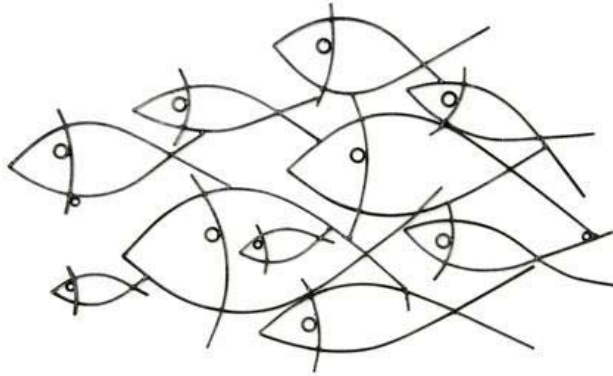


Précis:

## The intelligent new business seminar

### Widening the Net



Held on 23<sup>rd</sup> June 2011

At The Groucho Club, Soho

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#### *Introduction*

An audience of agency founders and directors attended this Rainmaker hosted seminar at London's Groucho Club.

We discussed expansion – both launching new services and setting up overseas. We also looked at the various available options, opportunities and pitfalls, as well as sharing the experiences of those who have a lot of skills in this field.

The notes below provide a summary of the discussion across the three key themes of International Expansion, Entering New Verticals and Adding New Skills.

#### *Panel*

*Ian Millner, Founder & CEO of Iris Worldwide* – Ian has grown his agency from a start up to the leading independent agency network with 750 people globally and offices in the likes of London, Singapore, Sydney, Shanghai, New York, Atlanta, Mexico City and Amsterdam.

*Scott Garrett, CEO of The Storytellers* – with experience across both agency and corporate worlds with the likes of Saatchi & Saatchi, JWT, Nike and Williams F1, Scott now oversees all aspects of The Storytellers' operation and plays a vital role in guiding the business strategically, both at home and overseas.

*Hamish Franklin, Director of Europe for Atlantis Healthcare* – Hamish has led Atlantis Healthcare from its origins in New Zealand into new territories including Australia, the UK, Spain and Germany, both organically and via acquisition.

*Gareth Dixon, Founder of Rainmaker Consulting, part of the Intelligent New Business group – Gareth has worked with a host of agencies, helping them to expand their offerings into new markets, new verticals or via the integration of new service areas. He has also played a key role in expanding the INB group into new areas (Pearlfinders and Blossom), sectors and markets.*

## *Part One – International Expansion*

### How do you know that you're ready to enter a new market?

(Hamish Franklin) Atlantis Healthcare's route to new markets has always been via invitation from a client, starting with an invitation from Roche to service a patient support programme in Australia, and a fully-fledged office of 40 people developed within 3 years.

From here, we entered Switzerland and then the UK but each time we've done so with existing clients backing us. We've essentially had something proven to work in the market under our belts and have taken the time to investigate the market and assess if it has potential. We've looked into local regulations, assessing the culture for a match with our own and then seen if we have people either in the market or on our existing staff who could form the nucleus of a good start up team.

Obviously the moves to Australia and the UK were easier from a linguistic perspective – but when you're entering markets with different languages and cultures, you really do need language skills and trustworthy people.

As a young business, we were more opportunistic but we've become more considered as we've got older – which is necessary with certain markets, including Germany and Spain. It was also helpful to narrow the scope of the offer to a single thing (in our case patient support programmes), which has made it easier to transfer market to market.

(Scott Garrett) Our international expansion has tended to be accidental rather than part of a strategy. For instance you get 3 active clients in one location and all you need are another one or two before you've got a strong case for a proper launch, rather than continuing to commute, which is expensive and impractical. For us at the moment, it's a case of going where the business is – fish where the fish are.

(Ian Millner) I think it's vital to know on day one of foundation that you want to take the agency international at some point in the future – even if you're not actively doing something internationally at the moment, you should be preparing for it, to allow you to take the opportunity when it arises.

What this means is: win your home games, make sure you have strong leadership making money at home and rock solid client relationships. This makes you more confident when opportunity arises. Opportunities don't just happen – what happens is that when you have the conditions right, you 'create' the opportunity – because you network differently, you're more proactive with existing & potential clients and you push yourself around client organisations more effectively.

If you do that well, win your home games (as that's where you get your trust equity from) sooner or later a meaningful opportunity crops up internationally. You are then able to take it because you are set up properly, making money with people in place to manage existing home market business.

### If everything is going well at home, but there are no obvious opportunities through clients or otherwise, what are the biggest opportunities for you right now, and where should you be looking to next?

(IM) If you have lots of money, going global is very easy – you can just buy something in the target market. However, most of us don't – you pretty much make it up as you go – an organic and somewhat iterative enterprise. You need to be continuously evaluating opportunities, threats and other things around the world. Things change quickly so you have to be completely on top of your game across the board – across client governance, cash flow, everything actually, all of the time.

Being realistic, it takes about 1 year to 18 months to enter a market and then the same period again to make the new entity viable in that market. At that point you then know if it will be a good market.

In summary, it's a combination of having a core strategy, being aware that this is in its very nature an iterative process, trial and error and then, frankly, watching like a hawk!

(SG) I wouldn't want to enter a new market without proof of concept – we differ somewhat from iris in that we would initially operate out of the UK to minimise the variables.

From this point on, it's common sense – if you're making money in a market then it's a good indicator that you could consider operating there on a more permanent basis. This is the point to do a thorough assessment of how well it is likely to work if you do create a permanent presence in the market in question.

(HF) We're a hybrid of the two: initially, we've transferred business from our home market and delivered it well. However – and particularly with certain markets with different languages and cultures, there really is no substitute for having locals on the ground who understand the cultural nuances of how people buy and want to receive their communications.

My recommendation is to find a deal or price point that works and then develop the confidence that warrants backing yourselves and going and doing it.

(Gareth Dixon) I'd agree. For us, when it's come to launching Pearlfinders internationally, our first tactic was to get our house in order in the UK first. From there, growth was quite organic and natural – there were a few people in the team that were coming to a point where they could be trusted to go out to New York and set up a base. Initially we'd tried selling the US product from the UK and we had a great response, but the competition responded very aggressively and we simply couldn't react quickly enough as we didn't have a presence on the ground. We weathered the storm and then looked to recruit locals – which was also problematic as it was difficult to find people who understood our culture, were like-minded, shared the same goals, were happy with the financial model and entrepreneurial enough to agree to the model we wanted. Ultimately we decided to back off and exported our own homegrown talent.

HR seems to be pretty pivotal for everyone, particularly when it comes to trust and culture. What do you look for in your launch teams?

(IM) It's not just a matter of 'HR' – there are only a very small number of people who have got what it takes to start something up in a strange country. It's often something you have to do yourself.

(HF) Agreed – we've tried to combine local knowledge with experience of us as a business – so our person in charge in Spain had previously worked with us and knew our culture but had been based in Spain for 12 years. In Germany, we appointed a German who had lived in New Zealand for 25 years, so could easily cross both cultures and another local who had happened to work with us for 5 years. This has been vital for us – we certainly don't feel that we could have just turned up and expected to sell to these markets without understanding how they work.

What are the risks? How do you protect against getting it wrong?

(SG) Hang on, step back – how important is that? Firstly, is it important for me to open up this market? And then once the channel is open, identify some of the people Hamish talks about and then decide if it's possible to develop the business into something more concrete, something to be proud of.

From my Nike days, during a period of exponential global expansion, the founder Phil Knight was famous for calling one of his trusted henchmen to his office and simply briefing him: "Here are two tickets to China – don't f\*ck it up!" – essentially, get on the plane and open up the market.

There are very few people for whom this is an exciting proposition. Very few people are capable of doing it. It's a matter of knowing your people and choosing the right horse for the right course. Some people are really good at start-ups, some at growing a business and others are really great at wringing out the last 2% from the top line.

I'd say this is the most important thing and I would argue that beyond this you shouldn't be too precious about protecting exactly what you stand for. If you stand for something slightly different in markets A, B & C, personally I'd be ok with that.

So how you identify these great individuals?

(IM) Much of it is gut feeling but it's important to get to know your people well. Sometimes they volunteer. Looking at the iris team now, there are some who can set up offices brilliantly and a couple who weren't so good at it, who are now doing different jobs. We move people around (eg. from Singapore to Australia) to take advantage of the skills of the team.

I'd also agree with the earlier point that unless you're already really well known, it's best to go in quiet – so if you mess things up, it doesn't damage you unduly.

What mistakes have you seen in terms of poor messaging or market entry strategies?

(GD) I've seen a lot of people suffer by not being sensitive to local differences or through a lack of knowledge of how local decision-makers do business.

A lot of the mistakes I've seen (particularly from British agencies) is that they've been far too patronising and not sensitive of this different approach to buying marketing services – whether in Germany, Scandinavia or anywhere. For instance, we've found Scandinavians to be very accommodating and will agree to meet rather than say 'no' – but beyond this they can be very difficult to pin down. So lots of agencies feel very confident that things are moving in the right direction and spend lots of money travelling to Sweden/Norway/Finland, only to fail to get a single piece of business out of the venture.

(SG) On that topic, there's a well-known creative agency whose model in the early 90s was for serious expansion, with an office in each major market. But they didn't trust any of the locals to be sufficiently creative, so for some time, all creative was run out of their London HQ, so in fact the only thing they did in the local market was account services.

Obviously this model is no longer operative. Their argument (however justified it may have been) simply didn't play well overseas.

Another tactic I've seen is a policy of buying minority stakes in local agencies – it's cheaper, low profile and low exposure. Only if and when it starts to work do you need to put your name over the door and begin to introduce international clients. If it works really well, you can buy the company outright. Then control and build that way. I liked that model, it allowed the business to build around a region, country to country.

Are there any industry bodies who you'd recommend to give you a helping hand entering a new market? Are things like UKTI valuable or not?

(IM) Nobody helps you! They're all completely useless. In my experience they have no idea or experience in what you're going through and even if they do they're too slow and bureaucratic to really help.

(GD) The US doesn't make it easy for you to set up as a company. Most accountants I've met say a very clearly, 'DON'T DO IT!'

(IM) Some markets are much more welcoming, but they're still not actively helpful. Singapore, for instance, was really easy & welcoming, but there was nothing they actively did to help us enter the market.

(HF) On the flip side, we've had some successes from using trade New Zealand and embassies (eg. the British embassy in the Emirates). That's worked really well in terms of getting us in at the right level at the health ministry for instance.

We've used the Ambassador in France to introduce us to the right level. We've got the Ambassador coming to a German function of ours – this sort of networking raises the stakes – people start to think, 'The Ambassador's coming – I must attend'. In the Emirates connections are everything, so anything is helpful there.

We've also received thousands of dollars in grants year on year for development. They can take you a very long way indeed. These have helped both market expansion and product development as well.

#### Talking of money – are there any hidden costs that people should be aware of?

(HF) You must have working capital. You can't underestimate how much time it takes (and therefore money).

(IM) There are some 'less conventional' markets – where there are 'hidden' costs and you have to effectively pay your way – i.e. bribe people - Russia, Indonesia and China for instance. It changes around you – they spring costs on you after the event. They even change legislation around you!

(GD) The biggest hidden cost for us is the time resource that you lose from your home market – which comes back to the point about getting your house in order at home so that you can confidently trust someone to run the UK effectively whilst you're away. I've seen many MDs excitedly develop abroad whilst the UK goes belly up...

### *Part Two – Vertical Expansion*

#### Moving onto vertical rather than international expansion, how did that work for iris, starting in one area and then adding to your capabilities every 9-12 months?

(IM) It links back to winning your home games to enable you to keep on investing in yourselves. Selling up has never been an objective – we've always been aiming to build a generational business. So we've always invested in things that build on what we already do. That's been really helpful – when you have to vary your proposition by market, you can then talk about different things to allow you to create traction if your first option doesn't fly.

Once you're in a market, you can then hook into lots of different decision makers, allowing you to get good organic growth.

In terms of funding, we've been the opposite of Hamish who mentioned getting more responsible as he got older. We were really sensible when we were younger and all cashflow funded. We did a start up every year driven by our own time, talent and money. Because of that we were really careful.

Then 7-8 years in via an Entrepreneurs competition, we won a big fund to go and be expansionist. Suddenly we were doing 3 or 4 start-ups at once AND integrating a new acquisition – the rate of mistake making really increased which put pressure on other parts of the business.

The mistakes were fortunately never to do with winning home games. It was more to do with taking too many risks over what markets we were in, why were there, whether there was any client commitment to that business.

Usually you do lots of due diligence and relationship building in advance, so that when you're ready to go you know you have the support and the right client relationship to help you.

(SG) The cautious approach is to do the same thing entering a new line of business as it is when entering a new market. Keep the variables under control – maintain at least one area as a constant – only expand one step at a time. If you combine doing something different in a different place, you are two steps removed from your core competencies – this is where it starts to get a bit risky for me...

#### How about your move from DM to Healthcare, Hamish?

(HF) We bought a healthcare agency in 1999 having had a background in CRM & loyalty. We bought the company as they had a successful vertical in healthcare communications. They then won the Roche business in Australia and it grew from there.

It took me personally 2 years to get my head around healthcare before I could turn up to a meeting and contribute properly. The rest was just enthusiasm!

The good news was that healthcare agencies were years behind consumer CRM approaches – no one was segmenting, using stories to communicate – the approach was to educate patients through dry medical writing. So it turned into a great opportunity for us, but it was a lucky fluke, rather than a definite strategy.

Gareth, what was your process when growing your group from one to three different businesses?

(GD) We have a discipline of going away as a board for a 3-day conference every year and more often than not, the biggest item on the agenda is business development – asking the question, 'What are we going to do to evolve the business?'

It often starts with a discussion around the problems that are keeping our clients or potential clients awake at night and grows from there. For instance, four years after starting Rainmaker, we were sitting by a swimming pool in Spain, and my business partner highlighted the issues with existing business intelligence resources – AMMO was too big and unfocussed, the FT was too much to wade through on a regular basis – so Pearlfinders was born as a more intelligent solution.

So every year we ask, is there anything else we can solve this year? And every 4 or 5 years, we see a niche that we can add value to.

The key is giving yourselves the head time and space to focus on this – it makes you think and teases out ideas that evolve into businesses.

Is it worth taking the risk of loss leading to establish a foothold, or does that damage you?

(IM) It's about making sure you're not doing too much. It's about balance – knowing what you're doing and why...

We've found that going global has been thoroughly enjoyable, differentiating, good for our people, and it's been fairly easy (once the agency has begun to work well in each market) to introduce our wider clients, which leads to greater growth.

The key is knowing why you lose lead and then not over-stretching yourself.

In the thick of growth - market to market, vertical to vertical – how do you keep hold of your same core values & culture?

(HF) We've had to create a whole support team – we have a manual, support team, checklists, internal comms. Internal comms might seem ridiculous for a group of 160 people, but we have a magazine, a weekly newsletter. Having a process and making everyone aware of the internal stories has been really important, because the more you grow and further apart you get, the easier it is for different parts of the business to go off and do their own thing. Trying to keep it all together is hard work. You make HR appointments that seem like fat – pure cost – but it's got to be done.

(SG) The best way to deal with that is to employ the Storytellers! Our role is to maintain the thread of consistency. Sometimes it's about culture and values, sometimes about objectives, sometimes links between the group and the individual brands or companies.

We construct a framework for conversations within the company that everyone can be part of – which results in the behavioural actions you want and the culture you're actually seeking to engender or maintain. It's not an easy thing to do.

How do you ensure you hold on to staff as you grow? How do you address the risk that some won't like this new, larger, more international company?

(HF) Have roles. Keep people to roles. There are things you can do with stars, but your business can't work around the people all the time. There's the odd exception – but you have to be rigid around building a business not around individuals, but around roles. It's been a painful lesson for us.

(IM) We have a different attitude – we own ourselves, 65-70 shareholders littered around the network who essentially form the spine of our principles and culture. Our view is find the people that are most important and then give them ownership – real ownership. Our theory is that that then allows us to grow and create opportunities – allowing you to accommodate staff.

However, you are right that you employ people to do roles, so it's a tough balance.

(HF) Don't get me wrong, we have real stars and have employed people in 'stretch' roles. But in the past we've taken on people with a view to what they might be in the future (Account Director to Client Services Director, for example) – and it turned out that they were just a brilliant AD. So as a rule now, we never employ anyone who hasn't done the role before.

However, when someone is a star, we just pay them a far higher rate than market rate and let them get on with what they enjoy – as long as it serves our business and our clients. Give them a title that they want, but let them do the job that they're best at.

(SG) Our mantra is 'Recruit for attitude, train for skill'. We like people who like us, are like us and challenge us. Then we will work out what they can do for us. We're in the lucky position at the moment that we're small enough to get away with that, but as we get bigger I'm sure it will become much more difficult.

For the moment, it's about helping people develop and evolve and about keeping the atmosphere vibrant and challenging for them. One of our objectives as a company is to be a place where bright young things can develop their careers. That's one of our strategic pillars, and if we fail in that, we've failed in our overall company mission. That doesn't mean promoting above station, but it does mean if you have got stars with key skills, it might be worth exploring how you can best commercialise those skills or capabilities with them. That keeps them involved.

(IM) iris has gone full circle: we started in a control-free, entrepreneurial environment, very cultural, by the people, for the people. Then as we grew it became much more controlling and corporate, and now we're getting rid of the corporateness very deliberately. We're trying to restore full empowerment to all of the leaders of all of our businesses – which in turn exposes the good ones and the ones that aren't so good. For us, that's the right thing to do, otherwise we'd just be like another network. We're supposed to be an alternative!

### *Part Three – Adding New Skills*

There's a variety of options for expanding skills and capabilities – where do you start?

(SG) I think it's about people. Stars who you can commercialise is a good start. The other way of course is buying it – buying in two ways: acquisition of companies or acquisition of people.

My preference is to expand by acquiring people within a business. Buy a team of people used to working together in that environment. I wouldn't buy the business itself personally, although I understand there's a lot of M&A these days. I feel that a lot of these acquisitions are groups acquiring people through acquiring their businesses – which is very expensive.

In summary, I'd buy the best people I could afford already doing it...

There's so much M&A happening – digital purchases, buying in of social media skills and so on. There has to be a challenge there in integrating these skills into your messaging...

(GD) We spoke about this in our previous seminar, Fattening the Goose where Mark Smith who's the CFO of Chime said he often buys for people rather than offer.

But in terms of messaging it has to come down to knowing what you stand for and communicating that clearly. The mistake people make is failing to grasp how new services are bought – failing to understand that PR is bought differently to digital, to experiential, to DM, to creative... People assume the same approach works sector to sector. Be clear about your overarching offer and how that's adding value, then integrate each division's capabilities as appropriate.

Iris recently bought Concise – how did you integrate them into the wider Iris story?

(IM) Management Consulting was a very interesting area for us – we wanted to extend what we can do further upstream and improve our margins. In PR or Experiential, it was about attracting talent for us – finding a person or a group to do it for us.

With Consulting, we felt the gap was too wide to bridge between us and consulting to do it organically – which led us into an acquisition. The value has been in the integration rather than the acquisition itself. When we bought them they were 4 people in Putney. Now after 4 years they've been so value additive (commercially, spiritually and culturally) we've rolled them out to 4 or 5 offices around the network... It's been hugely helpful for both winning new business and extending and deepening existing relationships.

But, there is a bit of oil and water that comes with that – there are risks... You can never get a perfect cultural match – there will always be something not quite right, but overall it's been incredibly positive.

(SG) Another reason to buy people rather than the whole agency is that you're not buying a culture – you're buying people to add to your own culture. However, it's not always possible especially if the people you want are directors and owners.

What about the option of employing freelancers or 'permalancers' – is that not a risk too? What are your feelings on employing 'outsiders' on client business?

(IM) This goes back to the rate at which you're trying to grow and whose money you're using. That was a feature of winning the money – we went and hired lots of infrastructure people – 7 or 8 HR people, 2 lawyers, 30 accountants... Which is expensive, doesn't add value to clients and doesn't really add value to your people. It takes a long time to grow into that infrastructure...

It goes back to the earlier points around balance, timing and being clear about what it is you actually do.

Is it possible to recruit full time core skills, then outsource the infrastructure?

(IM) It is, although we chose not to because we felt that the act of having all of this infrastructure internally would force us to improve the growth rate.

So is the freelance option worth exploring at all? There are a lot of people with portfolio careers who want flexibility but have astonishing talent. Is it possible to add value to your business with these individuals? How willing are clients to accept freelance staff, particularly senior ones?

(IM) I think it's fundamentally still a relationships business. But what I've started to notice, is that because digital is everywhere (and let's face it, in everything), you get a thing where agencies have to get used to working on models where there are people who drift in and out to fill in the gaps or support certain spikes, and I think that agencies just have to run themselves differently and be more aware of this need for temporary people.

You also have to accept that you can't properly bring these people into your culture. You have to accept them for what they are and if you're being clear about who you are as a company and why you're taking this route then generally it won't make that much difference. It's a fact of modern agency life.

(SG) If you do use lots of these people – is that not part of your culture in any case? I would argue that it's not a bad thing at all – to be able to avail yourself of multiple new relationships & skills on daily basis can be really enriching. I think the interesting thing really concerns the model of your agency – if most of your business is retained then I think it's likely your clients *will* care – they want a relationship. If you're project based and churn clients or projects, then I don't think it matters, and clients generally aren't paying enough to warrant that level of prissiness...

## *Questions and Views from the Audience*

*Louise Barfield, Cricket: I went to a seminar about Chinese collaboration about 6 months ago – they talked about the lower risk option of having a local relationship with agencies in the market... is that a good halfway house?*

(IM) I've done that – it's about as painful as doing it yourself. In theory it works, but we found that the levels of commitment weren't the same as ours, and therefore their proactivity and willingness to invest and make a real good go of it just weren't the same. Any time anything happened locally they would all divert and focus on that instead – which is only natural – I don't blame them, it's just difficult.

Of course, you might get lucky, but the key is to find that agenda alignment.

(HF) Prior to running Atlantis we had a loyalty business in 8 countries, we tried a local agency support model, and for all the trying it never worked, because your objectives are different.

This time around, we just agreed never to do it again. We agreed to find a person that had the right attitude in each market and would fit into our business. You have to equip them with skills, and accept it'll take longer, but be happy that it's fundamentally much less complicated. You'll learn painful lessons, but they'll be yours. And you'll save money in the long run...

(SG) I have a more positive experience. When I worked in China, collaboration was a government-mandated policy, and there was no alternative. We had a great experience with a partner in Beijing, who we managed to persuade that their interests mirrored ours. We were able to progress for over 10 years until the market opened up – and there was no painful divorce! It was a wonderful experience and educated us in a very positive way.

*Peter Rawlinson PFPR: What is it the panel feels that a British communications company offers to the world? Is it culture, creativity?*

(GD) In our experience of targeting many different countries for our British clients, the common thing that they love is the British creative thinking, particularly in design. That's why they appreciate approaches from London agencies.

(HF) I agree! One of my clients asked the question: "Why are all our good suppliers in London?" It's the ideas...

*Peter Rawlinson PFPR: It's interesting – you both said London there without my prompting – at the last seminar there was the suggestion that British agencies should have a London office, even if it's a PO Box... It's not just British that sells, it's London. Is that true?*

(IM) To answer the original question – there are certain markets in the world that the British Thing, creativity etc. indexes really well – usually linked to the empire. For instance in India, being British works really well. In some markets that doesn't fly, but being British brings other benefits – open-mindedness – other things that aren't linked to creativity but that make us better at doing global business.

As to the second question, we have a second UK office in Manchester, and the majority of their work is international. At the same time, they get some of that work because we're also in London... I'd suggest London is a valuable place to have a presence as it helps clients relate to you geographically far more easily.

(HF) The thing that sells us isn't creativity, it's science. There's a huge proportion of academic leaders/cutting edge research in the UK. It's unequivocally the best in the world. The Netherlands is also good for this, but Britain's the very best.

(SG) I'd echo that – we don't have a scientific proposition per se, but the thought leadership and academic rigour that lies behind our processes is one of the main reasons why our approach goes down really well overseas. We have more overseas than domestic clients, because they like our thinking and perhaps the education that underpins our bright people.

Jas Hummel, Hive Health: Isn't it also partly because we're not just yes men? We pitch against a lot of US agencies, who are much more about, 'When do you want it? Now? You can have it yesterday!' Whereas we are culturally slightly different – we seem to have a more strategic approach. Our US clients really value the strategic viewpoints that we deliver, because it makes us different. We're more challenging and we win business because of it.

(SG) We win and retain business because of exactly that - particularly in the US. I'd encourage you to be true to yourselves and ideals as it marks you out.

Jas Hummel Hive Health: For us, it's because we bring more exciting, differential things to the pitch – and they'd like the additional strategic horsepower and thinking.

Alison Esse, Storytellers: I've just got back from Atlanta – where global US businesses were more comfortable with our creativity than the local US businesses. When you go into a huge market like the US how important is it to be conscious of this differential between the appetites for innovative strategic and challenging thinking across these two types of businesses?

(IM) That's a really good insight – I guess like Robbie Williams, The Beatles, we've all struggled to break America. As Gareth said, Brits tend to think New York is America and that's wrong – it's actually a very conservative and regionalised place – it's very insular. They don't really care about the rest of the world that much. This affects decision-making – you have to have a good local track record, network very well, be established, have American clients and speak American. It took us 5 years to break America.

Alison Esse, Storytellers: I noticed that the local US businesses were much more risk averse than those with a global footprint. They're much more naturally conservative. And whilst they're still attracted to British thinking – be it creative, strategic or academic, they're a very different animal and have to be treated as such. In this case (and I agree with your point about speaking American) having an American accent makes a big, big difference.

Chris Simpson, TradeDoubler: Just to continue the conversation on the US – we've talked about it as one country, but do the panel have any examples of success in pursuing a regionalised US roll out? We've picked up some west coast business recently – and we're struggling with the question of whether we should have an office in San Francisco. Is that just an ego trip? Am I going to get a lot out of it?

(SG) Yes, and do it.

(IM) I'd agree – the same principles that we've already discussed apply. You need to be on the doorstep of those clients to really create a trusting relationship that then creates good sustainable work. So I don't think it's an ego trip, what it will do is make sure that your US business is sustainable.

If you think about a flight from one bit of the US to another, the time zones and travel costs are immense, so the benefits of having an office near to your clients are huge.

(SG) I've done most of my work in the four major metropolitan areas of the East Coast, the West Coast, Chicago and Miami, and they're not homogenous by any means, but they are much more similar in attitude, business culture and structure to the way in which we are or the way in which we imagine American corporate life to be.

Outside these four areas it's more difficult, because you tend to have domestically focussed American companies in the regions and global companies in the big metropolitan areas. The interior of the US is much more of a cultural stretch for British companies.

You opened up in Atlanta Ian, - why did you choose Atlanta? Is because it's a huge transport hub?

(IM) Yes, we did – and that's an interesting story. We went to New York, but our product wasn't quite right for the New York market and we were working for clients all over the US. We spent our time on lots of flights, couldn't make any money, but we stuck it out.

That established our US credibility and made it that much easier for us to open up in Miami and Atlanta and other places in the US. New York is fiercely competitive from an agency perspective,

whereas Atlanta has loads of great clients and is a great hub, but there aren't many good agencies there. We've found being in Atlanta to be really successful – I wish we'd done it sooner really...

Would you say we're too attracted to New York then? Because it's close, on this coast and most of us have been, are we as British companies a little blinded by that?

(IM) It is easier to get talent to go to New York than Atlanta - especially UK talent. I think that is part of the reason why we tend to go there first.

Peter Rawlinson PFR: Ian, following on from that – when you attract a new client in Atlanta or New York or Singapore or India – are you selling as a British company or as a local market company?

(IM) It varies I think – we now have these regional boards that we're trying to get to run our company. That allows us to be slightly different by region, but also to retain individuality within these given regions, because in some markets it's not that relevant to be British or networked. They're far more bothered about the here and now in their local market. You have to vary your proposition appropriately.

However, once you're working with a client in more than one market, you can start to network it. Then you build the relationship across the region and then globally, and all of a sudden you're able to overlay great global growth on top of the ground work you've done in maybe a couple of markets.

(GD) One of the things we've found with US owned agencies is that they're more likely to hit a given market with exactly the offer that they sell in their home market – and this doesn't work. You have to localise your offering, at least a little bit, or you'll fail. You must be relevant in every market.

Jas Hummel Hive Health: Ian, you mentioned that you need to find people with the right attributes, but you didn't say what those were... Can you shed any light on the qualities you look for?

(IM) Openness to pain. Masochism.

They have to be relatively young, can't be married or have kids, relatively cheap, capable, hard and self-starting.

(SG) They have to be entrepreneurial; they have to be the sort of people who are really turned on by that type of challenge.

But I wouldn't necessarily say they have to be young, single or cheap – you can structure it in a way that gives people clear ownership – such as putting that value in a share of the company rather than a huge salary for them. I think it's the attitude you're looking for. The attitude that says – I'm going to open up this market, make some mistakes, thoroughly enjoy it, learn a lot whilst sticking (mostly) within the parameters of what head office has stipulated. If you can find that person, you've won half the battle.

(GD) For me it's having the ability to take the risk. For a long time we didn't commit wholeheartedly to opening up the US. We tried to recruit locally, it didn't work and our hearts weren't in it. Eventually you just have to commit, then find a way to do it by taking risks. It's the same sort of risk you had when you started your business in the UK, you just have to be comfortable with it.

Jas Hummel Hive Health: So if you're growing in your own market – how do you then extract a leader from the UK without unbalancing your existing operation?

(SG) One way of doing it is charging those people to build a thorough succession plan that minimises the risks. That then frees them to go and open up that new market.

(HF) Absolutely – as I said before, have the right structure and the right people for the right roles.

(IM) I think I mentioned we have rather a lot of shareholders earlier on. For me, your shareholding structure and attitude to sharing equity dictates your ability to expand properly internationally.

We made a quite a lot of people shareholders from the very start – that damned us into going big and global. Suddenly you have a lot of people who have to look for things to do – it creates an entrepreneurial spirit where people look to create things that really do justify their shareholding.

*(HF) At what level did you give away shareholdings?*

(IM) At a quite junior level really – as a start up, there were 7 of us and everyone had equity of some form. Account Managers and above really. Even today our equity works at a quite junior level. I think it's a positive thing – it's symbolic – it makes people think that it's their company too and for clients it changes the experience, because you're only a couple of people away from someone who is a partner.

*Jas Hummel Hive Health: Did you ever consider options vs equity?*

(IM) Yes – we've gone full circle. We started with an option driven model – we'd send someone to Timbuktu or wherever and give them a share of that office – but that started to drive the wrong sort of behaviours.

To be a proper network, you need a sense of no borders or boundaries and you can't have people fighting over talent or anything like that.

So we moved to a partly paid share scheme – which worked, but we're now going back to something that's a bit more option driven, but options in iris Worldwide rather than local offices. I'm not sure there's a perfect model really.

## *Conclusions*

- Make sure you get your home market in order – at the very beginning of any process you need to know you're going to expand and put the foundations in place here before going wider.
- Trust your key individuals – trust they'll take the culture with them and have enough trust to let them build it their way (as long as it doesn't deviate entirely!). Share equity with them.
- Take opportunities when they arise, for instance a client who needs your services in another market.
- Manage your risk – unless you've been given money, manage it from within your own cashflow (and plan for more expenditure than you think). Be prepared for it to take up to 24 months to get fully established in a market.
- Use your own people or locals who you know well – but don't be too British about it – don't assume our approach will fly in every market you enter. Be culturally aware and aware of the fact that different markets and verticals will buy your services differently.
- Buy in talent or capability where appropriate and be flexible on the use of freelancers/permalancers – and be honest with clients on how you structure your business.