

leadership insight

AIM LEADERSHIP



Reece Donovan

Reece Donovan joined AIM-listed managed cloud and security services provider iomart Group PLC in March 2020 as COO and became CEO later that year. The company employs 400 people and delivers managed services from both owned and managed data centres it operates across the UK, as well as internationally. Annual revenues are £110m+. Steve Morrison of SH Gillamor Stephens had a discussion with Reece to understand the transition to running a PLC, his views on leadership and the market opportunity for iomart.

How have you found making the transition into the PLC environment as a CEO?

I have worked for a number of public companies before, both in the UK and USA, so I am very familiar with this type of business structure. You become more numbers driven and accustomed to interacting with different types of boards which I have not found to be an issue. However as CEO, there are some new aspects to consider, particularly around investor relations, presentations and roadshows. We have recently been through our first set of interim results which involved meeting a number of our shareholders and the analysts. In the beginning it was pretty challenging but it became easier after the first few meetings.

What are the investor days like for you?

Taking a step back, there is quite a bit of preparation that goes into them. You need to build a presentation that has clear messaging and numbers. For this, we work with our public relations company and others to make sure we have all the content ready. Then the day before, we are busy tweaking the final bits and pieces, talking to our brokers and analysts. On the day, the results go out at 7am and it's full-on from then. First, we meet the press over a series of calls and then we deliver an analyst presentation, followed up with more press calls. The investors come next, doing about 35-40 meetings in a week, and a few more after that!

For two weeks everything is quite intense, because you keep covering the same content but the questions are often asked differently and

you need to be consistent with your answers. There is also a mix of people in the meeting, some who are well aware of what we do and some who do not know the company at all. That is why it is so important to get the messaging in the presentation right, so it is understood by both audiences.

It is relatively early days, but how have you found the transition from the founder CEO to yourself?

Well, if we look back then there is no doubt that Angus MacSween has built a fantastic business over the last 20 years. It has grown, has a very strong business model, generates high amounts of recurring revenue and cash, and is a market leader in profitability. I was fortunate that we had time to get to know each other during the months when I was COO. Since I stepped up to CEO, Angus has been incredibly supportive, and I have been delighted to work with him. He has moved onto the Board as a Non-Executive Director and he is available when I need him. I can just call him up and have a discussion any day of the week. He provides great guidance but lets us get on with the day-to-day activities, so I do not have to run everything past him. I think for some founders this change is extremely difficult, but I am very happy with the way we are working.

How has it been, starting first as the COO and then taking over as CEO in a lockdown environment?

That was quite difficult, as I joined in March 2020 just as the national lockdown hit and had to wait until August for my first face-to-face meetings with the team. In the intervening period, we spent

leadership insight

an enormous amount of time collaborating via video calls. The change to working from home went remarkably well though and happened almost overnight; we have people who have a lot of technical know-how, which helped with the transition. What was quite difficult for me at the time, was positioning myself within the business. To deal with this, we decided I would work on a series of special projects, which proved to be very helpful. It gave me the opportunity to learn and to focus on particular areas of the business and really get to know the people, how we operate, customers etc. and meant I was ready to run when I moved into the role of Chief Executive.

What are the key opportunities and challenges moving forward for iomart?

We are currently conducting a strategy review, as is often the case when a new CEO is appointed. We have been quite open about this. I think we need to look at the ongoing opportunities opened up by COVID causing so many businesses to pivot and embrace digital. For example, I have a friend who works for a large retailer and they did all their business through retail outlets, but with lockdown, all of that stopped. They could not just stop the business though so they adapted and built an online presence in a matter of months. As a result, I think they were doing something like 45% of their original revenue within about three months, which is phenomenal. This is a great example of the reinvention that COVID has driven.

At the moment, it is clear that many businesses want to retain their existing providers and they are keeping discretionary spend under careful control. People want to protect their businesses and their cash flow to make sure they are resilient for as long as possible. However, as they look ahead, unless their business model is largely offline, they will need an online presence and will have to create one or enhance what they have, which plays into what we do. Most of the companies that we support have grown with us

through an initial web presence of some sort. We will continue to see opportunities when they reignite their digital transformation ambitions as business confidence returns. We also have a good opportunity with plenty of customers who are growing significantly during this pandemic. It is not only about helping customers protect their business if they are in a sector that is under pressure, we also need to support customers who are doing well and have a very strong online presence or have an idea that they want to exploit online.

There is a lot of opportunity for us because we are in a very large market but have a very small market share. If you look at the private equity owned and some of the small AIM listed businesses that operate in our space, even added together the total market share is relatively small. What is different about us is that we target a very specific set of customers and we help them with their cloud journey. We can provide the full set of services – people, skills, solutions and strategy. We own our data centres, network, and related applications and we keep our customers connected and secure, helping them to operate efficiently and grow and protect their businesses.

In the small to medium enterprise space, our role is really important because many of those businesses do not have lots of IT capacity or in-house skills and often need to ask a company like iomart for help. We provide that uptime and cost certainty, paying a fee every month for a managed service they can rely on. Then, as they look to the long term, they are going to need help with security, data protection, backup, disaster recovery, connectivity and management of a hybrid mix of cloud services, all of which we can provide.

The company has been very acquisitive over the years, will that still be part of the strategy going forward?

Yes, we have a proactive M&A strategy in addition to our focus on organic growth. We will continue

leadership insight

making bolt-on acquisitions, but we are also open to a big transformational acquisition at some stage. We have made over 20 acquisitions so far and while most have been integrated, a few of our older brands are still out there. We are currently bringing everything together and simplifying our organisational structure so we can offer the entire range of our capabilities to all our customers under a single, stronger, 'one iomart' approach. The only exception will be our Easyspace brand, which provides web hosting and domain name services to micro-businesses.

What is your philosophy on leadership?

I would summarise this as having the ability to make things simple for people, by being clear about what it is we are going to do and then having relentless communication around that. I have worked in many complex organisations, and in that environment it can be a struggle for people to know what direction you are going in or what you are trying to achieve. We work in a complicated market so it is important to explain the purpose of the business with simple concepts and communicate this effectively at all levels in the organisation. It is easy to say things, but unless you actually do them, demonstrate success, and celebrate that success, you don't build trust, which is what it all comes down to.

You have to be able to talk the same language with all your teams. From time to time, you need to roll up your sleeves and be an active member of the wider team to provide the needed input, support and guidance that builds respect between team members. Through interactions like this, you build respect and trust, which is really important.

The lockdown has required a lot more communication and a lot of video calls. Since I joined in March we have tried to get into the office where possible, but we also need to protect our people. We have used communication tools to our benefit, but I can see that this way of working is quite tiring for people. When you are doing strategic pieces of work and brainstorming, it is actually very difficult to do it remotely. Where necessary we have embraced some good digital

tools to facilitate real-time conversations, but without overcomplicating things. I do not think the leadership approach changes, the enablers of it do.

What do you look for when you are hiring?

Good interpersonal skills are key. If you cannot collaborate with your colleagues, it is extremely difficult to succeed. I think technical skills are a given. I also look for a certain attitude, people who are eager to learn and want to advance and thrive in a fast-paced environment. Just because you have a number of skills in technology today, does not mean you will have them tomorrow. The ability to say, "I want to learn, I have the ambition to do well and I want to support customers," is something I value highly because in our type of business it is all about the customer and providing the best service. If that does not really inspire you, then our business probably is not for you.

Any tips for aspiring CEO's?

The question they need to answer is, "Why do I want to be a CEO?". It is a very unusual and challenging job and is certainly not for everybody. I never actively pursued becoming a CEO but have been lucky enough to achieve it. There are plenty of talented people out there who could be a CEO, and will work their socks off but never become one, just because they did not get the right opportunity. Achieving the status of a CEO is a mixture of hard work and luck. Once you get that first role, it becomes much easier to get the next one.

My advice would be to work hard, deliver results, build networks and do the difficult jobs. You need to make a difference and ideally position yourself to be the successor to the current CEO in a business. If you are not in that position, I think it is quite tough because there will be people who say, "They have not been a CEO, I am not sure I want to take a punt on someone who has never done it." You might be fantastic, but the lack of track record and reference point could make people nervous. There is no silver bullet here; otherwise, everyone would be doing it!