Crowe | Leadership Hub

Leadership Insights: Building Business Value

Five leading business owners share their personal insights to scaling and building business value.

Image: Joe Doyle, Donnybrook Fair; Bernie Kinsella, Wheels Couriers; Feargal Mooney, Hostelworld; Anne Heraty, Cpl Resources and Philip Reynolds, C&D Petfoods' speaking at our Building Business Value event.

At a recent seminar entitled "Building Business Value", co-hosted by Crowe, Bank of Ireland and the FD Centre, five of Ireland's leading business owners outlined their personal stories about how they scaled and grew their businesses and overcame challenges and recessions along the way to come back stronger than ever.

Learn to adapt, quickly

Anne Heraty, CEO of Cpl Resources plc

When Cpl founder Anne Heraty started her business in 1989, her vision was to focus on a deep understanding of the tech sector and the opportunities it provided. It was a bold move in an era when unemployment was running at almost 16%, and few believed in her vision that companies would pay her to find employees.

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In 1992 the company had only £165 in placement fees against £151 in cost, but by 1999, when it floated, it had accumulated profits of £3m. It now has a turnover of €523m and gross profits of €83m, up 16% year-on-year. She has brought the company through two recessions and emerged from each stronger than before.

At the time of their IPO, the tech sector was experiencing strong growth and the decision to carve out a niche in this area was paying off, but the dotcom crash changed everything in 2000-2001. "At that time we had to restructure our business model—but we still believed very much in that ethos of being specialist," she states. The management team set up a number of specialist businesses in different sectors, including Pharma, Finance & Accounting and Healthcare.

"We had really started to figure out, in the mid-2000s, the importance of flexibility to businesses"

During the first difficult period, as a recruitment company, Cpl could see the signs: "We are a lead indicator in terms of the economy. People stop hiring on a permanent basis and then let their temporary staff go. We could see that early on," she says. But the focus was still predominantly placing people in permanent jobs.

However, when the 2008 recession suddenly hit, it was more of a shock. "The second time around we didn't have the same warning signs," Heraty recalls. "We were scrambling to survive and this recession brought about another rethink on the business model. We had really started to figure out, in the mid-2000s, the importance of flexibility to businesses," she continues, and described the evolution of the business to "Total Talent Solutions," giving customers options all along the spectrum from permanent staff to a contract or fully outsourced model.

For Heraty the learning is really about making decisions quickly and early. "But most fundamentally it is about the people around you – people who have the will and the attitude to succeed, who have that grit and resilience, who are prepared to stick with you and drive the business forward with you."

Key piece of advice

Understand the value of good customers and pay attention to their changing needs. "It's about relationships. Laser focus on relationships with staff and customers."

Don't get distracted

Feargal Mooney, former CEO of hostelworld.com

Feargal Mooney joined Hostelworld in 2002, shortly after it was founded, working as Chief Operations and Finance Officer.

At the time, capital wasn't accessible to them, and Hostelworld was not an attractive proposition to potential investors. "It was after the original dotcom bust, nobody wanted to go near dotcoms."

In terms of financing, Mooney estimates that less than €1m of investment ever went into Hostelworld, from founders, hostel owners and a small number of angel investors early on. "Like a lot of start-ups… you're just trying to balance investing in growth with making sure you are paying the wages."

> ***"Customers' preferences will change and move on and you've got to make sure you're adapting to that"***

Once the company started to break even, around 2002, they began to focus more on a growth strategy. "With a business like this it's a two-sided market. You've got to get beds from hostels in order to attract customers to your website—but in order to get beds from the hostels you've got to tell them that you're going to be able to deliver customers," he reflected. "So we were trying to build that up in a coordinated fashion."

However, as they began to look at expanding further, Mooney admits, "We went off track and got a little bit distracted."

They acquired a hotel booking site and Mooney admits that the three years spent focused on this side of their business meant they took their eye off who their core customers were and where they were making the money. "Where we were making money was in the hostel business. Where we were spending all our time and losing money was in the hotel business. We realised we weren't investing in the hostel business or evolving our technology to meet the changing needs of our customers."

In 2008, just weeks after Mooney was appointed CEO of the company, they were due to go public. Days later the crash hit and Mooney pulled the IPO. "We weren't anything like ready to be a public company," he says.

It was a tough decision and an unpopular one with investors, but he realised that the last three years being distracted by hotels had damaged the company. "In that time a fairly significant new competitor had come into the hostel space and we had taken our eye off all the core hostel business that was making money, and the new competition took market share."

In the challenging recession environment, he acted quickly and his approach was customer-centric. "The starting point is just looking at customers. Whatever is going on, whether in your own business or in external markets, ultimately your business needs customers and customers' preferences will change and move on and you've got to make sure you're adapting to that."

He closed the hotel business and focused back on the core, changed his pricing model, invested in technology with the bold move to mobile (now more than 60% of the business comes through mobile) and adopted a new marketing strategy.

With these measures in place the company was healthier and successfully executed an IPO in 2015.

Key piece of advice

"The three As: ability, ambition and alignment. If you have ability and ambition but it's not aligned with what the customer needs, it's no good. Focus on what the customer needs."

Do what's best for the business long-term

Philip Reynolds, former CEO of C&D Petfoods

After 37 years in his family pet food business, Philip Reynolds effectively took himself out of the picture earlier this year when he sold his remaining 15% shareholding to ABP Group. His reasoning is that he may not be the best person to bring the business forward in light of the challenges Brexit brings, and he feels his decision is what was best for the business.

Many would have found it hard to be so clear-sighted about a business they had built up twice over. Reynolds joined straight from school in 1982, aged 18, eventually taking over and buying the business from his father, Albert Reynolds, in 1990. Over the years he grew turnover from €15m when he took over in 1990 to €500m when he left.

"We spent the next couple of months trying to hang on to the customer base that we had – it's the lifeblood of any business"

The growth figures are impressive even leaving out the fact that in 2006 a major fire at the Longford factory, where 95% of turnover was generated, effectively destroyed the business overnight, leaving just a small recently acquired business in the UK worth about €5m.

"We spent the next couple of months trying to hang on to the customer base that we had – it's the lifeblood of any business," he recalls. "If you don't have customers you don't really have a business. We spent the next couple of months trying to convince those customers to stay with us on the basis that we would return to pet food production."

Eventually, after some difficulty getting reinstatement value from the insurance company, he was in a position to invest €35m into the plant, with new technology to cater to a market that had quickly moved on.

"I had ambitious plans as to how I might grow the business but 2007 was not exactly the year, when the business was in ashes." In order to fulfil his plans, Reynolds decided to look for a joint venture partner who could provide access to capital.

Over the course of an hour on a Friday evening in February 2008, in Larry Goodman's private hangar in Dublin airport, a deal was struck. "I ended up walking away with one-page agreement. My father always said if you couldn't put it on one page it wasn't worth talking about." The deal saw Goodman buy 50% of the business.

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"I sold it to him on the basis that I had an ambition to consolidate our industry across Europe," Reynolds states. A number of acquisitions were made across the continent, along with further reinvestment in the Irish business. The business now employs 1,600 staff in nine countries across Europe and has sales of half a billion euro, a point to which it might never have got had Reynolds not been open to releasing his control and full ownership by entering into a joint venture.

Key piece of advice

"You have two eyes, two ears, one mouth, use them in those proportions."

Invest in talent

Bernie Kinsella, Managing Director of Wheels Couriers

After buying into Wheels Couriers in 1997, Bernie Kinsella sold her business to An Post in 2000. However, in 2008 she decided to buy it back. At the time it had a turnover of €250,000, and it now has a turnover of €10m.

"When I sold the company, I stayed on the board and used that time while we were part of An Post to put corporate structures into the business and leverage off the resources that we never had, so we made the best of the time we were there," Kinsella recalls.

"We really looked at what our staff wanted – lifestyle recruitment, four-day weeks, training. I would say 90% of those drivers are still with us now"

"When we put a bid in to buy back the company there was no recession, it was an absolute no-brainer, and then literally the next day the crash happened." As someone who is not naturally inclined towards living on debt, it was a daunting time, with the biggest loan of her life hanging over her head. "At least we had a business and it was a business I knew very well. We threw the silver overboard and cut our costs straight away," she says.

A key challenge was finding staff. "When there is a recession we have no problem getting drivers." But when trades and building are booming it is very difficult to compete on wages while giving customers value for money. During the bad years, Kinsella made the most of what could be done then. "We quickly realised we had an opportunity to take in a really good set of middle management, to invest in the management that was there already and had stuck by us. We really looked at what our staff wanted – lifestyle recruitment, four-day weeks, training. I would say 90% of those drivers are still with us now. We took on health and safety training, tech training… and gave them added skills."

Additional staff training led them to step back and look at the industries they were serving, inspiring them to segment the business and specialise further in sectors such as medical, banking and food, adding value in areas such as compliance, GDPR and food safety and temperature control.

Key piece of advice

"You are never too small a business to offer share options to your staff and the people around you."

Watch your competitors and listen to your customers

Joe Doyle, founder of Donnybrook Fair

Having started out in business in 1966, Donnybrook Fair founder Joe Doyle has seen a lot of change, and learned that adaptability is crucial. His journey has seen him move from a butcher shop to a chain of gourmet food stores with a focus on pre-prepared food.

After starting out in Bray, then moving to Shankhill, Doyle got the opportunity in 1992 to acquire the store that became his first Donnybrook Fair in Donnybrook village. "The customer in that part of the city was a very friendly, open sort of person and I got a lot of advice from customers, more than anyone else, through my career, and I got the confidence to be able to talk to people and ask them for their ideas and help."

He began to look at competitors within the sector, like Superquinn and in particular Marks & Spencer. His vision was that if he could deliver personal customer service alongside pre-prepared readymade meals and food that people could take home, there was a business opportunity there. Reacting to the busier lives of customers and creating pre-prepared meals gave his business a USP.

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Developing in-store kitchens in the basement of the Donnybrook store meant he could acquire more stores in Baggot Street and Greystones. After a period of growth, Doyle eventually moved to standalone kitchens in Clondalkin. Even though Doyle sold to the Musgrave Group late last year, one of his sons still runs this arm of the business.

"They've taken it on and they are going to keep the brand and develop the brand, and I am working with them to see that vision go further."

Key piece of advice

"It's all about customer service and looking after the customer—pick your people and train and empower your people to deliver that for your business."

Feargal Mooney, Hostelworld; Anne Heraty, Cpl Resources and Philip Reynolds, C&D Petfoods talking with moderator Tom McEnaney at the Building Business Value event.