeit with a looming deadline. You have to have the right team/personnel in place, just as you do in an organisation. And just like in business, change is always a good thing. The team has to turn up and have confidence in what they're doing and what the strategy is.

io: How long do you need to turn around an under performing team?
MC: Ideally, you need a 4/5 year plan to give yourself a chance. It took even Sir Clive Woodward some time to succeed. Sir Clive was in charge for 6 years, and that included reaching the quarter final of the Rugby World Cup first time around. Yet Andy Robinson had only two years in the job. Even Wales have been together for a few years, including the Grand Slam a couple of years ago. Success this time around will be difficult to do against the likes of New Zealand.

io: Working with younger players, is your role like mentoring in business?
MC: So many players don't make the most of the opportunity they have in their rugby careers. I look to try and encourage talent – a captain or coach has a duty to make you a better player.

We have to re-focus on getting the work ethic into youngsters: they have to work a lot harder to really succeed. Now, they do their training and then some go home to their Playstation.

Just like in an office, you can put in a 9-5 effort – or you can put more into it. If you want to reap the rewards, you have to do more than just 9-5. Many people expect it to happen rather than making it happen. In your rugby career, it takes 2-3 years and you're always learning.

io: What about the future?
MC: I've not really thought about my future away from rugby. I feel when I do finish playing that I'll still have something to offer, perhaps on the coaching side. ∎

Richard Stevenson: CEO

Richard Stevenson has been Chief Executive of AIM-listed Focus Solutions Group plc for just over a year. We open his diary to gain some insight into his busy week.

Monday 23rd April

As always, I began the day at 5.30am - my two young daughters demand an early start! I left home at 6.30am to travel the 100 miles to Focus' head office. I tend to spend four days in the office and one day in the City with investors each week.

I spent the morning discussing next year's draft budget with the CFO; our brokers predict a 20% increase in 2007, a performance level we strive to maintain.

Monday afternoon is always dedicated to operational management meetings, where the team discuss the sales pipeline, year-to-date performance and client management.

Tonight I'm heading into London for an evening appointment with our new auditors, PriceWaterhouseCoopers.

Tuesday 24th April

I'm currently preparing the agenda for this afternoon's session regarding operational efficiency with the management team, something I've paid particular attention to since my first day.

This morning I met with Smithfield, our newly appointed Financial PR company, discussing our investor messages and the timetable for our full year results.

Time to head out to lunch with one of our major banking clients. They are on-site today to discuss additional areas where we can add value to our relationship.

I'm looking forward to this evening; I'm heading to Sheffield to catch up with an old college friend. UEFA Cup match and a beer in the pub!

Wednesday 25th April

Back-to-back meetings all day reviewing presentations for the analyst briefing with the CFO and a session with the CTO regarding a recently established relationship with a near-shore partner.

I've just completed a lunchtime staff session, gathering feedback and discussing the positive working environment that we strive to create. I like to arrange these informal meetings periodically and today has been interesting to hear how people feel the company has changed over the last year.

I'm off to the gym tonight to continue my training for the upcoming charity dragon boat race in Stratford-upon-Avon. Our annual entry raises a substantial amount of money for the Anthony Nolan Trust and is a great day out for staff and families as we have a barbecue by the river.

Thursday 26th April

Today has been the first chance I've had to visit our Scottish Office since its recent opening.

Some interesting thoughts were generated in a meeting with a potential partner company to discuss an opportunity for complimentary front office solutions.

Friday 27th April

I try to have breakfast at least once a week with my daughters and today I had this opportunity.

A full day with City analysts and journalists gave me the chance to deliver in-depth updates on Focus' progress.

I like to provide a weekly update to all staff and I just had time to email it out from my Blackberry before heading home for a well-deserved weekend!

The Weekend

I spent time with the family and went to the park with my two year old for swings and slides! I'm looking forward to a visit from friends, which gives me a chance to unwind and reflect on my week. ∎

Background

Richard was appointed as Chief Executive of Focus Solutions Group plc on 1st March 2006. Focus is an established supplier of high impact, high value & scalable front office solutions to the financial & public sector markets, which enable faster, more effective & cost efficient processing of complex customer transactions. Richard's previous roles include CEO and President for Business Agility Limited, a systems integrator focusing on enterprise class operations software and related services, and CEO and President of AST Europe.