

Our Network Told Us the Time Was Right to Enter the US Market

Interview with Peter Szabo, SpenglerFox President for North America

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What are the 2015 prospects for the US market as concerns business growth? Why did you decide to set up offices in the United States?

SpenglerFox has a few searches going on in the US market at present. But I feel it would be better to start with a general overview of what's happening on the North American market. SpenglerFox generally manages its business through two channels: organically (i.e. using internal consultant resources) and through partner networks.

My role in this process has two aspects. On one hand, I have worked for several years as SpenglerFox's Chief Partnership Officer and my focus has been to develop the company's global presence. In that role I made it a priority to look for partner companies that match the SpenglerFox DNA, if you will. We were looking for search and consultancy partners to boost our Practice Group work in Life Science, Industry and the Consumer Space. My previous brief was thus to build local (and sometimes regional) partnerships in areas where SpenglerFox did not have offices. Today, I can honestly say that this work has paid off: SpenglerFox now has a truly global reach; and in the past few years we have continued to move into new regions: Central Asia, the Nordics, expansion in the Middle East, etc.

How would you assess the value of SpenglerFox's partner network? Has a partial "channel" approach paid off for the company?

I believe the networked or associated approach is working incredibly well for the company. The SpenglerFox internal consultant team has worked to develop long-term partnerships that today generate repeat cooperation on new projects. Part of our consultants' brief is to nurture business partnerships and to follow up with regional partners on new project ideas and leads. As you may have guessed, the SpenglerFox partner network is my "baby". Having been involved from the very start, I'm most often the person you come to in SpenglerFox to find the right consultant from our network: this applies both to our internal team and to SpenglerFox affiliate partners. Today alone I've received a range of diverse requests, where one client needs support in Brazil, while another Belgian client sent a request for support on a project in the United States. So you can see our reach is truly global in nature. Clients come to us not just for local, but also for their global needs.

What about your current position in the United States? Has that changed your involvement with the partner network?

By moving to the United States, I have more or less become SpenglerFox's brand ambassador for this market. I now help pave the route for existing SpenglerFox clients in Western Europe, Central and Eastern Europe and the Middle East to access the US, or more broadly, the North American market. My main role is to help these partners get a foot in the door. On the flip side, my team also focuses on developing partnerships with the US-based headquarters of multinational companies. SpenglerFox provides support to these businesses and also to (so far) more US-focused businesses that have an interest in expanding outside the North American market. For our European and Middle Eastern partners, we do the contrary: we help them with their entry into the US market.

One of my favourite aspects of this new position is that it truly builds on the work I have done for SpenglerFox up to now. During my tenure at SpenglerFox, I have worked in all regions of the world. I have passed through numerous countries and understand and know the specific business processes and cultures in markets all over the globe. I feel I can honestly say that I can in almost all cases refer the right consultant for a specific job. This stems from my experience with and research on individual markets and working, in the past, for the headquarters of North American businesses operating in the European Union and also for Asian businesses that have since expanded to the US market.

You've become the "connector" for SpenglerFox clients. Is the need for a connection to North American markets what sparked the company's move to open US offices?

Local assignments are an important part of my work here. I work with a set of colleagues and partners on the ground. I must admit that it takes some time to learn about and understand a culture; and I feel that in the case of the US or North American market this will take more than 1-2 years. That said, our growth model here will be similar to the global one: both organic and through partnerships. I think it's important to mention here that SpenglerFox has taken a big step in launching on the US market. This is something that we have been discussing internally at SpenglerFox for almost a decade now. I think we've chosen the right time to take this step, given that the US market is recovering and bouncing back from the Great Recession.

I would also mention here that SpenglerFox is a very open-minded company and for some time signals had been coming from both sides (from US and European/Asian clients) that opening offices in the US was the next logical step. It was our past partnerships and specific project work, along with customer needs, that motivated us to do the US launch. Our network was sending us signs saying "we need you" and so we listened to it. It is also important to

recognize the global business reality: Europe is stable but more or less flat in terms of business growth. Germany continues to be the motor for the EU economy. But we, at SpenglerFox, felt the US economy would bounce back sooner: that there would be more business opportunities in this arena. We wanted to jump in and be part of that expected growth and help customers bounce back from the crisis.

And how is the US market doing now? Are the opportunities there?

Looking at the US market, I would say that there are not so many NEW trends. Take, for example, the energy market: energy does not disappear, it transforms. So I would characterize the US market as "evolving". There are some industries where growth will remain flat, but in others will expand. I think one important thing that has happened over the past six months are changes in the USD/EUR exchange rate: you have a strong dollar, which won't likely help growth in US exports.

Generally speaking though, we have seen strong growth in service requests to SpenglerFox, i.e. compared to 2012 and 2013. Our 2014 was a bit quiet, but all indicators so far this year suggest that 2015 will be a strong year for business. Even US government statistics offer reasons for optimism. Among them are drops in unemployment levels, where we are also starting to see growth in hires at the management level. As companies start to grow, they need skilled management to lead their teams and this is a positive sign for us. We also continue to hear confirmation of this trend throughout our partner network as well as from competitors: everyone is overstretched at the moment and they are hiring consultants to manage the increased workflow. Today, the USA is a candidate-driven market. Openings for managerial roles are on the rise; hence, good candidates are able to be selective in their job search process; without the need to jump at the first opportunity. This creates pressure for quicker decision-making on the employer side; especially when companies are fighting for top talent.

Can you name any specific sectors that are driving growth in the US and North American markets?

At present, I see the oil or energy markets pushing a domestic boom. There has been a lot of talk and concern about US energy independence in recent years and this has pushed US businesses to maximize efforts to exploit domestic resources. Beyond that, I would name the Life Sciences sector as one of particular interest. US healthcare reforms are driving growth, and new technologies needed for home care are pushing innovation and new business expansion. We also see significant growth in some new or upcoming parts of the healthcare sector (i.e. the bio science and bio similars pharma). Additionally, even in the US, people realize that a focus on prevention could noticeably improve their health; hence, there is higher demand for healthier food (organic products). This is impacting the consumer industry in a variety of ways; namely, we see significant job growth in organic food-related industries. On the other hand, some pharma businesses are struggling due to their limited product pipelines, while in the FMCG sector fast food companies grapple with the need to reinvent themselves. It's worth noting that we encountered these trends much earlier in Europe. However, here in the US, they have come up more rapidly. This is because access to investment capital and greater openness to risk-taking helps new ideas develop much faster on the US market.

However, again, we see here signs of evolution and disruption: it is smaller, newer players that are filling gaps for product and/or service demand. For example, when I recently spoke to one of our partners in California they reported a boom in their business. When we first met 2-3 years ago, they said the market was "stable but stagnating." Now they are considering a move to new offices as they will soon run out of space (due to extra hires that are directly related to increasing customer demand). This particular San Diego partner told us that their current overwhelming workload is literally driving

them to look for more space. They noted that they have more demand now than they did before the crisis. So we hail this as a positive sign for growth: they are a very niche company but can't keep up with demand. If they have strong demand, this means more business for other, more established companies will follow.

I would also add on a brief mention of the manufacturing industry here. There is a visible trend of growth in domestic manufacturing. You can see that US manufacturers are growing, despite the trend toward extinction over the past 20-30 years. This is a positive sign for the market: going forward it will create more jobs. For example, you see this trend to a degree in the automotive industry, where we have noticed a recovery from the earlier crisis. And the good news is that support industries are growing from this upward trend as well.

What about the influx of European companies to the US market? Is this still strong? What services do your European clients look for on the US market?

We currently see a trend where European companies' sister offices are being brought over and/or their existing business expanded in the US in order to make the most of the local economic rebound. This applies to a wide range of industries: from finance, pharma, industrial, energy, etc. to firms producing consumer goods. The key factor here is that they are importing knowledge from their home countries or from other regions. That said though, we find it important to help our clients understand and face the fact that the US market is, in many ways, different from the European one. You immediately notice upon arrival that processes are different than what you had perceived from the outside. One must adapt to the way it is done here. It's not easy and one needs local experts, talent, managers to facilitate that understanding. Many have struggled due to wrong strategy selection. European companies coming to the US often feel that they can copy processes and strategies from their home country or other traditional

markets, but they soon realize that when doing so, success is not guaranteed. You have to make assessments and employ the right Americans to get the job done. European management transplants do not always work out. The "cut/copy/paste" is not a winning model for the US market. You have to learn about and understand the market and adapt to local trends and needs. You need local management to help with the "translation" and transition of their HQ's goals.

One thing I find particularly interesting (and very surprising) is how Europe has surpassed the US in the fluidness of administrative systems. EU processing times are much more transparent and fluid. I see US administrative and bureaucratic procedures continue to run into bottlenecks. The things you take for granted in Europe are now causing procedural headaches in the US – this was definitely a surprise for me. Similarly, the structure of the healthcare system also creates difficulties in processing and meeting worker needs. And educational costs (at the university level) have begun to throw a wrench into employment processes: these costs make US nationals more expensive to employ – even at entry level.

In the US market, just like anywhere else, it is the understanding of the market, local culture (*this often differs from one US region to another*), people's behaviour, decision-making processes and the speed and complexity of business that company executives and managers need to comprehend before making tough decisions. This applies to new investments and M&A plans; as well as expansion of existing businesses. I believe companies like SpenglerFox can provide vital support as companies travel the route to market. At SpenglerFox, a balance of local understanding, coupled with our local consultants'/partners' long-term experience, is further supplemented by strong organisational understanding based on our team's presence both here in the USA *and* in our clients' home markets.

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