INTERVIEW

SHARING THE PROFIT MOTIVE AT VERSION 1

● Irish technology firm Version 1 is valued at €800m. And there's plans to keep growing, CEO Tom O'Connor tells **Samantha McCaughren**

Tom O'Connor, chief executive of digital transformation firm Version 1. *Picture by Gerry Mooney*

Version 1 boss Tom O'Connor put his money where his mouth is on the issue of diversity earlier this year, when a large stake in the digital transformation company was being sold.

When majority shareholder Volpi Capital was cashing out, there were almost 20 firms interested in becoming investors. So there were plenty of environmental, social and governance (ESG) reports to hand.

"But it came as a real shock to some people that we would quiz them on it," says O'Connor.

"There was one firm – which I won't name – and I read their ESG report... and then I respectfully pointed out that they'd turned up to the meeting with 17 men. They said to us afterwards they had never been challenged with that before."

Management narrowed down this list of suitors to six, then three, finally choosing Swiss-based private-equity firm Partners Group. The deal values the company in excess of €800m and will complete in July.

O'Connor says the exit of Volpi came at a natural break point.

"Management was working on the next phase of growth and had called the strategy 10X. How do we get to be 10 times our current size.

"It seems mad – but then you take it back and realise we've doubled 10 times since we started – so this would only be another three and a half times.

"That gave us the ambition, the fire to say 'There's nothing really stopping us there. Let's really go for it. Let's really go after the market and the opportunity that's out there, not just in the UK but further afield.'"

With management and staff holding around 30pc of the company, they were in a strong position to find the right new investor.

"Management in any private-equity deal, irrespective of the shareholding, has an awful lot of control.

"Essentially, what investor partners want to do is to back the management team, and back the plan that the management team has come up with."

He said that Version 1 did "a little bit better" than Volpi would have expected – but O'Connor's ambitions for the next phase of growth at the firm are higher still.

"We have a plan for the next five years. That's what we raised the investment on. The plan is to grow organically, and through M&A too. It's about continuing many of the things we've started doing, but expanding it further.

"For instance, we're about to expand our capital markets business into the US. We're going to grow our digital data and cloud business further into the UK and into Europe. We're going to continue to hopefully acquire and integrate good value-driven businesses – maybe not just in the UK, but in Europe as well."

From Moynalty in Co Meath, O'Connor was exposed to business as a young child. "Dad died when I was quite young," he says. "So I was helping out in the family garage – at the petrol pumps – from a very young age. It was the best business school."

For secondary school, he attended St Finian's in Mullingar and then went to UCD to study commerce.

On graduating, he joined Andersen Consulting, which later become Accenture. After stints in other consulting firms, he met one of the founders of Version 1 in 2001 at a First Tuesday event, a networking and pitching event in the early days of tech.

"People talk about career planning, but for me it was like *Sliding Doors*," he says referring to the movie starring Gwyneth Paltrow, which tells how small decisions can send someone's life in a completely different direction.

"I needed a job. They were looking for somebody. We got on well together and started working together in a small office in Temple Bar."

He worked closely with founders Justin Keatinge and John Mullen, who exited in 2017 at the time of the Volpi investment.

O'Connor took the reins then, though he had never seen himself as a potential CEO. He says he takes an understated approach to the role.

"I've never been into the cult of the CEO being some magical genius."

He prefers the analogy of a conductor – not playing the instruments, but leading a team and giving direction.

When he joined Version 1, their ambition was to make a living from the IT consulting firm. But formalising the firm's core values in 2010 – honesty, integrity, personal commitment, no egos, customer first, excellence, drive – marked a turning point.

"I think they're the real driver of our growth. Because it gives people the freedom to be pretty independent, self-sufficient and autonomous. They're the rules of engagement. Stick to them and you don't get in trouble."

He says the company is regarded as a great place to work by technologists, which helps with staffing.

"The tech industry has always been difficult. Even if we go back to when I started, everyone was talking about skill shortages, and there being not enough tech people."

He says the company works hard to get the most out of people.

"I always ask people what did they want to be when they were nine?" he says. "I often hear doctor, cricketer or footballer, astronaut, dancer – but very few say a thing about technology. And nobody's ever said: 'I wanted to be here. This is my dream come true.'

"My point is, when you're that age and you're dreaming of being a footballer or a lawyer or musician, you always picture yourself being the best. So if people end up as software engineers or product managers or whatever, why wouldn't they still want to be the best?"

But again, O'Connor puts his money where his mouth is.

"We do a profit share, where 20pc-plus of our profit every quarter goes to our people, based on how they perform and how the company performs."

The Partners Group transaction will also deliver financial rewards for all 2,229 employees.

"We've given a milestone bonus to all staff – and that's indicative of our culture. I believe in stakeholder capitalism. It's not all about the cult of the CEO, or one or two or three people. It's about everybody.

"We've got about €8m aside to give a bonus to everybody who wasn't a shareholder, based on their tenure."

Under the Partners Group deal, all staff will have a stake in the company.

"We're setting it up institutionally, because everybody's going to be a shareholder in this phase of growth. Everybody's going to share."

During Volpi's time in Version 1, the private-equity firm's stake was around 70pc, with management and staff owning 30pc. The breakdown under Partners Group is similar, though the mix of staff shareholders has altered somewhat.

Of the company's 2,299 people, 760 are in Dublin, 80 in Cork and 477 in Belfast. The rest are abroad. So it's a sizable employer – though, like many other indigenous firms, O'Connor looks enviously at the treatment that some multinationals enjoy.

"Do we, and the other Irish companies which are scaling and growing, get as much attention as the FDI ones? I'm not sure," he says.

There are good supports here, he concedes.

"Enterprise Ireland is really good, actually. Not just in its financial supports, but in the advisory stuff, in general support, I'm very impressed with it.

"But maybe there is a sense that the offices of government open more readily and more freely to the FDI, the IDA-backed businesses."

By 2026, the company plans to more than triple turnover from just over €200m in 2021.

"Over the course of that time, as we grow, we will be creating jobs. And those new jobs will be in Ireland. There'll be others also in other places in which we have bases, such as India.

"So we'll be a pretty big employer – and hopefully that's the type of organisation that fits with Irish government policy."

He has praise for the business environment in Ireland and thinks there is a benefit to being involved in a company founded here.

"Ireland is a great place to start a business. We have a brilliant sense of entrepreneurship.

"What people don't realise is, if you can build a business in Ireland, you can do it anywhere. Because the market here is so small, that to make anything of scale, you have to be good.

"I say to people who work here and are thinking about working here, one of the most exciting things about Version 1 is that we're building a brand. We're not relying on a brand that was built many years ago, in a faraway land, living off the proceeds of somebody else's investment.

"We are creating something special here."

After having started off broadly in IT consulting, Version 1 is now focused squarely on digital transformation – for example shifting motor tax, where people went to a local office with an armful of paperwork in tow, to an online service.

"We transformed that whole experience to what we have now. Where you can do it whenever you want, from the comfort of your desk. Now 90pc of all applications are online."

As for the impact lockdowns have had on the way people work, O'Connor admits that he was no fan of hybrid and remote working before the pandemic.

But unlike billionaire Elon Musk, he is more than happy with staff continuing to work from home.

"We took a call – and we have to say it's working. We're not going to bring people back to the office. Why would you want to pull people back?

"Either you don't trust them, or you're trying to justify your spending on an expensive office. Both are a bit foolish."

They will keep offices for meetings and for the few people who still like to come into the office.

He also feels that the so-called 'great resignation' has made people think about the sort of company they want to work for.

"So we're hiring more than we've ever hired."

Since the Partners Group deal was announced in April, investors in general have become more nervous – and the 'wall of cash' from private equity will inevitably show cracks as cheap money dries up globally. Was the timing to bring in a new investor just right? He takes no credit.

"The market goes up, the market goes down. I can't do anything about it," he shrugs.

"All I can do is hopefully help lead the team here to deliver a growing business, year on year. The best route to growing your valuation is to grow continuously."

The company's potential to become a tech unicorn – a $1bn valuation company – has been in the ether for years after his predecessor suggested it would happen by 2024.

"I'm amused about the whole unicorn thing, because what price is the dollar at now? It could be up one day, down another."

But he is pleased with the level of interest generated by the recent process, and by the value that Partners Group saw in Version 1.

"It's a great indication of confidence in our future. They see the potential for significant growth.

"Myself, I think we're only getting started. As I say to the people here, hang onto your hats."

CURRICULUM VITAE

Name:
Tom O'Connor

Age:
49

Position:
Chief executive officer at Version 1

Lives:
Castleknock, Dublin

Education:
St Finian's College, Mullingar and a BComm at UCD

Family:
Married to Clíona with children Tony (20), Róisín (18), Aisling (16), Bláthnaid (14) and Tomás (9).

Experience:
Andersen Consulting (now Accenture) and from there to Version 1

Favourite book:
Underworld by Don DeLillo

Favourite series/movie:
"*Succession* and *Dopesick* were both excellent and *Pulp Fiction* was my favourite movie."

BUSINESS LESSONS

What's your main business philosophy?
"Treat people properly, treat people with respect. And it comes back to you. That's true, whether it's customers or whether it's the people that you work with."

Some companies are nervous about taking private-equity money. What has been your experience?
"There are lots of different shades of private equity. The private equity that we've dealt with, and are dealing with, is all about growth. Growing the top line, growing the bottom line. They treat people well, and they're good places to work themselves.

"But if you wanted to find the opposite, I'm sure you could. I'm sure you could find an organisation that was just about costs and cost-reduction synergies."

MEDIA & MARKETING

Creativity and innovation shine brightly in Cannes

John McGee

As the Mediterranean sun set on the famous Croisette in the picture-postcard town of Cannes last Friday night, local hoteliers, catering companies, event managers, yacht charter firms and municipality workers were probably breathing a sigh of relief.

Having already played host to a string of festivals and awards ceremonies over the past few months, including the Cannes Film Festival in May, the estimated 20,000 or so who rocked into the town for the Cannes International Festival of Creativity, aka the Cannes Lions, had finally packed their bags and dispersed in the direction of Nice airport.

This year the Irish delegation, which was led by IAPI, an industry trade organisation, was just short of 80 people with most of those in attendance drawn from creative and media agencies, a few tech companies as well as a number of marketers working with the likes of Diageo, Allianz, PepsiCo, Three Ireland, Aer Lingus and Electric Ireland.

After a two-year hiatus caused by the global pandemic, the five-day in-person event was the perfect antidote to the Zoom webinars and Teams meetings that we have all become used to during lockdown.

But lockdown was also a period of profound change for brands and the agencies that work for them. And Cannes provides a platform from which to discuss the many issues impacting on the industry.

Not surprisingly, sustainability, diversity and inclusion, creative effectiveness, data, and business transformation and e-commerce were high on the agenda this year. And no self-respecting marketing and advertising shindig these days would be complete without a heady discussion involving the metaverse, Web3 and NFTs – particularly amongst agencies that view these new digital pastures as the rich pickings of the future.

Who knows, maybe Cannes might move lock, stock and barrel to the metaverse over the next few years. Given the amount of money that is involved – Cannes generated £54m (€63m) in revenues for its owner, Ascential, in 2019 – I somehow doubt it.

Cannes, of course, was once the sole preserve of big agency holding groups. That old-world hegemony has been well and truly shattered in recent years by Big Tech. This year, for example, companies such as Twitter, Google, Meta, TikTok, Comcast, Spotify and Pinterest hogged the popular beaches with their swish cabanas and lavish beach parties.

Elsewhere gaming companies like Twitch and Activision Blizzard vied for attention alongside telecom giants Verizon and T-Mobile, while the so-called "cagencies" and newer tech and consultancy-led companies the Brandtech Group, S4, Accenture Song, Deloitte and PwC were also out in force.

The latter used the event to publish its latest 'Global Entertainment & Media Outlook for 2022-2026' report, which went some way in crystallising the serious business opportunities that are likely to present themselves in the advertising, media, gaming and entertainment industries. After a brief decline in 2020, the PwC report noted that the global entertainment and media industry is likely to be worth $2.5trn (€2.4trn) this year, rising to $2.6trn in 2023 and to a whopping $2.9trn by 2026.

Most, if not all, the attendees at Cannes would like a slice of that action.

While it's easy to be cynical about events like this because of the amount of back-slapping, schmoozing and boozing that allegedly takes place in the evenings – so what?

For most agencies winning a Cannes Lions award is the ultimate accolade and validation of the importance of creativity in marketing and advertising. It's also an opportunity for them to get together with like-minded people to discuss and plot the future of a constantly evolving marketing ecosystem. Standing still for agencies is not an option.

For clients and their brands, meanwhile, Cannes is a great opportunity to temporarily switch off from the day job and plug into some of the big ideas and developments that are having a major impact on the world and their customers while reacquainting many of them with the power of positivity, creativity and innovation which is on display everywhere you go in Cannes.

Who wouldn't want to raise a glass of rosé to that?

Pastures new for Garner

Mike Garner, one of the advertising industry's top creative directors, is leaving Core to set up his own consultancy business. Garner will leave Core in July, having worked with the marketing communications group since 2019. He has also worked with a number of leading agencies including Ogilvy, Saatchi & Saatchi and more recently with Chemistry, the agency he co-founded in 1999. He recently picked up the Lifetime Achievement award in the ICAD Awards 2022.

CIÉ's big ad tender

One of the biggest advertising contracts in the state is out to tender. The CIÉ contract covers the supply and management of advertising formats on the Dublin Bus, Bus Éireann and Iarnród Éireann fleets as well as nationwide rail and bus stations and bridges and a roadside billboard portfolio.

The current contract is managed by Global (formerly Exterion Media), which won the business in 2014 while securing a two-year extension in 2019.