



Cross-selling pays: The Citadel Group chief executive Miles Jakeman

Value added

AN ACQUISITIONS PROGRAM IS BROADENING A CLIENT BASE AND MARKET REACH. REPORT: LEO D'ANGELO FISHER

● Miles Jakeman has packed a lot of activity into the past six years. Since forming Canberra management consultancy Jakeman Business Solutions with his wife Le-Anne in 2002, the business has evolved into a group of companies through a series of acquisitions, developed its successful "house of brands" model and last year became an unlisted public company, The Citadel Group. This year, the acquisitions have continued, and more will follow.

"JBS started out as a pure business-strategy and management company," Jakeman says. "Today, Citadel is an end-to-end professional services provider."

Citadel's portfolio of separately branded and individually run businesses includes the original business, JBS, and an information management consortium, *Filosoph-e*, of which Citadel is a 25 per cent shareholder. The rest of the portfolio has been built through acquisition.

The first acquisition was Gibsons Consulting Group, a well-established Brisbane firm, in 2004, which enabled JBS to expand outside

Canberra and to diversify its client base beyond the federal public sector.

Others followed: recruitment firm Frontier in 2007 and videoconferencing company ServicePoint this year. In September, Citadel bought two videoconferencing businesses in Sydney and Canberra.

Jakeman believes Citadel's "integrated visual communications" offering places his company in the box seat to benefit as companies, in a bid to reduce their "carbon footprint", restrict travel and conduct meetings by videoconference. The slowing economy is also likely to encourage a greater reliance on stay-at-home meetings.

Jakeman says each acquisition enables the group to "fill out and deepen the areas we

The Citadel Group

Rank: 9

Chief executive: Miles Jakeman

Revenue (2007-08): \$38.65 million

Growth*: 146.59%

* Average annual revenue growth over five years

specialise in". The acquisitions strategy is central to Citadel's "house of brands" model.

Citadel's board has a mergers and acquisitions committee and one of Jakeman's roles is to "actively look for businesses within our capabilities area". At any given time, the "M&A pipeline" has up to 20 potential targets.

"There are some complexities around brand management," Jakeman admits.

"Each business trades in its own right, and there are marketing costs associated with that, and one of the challenges is getting everyone to remember they're part of a larger whole.

"But the advantage is that the teams [in each business] concentrate on what they do best. In a difficult market, we're doing well with a portfolio of companies. The cross-selling opportunities are quite vast."

Internal referrals contributed \$1.75 million to revenue last year.

Acquisitions will help Citadel's penetration of the private sector. Government work still accounts for 75 per cent of the group's business.

Although growth by acquisition is important, Jakeman insists "it's not our only strategy - it's supplemental to organic growth".

Citadel wants to have revenue of \$100 million by 2010. Then the group will undergo its most significant transformation: an initial public offering, a trade sale or a succession plan.

The state of the economy will have a big influence on the course the founders take, but guiding the company through the uncertainty will be a board whose depth easily eclipses the boards of most comparably sized companies listed on the Australian Securities Exchange.

Jakeman established the board in 2004, before the creation of Citadel, and introduced an employee share plan the same year. Although it was a private company, the JBS group committed itself to the ASX's corporate governance guidelines. It was part of a strategy to "take the company to the next level and grow beyond its family business origins".

The chairman of the board is a former chief finance officer at the Department of Defence, Ken Moore. Other directors include a former director-general within the Defence Materiel Organisation, Mark Patch, and a former director-general of the Australian Secret Intelligence Service, Rex Stevenson.

As well as positioning Citadel for a seamless transition to a stock exchange listing - if that's the course it chooses - Jakeman says the board "supports and maintains a culture of good governance, performance and accountability".

"It's important when using other people's money that shareholders have the assurance that management is doing the right thing," he says. **1996**