



Brian Gosschalk

Top of the Polls

When Brian Gosschalk joined MORI in 1979, it was a small young market research company with a £1m turnover. Today that has risen to £49m. Reflecting on the management buyouts he has led in recent years, he emphasises the importance of ISIS Equity Partners as a player in MORI's growth strategy.

In just five years, Brian Gosschalk has led MORI, the UK's leading independent market research company, through two management buy-outs and a strategic sale to an international player.

Gosschalk, a social and political researcher by background, joined MORI in 1979 after working for the BBC. At the time, the 10-year-old company had 15 employees, turnover was around £1m and MORI was just about to launch its first Local Government Survey and Editors' Survey.

Today, Gosschalk is chief executive of Ipsos MORI, following the sale of MORI to the Parislisted company last summer. It is a very different business from the one Gosschalk joined shortly after Margaret Thatcher was taking up residence at 10 Downing Street. MORI now has 470 employees, a turnover of £49m and a name that is virtually synonymous with market research.

The real MORI business is somewhat different from public perception: just 8% of revenues come from field and telephone research services, while the Social Research Institute, the largest provider of public policy research to central and local government in the UK, contributes 43% of revenues, corporate and consumer 29% and specialist research 20%. Political opinion polls are less than 0.5% of MORI's turnover

Then and now

Founded in 1969 by Bob Worcester, MORI grew steadily throughout the 1970s and 1980s. But it was in the mid-1990s that the company really began to gain momentum. Between 1995 and 2000, turnover increased from £10m to £25m.

In 1998, Worcester decided to explore the options for reducing his stake. Gosschalk proposed an MBO, but Worcester was "slightly sceptical" about the management team's chances, since none of them had a track record in buy-outs.

"I was very keen on a buy-out," recalls Gosschalk. "On one level, that made it quite difficult to go to meetings with

potential trade buyers, though you have to play it with a very straight bat." Gosschalk had to convince Worcester that his team was credible. "I went about it extremely seriously, talking to people who had done buy-outs and a number of advisers, before choosing Livingstone Guarantee.

We thought very hard about how we were going to take the business forward, about our strengths and weaknesses and about our position in the marketplace. We presented to nine venture capital firms and received seven serious offers."

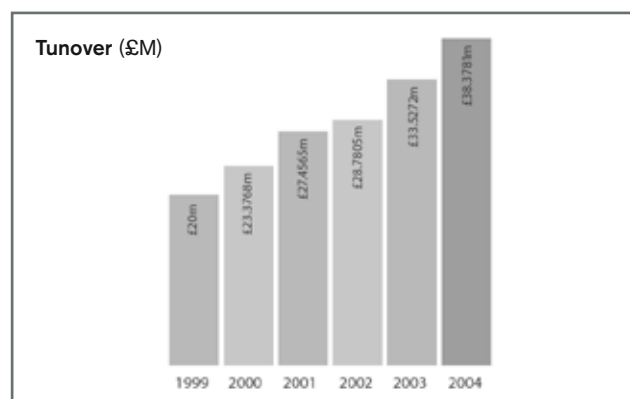
Two front-runners emerged: ISIS Equity Partners (then called Friends Ivory & Sime Private Equity) and 3i, which already owned a 25% stake dating back to 1986. In 2000, a deal was struck for the MBO, with 3i taking a 42% stake.

What happened next

Once the deal had been completed, there followed a number of changes to the business, particularly on the management side. In came new finance, IT and HR directors. Meanwhile, Gosschalk split his job in two, appointing a managing director to run day-to-day operations while he became chief executive, responsible for strategic, shareholder and board issues.

Working in a buy-out environment is notoriously challenging, and there were a number of changes to how the company was run. "Operationally, cash management became crucial and some of the key performance indicators changed – debtor days, for example, were looked at very closely," says Gosschalk. "But fundamentally, we concentrated on sticking to our knitting, on serving our clients well, on looking after our people and on being flexible and innovative. I always felt that if we did that, we weren't going to go far wrong."

MORI performed well, achieving organic growth of more than 25% in 2000 and 2001. Even when the marketing services sector went into a recession in 2002, growth



ticked over at 8%. “Curiously, it didn’t change much,” says Gosschalk. “We just concentrated even harder on our clients, our people, and so on. By that time, we had a good team, a clear market position and a vision of where we were going. The fundamentals were all in good shape.”

All change... again

But in a buy-out, an exit is never off the agenda. “3i decided to exit, perhaps slightly earlier than I expected and at a time that I felt was not really optimising the value of the business. It was going well, the company was thriving and I was rather enjoying the MBO,” recalls Gosschalk. LongAcre Partners was appointed to advise on the sale, and Gosschalk insisted that a secondary buy-out should be considered.

“ISIS had impressed me in 1999/2000 and had been runners up to 3i,” he says. “Wol Kolade, had been smart enough to stay in touch with me over the intervening period and had stayed abreast of how the business was doing. He had seen that we had not only hit our forecasts, we had exceeded them.”

Make us an offer

A competitive auction was launched, attracting interest from both trade buyers and private equity firms. The management team were in a strong position. “In a people business, the management team is important,” explains Gosschalk. “You cannot sell this kind of business over the heads of the management team, so we had a lot of influence, but we did not have control.”

In March 2004, ISIS Equity Partners agreed to buy MORI for £55m, giving 3i a good return on its investment. Meanwhile, Adam Holloway of ISIS was appointed to the board, which was overhauled. “There was a board, but it was quite high-level and remote from the business, perhaps better suited to a larger company,” says Holloway.

Sir Andrew Likierman, Professor of Management Practice at the London Business School and a former managing director of financial management at the Treasury, joined the board while ISIS introduced Keith Burgess, who had been senior partner at Accenture in the UK. “There was a structured and managed chairman transition from Bob Worcester to Andrew. It was an emotional issue that required careful handling,” says Holloway.

Bigger and better

However, it was not long before Parislisted Ipsos, which had lost out in the 2004 auction, came back with a better offer. Gosschalk had stayed in touch with Ipsos co-president Didier Truchot and the two companies were an excellent fit. “Certainly, we weren’t looking for an exit at the time and neither was ISIS, so it gave us a bit of a dilemma,” Gosschalk says. “But if you get a good offer from a serious player then you have to treat it seriously.”

In October 2005, Ipsos completed the acquisition of MORI. “The international angle was crucial,” explains Gosschalk: “With Ipsos in the UK, we have a brilliant fit. There has been

absolutely no argument over key roles and everything has been done extremely harmoniously. We were comfortable. ISIS was getting an IRR of 55%. Ipsos was comfortable because it was getting an attractive acquisition without having to go to auction.”

Je ne regrette rien

When the first buy-out was completed in 2000, the management team were offered 39% of the equity. Gosschalk and the four senior managers took just 15%, distributing the other 24% among staff. But Gosschalk has no regrets. “It was absolutely the right decision. You can’t have a people-focused business and talk about how important people are without having an ownership structure that reflects that.”

With three successful deals under his belt, you might expect Gosschalk to be sunning himself in the south of France. But he is hard at work. “First, I love my job. Second, I can’t afford not to work. Third, my wife is from Brittany.”

That was the year

YEAR	MORI MILESTONE	TURNOVER	WIDER WORLD
1969	Bob Worcester sets up MORI	-	First man on the moon
1979	Brian Gosschalk joins	£1 million	Margaret Thatcher elected Prime Minister
1989	Telephone surveys introduced	£5 million	Berlin Wall falls
1994	Brian Gosschalk becomes MD	£10 million	Tony Blair elected Labour leader
2000	Completes first MBO	£25 million	Ken Livingstone elected Mayor of London
2004	ISIS backs second MBO	£44 million	EU expands to 25 members
2005	Turnover exceeds £49 million	£49 million	Tony Blair wins third term