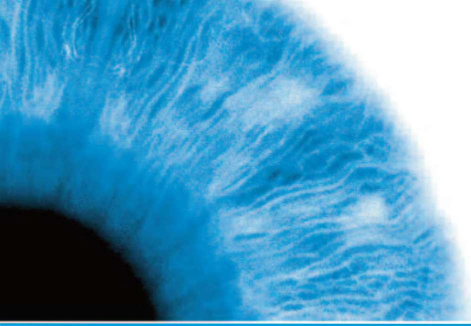

GS-insight

people • technology • business

Issue 24

GILLAMOR STEPHENS

In this issue

Gillamor Stephens celebrates 15 years

As we complete our 15th year in executive search, GS-insight considers some of the key issues currently facing the technology sector

Gillamor Stephens celebrated its 15th Anniversary in October 2013. We are proud to have built a successful executive search business focussed on the Technology Sector and a reputation second to none across the European region based on our unswerving commitment to client service. We serve a fast paced, ever changing, dynamic industry and over the years have seen sectors converge and new technologies blossom from infancy to maturity. Our core values of knowledge, commitment, results hold as true today as they did when we were a start-up business. We focus on staying current, continuing to learn and develop alongside the clients we serve, within a market we now categorise as Technology, Online and Cleantech.

Our client base ranges from early stage VC backed businesses to some of the best known and most successful publicly listed corporations and across that spectrum there is significant executive hiring activity occurring. Indeed we are currently seeing the number of new search assignments being initiated on a monthly basis getting close to a similar rate to that of the heady days of the dotcom era. Reflecting the industry trends, not surprisingly, particular growth areas are in SaaS, cloud/managed services, security, Big Data and e-commerce platforms, with many companies driving international expansion.

In this, the 24th issue of GS-insight, we explore some of the key industry trends and issues with leaders of high growth technology businesses. Heath Davies, CEO of Clearswift, discusses the role of the CEO in different types of technology businesses while entrepreneur Rene Rechtman provides insight into how he built two of the most successful ad-tech businesses in Europe. Michel Robert, UK MD of managed services provider Claranet looks at trends in his industry and the importance of organisational culture in acquisitions, while Colin Brown MD of Softcat considers different business environments and the UK software channel. Founder of Sybase and Commerce One, Mark Hoffman compares starting a business in London versus California while Dave Mullarkey of our partner company SPMB gives a view from Silicon Valley on hiring trends. Also we speak to Judith Leary-Joyce, CEO of Great Companies Consulting, about the importance of the business leader in shaping the culture of their teams and business. Finally industry analyst, Ian Spence of Megabuyte, provides some strong views on AIM.

GS-insight can be viewed and downloaded from www.gillamorstephens.com

I hope you enjoy this issue, Steve Morrison, Partner, Gillamor Stephens

The Making of a CEO

Heath Davies, CEO of PE backed Security Solutions Provider, Clearswift, draws on his experiences of 3 CEO roles in different business environments and highlights some of the key criteria for transitioning into the top job

Clearswift is your third CEO role, how do they compare?

My first CEO role, in Sword Group really evolved. I joined as a Sales Manager, went on to become Chief Operating Officer and ultimately CEO. Although I had a lot of theory - because I'd been to various management schools like the London Business School, there is still the practical application of those theoretical concepts. I really learnt the skill of becoming a CEO by having a mentor that was happy to spend the time to teach me some of the softer parts of becoming a CEO.

Joining Sword in 2002 and then taking up the CEO role in 2007 allowed me to build a business from almost the ground up. Sitting on top of the business I had all of the knowledge about every constituent part of it. So in retrospect that was probably an easier role than the next one, at Alterian, where I was parachuted into a crisis situation at a business that was rapidly running out of cash; a public market company with a lot of investor fatigue and a product strategy that had failed to deliver for many years.

So I had a lot of pressures coming at once to make decisions, simply because I didn't have much time by which to pull the right levers in order to save the business. So, in that role it was a question of bringing all the experience that I had to bear, looking at the priorities and making decisions very quickly with the management team in order to save the business.

The plan, ultimately, was to create a business platform from which we could grow the data analytics capability, but as soon as we put the plan together and we'd restructured the business then it became attractive to a third party, which ultimately acquired the business within six months of me having been there. So that was a completely different experience, all very rapidly focussed and fast paced.

My current CEO role is like a hybrid of the first two. When I joined Clearswift it had already gone through the financial re-engineering that was necessary after the acquisition by Lyceum Private Equity. This was an opportunity to really start to grow the business, but a business that had been steeped in heritage for the last 20+ years in security and trying to get it to reposition itself into a non-commoditised market. So the challenges here are completely different to what they were at Alterian and Sword. Nonetheless, still very rewarding and I can't imagine being able to have done this role without the experiences I've had from the other two.

Heath Davies

Before joining Clearswift, Heath was CEO of Alterian PLC, a market leader in big data analytics. During his time there led the successful transition and sale of the business to SDL PLC in 2012. Prior to Alterian PLC, Heath was at Sword Group where he oversaw the profitable growth of the company from £25m to £150m over nine years, ultimately leaving the Group as CEO in 2010.

Heath holds a BEng (Hons) from University of Greenwich, London and is a UK Engineering Council Scholarship winner. He has attended executive education programmes at London Business School and Ashridge Management School.

What advice would you give to aspiring CEOs?

The main counsel is to make sure that when you take on the role of CEO, you have actually got experience and awareness of all the facets of the company, whether it be sales, marketing, operations, product development etc. In a CEO role what you don't want to do is crash and burn on your first one because that will probably be your last one.

So it is a question of making sure you've got the right skill set. I think the other area, is to have a really good chairman around you. I have been very fortunate in the three CEO roles that I've had three very good but very different chairmen that have complemented my working style.

Does it feel very different running a PE backed business vs a PLC?

I had 10 years as a Chief Exec in a PLC and I've just had my first year anniversary working under private equity. There are definitely some distinctive differences; the first one of course, is with private equity you have generally got one investor group to satisfy. Whereas in a public company, with the institutions you may have 20 or 30 key shareholders that you have got to make sure are happy with the strategy and positioning.

Actually, more importantly, the approach that a private equity group take is different. When I have board meetings with Lyceum, it's opportunistically driven; they are always looking for ways of improving and getting more out of the business. Whereas when you have a public market investor, it is more problem-centric and they are always looking at it from, "Where is the negative, where is this going to fail?" That's an important distinction because the way you present is also different.

I think the third aspect for me, – which I saw at Alterian, is as a public company goes through a business transformation, the fear that comes into the institutional investors is quite pronounced and they follow each other and therefore as one starts to sell, another sells and this drives down the share price.

Whereas, in a private market of course, you have a different story because you've set out a plan, you've discussed it with a sole investor or investor group within the private equity company and they know you're in transition. So if you do end up having a transformation play to make, you can make it with the knowledge that you're not going to get penalised for it from a price point.

Ultimately Alterian recovered and it was sold at a premium in the end, but it's easy to see why public/private transactions, become attractive. For example if you need to change a software company's licensing model from perpetual to a subscription base, it's far easier to do that in the private market than it is in the public market.

You made an acquisition recently at Clearswift and at Sword you made a lot of acquisitions. Any lessons learnt about how to make acquisitions work?

What I'd like to say is there are three golden rules with acquisition. The first one is don't overpay. The second one is don't overpay, and you can guess the third one.

It is so true when companies do overpay, then it's very difficult to make the right decisions going forward because they are always set against a backdrop of the investment that they've made, and it's very difficult to recover from that. So, with the last acquisition that I undertook, it puts my tally up to 16 deals within M&A, 15 of them have either been good or spectacular, and one was an absolute disaster.

When looking at acquisitions with Clearswift I want to create a single product vision, so any acquisition has to fold in within the core engineering value proposition, rather than it being a standalone product.

With Alterian many acquisitions had been made, but they hadn't been bolted together. So we inherited the sum of the parts and we couldn't get the economy of scale to work, which ended up costing the business a lot of revenue restatement and a lot of intangible goodwill write offs. That was because the acquisitions weren't able to add strategic value to the business.

One of the key things with software acquisitions is to avoid a rollup strategy. A rollup strategy is basically where you acquire a business that is in direct competition with one of your businesses .

The challenge is that you have two competing products. You have two competing product managers and ultimately one set of clients is going to end up losing out as you decide which product to go with in the market. I tend to look for adjacent complementary technology that I can build in to a product suite.

What about the people side of acquisitions?

The first thing is to create a vision for where you want to take the business. Then you are into, "Okay, well how do we get there?" The first part of that maybe looking at individual skill sets, providing them some in-function training; that could be training to do with sales, product development, project management etc.

This provides "in-role" skills, which are all very important if you want to get people bound into this vision and delivery. To truly galvanise people you have got to look at it from their history, their behaviours, how they interact with other people, their learning styles. That brings a different type of training requirement and I like Dale Carnegie's methodology which is really about getting in under the skin of individuals and finding out what makes them tick. It is another area of personal development that not only gets the company to where it needs to be, but also for the individual, for them to understand more about themselves, how they interact with others and how others see them. For me, this is another important factor, especially with a company such as Clearswift, that's been around for over two decades. We have many people that have been here for over 10 years of service and they are so used to doing things in a particular way with their colleagues, we just need to give them the opportunity of understanding with new people coming in, how they're going to be perceived and to make sure that they can continue to add value going forwards.

An interview with Rene Rechtman, former SVP AOL Networks International

Rene has led two start-ups through to an IPO and a trade sale and more recently he ran AOL Networks businesses outside the US

Rene, where did you get the start-up bug, and what led up to you joining Tradedoubler?
The bug caught me early. During my Master's degree at Uni, I was a trainee at the European Commission, which I always thought I would join. But the experience put me off so after university I got involved in a variety of projects. I wanted something entrepreneurial, so I joined a part of Hill & Olsen in Denmark to build their public affairs business. In 1998-9 an opportunity came up to join a start-up in the UK led by some Body Shop execs. That was the second time I moved to the UK – I did an Erasmus exchange program in 91-92. After a year, I moved back to Denmark to join a private equity company. However, I soon realised that corporate life was not for me. It was very political. Through my UK contacts, I was approached by Martin and Felix in 1999, the founders of Tradedoubler, who were looking for someone with my international growth experience to help them build the business.

This was pre-funding at Tradedoubler. I think there may have been 5-10 people in the company. I didn't really understand the idea, but I loved the two founders, and I liked the fact that you could scale and make money. So, I joined them early 2000.

What was your first role there
There was no role really. I began by trying to build up Denmark, and ended up running what we call Clients and Publishers. We grew from a handful of really strong customers, who fundamentally understood the business, to a 19-country company.

Where did the funding come from?
First, some local seed investors came on board. The big investment of $10 million came in 2000, followed two years later by another one. The company grew very, very fast.

We IPO'd in 2005. Despite lots of opportunities to sell the company the VCs decided, "No, we are going all the way." Looking back, IPO was really the smart thing to do at that time.

We floated on the OMX in Stockholm, with an initial value of €350 million, peaking at around €1 billion. A year or so after the IPO, I started to realise, "This is not our baby anymore. We're working for big shareholders who don't really get it." So, I decided to leave.

Wearing the Tradedoubler badge, you probably had your pick of anything anywhere.
Yes, that core team was in a very fortunate situation, because there were so few very successful companies at that time. We had the VCs all over us. We bounced ideas around together, but it became clear we all had very different ambitions. It wasn't long before I was approached by Claus, the founder of Goviral, who said, "Hey dude, we have a great business here, and we need someone like you to help us grow it." I responded by saying, "Oh my God I love it. Can I invest in it?" But, they didn't want my money, they wanted me!

What was Go Viral at that point?
Goviral was just a viral ad agency, but we very quickly changed the DNA of GoViral to be a scalable technology platform and a global business, running cool native ads that people really wanted to watch.

But a model like that can be easily replicated…
Absolutely. Yet there is still only one good player in the US. Our dominance was due to not touching the content, just widening the business model. That, and building a very scalable technology.

Plus, we were the first mover. When our competitors finally woke up, we were already a +$20 million business, with a footprint in all major markets, all the biggest clients, and a fantastic team behind it all.

> “It might seem like we exited prematurely, but when you own the company, you know all the risks associated with putting in more capital, pushing it to the edge, and being diluted as a founding shareholder”

And what about backers; was it bootstrapped?

We bootstrapped it all the way until one of the founders wanted to exit. Thus we sold his shares to Kennet Partners, a growth capital company. When the exit point arrived we started flirting with lots of players, inbound mostly, but also competitors in the wider video space. AOL came along with a really nice angle. They took the softly, softly approach before going specific with what they wanted. We had a few other bidders in the process, but none of them was as good a fit as AOL. AOL bought the business for $96M, so we were happy and Kennet were happy.

It might seem like we exited prematurely, but when you own the company, you know all the risks associated with putting in more capital, pushing it to the edge, and being diluted as a founding shareholder.

It's rare for a CEO to stay on so long post-acquisition, so why did you?

It wasn't my plan to. I thought I would stay out of courtesy for six or twelve months, but several things happened. There was a clever guy in the US, a VC who said, “Hey, don't underestimate the big players in the US, the Microsofts, the Yahoos and AOLs. There is a lot to learn and you get a much bigger personal network.” Looking back on my last two years in AOL, he was absolutely right.

Rene Rechtman

The management of AOL treated our team really well, and I was running AOL Networks outside the US. Would I have predicted that two years ago? Absolutely not. AOL is still expanding globally, and launching new products. The world is changing very fast, and AOL is keeping pace. We were the best performing tech stock in 2012.

Being with AOL, also gives you access to a tremendous amount of knowledge and influential people, internally and externally. I've travelled to Asia and South America, the real drivers of the business world, and now have a comprehensive network of really strong business people.

People must be knocking on your door all the time. Have you just not seen anything that has really tempted you?

There have been lots of opportunities. I've had fun at AOL and I am in a fortunate situation; I can be choosy. Whatever I do next needs to be fun, right? As soon as it stops being fun, then of course, it's time to move on.

What are your thoughts on the broader ad-tech industry? What's the next big trend?

As far as the ad-tech business goes, I think it is very disappointing. I have seen almost nothing of interest. It's all marginal innovation or improvement.

There are one or two companies in the US and Europe that are coming up, but I've not seen anything that makes me think, “Wow, this is really innovative.” So, in that respect, I think you'll find the same players we know today continuing to dominate. As far as the general media industry is concerned, I think again it's boring, with no significant innovation yet. However consumers are changing behaviour faster than the industry realize and that will accelerate innovation – hopefully.

I think disrupting TV is a big opportunity but there are challenges. Just tinkering with technology will not lead to innovation in this space. Whoever figures it out will have a really interesting businesses, and they'll be the new stars in ad-tech.

Mark Hoffman, CEO Oxygen Finance

Mark is one of the most successful Silicon Valley serial entrepreneurs. To have founded Sybase is clearly a major achievement in itself but to then start another business such as CommerceOne marks him as a unique talent in our industry

Our business at Oxygen Finance spans several categories – which is one of the reasons I really like what we are doing. I don't see the point of repeating what I did last time. It's a combination of patentable technology and financial engineering delivered as SaaS – we are building special solutions with partners like Clifford Chance and working with Accenture and KPMG. We are not trying to displace ERPs or other software solutions. There is this hole in the middle of ERP manipulation and invoice discounting to be addressed – how to build a network to connect buyers and suppliers. Our CTO is here in London and we outsource everything related to software development to firms such as Atos and Mahindra - Atos also hosts our SaaS solution.

The ability to host a solution on a SaaS platform, essentially in the cloud, is enabling rapid development and deployment of a whole range of technology-enabled applications. I really wish SaaS had been available during my CommerceOne days – it was hard work selling solutions into consortiums for them to build out. We could have done it better, faster, easier with SaaS. But it was still an amazing story (with a $20 billion market cap at its peak).

Why base the company here in London ? The company got started here and I was not the founder at the very beginning. We are now in growth phase with some really significant, large customers. To achieve our five year plan, which is pretty aggressive, we'll need only about 200 customers, albeit very large sized customers, (single and double digit billion dollar turnover businesses). These businesses are really accessible from the UK.

In comparison to the Bay Area as a location to grow a technology business, in some ways London is behind, on others it has some really good things going for it. For example, the whole tax code around the Enterprise Investment Scheme (EIS) is very creative – this is really going to enable more early stage companies. We are a child of EIS - £13 million raised, all through friends and family, which is pretty unusual and you would not see that in the US. The UK personal and corporate tax rates compare well with the US if not lower. These things take time but they have a positive and cumulative effect on growing businesses. UK VCs tend not to be early stage focussed – they will tend to look for three years of revenue growth and a positive EBITDA. We see great progress in the infrastructure for startup companies in London – but the Valley still has the edge and it's been around a long time! But I think London is building some great technology companies now.

As a serial entrepreneur, my motivation is still high. I don't want to retire and play golf. I like the intellectual challenge of seeing different companies doing things in different ways. The concept of Oxygen with its technology, finance and services tied together into a complete solution really appeals to me. In the Valley, the constraining element is still the entrepreneur - I've been lucky to go from the concept to billion dollar companies but not everyone gets to do that.

The colleges and universities in the UK are not as experienced spinning off these technologies. In the US, there are huge capital flows to fund brilliant people to do research in places like the University of California, Berkeley, Stanford – and the institutions get a slice of the equity. A lot of the professors are supportive as they are board members of those businesses or even working part time for them. Stanford in particular has incredible labs for entrepreneurs to commercialise its technologies. Some of the universities have so much wealth now from spinoffs and alumni donations that they wouldn't need to charge students tuition fees at all.

Oxygen Finance is an enabler for corporate and public sector organisations, unlocking income from their spend and transforming procurement and accounts payable functions into revenue generators. Based in London, it is in expansion phase growth

Views from Silicon Valley - business is booming

Dave Mullarkey is Managing Partner at SPMB, our Silicon Valley partner in Access Search Partners. He shares his thoughts on the latest industry trends

As we can see from the volume of traffic on Route 101 , Silicon Valley is in boom mode again.

Tech and innovation is clearly disrupting some old school businesses in large markets, such as SaaS disrupting software , Big Data and Analytics , Cloud - Infrastructure as a Service (IaaS), Storage and Security.

In Big Data, we see waves of companies, with quite similar functionality – there will be a consolidation in three to four years time, depending on the patience of the VC community (not a characteristic they are renowned for !). With some of these analytic plays, the ROIs can be difficult to prove out quickly, so the adoption curve is slow in some areas . We see a differentiation between operational analytics that save money for the enterprise and those that help drive revenue, evolution of dashboards and reporting tools.

Security is also hot - the volume of attacks continues and are getting increasingly sophisticated, giving more opportunities for security vendors. In Storage, data growth is out of control. There is a lot of evolution and modernisation of storage infrastructure underway.

There is also a lot of liquidity in the market with some big acquisitions and lots of IPOs with decent market capitalisations. The Twitter IPO is a big event, because it creates liquidity for a ton of local employees/investors. House prices in Silicon Valley and San Francisco have already been pushed up dramatically by the prior wave of IPOs (Facebook, LinkedIn), the current ones will continue that trend. The San Jose Mercury newspaper has already reported 20% annual growth house prices in some locations. We've seen a wave of new companies, mostly software centric, move into San Francisco from Silicon Valley.

Dave Mullarkey
Managing Partner at SPMB

My predictions – liquidity will remain high but the IPO market will shrink. There a lot of companies scaling to the $50- $100 million window – and hoping to find liquidity in the public markets (seeing the recent flurry of IPO's with quite high valuations), and this drives increased valuations from the VC community. But there are just too many companies looking to go public, and many won't make it, with the VCs having overvalued their portfolio companies. So these companies will need to get acquired at high valuations in order for the VC's to generate a return – which could prove challenging.

But this isn't a bubble – it's frothy sure - but there are true technology trends that have solid business cases behind them. These companies are creating and adding value so their valuations are sometimes justified. It's not irrational but there are common themes, such as valuations getting out of control, difficulty of getting talent and compensation trending higher.

Also the financing rounds are getting higher, with fewer deals being funded but large rounds such as the MongoDB ($150 million) and KenAndy ($40M) . The PR value of these funding rounds is significant. Also it's the VCs doubling down on their preferred companies rather than spreading their investments more thinly.

The market for executive talent is very competitive – compensation is trending higher but not going through the roof. We see some candidates getting multiple offers so our clients need to move quickly. But broadly in the startup community, we see responsible behaviours rather than "unnatural acts". Clients are more flexible around change of control clauses triggering option vesting.

Managed Services - without "Cloud Washing"

Michel Robert, UK MD of Claranet, one of Europe's leading managed services providers, describes first hand challenges facing his industry and the recent successes in expanding the business

Companies nowadays are more dependent on technology than they've ever been. The use of technology in businesses now touches everything and it has done for many years, and I think that this is only accelerating. Complexity is also increasing as more systems are talking to each other and these systems need to be available 24/7. With greater reliance on these systems, together with the increased complexity, the pressure on the internal IT function is rising.

Companies have their core business to run. If they are a really large company they can afford to do it themselves because they have the scale. But anything other than a very large company cannot afford to do it themselves. At Claranet we have observed a couple of trends; Demand is going up, complexity is going up, but the willingness and desire to manage it all internally is going down. In the current business climate customers are more open to outsourcing and buying managed services. This is being supported from a technical standpoint by two main things; networks are more and more reliable, cheaper, providing more bandwidth for less money. So the ability to put systems and applications into a third-party data centre or somewhere else has become, and has been for a number of years, easier and easier to do. Secondly, virtualisation technologies have made managing computing resources needed to support business applications much more efficient than before. So you're able to do things off-premise or in the cloud, whether that's dedicated for you or you're on a shared platform with other customers.

Michel Robert
UK MD of Claranet

We don't believe in putting the word 'cloud' in front of every service that we have. Certainly there are attributes to a cloud service; elasticity, metered billing, network access, multi-tenanted, etc. You could apply those attributes to services that have been around for quite a long time. We've been running hosted e-mail and web services that you could define as cloud services for over 15-years. It is really all about delivering applications. Everything we do is really about getting an application to the right person on the right device. Claranet provides an infrastructure that makes that happen across the various workloads.

The Star acquisition about a year ago has provided three main benefits to Claranet from a customer's standpoint. Number one is our portfolio is enhanced. If you talk about the Claranet portfolio, what the Star acquisition brought to it was primarily around unified communications, i.e. voice capability and other unified communications applications, like Exchange. As a result, we are now introducing remote desktop services and Citrix-based services. This is an area where Claranet historically had not played – other than through trusted partners. We are now a bigger company with greater capabilities from an infrastructure standpoint, from a data centre standpoint, from the people standpoint. Also our buying power in the market has increased. We're a more important customer in the market than we were before, therefore we an opportunity to further our relationship with our partners at every level.

We believe that there is room for consolidation not only further in the UK, but also in Europe. We have five operations outside the UK, which are very important for us. Our ambition and our vision is to become the leading independent

“Everything we do is really about getting an application to the right person on the right device”

managed service provider in Europe. The plan is to get bigger in the markets that we operate, without necessarily going into too many new markets, which means growing in France, Germany, Spain, Portugal, the Netherlands and the UK. We think there is a lot of opportunity to do that, especially on the Continent where there has been less consolidation to date.

I think what we’ve demonstrated since the company started, and with the three acquisitions in the last year is that we know how to find companies, we know how to buy them and bring them together. You’ll see the benefits of that in our results.

The cultural fit is an incredibly important part of the business. One which Charles Nasser, our CEO, who started the business back in 1996, took a very personal interest in helping to define.

A number of years ago, he spent a lot of time working with individual employees, not just the management team, within each of the countries, in order to help try and define what our core values were. We came down to three that had been universally adopted for us. Number one is a passion for what technology can do. So it’s the application of technology, not the technology in itself because we’re a service provider and we don’t make the technology. It’s about making technology do something for our customers.

The second core value was around really taking pride in the service that we deliver. So being very proud of the fact that we’re supporting this company and they’re able to do great things, or make great savings.

Then the third core value is a real spirit of continuous improvement - that we can always do better. We learn from mistakes, because people make mistakes. We ask ourselves “could we do that better?” So we are never arrogant or complacent.

So these three things; the passion for what technology can do, the pride in the service and continuous improvement. These are the values that are part of our appraisal system, and also part of our recruitment process. And we really try and apply these on a daily basis.

The goal is to keep that culture going as we continue to grow. Part of that is obviously through acquisition, so we make sure that when we’re buying a business we have a sense as to what we’re getting from a cultural fit perspective. We don’t say “We’ll change them once we get them,” because that’s a lot harder than finding a business that is closer to what you have and what you want culturally.

We were lucky with Star, because we knew the business quite well; it wasn’t a business that had been created from a lot of different acquisitions where you might be saying, “I’m buying one company called X but underneath there’s seven companies that have been bolted together”. Depending on how well they were integrated, you might have seven cultures or seven attitudes towards different things. So there may be a veneer of integration when in fact it’s purely financial, and the integration is not operational or cultural.

The Star acquisition was good for Claranet because it was a business that had similar history, single ownership with a single purpose, providing great managed services. It didn’t chop and change too many times. So from that standpoint we were fortunate and feel it was a terrific company to buy and integrate into the Claranet business.

- **Founded in 1996**
- **£120m revenue in 2012**
- **Over 6,700 business customers**
- **Operations in 6 European countries**
- **Circa 700 staff in 16 offices**
- **20 data centres**
- **Positioned as a Leader in Gartner Magic Quadrant**

Employer of Choice - Leaders provide the key

We speak to Judith Leary-Joyce, CEO of Great Companies Consulting, about the importance of the business leader in shaping the culture of their teams and business

I work with many companies that want to be Employers of Choice. The idea is compelling:

Engaged people who love coming to work and want to do a good job.

Attractive to high performers everywhere.

Improved bottom line performance.

What's not to like? It's a great story. It makes total sense. But it is demanding to deliver. Employer of Choice centres on the heart. Sure, there are actions that can be taken, but if the heart is not engaged, then the actions won't have the desired impact.

This is particularly tough for leaders. As a senior leader you are the target of constant scrutiny. Whatever you do, others do as well. They watch and learn, mimicking your behaviours day after day, until one day, you wake up and see that the culture is you and your style. Sobering. And a major responsibility. No wonder so many leaders focus on strategy, numbers and stakeholders, leaving the people stuff to HR.

What can leaders do?

Step One - be realistic about Employer of Choice. Unless you are willing to put yourself on the line and truly live the required values, don't set an expectation. Letting people down will leave you further back than you were before, so better not to start than be half hearted.

Step two - put yourself on the line. Talk with your people to agree what the culture needs to look like, then compare those aspirations with your own behaviour. People will do what you do; they pay far less attention to what you say. So you will have to commit fully to that vision and adapt your own behaviour accordingly.

You don't always have to succeed, but you do have to acknowledge and apologise when you get it wrong. And you need to welcome feedback. You will get caught up in old patterns and revert to the inappropriate, so your colleagues and employees are your best support. Encourage them to tell you when you get it right and when you get it wrong, then let everyone else know what happened. That way, you model right behaviour and you encourage straight talking.

Step three - make people a major part of your job. You can't lead an Employer of Choice culture from the safety of your office. At least 50% of your time needs to be spent with your people. They have to trust you and trust builds through familiarity. Hide away and you will be defined by those that don't know you - your impact moves entirely out of your hands.

I know one CEO who sat on a balcony by the stairs and near the toilet. He had an office to retreat to when needed, but this way, he saw all his people on a regular basis and they always knew where to find him. Others sit in open plan. They become just another person with a different title – the Royalty element is taken away, so they are an active part of the day to day.

What about my work!

I can almost hear the brains ticking over. I am so busy! I would never get any work done! What about the strategy!

In an Employer of Choice, people are big on the leadership agenda. Expert at delegation, leaders develop their talented people by passing on challenges that grow their knowledge and thinking. By working as true people leaders now, they create leaders of the future. Everyone gains.

All it requires is a change of mindset about leadership. Spend a day watching the people around you, then analyse how their behaviour mirrors your own. Now you can see how you define the culture of your business, division, section and team. And if you can't spot it yourself, asks someone you trust for feedback.

Once the penny drops, your job changes. Helping others do the delivery becomes a primary focus and then you in with a real chance of Employer of Choice status.

For more information, Judith can be contacted at:
www.greatcompaniesconsulting.com

Channel Dynamics

Colin Brown is Managing Director at Softcat; one of the UK's largest privately held technology companies with revenues in excess of £400 million.

How would you describe Softcat and what attracted you to join the company?

Describing Softcat is a bit of a challenge, but the easiest way to start is by calling us an IT reseller. The name Softcat derives from software catalogue, so the heritage of the company is a licensing business. Essentially what we do is provide hardware, software and then solutions and services to our customers. We start by helping them to identify the right products and securing the best possible deals for them and then we add a significant layer of additional value.

We are the second biggest Microsoft Large Account Reseller in the UK and we sell more Microsoft open licenses than anybody else in the country. Lots of organisations have moved away from calling themselves resellers, but we're proud of that term, and we think there is a place in the market for reselling as long as there is value provided in the process and the ongoing relationship.

The Softcat ethos is that we're open about what we do, and we're honest about our relationships. Our customers know what we're trying to sell them and how we make money. I joined because of the strong positive culture, and because I wanted to be part of a high growth business.

How did Softcat create that culture?

Softcat wouldn't be Softcat without the culture and that's all thanks to our founder Peter Kelly. Peter is the typical slightly eccentric entrepreneur, and he built the business in his own mould. He believes in being successful and having fun in the process.

We constantly ask, "What can we can do for our employees; are we providing the right environment?" We empower them and they repay us by delivering high customer satisfaction and, in turn, better revenues. They know the rules and the limits and they stay within them. It's also self-regulating, because if you get a bad egg every now and then, which you're going to in an organisation of 600 people, they end up getting "outed" by the rest of the team.

Of course, as the organisation has grown over time, so the culture has changed and adapted. Not so many years ago we had just 50 people in one office and now we have 600 in multiple offices, with a new office in Bristol opening in January 2014. Most of our people join when they're 21 or 22 and as their lives move on so does what they want from an employer. We still get fantastic employee satisfaction results and we are recognised as a great place to work.

You have worked for public and private companies, how do the environments differ?

In a private company you have the luxury of just focusing on the business and making decisions quickly. For example, if we miss a target we just get on with fixing it rather than having to repeatedly explain it to our corporate leadership team or to The City. The time you save on additional reporting is time you can spend on the business and with customers.

Computacenter did a great job of maintaining the early culture of business after going public. When I was there we worked hard to maintain the agility, the empowerment for employees and a sense of fun. That culture remains central to Computacenter's continued success. Being in a FSTE 250 company like Computacenter is one thing, but being one of the Wall Street giants is completely different. Investors want to know what is happening almost on a daily basis, and that creates a very strong focus on KPIs. It just becomes part of daily life and can take up as much time, if not more, than the job itself.

What are the future trends you see for the IT channel industry?

More and more of our customers are actually asking us to become more involved in their projects. I think there are probably two reasons for that. One is the longevity of the relationship we have with customers; the longer they are with us, the more their trust in us builds, and they begin to ask for more help.

The other reason is that many organisations have less and less resource in their IT departments. We're increasingly asked for help on infrastructure and transformation projects, and I see this becoming a real area of growth for us. Cloud is also a hot topic but there is a lot of hype around it, and I've spoken to a few customers who say, "Please don't ask me about Cloud. It's really the last thing I want to talk about."

Vendors will continue to need the same things from channel partners: absolute trust in them presenting and implementing their products in the best possible way, and assurance that they will maximise the use that customers get from those products. I don't see that changing and there will always be pressure to deliver results for the vendor.

Customers will become increasingly demanding. I just don't think customers are prepared to pay good fees if they're not going to get a great service. That's why we are fanatical about customer service.

When will we see some ‘proper’ technology companies come to AIM?

Asks industry analyst Ian Spence of Megabuyte

I have been watching the technology sector for nearly 20 years now and I can think of no time, other than the collective madness of the dotcom days, where the smaller end of the London stockmarket has been more dysfunctional. In my view, the latest crop of technology IPOs on AIM represent, at best, poorly understood and overvalued growth stocks and, at worst, the beginning of the end for the AIM market.

After several years where the IPO market in London was firmly shut I, like many others, was pleased to see the return of the technology IPO as a few companies made it onto AIM from 2011 onwards. However, my optimism has increasingly turned to dismay as I have witnessed a procession of tiny companies, many of which are of suspect quality, come onto the market only to have their share prices dramatically overhyped.

So what is the reason for all of this hype and nonsense? For me, the fundamental issue remains the way in which fund manager performance is measured. Fund managers that invest in public companies are measured on the relative performance of their funds, usually against some kind of relevant index or basket of stocks. What this means is that, if they do not own stocks that are going up, then they will, by definition, underperform and this will directly impact their pay packets and, in extremis, their employment prospects. The obvious conclusion therefore is that fund managers need to own stocks that are going up which, in turn, makes them go up even more.

This scenario is the exact opposite of the micro-cap cul-de-sac conundrum that I have so often referred to in recent years. Fund managers funnel all of their cash into stocks that are perceived as strong performers at any one point in time and ignore those that are perceived to be in the micro-cap cul-de-sac. This leads us to the bizarre situation where very similar companies can have wildly differing valuations and some companies that those of us with a few years’ experience in the sector know to be held together with sticky tape, can be worth tens or even hundreds of millions. So, with no fundamental reason why these newly floated companies have such huge valuations, sure as night follows day, many, indeed most of them will come crashing down.

But why does any of this really matter? If a few people get rich and greedy institutions lose a few quid, who really cares? Well, I do for one. A healthy stock market is a vital ingredient to a vibrant funding environment for technology companies of all ages and sizes. It has been long known that, if stockmarket flotation is not a viable option for raising capital, then all stages of the funding pyramid are affected.

In my early days as an analyst in the mid-90s, we welcomed companies like Fidessa (then called royalbue), Aveva (then called Cadcentre) and Capita to the market and all of which were below £100m value at IPO. My question is; where is the next Fidessa, Aveva or Capita going to come from? Even if we accept that there will always be a few puff stocks like Blur Group out there, the AIM market will not be perceived as a viable source of capital by ‘proper’ technology companies unless we start seeing some of them appear on the market.

And it’s not like there is a shortage of high quality candidates in the UK; private equity portfolios are bulging with quality companies and there are almost as many still owned by founders and management team. My fear is that, with all of these over-hyped, generally low quality businesses coming to the market, the reputation of AIM as a serious place for companies to raise capital is already shot to bits. As such, rather than signalling the recovery of the AIM market, this latest crop of IPOs may well just be another step in the long slow decline in the small cap market that I have witnessed over the last 20 years.