



Driving Growth:

A Conversation with Andrew Coulsen, CEO of
Dimension Data: Europe

June 2012



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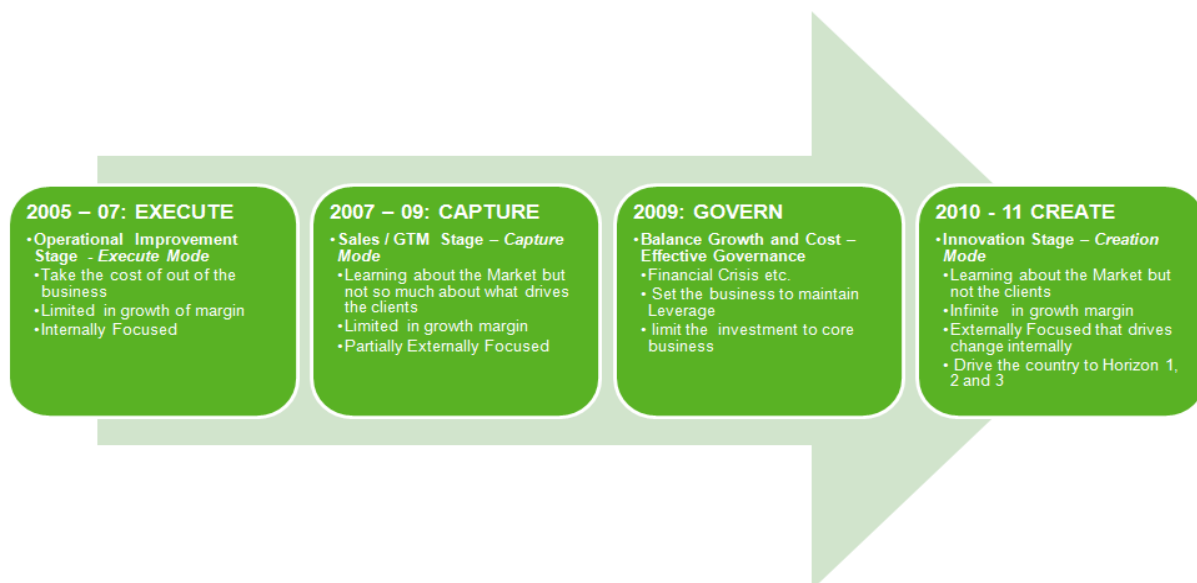
We recently caught up with Andrew Coulsen, who has been on a journey since 2006 to drive growth for Dimension Data: Europe, to discuss the lessons learned during the journey as well as the key trends that will impact the future of the company.

Global Trends: What were the challenges that you faced at the start of your journey?

As CEO of Dimension Data: Europe, together with my team, we are responsible for approximately 2,200 employees, in 35 locations, across 10 countries within the region generating over US\$1.3 billion in turnover. In 2005/6 we consolidated the reporting for UK and Continental Europe into one European region, nearly achieving breakeven profit. This enabled us to take control of a fragmented business which historically had very unstable profits as well as high staff churn and create a consistent business model in an economically challenging market facing strong competition and technical innovation.

Global Trends: How did you approach the challenges of moving towards growth?

There were four key stages in our journey, moving from taking the cost out of the business and improving operationally to today when we are really focused on innovation and growth to meet the needs of our customers.



Global Trends: How is business going?

We have now achieved 45% EBIT CAGR growth rate for the last 5 years in this economically and commercially challenging environment. We're still on a journey but there is now a really good understanding within the business of what we're trying to achieve. In fact some people are saying we have “fanatical fiscal discipline” – in the best way – which is showing in the results. Our latest results show 23% year-on-year profit growth on only 3% revenue growth. We have had a 45% cumulative annual growth rate on the bottom line over the last five years. What that means is that

we have come from a bottom line of Euro 2 million in 2006 to Euro 60 million today. Our staff have also roughly doubled over this period from 1200 to 2100.

Recently we have seen flattening revenue growth in the last two years but our service and product mix is helping to drive performance. Also we are at a scale now where we can start standardising processes more. In some cases we are looking at outsourcing but you can't do that too fast. You can only outsource what you have control of – you don't outsource to get rid of problems. For example when we took on a new business we did “time and motion” type studies to understand what the impact would be of this new business. It was really critical that we understood this impact otherwise we could not have control of it and the acquisition would not have been successful.

Global Trends: Can you tell us about some of the lessons that you have taken away from the journey so far in terms of your strategy and the way you approach the market?

The first key point for us was to **build a strategy which is simple to understand, executable and has longevity**. What this meant was that our longer term objectives were globally aligned using a framework which broke down the timeframes into time periods (known as ‘Horizons’) with clear objectives for each Horizon:

- Horizon 1: From the starting point (2010) to 18 months
- Horizon 2: 18months to 3 years
- Horizon 3: 3 years plus.

Within these Horizons it was critical to focus on the **significant few things** which are required to facilitate change **and** to set clear expectations for the team in the short term and longer term. Each year we built up a ‘total business model’ based on individual business units (by country and/or division). We then looked at what was needed to be achieved in each unit over the current period and what we needed to invest in for the future period (both short and long term). This planning process is extensive and detailed, but is a fundamental platform not only for yearly target setting but also to ensure we set the collective leadership mind-set for the future.

The second thing we have learned is the importance of putting **clients at the centre**. Clients want realistic expectations set and require a transparent relationship. This means that communication is key. If things are going well, it is equally important to maintain effective communication with the client and not become complacent. When things are not going well, how you respond and engage is critical to maintain your client relationship or win over clients. They may not like what you are telling them but at least they know in advance and can react accordingly. It is also important as an executive to **personally own relationships with important clients**. Executive sponsorship is vital as you will not only have empathy with the client but understand the impacts of clients’ decisions on your business model and internal process. I always keep in mind: **“Bring what is asked for and you will get paid; bring what is not known and you will get revered.”** Clients are looking for **“game-changing” pro-activity and innovation**.

As well as understanding the clients and marketplace, it is critical to **know your business, to understand what actually drives the business**. This is not about accounting, but business metrics. Understand the internal and external levers which impact the business models and how changes will impact, both positively and negatively, the operations going forward. This requires debating and checking the metrics and levers with your team, especially after changes arising from external,

political or supplier factors. Then you can use this understanding to communicate to staff about the business and related performance requirements.

Global Trends: Clearly the success you have achieved is not only from having a clear strategy and knowing your customers and business. What is it about the way your team has worked which has helped drive the momentum?

The team is obviously critical and you need to **build your team for the journey ahead**. You need to first understand what you want to achieve and then build the right team over the longer term, respecting differences in culture. It is important to select strong people who not only understand the business and the metrics but also have credibility within the business and will accept accountability for their actions. We foster a culture of **'work hard and play hard together.'** This takes time to get right. Do not be afraid to make changes if the fit is not right for the business to achieve your goals. The top team must work as one.

To be able to work as one team, you need to **set clear expectations from the outset**. Results and metrics are critical – you can only manage what you measure. These metrics must be based on the planning you put in place around the longer term strategy on a collective and individual basis. Your team must **understand and own the expected outcomes**. This will help maintain accountability and ownership of the outcome and each individual team member should feel a sense of purpose for their role in the business. These goals need to be communicated again, again and again through the year.

It's about **consistency: focus on the longevity of decisions**. Consistency in decision making is vital. Your staff needs to know what the likely outcome will be of your decisions, if they present a situation to you. They need to learn the way you think which means they will come prepared to debate issues and look at the business outcome and not waste time debating the process or getting involved in the politics. This takes time to establish and build trust.

That's why communication is so important. Our philosophy is: **communicate don't criticise**. It is too easy to be critical of others openly. But criticism only shows staff you may lack understanding of why things are happening (and that you are lacking empathy). It allows for negative politics to creep into the business and this is a cancer for any organisation. Communication is an enabler for staff to bring issues to the table which may affect the business and its ability to hit the longer term (Horizon 2 & 3) objectives. Once your team trust that they can do this without fear of criticism, it allows for internal transparency of potential issues which can then be managed with team support.

Of course, it is also important to establish the right incentives for the team: **Rewards for the short and long term**. Using the business plans, we set reward structures which are common for all staff and defined upfront. We have **common rules for all** – no matter what level of the business as then everyone wins or loses with similar guiding metrics. This drives a consistent focus across the business. We don't only focus on the end result, but also on the operational effectiveness within the measurement period, and ensure there is a balance between short and long term incentives for key staff and make this known to all staff. The final critical element is that if key goals are set you need to **exercise consequence management**. This is part of our culture of openness, ownership and accountability.

Global Trends: You and the team have clearly achieved a lot, but it has not all been easy. What lessons have you personally taken away as a leader?

A consistent leadership approach is critical. As an individual you have to **set the standard, because it helps defines culture**. Everyone watches the boss – your behaviour, body language and words used are always important. Cognitive learning is one of the important ways people learn how to behave within an organisation. So you must not say one thing and do another, no matter what the circumstances are, as people will always find out. Simple things like commitment to meeting times send important signals. And always **remain humble** in your approach to staff. When we make decisions related to staff, our principle is to think about both ‘Hearts and Minds.’

Availability is part of leadership: Always be there for staff. My principle is to be visible to staff as often as possible and to be direct and open (transparent). That means responding to staff as soon as possible, because acknowledgement of and response to a request is the most important thing. Ignore them and it shows a lack of respect to your team. If you are available it also helps in making sure that everyone knows what is expected of them within a defined period. I like to use events to make myself open and accessible to staff. It’s amazing what you will learn from your team during informal conversation and **just being yourself**. And I always try to remember that the ‘small things’ matter as much, if not more, than the big gestures.

Finally, one of my key roles is to **review: You get what you inspect and not what you expect**. You need to define the internal review process and link it into your planning and business model needs. I have learned to never change these inspection points in respect of timing and outcomes required. Refinement is needed over time, but the starting point is very important. The business may not like it initially, but they will get to know the business model and more importantly the metrics will open a window for you to see the business unit and how it works in the environment in which it operates. Perhaps though the most important thing I have learned is to **‘never assume’!** There will always be surprises along the way and you need to be flexible enough to learn, adjust and move forward.

Global Trends: Obviously you have a great track record and you are still moving forward on your journey – what are the challenges that you see ahead in the next five years?

The biggest challenge is people. A significant barrier to entry in almost every business, irrespective of industry, is getting the right people on board and retaining the people you want to keep. Obviously there are other areas that you need to focus on, for example branding, which is critical for reputation and attracting great people. But ultimately that's about the quality of the people as well. What we provide is not totally unique so how we do it makes the critical difference. We continue to focus on providing a challenging, stimulating and learning environment where our people like the jobs they do and the colleagues they work with. We attract people who have a ‘can do’ attitude and put the client at the centre of everything they do. We need to continue focusing on our engagement with our staff and prospective staff to maintain this energy and approach in an increasingly competitive environment.

Global Trends: How is the impact of the younger generations in the workforce being felt in your business?

You could characterise it as a polarised environment. On one hand you have the baby boomers and generation X groups who want to be in the office and value collaboration and conversation. On the other, you have the tech savvy generation Ys whose values and mindset are very different. In my

role I spend more time with generation Y on personal issues, while with the others it's more about security and tenure. One of the big challenges is to promote the transfer of knowledge between these groups. Interestingly the knowledge flow goes both ways. For example we've been giving the baby boomers new technologies such as the iPhone and they're finding that their younger colleagues are a huge support. It's actually very interesting to watch the different attitudes towards the technology. The young who are technologically astute are much less worried about the specifications than the functionality, what value they can get out of it. It's the opposite for the older generation – they much more want to know how it works behind the cover, the mechanics. So we are getting them to work together across the generations, but there are no easy answers. There is much to learn about social dynamics and engagement across a large organisation such as ours across these groups of people.

Global Trends: how do you see the future landscape of work?

The future landscape of work will be much tougher, there is no doubt about that. There are no boundaries because there is no start or end to work due to the 'always on' nature of new technologies. My sense is that the workplace is technically enabled to be collaborative but in danger of being less communal. Because the working day has no boundary, the time we used to spend socially at work is now being used to do errands or necessary personal tasks because people don't have the time otherwise. So we get to a point where we now connect technically and not socially at work. We come to work to plug-in, to download, to have a meeting as opposed to being part of the community. To my mind that's an issue because we need trust and understanding to be able to collaborate effectively.

Another interesting thing about the younger generation is that they don't use the phone. They communicate much more in a written way through text or instant messaging, or via collaboration tools. They use multiple communication tools as opposed to a few – and they become very expert and managing information flow coming in. But there is the question: if you don't communicate face-to-face or voice to voice – human to human – do you adequately take responsibility for both the relationship and the work being done. Like many companies we have debated turning the mail system off for a few hours but we're not sure if it's the right approach – it could create polarisation in terms of times we have available to work and could impact efficiency. But we are still exploring actively how we can continue to encourage good communication and by that I mean communication which will help to build community, commitment and engagement.

My experience is that if you want to move fast in business, you need efficient teams and greater communication within them, and to hold people accountable for their deliverables on both sides when they collaborate. People really make a difference and this is dependent on the culture you build. You need to have a single value set across the company to be able to drive change. What has helped us in the journey over the last four years is entrenching our own culture which has unleashed energy, has made sure commitments are delivered upon, and is underpinned by our values and constant, open communication.

Global Trends: What other significant changes do you see ahead?

The way we consume information is going to be transformed. In future, we will increasingly pay for what we consume and which elements we consume, versus what manufacturers dictate that we should buy. Products and services will become much more customised and personalised to the

client's needs and wants – it's going to happen in many different markets, not just ours. For example look at airlines – you can now consume in bite-size chunks, whether it's a meal or checking a bag. It's really about visible consumption and it will be the next generation that drives this change, because we in the older generations still do value ownership. They value it less so.

Technology is still changing exponentially – and it is happening faster than ever. This is going to have a huge impact on what we can do as businesses and as individuals. If we think about social media, it will become more collaborative eventually and we will find a natural consumption level. The issue about social media is that it is public – and people don't realise the impact of having their data in the public domain. It's something I have long conversations with my kids – and employees – about.

At the end of the day we won't get away from big data, there is going to be more and more. The challenge at the moment is that the technology is not yet there to farm it effectively without overstepping privacy boundaries. And as we try to understand how best to use data there will be some missteps along the way, for example the Wal-Mart case in the US around targeted advertising which ended up disclosing information to a person's family that she did not want them to know.

There is a tension as we become more connected between privacy and use. Do we want it all? How do we get "off grid" when we want to? And how to integrate everything we want to look at – we need a way to find the data set that we each as individuals want to use, easily.

It's a balancing act. There's a quote which really, for me, sums up this dilemma: "The more connected you are, the less connected you become."

Global Trends: Thank you!