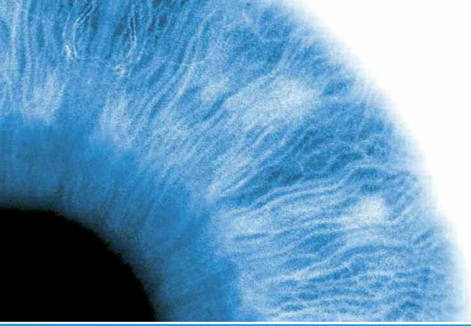

GS-insight
people • technology • business
Issue 27

GILLAMOR STEPHENS

In this issue

Pace of Growth Fuels Opportunities

GS–insight reviews the high growth areas across the technology and digital sectors

Welcome to the latest edition of GS-insight, the quarterly magazine from international Executive Search firm, Gillamor Stephens. Our clients are technology and digital companies and this sector continues to enjoy a positive period of growth. We serve a dynamic, fast paced sector where the pace of innovation and change continues to accelerate. As a result we are seeing a high level of executive hiring demand across the spectrum of our client base from early stage VC backed businesses, to mid-size PE owned companies through to the larger publicly listed corporations. The common theme for all companies small or large is the need to recruit leaders, be that as Chairman or CEO or running a division/business line, geographic region or functional area. Individuals that can embrace and drive change, can set a clear direction and have the people skills to enable great things to be achieved.

This, the 27th issue of GS-insight, highlights several areas of the industry that are certainly seeing plenty of change and growth. One market sector where technology is enabling significant transformation is healthcare. We discuss joined up healthcare with Chris Spencer CEO of EMIS, the UK leader in connected healthcare software and services while Professor Christopher Lowe provides insight into the future of medical technology, defined by the 'human-machine interface' – the ability to collect and analyse biological data from the human body. The rise of SaaS adoption across the enterprise IT landscape continues with ever increasing velocity and we explore the challenges of running a business in hyper-growth with Renzo Taal the VP Northern Europe of Salesforce.com, the fastest growing software company in history. Hamish Purdey, CEO of IntelliFlo, a leading UK SaaS business provides a pragmatic view on what SaaS actually is and shares his perspectives on building a SaaS company. As digital transformation changes the way businesses engage with their customers Doug McCallum, one of the most experienced "digital" Board Directors in the UK, shares his thoughts on how to promote digital competence in the boardroom and Nick Hungerford, founder of Nutmeg, discusses creating a great digital experience for consumers. We at Gillamor Stephens have always enjoyed working with companies at the "bleeding edge" of technology such as plastic electronics; Dan Rogers of Smithers Apex looks at whether plastic electronics is now ready for market penetration with the rise of emerging trends in wearable technology and IoT. As our international partnership Access Search Partners, goes from strength to strength, our US colleague, Charley Polachi, provides a snapshot of the US technology trends and executive hiring activity. Finally, Ian Spence, CEO of Megabuyte offers a withering view on the performance of the AIM market.

GS-insight can be viewed and downloaded from www.gillamorstephens.com. I hope you enjoy this issue and I welcome your feedback. Steve Morrison, Partner, Gillamor Stephens - smorrison@gillamorstephens.com

Joining the dots to enable connected Healthcare

EMIS Group is the UK leader in connected healthcare software and services. Their solutions are widely used across every major UK healthcare setting from primary & community care, to high street pharmacies, secondary care and specialist services. We talk with CEO, Chris Spencer

What does connected healthcare mean?

The starting point is to say why we need connected care which would be a useful thing because it then illuminates what we then mean by 'connected care'. We need connected care because, unlike the situation 10 years ago when the NHS had the National Programme for IT which proposed a top-down system, it doesn't have billions of pounds to spend. In addition, there is a growing and aging population with more long term and multiple chronic conditions. So we have an increasing demand and we have a finite amount of money. We have to bridge that gap. Sometimes you hear the Nicholson Challenge talked about as being £20-30 billion in efficiency savings. It's going to be huge amounts of money, so we either abandon the NHS and do something else, which I'm certain, is not a good idea. Or we say, "How can we make that work? How can we produce faster, better, cheaper healthcare?" It's connected care that does that.

A lot of people ask, "How does that work?" I'll give you an example. I'll take one based on a guy called Abdul. It's not his real name. He lives in the Camden area. He doesn't go to the GP very often and that's largely because it doesn't fit in with his lifestyle - it's not open at the times he wants it to be, but he has been in over the last seven years and they did a blood glucose test and found there was an issue. They phoned him up and said, "We need to talk about this." He didn't come in. Nothing happened. He then went into A&E feeling a bit thirsty. He was also a bit overweight. A&E said, "We've done some tests and, fundamentally, you need to go and see your GP." So, guess what, he didn't bother. He went in a couple of times to other A&E departments. He also went into his Community Pharmacy. Ultimately, at the end of a seven-year cycle, he went in to see his Community Nurse as he needed a leg ulcer treated. He's 30-odd years old. You don't get leg ulcers as a 30-odd-year-old unless there's something sadly wrong. She waved the big red flag. Got him into a joined-up plan and guess what, he's effectively got acute renal failure. The system has let Abdul down.

Think about how different that could be. Let's start off at the very beginning. Abdul didn't appreciate what all these signs were about. He could have gone on to our information portal, patient.co.uk, where 17 million other people go on a monthly basis, and found out that being overweight, being thirsty, being constantly fatigued, is absolutely a sign of diabetes. Maybe then he would have been much more interested when the GP phoned him up.

The GP, equally, would have been alerted and able to develop a treatment plan if she had also known that Abdul had been to the pharmacist and A&E. The A&E department would have been better placed to help Abdul if they had context for the information. If they'd have got all the information many years before, they'd have cut out all that human misery; they'd have cut out all that cost.

So connected care is actually a simple way of looking at project management, if you like. Giving the right people the right information at the right time, and hopefully they'll then do the right thing. That's how it works.

What are the challenges as a solutions provider?

People. We've got the information. We've got 39 million patient records, for example, in primary care. We've got 40 million patient records in secondary care. It's not that we don't have the information, it's joining it up and getting people to talk to each other. Remember, the NHS employs 1.7 million people, this is before we start to join in social care. So, 1.7 million people, working in different silos, used to doing that and, dare I say it, having some degree of rivalry between themselves. This is like most IT situations. It's not really about the technology. It's not really about the data. It's about change management and people.

I think the NHS Five-Year Forward View, which is actually talking about a much more localised approach but with centralised standards setting, makes sense. I think Devo Manc, is incredibly important. This is the recent announcement of plans to devolve responsibility for health and social care to statutory organisations in Greater Manchester.

What about the consumer platforms, the various health and wellbeing applications?

That's fascinating again, because it does take us back to Abdul, doesn't it, really? I'm perhaps naïve enough to believe that if Abdul had known that by eating that extra bun, or not walking that extra mile, or not responding to the call from the doctor, that he'd have found he'd ultimately be on the dialysis machine with relatively low chances of survival, he probably would have done something else.

That seems quite a long way from the fun we all have with our mobile phones, but the reality is that stuff like Apple's Healthkit or Google's health equivalent allow us to push information towards 'consumers' / patients.

It's the same with patient.co.uk and the Patient Access systems that we have. 17 million people come every month to look at that information, viewing 33 million pages. They're clearly interested in some of those things.

There will come a day when you'll be given a prescription for healthcare apps. We've already seen people being given an "information prescription". This started about two years ago, now it's being pushed out particularly with the aid of diabetes charities because what they're essentially saying to clinicians is, "Look, if people see you and you know they're a high risk, give them some information." At the moment that's done by either sending them a PDF or pointing them towards a website. Much more effective if on a real-time basis you get a buzzer or a bell or a text which says, "Don't do that easy/nice thing because that's going to do this hard/nasty thing. That's bad for you because of so-and-so." That's using your existing kit and the high tech that's in that kit.

What about patient confidentiality?

We've currently got a situation whereby our Apple link puts the information effectively on the phone in an encrypted format. It doesn't go anywhere. If you then want to share it with your doctor it puts it into our cloud – a separate part of our cloud that's got just the same sort of protections and security for information governance as the clinical electronic health record.

When the doctor goes into their system they see a note saying there's some extra information from the patient. They have to ask you whether or not they can then take that information over. Some doctors say, "That's fine. That's really good." Some patients say that, too. Others will say to us, "If I've told the doctor, then surely the doctor can just have it. By uploading it surely I'm giving them the ability to be able to get at it and the right to get at it?"

Other doctors will come in and say, "That imposes a duty of care on me because if you upload something and I don't look at it, and then I don't find something I would have found had I looked at it, I could be liable." So it moves on quite rapidly from an information governance issue into either a usability issue – you've got to click it every time – or a liability issue – I don't want to be sued because of something that I could have looked at had I chosen to do so.

Again, it's the people that will stop change happening or slow it down.

We've got early adopters, and early adopters in the scheme of things will want it to work. They will push on the boundaries of usability. They will be the people who say, "I don't care. If I've told the doctor they can use it, they can use it."

We will, however, have that middle ground where people want to feel comfortable their data is used only by the people who need to have access to it.

How is EMIS's strategy evolving? You've made some interesting acquisitions over the last couple of years. What's the rationale behind them and what does the future hold in terms of your strategy?

We can almost go back to 2010 when we IPO'd, because in August of that year we acquired out from the GP space, which was our starting point, into Community Pharmacy. More recently, we've moved organically into the child community and mental health space. Then in September 2013, we acquired into the acute space with the Ascribe acquisition. In that case getting significant market share, particularly in hospital pharmacy and also A&E. Then, at the same time, we acquired into diabetic retinopathy.

The practical effect of that, if you think about it, is to create a virtuous healthcare circle: we're in Primary Care, we're in Community Pharmacy, we're in Community Child and Mental Health, and we're in Acute. So that completes the circle. Then we have specialist things like diabetes and diabetic retinopathy which actually work across all of those areas. That's the strategy – joining these areas up.

What about the EMIS culture, has that changed as you have transitioned from a relatively small, privately-held business to a larger public business?

I don't think the underlying mission of the business has changed a jot. The business that was started in, effectively, a cupboard under the stairs in Egton surgery in North Yorkshire, was about longer and healthier lives. That sounds terribly cheesy but it's true. We basically wanted to do no harm and actually try and do some good. That's what those two doctors set up at that time.

The business is the same now. I've got 1,800 people as opposed to two chaps under the stairs, so you have to go about that in a different way. You have to be talking to people and reconnecting them with that vision on a daily basis, and hopefully trying to avoid too much management double-speak.

Actually talking about healthier and longer lives, talking about the vision for the business is, I think, something we're doing now more than we've ever done, and, hopefully, more successfully than we've ever done. We happen to be doing it across the whole of healthcare, so I think we've moved from patient health to nation health. Who knows, maybe international health as well.

On-demand Leadership

Running a SaaS business requires a different approach from a traditional on-premise software business. We explore the principles of this with Hamish Purdey, CEO of IntelliFlo, a leading UK SaaS provider of front and back office software solutions to the financial advice sector

Multi-tenancy

SaaS is an oftused term at present but in my view any software that's not multi-tenant isn't SaaS. There's a continuum which starts with on-premise, then it goes through application hosted, which is single instance per tenant, then it's multi-tenancy. Only here is it SaaS because it's only at this point that true operational leverage can be achieved.

Building a multi-tenancy is hard and costly. It's much, much easier to build a single tenant piece of software, where you don't have to worry about the security design being all the way through the application. So you need to build that security in from the ground up. That's costly from an architecture and a development perspective, and then from a testing perspective, but it gives you so much more flexibility later on. Especially now when you come to physical deployment, whether it be in your own datacenters, or whether it be in the cloud, it makes such a big difference.

Intelliflo has been architected very well from the ground up, and is a truly multi-tenant SaaS solution. So we have one system in production and we have all of the benefits that brings. We have 130 staff, that's 6,000 hours a week of effort. It's our job as a management group to deploy that effort in the right way. There are 6,000 hours a week of effort that is all looking forward. No-one's looking back. No-one's looking at how we retro-fit functionality. It's a major operational driver in true SaaS.

Monitoring

The second basic tenant of a SaaS business is the monitoring capability that is possible and the operating efficiency that creates in turn. Having a single instance and a single version, allows you to put all of the belts and braces on the monitoring infrastructure around it.

We use Splunk to provide real-time operational intelligence. Splunk gives a great example in their marketing literature, whereby you've had an abandoned transaction on your website, so someone's put something into the shopping cart and then not bought it, because of an error. They then have to make a phone call to your support desk. They are on hold for three minutes and they abandon the phone call. Then they Tweet about it. How do you get that information together in real time?

So how do you get their user ID and their details from the web transaction, together with the phone records and a core ID, versus the customer record, versus the transaction that failed on the website, versus their Twitter? How do we get that, package it up, and give it to an account manager and say, "You've got to deal with this quickly"? If you can do that, and SaaS companies can do that, then you are in an amazing place. That's what we've built here at Intelliflo.

Data and a Service Culture

The heart of a SaaS company is in its CRM. So whichever CRM you decide, and I don't mind if it's Dynamics or Salesforce or whatever solution it is, there needs to be people who are responsible for making sure that data is clean and, at the most atomic unit, is right. Data is critical to a SaaS business. It's joining all that data up. So everything from the finance to timesheets, to enhancements to business analysis, all of these systems to make sure that you've got the unified view of the customer

Then we need to feed as much data as possible into the CRM. So Companies House data for example is a wonderful place to feed it from. For a sales person to go into a meeting and understand exactly who the directors are, who the shareholders are, is crucial. In the case of Intelliflo we have other external data sources such as industry registers and so forth that can be imported, and provide a lot of colour into the sales process. The service culture and being able to have real time analytics, for service people to be able to provide the best possible experience to the customer, is essential.

Sales and Marketing

We have a very defined and repeatable sales process which then dovetails really tightly into the implementation and on-boarding process.

Again though, it comes back to the heart of the business, which is the CRM. So who are we going after? Who are the next people we're going after? Who is getting a personal visit versus a telemarketing call? How do we segment the customer base? How do we know what the customer is already using? What external data sets can we use to make that process most efficient, because let's say we have x number of sales people, that's 40 hours times x in terms of effort and effort every week, that we have to push in the right direction. We need to make sure that the whole ship is sailing in the right way, and that there are as few blockages in the way as possible.

Marketing is incredibly important. We need to ensure we've got the right strategy and processes in place. In a different way for a B2B business and a B2C business, so making sure that we can get very easily from lead through to the next stage of the sales process, and that we get as much information and as much qualification as possible. There are some fantastic external tools that can help us with that.

Metrics

There are a large number of them but probably the most important ones for me are annual contract value (ACV) and I am also focussed on the cost of acquisition (CAC). Then LTV over CAC, churn is obviously the other one. To analyse churn we look at the number of support cases open, and the number of defects. You would expect most of these metrics to be front of mind in an on-premise software company as well, but we should be in a position whereby we can have a smaller number of incidents and a more real time ability to analyse this data because we're SaaS. Our management team should be able to effectively fly the plane from a series of dashboards. The type of people we're looking for in the management group can do that.

Being CEO of a SaaS Business

Twenty First Century management is about data, especially management of SaaS businesses. It is key that you understand how to mine data. Whether it be the CRM system, whether it be the usage analytics systems, etc., because that is where you get true business intelligence. Being able to get that information for yourself and understanding the limits of your own business intelligence system, is crucial. I think that people who can't do that are at a structural disadvantage.

Hamish Purdey
CEO of IntelliFlo

Obviously enjoying the challenge that management brings, and enjoying the challenge that getting out of sticky situations and guiding the ship so it's in the right waters; people have to enjoy that. Not everyone does and certainly not all the time. I think a key skill is being able to really understand how to derive the crucial information about problems.

A phrase which I use a lot is, "People must answer the next question."

I like it when people think about what the next question is going to be and try to answer that upfront, because management is about getting to the bottom of problems as soon as possible. You can only do that with data and with information. On top of that we apply logic, instinct and experience but without the base level of data you can't make good quality decisions.

I also think that management, especially in software companies, is about putting in the right systems. So people by nature want to be proud of what they achieve. They want to be proud of the job they can do. They don't want to have to rely on Bill in the IT department, every time they need some information. So it's about surfacing the right data to the right people.

I enjoy having the right people able to get access to the right amount of data and therefore to be able to make better decisions and to be more efficient with their time, because when we do that on the back of SaaS we become unbeatable.

When I am hiring, not surprisingly, I want people that are good with data and good at decision making. We don't need everyone to be a techy though. We need people in all different parts of the chess board, but what I would say is that the core skill, and I don't care if you're a sales guy out on the road, day-in day-out or you're a business analyst, is to understand the questions that you should be asking. To be self-critical of the business that can't give you the answers that it needs.

To summarise, SaaS is really about multi-tenancy and the operational leverage that creates, because SaaS companies can be very, very, different. SaaS companies can run a lot faster. SaaS companies can deploy product quicker. They can understand their customer experience better. They can react quicker to changes in the market.

Is It Finally Time?

A view of the Plastic Electronics Market by Dan Rogers of Smithers Apex; the innovations and when they will hit the market

For around a decade, the vision of printing circuitry onto flexible or conformable plastic substrates has existed, promising a new generation of electronics beyond conventional silicon chips. During that time printable, flexible, large-area, plastic or 'organic' electronics (take your pick) have generated hype; failed to materialise; and been branded a failure.

More recently, a combination of emerging trends and proven technologies have helped position plastic electronics for significant market penetration.

IoT - One of the most promising industry megatrends today is the Internet of Things (IoT), in which real-world objects are connected to our digital world. Sensors located in homes, offices, vehicles, retail spaces, clothing and beyond could gather useful data, and communicate it to core devices - like smartphones and tablets - to churn out useful digital output.

Major technology firms and analysts agree the IoT megatrend is potentially worth trillions of dollars. IoT will significantly influence industrial and economic developments in the coming years - impacting healthcare, consumer electronics, retail and industry. It will call for pervasive electronics, seamlessly integrated and delivering the functionality needed at a low cost. It is here that plastic electronics is now uniquely positioned to enable the full gamut of IoT applications.

In February 2015, the Norwegian printed electronics start-up, Thin Film Electronics teamed up with Diageo to add a label incorporating a printed near-field communication (NFC) protocol antenna on bottles of Johnnie Walker Blue Label whiskey. Tapping with an NFC-enabled smartphone allows the purchaser to receive additional promotional information. But the real benefit lies with the brand, which can draw on a mine of data as it builds up - via a software platform supplied by EvryThng - to enable improved personalised marketing and promotions.

With NFC delivering a common secure communications protocol, and Big Data software providing a mechanism to make money from its information, major companies are pursuing printed IoT solutions.

Wearables - Another aspect of IoT is data generated by wearable devices. Software platforms are also evolving to manage data from wearable or skin-mounted biosensors as ageing populations, the prevalence of long-term chronic illnesses and spiralling costs push healthcare providers to embrace remote in-home monitoring. By 2018, IHS estimates this global market will be worth $12.6 billion - more than double its value in 2014.

Wearable technology is a buzz topic that has quickly achieved market traction. A total of 6.8 million smartwatches were sold worldwide in 2014, at an average price of $189 each - a figure that will no doubt be impacted by the arrival of the Apple Watch, one of the tech events of 2015.

At the same time, doubts remain about the extent of the appeal of wearables. Fundamentally, the electronics used today are unable to fully realise the wearable concept. Conventional electronics are crammed into items like watches and fitness bands - but failing to offer the conformability, portability, and robustness needed in an item referred to as 'wearable.'

Flexible displays - A key component for wearables will be the flexible display. The real estate of conventional displays in smartwatches and similar devices is limited; conformable, or even fold-out, displays could escape this limitation.

Beyond wearables, flexible displays could revolutionise other consumer electronics like tablets and smartphones.

Already Samsung and LG can make bendable plastic OLEDs - but are still required to encapsulate them in glass, to protect them. For now, these plastic OLEDs allow some curving in otherwise rigid products - like the Samsung Galaxy S6 Edge, with its wraparound display, which debuted at Mobile World Congress 2015.

Nevertheless, conformable plastic alternatives are on their way. Once industrialised they will result in devices that are thinner and lighter; screens that are more resistant when dropped or knocked; and new approaches, like fold-out or rollable devices.

UK start-up FlexEnable, for instance, has already demonstrated the first plastic OLED based on its plastic thin-film transistor, showing a route to full flexible displays.

This highlights why multinational technology suppliers are being drawn to plastic electronics - creating the potential for scale and causing more integrators to emerge, presenting systems with plastic electronic as end solutions, and bridging the gap between start-up developers and OEMs.

Dan Rogers is Head of Digital Publishing at Smithers Apex, technology consultancy and publisher of leading plastic electronics news source +Plastic Electronics (www.plusplasticelectronics.com)

The Final Frontier

The future of medical technology will be defined by the 'human-machine interface' – the ability to collect and analyse biological data from the human body. Paul Gillespie, Partner, interviewed Professor Christopher Lowe a pioneer of biotechnology whose principal research has covered areas of healthcare biotechnology, including biopharmaceuticals, diagnostics and sensors, ageing and medical microbiology. He has 375 publications, over 100 patents and has spun-out 10 successful start-up companies from the University

Chris, could you paint a picture of who you are and where you fit within the Cambridge ecosystem?

When I first came to Cambridge in 1984, I set up the Institute of Biotechnology, which ran very successfully until 2008 and has been described as the "first entrepreneurial academic institute in Europe" when we merged with Chemical Engineering to become the Department of Chemical Engineering and Biotechnology. I'm now technically retired, but as you can see, I'm still here working!

Over the years in the medical sensors arena we've looked at pretty much every type of transducer that can convert a chemical signal into an electrical signal. We've examined a whole range of systems – electrical, optical, acoustic, magnetic, thermal and micro-engineered.

My team is presently concentrating on three things: discrete measurements for home use and utilising mobile phone technology; real time diagnostic measurements; and getting health care into the mobile networks of developing countries.

We've commercialised a lot of products and processes over the years. I think I've spun out 10 different companies in various aspects of the work we're doing. The first one, ProMetic Life Services, was established in 1986 and its valuation recently exceeded $1.4 billion.

What are the priorities?

Currently, we are focusing on diabetes and real-time glucose monitoring. Unfortunately, this is going to be a huge market in the future, as predictions for the number of people getting the disease worldwide exceed 500 million.

What are the technologies that can help?

The thing about diabetes is that it's normally measured through glucose as the key analyte. Near-infrared diagnostics, be it through the earlobe, lips, skin or eye, doesn't work very well for glucose because it's not discriminatory enough. If for instance, a person is taking drugs, it will interfere with any reading.

Glucose is a very valuable fuel, and human bodies don't like to get rid of it; it occurs in only tiny amounts in urine, sweat, and tears, so none of the measuring ideas being put forward at the moment, like implants, contact lenses and skin tattoos, is a reliable indicator. Ideally, you want to measure glucose in the blood, and the challenge is how do you do that without taking an invasive blood sample? It's such a tricky issue. We've looked at acoustic technologies, on the basis that sound will penetrate quite a distance into the body, but these haven't got anywhere near a patient yet.

We've also looked at acetone as it's indicative of diabetes. The body produces the volatile organic compound, acetone, which subsequently appears on exhaled breath. If you know what you're looking for and someone's a diabetic, you can smell it on their breath. A holographic system, whereby you'd breathe on a piece of plastic linked into your phone, would measure the presence of acetone by a change in colour on the plastic. But, you'd still encounter lots of compounding issues which can interfere with or affect a reading, so it's not straightforward at all.

Which health issues do you think are the priorities?

Diabetes has got to be number one, but asthma is also a growing concern, as are allergies. One of my favourites, that we haven't yet done any work on, is monitoring anti-coagulant therapy for stroke prevention.

Is the ultimate step to embed a chip at birth to monitor health?

In the long term, I think that's probably going to be true, but the body doesn't like foreign bodies in it! The technology just isn't there yet, and to be truthful, neither is the clinical need. Keyhole surgery and so on is great, but when you look at clinical biochemistry, we are a long way off making progress.

If you ask me if the "Internet of Patients" - or whatever you want to call it - is just around the corner, I'd say it's not. It's a long way off, but it's a target worth going for, and we must strive to achieve it.

Speed is the New Currency in Business Transformation

We catch up with Renzo Taal, VP Northern Europe at Salesforce

You have worked for three blue-chip organisations, Dell, Philips and Salesforce, how do they compare?

In a lot of ways they're very similar and in a lot of other ways very different. If I look at the big common themes, these are all around change and exploring new parts of the industry, the paradigm shifts, all characterized by open standards, the consumerisation of IT and having enterprise solutions for all of our customers. At Dell, I worked for 38 quarters, or 9½ years, and worked on three continents, US, Europe and Asia. At Philips, I was running the transformation of the lighting division. And now at Salesforce, I'm running one of the fastest growing sales operations in the business. The similarity revolves around speed, agility, customer focus - I think that's the most common theme in my career; customers are at the centre. From a Salesforce perspective, we're completely dedicated to our customers' success, using SaaS technologies.

I think the second commonality is around change. How exactly do you drive transformation in your company? Dell was a transformational company, it transformed the industry. Initially on the consumer side with its direct business model and operational efficiency but then also on the enterprise side, it transformed the server business. At Philips, I was asked to help transform the business to be more customer-centric with clear value propositions and routes to market. Then at Salesforce, our company is all about transformation. The success of Salesforce is around helping our customers transform.

Renzo Taal.
VP Northern Europe Salesforce

Clearly, the three companies are in completely different industries. So, Dell came out of the PC hardware industry, it transformed it into the software solutions and services industry. Philips is an established industrial company with an amazing 125 year track record. Salesforce is a company which is at the epicentre of driving a new paradigm shift in IT, which is the move to the cloud. So in that respect they are all very different. Different industries and different backgrounds. But all committed to change. Disruptive change even.

As a VP in Salesforce, running a region, you are at the sharp end of driving growth. What's it like and what are the underlying challenges?

First of all, what I really like about my role at Salesforce is that a lot of what I learned from my earlier career at Dell and then Philips is applicable to my current job. I have been fortunate to gain a lot of experience and insight into different businesses and cultures. I've lived in China and ran a services business there, I've lived in the Netherlands where I ran the Dutch business for Dell, I lived in Belgium when I ran the enterprise business and I also worked in the USA as an assistant to the President of Dell. Here at Salesforce, I spend a great deal of time talking to executives at customers, as much I did in the beginning of my career; this role has a very external focus, which I really appreciate. The only way you're going to get fast growth, is if you are fundamentally a trusted advisor, and if you are providing a critical service to your customers. If you are relevant to them. The transformation that is happening in the industry, which is going from IT to digital, to subscription based service, to cloud based services, focused on enabling your customers' businesses to grow faster. So we call it the new currency. The new currency is speed and helping those customers achieve the speed and velocity they need, to have impact in their markets.

Driving growth means that you need to be super focused. The interesting challenge is that there is a lot of opportunity out there, but because we stay very clear and focused on our customers and that's what achieves the results we're seeing. That's not always easy. My most difficult challenge is time. That's it. I'm competing with time every day, every second to achieve my priorities and that's how it feels being in the fastest growing software company in history. And we're still accelerating, so it's all very exciting. For example, last year alone, we have been able to create over 500 new jobs in Europe. We're adding more customer success stories every day. We see more and more companies moving into digital, and we are helping them to build one-to-one relationships with the customers, looking at how they can speed up, transform and and be more relevant to their market.

I'm competing with time every day, every second to achieve my priorities and that's how it feels being in the fastest growing software company in history

The sales approach

There have often been scenarios where IT and the business are kind of separated. So then the IT team drives the IT agenda and the business will say, "Hey, I think I need this or that. Can you give it to me?" and IT will start to figure it out based on functionality. That's changed, so now we are working with Boards and CIOs addressing the question of, "How do we transform our business? How do we transform our business for instance from a mail delivery to a parcel delivery company? With the flexibility and agility to stay ahead of the game?" In the Benelux, PostNL has 60,000 employees and delivers 800,000 parcels and over 50 million letters each day. It operates in a rapidly changing environment and therefore needs to be able to quickly adapt, anticipate and improve its service to customers. Customers - both the senders and the receivers of the mail – are central to all they do.

PostNL has therefore put great emphasis on improving service and customer communication. Online and offline. Salesforce helps them to get a uniform 360-degree customer view, and to be always accessible for the customer. Via our Salesforce Marketing Cloud they can not only listen to the customer, but also have a true dialogue. In addition to this a special app for mailmen (and women) helps them in their daily work and improves communication. PostNL has thus become a true Customer Company.

Key to what we do is knowing what our customers are looking for in a one-on-one dialogue. Another example: KLM has hundreds of thousands of customers and travellers, they now guarantee a less than 30 minute turnaround time on any Twitter interaction directed at them. They greatly value and nurture this one-on-one relationship with each of their customers, and this give them a unique position in the travel industry.

I think that at Salesfore we are now doing something very different than the traditional software providers. We're not talking about processes. We're not talking around functionalities, we talk about how do you transform your company. What's your vision of the company, and how can we make that happen quickly? The great thing is the technology we have in our portfolio is cloud-based, is multi-tenant, and is completely scalable which gives all these things that these customers never had in the last 10 or 20 years.

All of this makes the conversation with the customer very, very different and that has a crucial bearing on the type of talent that we we are looking for. I think there's an interesting development that is changing the market place. We now hire people who have the insight and intellectual horsepower to have a conversation with a CEO to understand what that company is trying to achieve and how they are trying to change their business. We are looking for people who are able to sell digital transformations, and enable customers to actually run their company out of the cloud.

Everybody wants to engage with their customers, their consumers, and their own staff. They want to do it in a mobile, social way. The system of engagement is really exciting because it puts the consumer first – I personally see it happening with the companies I do business with. More and more of them are creating one-on-one relationships and anticipating and guiding me on my customer journey. And it's great to know that, quite often it is Salesforce technology that is making that happen.

FinTech Innovation

Nick Hungerford, Founder of Nutmeg, shares his perspective on disrupting one of the most traditional segments of the UK financial services industry

What is Nutmeg, and how did the business start?

Nutmeg is an online discretionary wealth manager – the first of its kind in the UK. I started the business after studying for my MBA at Stanford University. I previously worked as a stockbroker, and I was fed up with an industry that seemed to be hiding behind archaic processes and complicated language as justification for charging extortionate fees. So, I started with the premise that investment should be available to everyone, and started building a slick, fully online service.

We wanted to enable customers to log in and see their investments any time they like, rather than having to rely on bi-annual paper statements, or face-to-face meetings with expensive advisors. We started the company in 2012. There were just six of us and some early investors. We're now 70 people and we secured £20million investment in 2014 from high profile investors, such as Schroders and Sir Charles Dunstone, founder of Carphone Warehouse.

The Nutmeg team is filled with quality and diversity, and we've recently made a raft of C-suite hires to help move the business forward. We've attracted people from all kinds of backgrounds - from the big banks to some of the biggest tech firms. We're quickly outgrowing our office in Vauxhall, but wherever we move next, we're definitely keeping our pool table!

How did you gain the trust of consumers?

Customer trust is critical to us. We don't have the hundreds of years of heritage that some wealth managers do, so we need a proposition that really strikes a chord with customers. Our biggest selling point is that we're doing something different in the industry – we share our customers' frustrations. And that's not just lip service - every person who works at Nutmeg truly believes in making a difference.

Initially, our customers were early-adopters who wanted to try a new way of investing. As we've grown, we've attracted a broad range of customers, some of which are experienced investors, while others are starting their first ever ISA. What they all have in common is that they want transparency, ease of use and a quality, low cost service.

What are the key ingredients for creating a great digital experience?

This relies on a lot of different things. Firstly, you have to have the right people in place. Digital change is very fast moving and the consumers' expectations are evolving quicker than ever before. We need a constant flow of good ideas and improvements, and the right expertise to make them a reality – quickly.

Also, we never just assume what our customers want - we ask them. Before we launched our new pension product, we conducted a raft of customer research - asking people about what they'd like to see, what they felt was wrong with traditional pensions, and then we built the service around that feedback. We work tirelessly to determine what the underlying needs of customers are.

What are the key lessons from managing such a fast-growth business?

One of the things I've learned is the importance of executing projects quickly. In large organisations there's a lot of bureaucracy that gets in the way of change. By the time their innovation is in the market it's often outdated.

Process is important, but innovation needs room to breathe. You need to take a good idea, turn it into a commercially viable plan and make it a reality as fast as possible. We recently launched our pension product from a standing start in just nine months, which is unheard of in our industry. But when you're a small business you have to be able to implement quickly and get results.

A key challenge from moving so fast is that your infrastructure - be that technology or manpower - is groaning under the strain. You have to step back, identify the key issues and fix them before you can move on – whether that's hiring more people or rebuilding parts of your product. Continuous improvement is also crucial. There are always things that can be improved to create a better customer experience. We do constant user testing to find out where our next enhancements can be made.

When we started, we were the only firm providing an online discretionary service in the UK. Now there is more competition and that's great for customers and for the industry as a whole. It's our job to make sure we stay ahead.

Building Digital Boards

Doug McCallum is one of the most experienced "digital" Board Directors in the UK. He currently serves on the Board at Photobox, Trainline and Ocado Plc. Here, he shares some thoughts on how to promote digital competence within the boardroom

What is the role of the Board in a fast growth digital business?

The role of the Board is to ensure that innovation and staying ahead of the market is always top of the agenda. For example, neither Trainline nor Ocado are young companies but both were early disrupters in their chosen markets. A key function of their Boards is to push for innovation, to give the management team licence and encouragement to not do the same old thing. Potentially to disrupt themselves. It's about helping them to identify and prioritise the next phase of growth.

What are the "must have" skills for Boards in digital business?

There's a big debate about this. For my current Boards, it's all about consumer understanding. It is important that your Board contains "digital natives." They don't have to have worked in a dotcom, but they should naturally use digital channels in their lives. That is not an age thing. I know some older people who are more digital than I am, and I know some not very digital younger people! The primary competence is to understand the customer and to represent the customer on Board when we are setting strategy.

Why do you think there are so few female Board members?

I think Boards are naturally dominated by the providers of capital, where diversity is significantly behind the curve. It is also an attitude. My belief is that diversity in people yields diversity in perspectives and powers innovation. If the Board is full of similar people there is a danger of "group think" that doesn't represent your customer base. What I just said is controversial, and a lot of Chairmen don't believe it. I think many believe that they've run Boards successfully with all male, white, middle class Board members and they can't see any need to change.

Is there a risk that ecommerce becomes a race to the bottom?

I strongly disagree that it is all about the cheapest price. Let's think about two of my companies. Ocado is a seller of Waitrose's food that charges for delivery. Waitrose also have an ecommerce business that does not charge for delivery. They're selling the same product but Ocado is outgrowing Waitrose online because we're also providing a service which the consumer clearly values; specifically the website/app and the great job done by our delivery people. We've spent more than 15 years developing these into easy and user-friendly experiences.

We've been refining all the smarts around delivery -the software that controls the routing systems, the packing, the training of the drivers so that the householder trusts our driver to walk through their house to put the shopping on the counter. It is a phenomenal example of brand loyalty and trust.

Then, we have Trainline, which allows you to buy tickets in advance on most of the UK's Train Operating Companies'. We do charge a booking fee, and yet we consistently outgrow competition because our website/app help consumers save significantly versus on-the-day purchases. Our brand is trusted, and our fulfilment is excellent. We do not always lead on price, but we have gained share consistently, proving the consumer doesn't always want the cheapest option. Service and engagement is a big factor.

Another example is eBay for Charity. To date, it has raised £83 million for charity and will soon pass the £100 million mark. It's not about price; it allows charities to sell through eBay and PayPal pretty much at cost, and it enables charity supporters to sell things on behalf of their charity, and donate a proportion of the sale. It's a wonderful way for charities to engage their supporters.

In terms of innovation, what do you see coming down the pipe?

The "mobile first" mantra is over used, but it represents the greatest opportunity. It's not going to play out over 24 months – it'll take decades to reconfigure almost every aspect of our lives. The companies that will win are those with the resources and the capability to quickly launch and re-engineer their service on mobile. You need to be agile at the back end with a sensibly architected infrastructure so that you can integrate very rapidly, but not too deeply, at the front end. My observation is that most of the real leaders in mobile have done it in-house. They may have started by outsourcing, but the winners tend to be companies that make this a core competency. Where it is mission-critical to the business, it needs to be done in-house, because that's where you can reconfigure the consumer experience.

View from across the Atlantic

Charley Polachi, Principal of Gilamor Stephens' US based partner company, Polachi, provides insight into the US tech sector

Just over fifteen years ago, March 27, 2000 to be specific, the NASDAQ crossed 5000. It just did it again on March 2, 2015!

This time, however, it's different. The fundamentals have shifted and we're dealing with real companies with real revenue, earnings and solid balance sheets.

Sure we have a few notable "unicorns" - the trendy term coined for the few lucky firms seeing valuations and/or exits in excess of $1B - but the vast majority of companies are very real.

The Bay Area is white hot right now with the demand for talent off the charts. CFOs with public or IPO experience, in particular, are in high demand. Their "shelf life" as a candidate on our searches is brief, measured in a few weeks. It's best advised that if you get a good one engaged, you need to go for the close. If clients wait to see "what else is in the pipeline" the good ones are likely gone.

Boston continues to see strong growth with startup companies in life sciences, robotics, mobile applications and SaaS industries that are attracting and hiring a solid amount of young talent from the academic ecosystem. The Center for Innovation and Collaboration (aka Cambridge Innovation Center) has over 600 startups at their facilities located in both Boston and Cambridge. We see a great number of well-run companies in the $50M+ size who are eyeing exits through either an IPO or sale. Microsoft, Google, eBay, Yahoo, Amazon and a host of other large west coast headquartered companies have

Charley Polachi

either opened R&D centers or done acquisitions ("acqui-hires"), to obtain the engineering, design and marketing talent available locally.

New York sees continued growth in financial and advertising technology, big data, payment systems and enterprise software. The startup community is quite robust - Silicon Alley 2.0 is real – you can get cost effective space and employees who will take the train in from the boroughs. The guy in jeans sitting next to the guy in the Armani suit is probably on his second startup and easily a millionaire working on getting to his first $100M.

We are now witnessing an emergence of the CMO holding a critically important role at companies of all stages. Whether it's a "growth hacking" startup or a public company working on continued brand development, the demand for experienced marketing executives is high.

Areas of growth continue to be AaaS – anything as a service. We've all seen SaaS – Software as a service, but we are also seeing almost everything being in the cloud as a service with recurring revenue models.

We are also seeing the emergence of the "free agent" model for executives. Just like professional athletes, tech executives are playing the market and offering their services to the highest bidder with lucrative employment agreements.

Boards of directors are being challenged to be fully engaged on behalf of shareholders, not just rubber stamping the CEO's requests. More and more often, Board members are being monitored for their attendance and active participation in the management of the company. Boards are also being challenged to be more diverse and truly reflective of the world we live in today. 2020 Woman on Boards, a leader in the movement for gender equality in business, is making great strides to achieve their goal of 20% women on public boards by the year 2020. Check them out at www.2020wob.com.

Traditional definitions of executive roles are changing with CFOs becoming more operational and CHROs becoming strategic partners to the company on talent acquisition and development. Another example is the emergence of the CISO, a role that didn't exist 10 years ago, which focuses on information security. And finally, CEOs are being recast as more than just visionaries but brand stewards, globally focused and ready to manage the millennial workforce as it emerges over the next 10 years.

AIM's performance has been truly dismal; but does it matter?

Ian Spence, CEO of Megabuyte aims to provide the answers

There is no getting round it, the performance of the AIM market since its inception 18 years ago has been truly terrible. If you had invested £1,000 in AIM at its inception in 1997, your investment would now be worth £750. Yes, that's a 25% loss over 18 years. However, if you had invested the same £1,000 in the FTSE All Share index, you would be sitting on an 80% return. So why has the performance of AIM been so poor and why does it matter?

There are currently 110 companies listed on AIM under the Software, Mobile or Fixed Line Telecoms sub-sectors. There are clearly more if you take a broader definition of technology but we're sticking with the Megabuyte universe for the purposes of this piece. Of the 110, just under half have been admitted to AIM since the beginning of 2010, with around a third admitted in the last two years alone.

In preparation for this piece, the Megabuyte team ran some analysis on these 110 companies to try and understand just what had gone wrong with AIM, or at least the tech sector element of it. With some very high profile tech failures on AIM in recent years, it has become rather fashionable to slag off AIM. In fact, I have to admit that I have rather fallen into that trap, not least in the august pages of this publication.

But, to be fair, there is quite a lot of evidence to support the negative view. When you look at the performance of the 110 AIM stocks referenced above, over a quarter of them have lost at least 50% of their value over the last five years, or since admission if that was sooner. Indeed, fifteen of them have lost over three quarters of their value in that time, and a handful over 90%.

2013 was a terrible vintage

When you drill into the stats a little further, you can see that there was one period that was particularly problematic for AIM in recent times, and that was the IPO market in 2013. To say that there was over-exuberance amongst brokers and investors during that period is being kind. If you had invested in ever tech IPO in 2013, you would now be nursing a 50% loss on your investment. Mopowered takes the prize for the worst IPO that year - now down 98% on its IPO price and Arria (a company with almost no revenue that was floated with a £100m value) has fallen 95% from its IPO price. Others worthy of mention are Outsourcery (-83%), Proxama (-82%) and Rightster (-74%).

In addition to these catastrophic failures, the thing that is particularly striking about the 2013 IPO vintage is just how few are actually showing a gain. Of the 16 AIM tech IPOs that year, only three are showing a positive return; Macromac (+27%), Kalibrate (+16%) and Redcentric (+45%). In reality it's only really two because Redcentric was a demerger and listing rather than an IPO per se.

But actually, if you get beyond the crop of 2013 no-hopers, the story is a lot more encouraging. Before investors threw caution to the winds in 2013, and their investment returns down the pan in the process, there were some excellent IPOs on AIM in the preceding couple of years. Ones that particularly stand out are EMIS, listed in 2010 and currently nearly three times its IPO price, and DotDigital, listed in 2011 and up more than threefold. Also, some of the businesses that have chosen to move from the full list to AIM have also been very rewarding investments. GB Group shares are up a whopping sevenfold since it move to AIM in 2010 and Netcall is up nearly fivefold having made the switch in the same year.

And when we look at more recent IPOs the picture is OK as well, albeit not great. The 17 AIM tech IPOs in 2014 have returned 5% on average so far but, as before, the average hides the real story. The small number of shockers, such as Rosslyn Data Technologies (-61%) and Actual Experience (-25%), mask some great performers such as Gamma Technologies (+32%), Premaitha (+48%) and Quartix (+28%).

Why does it matter?

So we can see that, with AIM, more than any part of the market, picking your companies is absolutely crucial to making decent returns. The difference with AIM compared to the larger end of the market is that, if you get it wrong with a FTSE stock, you may lose some of your money but, if you get it wrong with an AIM stock, you may well lose the lot.

So, in one sense, the terrible performance of a relatively small number of AIM stocks is not the end of the world; caveat emptor and all that. But the problem I have with that approach is that many of the people lose money on AIM stocks are not the supposedly savvy institutional investors, but the man on the street who can least afford it.

So, for that reason, it really does matter that there are too many AIM companies that are simply not fit for the market and, for me, there are two fundamental, and intertwined problems with AIM that really do need to be resolved if we are to reduce unnecessary failures. First and foremost is my view that the nomad system is fundamentally flawed and secondly, that there is an almost total lack of independent research at the smaller end of the market. So let's look at these in turn.

First, the nomad system. A nomad, or nominated adviser to use the proper terminology, is the broker responsible for admitting a company to AIM and crucially, to partly compensate for the lighter listing requirements for AIM companies, the nomad takes a certain amount of responsibility for the quality of the company it is admitting. The nomad is responsible not only for carrying out appropriate due diligence on the company ahead of the admission, but also to act as the 'primary regulator' during its time on the market. This means that it needs to keep on top of current trading and other matters and advise when the company is to make announcements to the market etc. It is very clear to me that there a many cases over the last couple of years where nomads have simply not done their job in this regard.

The problem here is that, as institutional commission rates have reduced very substantially as a proportion of broker income in the small cap market, so brokers have become increasingly dependent on corporate fees to make a living. This therefore provides a clear conflict of interest as investors are reliant on brokers to quality-check businesses, the fees from which are keeping the broker's business afloat.

Which leads me on to my second main issue with AIM; the lack of independent research. With the greatest respect to my former contemporaries in the City, everybody in broking firms and smaller listed companies knows that house broker research is not independent in any way shape or form. So what about independent broker research?

Back in the day, when institutional investors paid significantly more for equity research than they do now, there was an incentive for a small cap broker to publish independent research on a small company to which they were not broker. However, as commission levels have fallen, the business case for a broker to write research in such a scenario has all but disappeared. And when brokers do write such research, it is usually to curry favour with the company in an attempt to win the brokership, so it is not really independent either. There has of course been the rise of company funded equity research but this is no more independent than house broker research.

Importantly, there are regulation changes coming down the pipe that will make the situation even worse. Institutional investors will shortly not be allowed to pay for research that is not deemed to be 'substantive'. So the two page morning note updating forecasts on the day of results simply won't be paid for any more by institutions. Moreover, when it is deemed to be substantive, it will be paid for on a retainer basis, rather than a commission basis as it is currently, which is likely to lead to some serious supplier rationalisation amongst the larger institutional investors. In turn, this will reduce further the lack of income from independent research, and hence the need for smaller brokers to generate corporate fees in any way they can. The current outlook for the quality of AIM IPOs is therefore not awesome.

What can we do to improve the situation?

I think the first thing that needs to happen here is for the London Stock Exchange to admit that there is a problem. The regulatory response to some of the worst examples of nomad behaviour in recent years has been woefully inadequate in my option. And I know that this is an opinion widely shared in both tech company boardrooms, as well as at high quality advisers and investors. More proactive oversight of nomads, more forceful investigation when things go badly wrong and real sanctions for brokers that are found to not to have done their job all go a long way to stop sub-standard companies coming to AIM. And if that doesn't work, then I believe that the whole basis of the nomad system should be looked at and, potentially, replaced.

Secondly, I believe that we need to find a way of incentivising brokers and third party organisations to produce high quality, genuinely independent research on smaller public companies. Institutions need to accept that, if they want decent independent research, then they need to pay for it like they used to 20 years ago. Share trading and access to IPOs in one thing, decent research is another altogether. Institutions would only need to spend a relatively small amount of money with brokers or independent organisations to incentivise them to produce properly independent research, although they would of course need to be comfortable that the research was genuinely independent.

Lastly, we need to make it more attractive for high quality smaller companies to raise capital on AIM as opposed to private equity or other funding mechanism. This can partially be achieved simply by making it harder for poor quality companies to list on AIM with the measures above, as this will make it more desirable for high quality businesses to be in that peer group as the overall quality rises. But I also feel that we need to make it more attractive for management teams to take their companies public; they need to be more heavily incentivised with long term equity, as is the case in the private equity world and, in some cases, they just need to be paid more. Importantly, however, if they are earning more, they also need to be removed proactively if they are underperforming. I am constantly amazed at how some very poor CEOs are allowed to continue destroying shareholder value in the public company world, sometimes for years.

In conclusion, therefore, our analysis suggests that, despite the headline numbers, AIM is not fundamentally broken, but I do feel that it does need some radical surgery. If it gets that, I believe that is can be the vital source of capital for the UK tech sector, and other sectors, that it really needs to be.