Reinventing Corporate IT

James Stevenson, Area Vice President UK, Ireland and South Africa, at Citrix Systems explores how to secure a flexible workplace

Globally CIOs are under increasing pressure as a new generation of workers enters the workplace demanding the same slick, personalised user experience as at home. To illustrate, Stevenson describes directors who require "an Apple Mac, a Netbook, an iPhone and a Blackberry" to operate, and companies where people have resigned over a Twitter ban.

Stevenson believes that Citrix has the answer to enable user's complete choice on the device they use to access their applications (see p.3 for Citrix's "Bring Your Own PC" scheme), but also resolves the perceived security issues:

"Providing users with complete choice over the device they use into a "locked down" environment would at first sight appear to be a security nightmare. However, CIOs should instead embrace it, and only secure what you absolutely have to."

"Citrix, in association with Intel, can enable users to run multiple virtual environments on one machine. Using a client-side hypervisor, multiple desktop operating systems can coexist in complete isolation on a single end user device. This layer of separation between the operating systems enables, for example, a "personal" desktop and a "corporate" desktop to reside on the same hardware, but completely protected from each other. IT can place all requisite security, controls and policies on the corporate desktop, while still allowing personal space for the user."

Using a virtualised approach has the additional benefit of unchaining office based workers from their desks. As the threat of swine flu looms, this solves yet another CIO headache as critical workers can be home based without losing productivity.

Viewed like this, consumerisation of enterprise IT coupled with virtualisation moves away from bowing to necessity, and into the positive realm of IT evolution.

Viewfinder

A different kind of capital

Why Michael Elias, Managing Director of Growth Equity investor Kennet, prefers "bootstrapped" businesses

For mature growth equity investors like Kennet, there are companies in the market that need help, but just don't realise it.

Instead of concentrating on companies that have swallowed their third or fourth round of funding and continue to consume cash, the smart search is on for successful, entrepreneurial technology businesses that have built a solid foundation with little external funding, and need to take the next big jump in growth. To keep ahead of their markets and lead to greater value for shareholders, they may need to ramp up their sales force or expand internationally. Elias explains:

"A bootstrapped business often starts with the founder making all the sales. Once you get over that and show that you can hire and train sales people in a reliable way, then you have the capacity to expand. At that stage, many business owners face a dilemma: should they sell the company or take capital and grow it? We recommend a third path: sell a bit of your company to us and take capital."

That can mean adopting a different attitude to cash flow. "Activities that are great for near-term cash flow aren't necessarily those that are providing the most strategic value for the business. So it's not unusual for us to suggest shutting down activities that are good for cash flow, but not so good

Michael Elias
Managing Director of Kennet

at creating shareholder value. It's something we see quite frequently."

"Often, the less a founder is interested in raising capital, the more we like the company. In some cases we are pitching to them rather than visa-versa. We often establish long relationships with companies before we invest. It's not unusual to have a multi-year relationship before an investment is consummated."

Elias feels that a key difference regarding "bootstrapped" companies is that their founders have much more self confidence than early stage entrepreneurs. "They have already shown that they can build a company without our help. Our relationship with them is different."

There is nonetheless a clear opportunity for Kennet to help such companies, and often that help comes in the form of finding the best people to take the company forward to the next level:

"A lot of bootstrapped businesses have similar characteristics. You will find a strong, capable founder at the top with twenty people reporting to him like worker bees. There is frequently very little in the way of second tier management, and the founder may not realise that these are important hires. So much of what we do is recruitment-related."

The reality is that a lot of "bootstrappers" are heavily reliant on serendipity in hiring:

"Most bootstrapped companies have not used search firms before, instead recruiting people through existing, sometimes opportunistic relationships. When asking a founder CEO how he found his VP Sales, it's not unusual to hear 'We met on a plane/train/cruise, and that although he didn't have directly relevant experience, I liked him, and sales are sales....'"

Looking ahead, Elias sees some challenging times ahead for the traditional venture capital model, which Kennet abandoned in favour of growth equity in 2002. "I think it is going to be a completely different landscape. In Europe, firms are getting to the end of their funds and the fundraising market is dire. There may well be 50% fewer VCs in four years than there are now, in both the US and in Europe."

What is bootstrapping?

Company built with little or no outside funding • Growth funded primarily through operational cash flow • Equity predominantly held by founders and key staff • Customer focus is in the "DNA"• Investment decisions are rational, not speculative • Business focus is on rapid, affordable growth

Bring Your Own PC

James Stevenson, Area Vice President UK Ireland & South Africa, at Citrix Systems discusses the reinvention of corporate IT

Facebook, Twitter, iPhone and Netbook are hardly standard war cries, however applications and devices such as these are helping draw the battle lines for the biggest enterprise IT revolution since the launch of the personal PC in 1980. Just as the '80s workforce pampered at home by Lotus 1-2-3 rebelled against a clunky, green screen in the workplace; so too are today's "technology natives", spoilt by iTunes' intuitive interface and access to a plethora of consumer devices, beginning to demand more from corporate IT.

Stevenson believes that the consumerisation of IT is a pressure that has been building for a number of years and that this is something that the CIO will have to address:

"The question is how does the CIO enable the user to have choice and still keep the things that are important to him, such as delivering services which are effective in their environment? We think it's inevitable – look at how the Mac is being introduced to the corporate environment due to widespread iPhone adoption. The bottom line is that CIOs are going to have to embrace this new environment."

This has led to a struggle for CIOs regarding budgets, maintenance and how to safely allow users to bring unmanaged devices within the secure corporate domain (see p.1). Stevenson explains how Citrix is addressing through an innovative "bring your own PC" (BYOPC) programme:

"Citrix is in phase one of rolling out a programme to enable employees to buy their own machine running a PC environment of their choice - the concept is similar to a company car allowance. Staff can even buy a top of the range Mac if

James Stevenson
Area Vice President at Citrix Systems

they want to supplement from their own pocket."

Part of the of the programme's criteria is that devices must cost at least 20% less to purchase and maintain than devices managed through the traditional system. Therefore Citrix has created a BYOPC website as a self-service application portal, interactive support community (ensuring that internal IT do not have to support devices) and online shop offering discount purchases through the Citrix channels. Interestingly, it was found that the productivity increased for the majority of employees, that better care was taken of equipment due to a pride of ownership, and Citrix has a fairly unique edge in wooing technically savvy employees.

Stevenson feels that this programme represents the beginning of a fundamental change to how IT is supported within the corporate environment, and that this is something which Citrix can support from a user experience and IT management perspective:

"We have given our employees a

choice over which devices they use. We can do this because we use our own technology – the Citrix Receiver allows users a simple, ubiquitous access point to drive their applications on Mac, Windows, iPhone operating systems (and soon Windows Mobile, Symbian, Blackberry and Android) as they wish."

"Through enabling choice of device, and giving more control to the user we are moving toward a publisher-subscriber model, and delivering IT as an on-demand service. By embracing SaaS and Cloud-based technologies anyone with network connectivity can securely access to corporate applications remotely. Despite this abundance of connectivity and devices, IT still maintains control over data, applications and security ensuring a risk free and compliant environment. We are already seeing growing interest and adoption from our customers as they identify with the user experience, control and management benefits."

Wide adoption could mean forced change for the channel as Stevenson notes:

"If you are a reseller which sees the main bulk of your business coming through laptop or general end-point device sales, BYOPC could impact your pipeline. However, with consumers driving the device side of IT, it frees IT decision makers to focus on the strategic, infrastructure and service delivery aspects of their role – a real opportunity to add greater value for our channel with virtualisation and networking technologies."

BYOPC is part of Citrix's strategy to reposition IT as a service provider rather than an over-controlling obstacle to progress and innovation.

The Nordic Alternative

Despite the challenging economic times, the Nordic zone continues to produce exciting technologies and successful start-ups. Is there a secret to this success?

The Venture Capital Practice at Gillamor Stephens has worked with the Nordic start-up scene for nearly four years, hiring CxO, VP and Director level executives into a broad array of technology companies – from PCB manufacturing processes to enterprise software. We have noted with interest that where other geographies' growth tends to have slowed over the last 18 months, the Nordic region continues to produce an increasing array of successful start-up companies.

To take the investment temperature of the Nordic zone, we have sought the views of Venture Capitalists Helge Hellebust, Partner at Ferd Ventures in Norway www.ferd.no and Bjørn Stray, Partner at Northzone Ventures in Sweden www.northzone.com, and also spoken to Eilert Hanoa, CEO of Mamut, a successful business software company, founded in Norway www.mamut.com.

The VCs

Whilst examining the Nordics start-up scene, Helge Hellebust finds that native conditions have helped foster native entrepreneurs:

"The relatively high education level, social welfare system and growing private equity industry contributes to the start-up scene developing in a positive manner. State funded seed money is available, as is support from organisations such as Innovation Norway and various incubators to help many start-ups through the initial stages... And importantly, it is viewed as socially acceptable to establish your own business and take on an element of risk to earn money."

Bjørn Stray reinforces this impression:

"There is a high degree of risk willingness among entrepreneurs and investors, and a community of experienced entrepreneurs, capital sources and service providers that can support early stage companies in the Nordics. By instinct, entrepreneurs seek

Bjørn Stray
Partner at Northzone Ventures

"There is a high degree of risk willingness among entrepreneurs and investor"

Helge Hellebust
Partner at Ferd Ventures

"VCs are still active, but with a stronger appetite for later stage investment"

capital from people and funds that they know, and therefore many companies are funded locally. So in that sense one might say there is a "community". The Governments across the Nordic region provide capital financing through funds such as Argentum (Norway), Finninvest (Finland) and Vækstfonden (Denmark). The fact that a number of established technology companies have been global leaders in their space provides individuals with a technology and market insight essential in helping create companies which can quickly take unique propositions to the market."

Hellebust feels that the Nordic approach to start-ups also affects deal flow:

"The quality of deal flow is relatively high, partially due to the cultural heritage which dissuades establishing a new company unless you have a "really good idea". As more and more "classic" venture success stories become known, the positive development is likely to continue. But we still have a long way to go and a lot of untapped potential."

Both of the VCs can also see that the marketplace has been affected by today's economic climate:

"VCs are still active, but with a stronger appetite for later stage investments. The strength of the downturn is difficult to gauge, however it would seem to be stronger in other parts of Europe than in the Nordics" states Hellebust.

"The best companies can still get funding. However there will be a shakeout of companies and investors alike. For the long term the fundamental is that there is continuous technology development and that start-ups will solve problems, grow and create value and will secure a living space for players in the industry" confirms Stray.

The Entrepreneur

Eilert Hanoa started Mamut in 1994 with a

> **"the local economy is strong, innovation is high, cash has been available, knowledge workers are available and infrastructure is well developed"**
>
> **Eilert Hanoa, CEO of Mamut**

vision of simplifying the way smaller organisations do their business by offering software, services and knowledge. Today, Mamut has more than 400,000 customers in 16 countries. Hanoa recollects his company's humble origins:

"I established my first company as a 15-year-old in 1986 and after 10 years in the software industry, I incorporated Mamut in December 1994. We started without any external funding or any kind of governmental assistance, local VCs joined in 1998, including Northzone Ventures and other co-investors, and our development from 1995 to 2009 has largely been based on long-term investors."

He feels that today's start up market is a much more challenging environment for the entrepreneur:

"Today, 15 years after establishing Mamut, the entry barriers are even bigger than they were then. It is more difficult to get full funding at the right terms in the early start-up phase. The result is fewer start-ups and that very few companies are able to go global. In contrast my company's business plan from Day One was to conquer our home market, then expand internationally."

Hanoa has a slightly different view than the Venture Capitalists regarding the supporting infrastructure surrounding the entrepreneurial community in the Nordics:

"There is a huge political focus on supporting start-ups in the Nordics, but to actually succeed in starting-up a company, the main success factors are the willingness and true passion from the founders. Start-ups often succeed despite the lack of governmental support, not because of any support offered. In fact, the social security network is well developed in the Nordics, so the risk of failing is low and success is rewarded with high taxes! The social security system is more of a barrier than a catalyst for starting up."

Although Hanoa does also speak highly of its benefits:

"When expanding regionally, a Norwegian based headquarters has provided a real advantage as the local economy is strong, innovation is high, cash has been available, knowledge workers are available and infrastructure is well developed."

Hanoa is also working to give something back to the entrepreneurial community:

"We are actively supporting start-ups in our seven core markets by offering a complete software package for entrepreneurs that helps them plan and start up their own business. We also engage in seminars and training, both through Mamut and through my role as Chairman of ICT Norway."

The Recruiter

Gillamor Stephens supports venture backed businesses across EMEA - from early stage University spinouts to later stage businesses. Paul Gillespie, a Founding Partner, follows the adage "good companies will always get funding" and this is true wherever they may be in Europe.

"However the Nordic region does have a strong infrastructure in place to assist the creation of start-up companies, and maybe the somewhat isolated location of the Nordics makes the region more self-reliant and therefore more likely to operate as a community than other parts of Europe. What is clear is that across the Nordic region there is a vast array of early stage companies that have an opportunity to become successful global players in their market. If the local Governments, VCs and corporations continue to work together the Nordics will continue their international success story."

The Nordic Venture Forum

The Nordic Venture Forum (NVF) plays an active role in the European and Nordic innovation scene, fostering start-ups and high-tech, high-growth entrepreneurship and promoting Denmark, Sweden, Norway, Finland and Iceland as countries to do business or invest in. The NVF showcases the 50 highest potential companies in life sciences, ICT and clean technologies – The Nordic Venture 50. v

Now in its 7th year, the NVF has established an impressive history of over 60% of presenting companies raising new investments following participation.

It's not a spectator sport

Andy Isherwood, Vice President and General Manager for HP's Software Solutions group, discusses the need for people to step up, get involved and be change agents

Having joined HP more than 20 years ago, Andy Isherwood has long been a key change agent within the company; as can be seen through his integration of the Mercury and Peregrine acquisitions during his time as VP and GM EMEA for the software business. He is now using these foundations to address today's uncertain economic climate.

My view on the current climate? I don't read the papers.

"My view is simple. Whether you believe Gartner, IDC or Forrester, take the worst case scenario, and then focus on where the money is being spent. If you become focussed on what is not being spent, you can talk yourself into a recession and have a real confidence issue. I won't read the general gossip about the economy as the tabloid negativity can lead your confidence into downwards spiral. Instead I focus on the fact that customers are still spending, just in a different way. They are looking at every purchase with a sharp eye on ROI (return on investment); therefore you need to adapt your selling style to address the pressures which customers are now under. Customers also require shorter terms in order to reach ROI, and they don't have capital, therefore you must adjust your strategy to what the customer requires, and focus on where they are spending money."

Andy Isherwood
Vice President and General Manager
HP's Software Solutions Group

Consolidation in the technology marketplace

There has been a lot of consolidation in the technology marketplace. Andy believes that this consolidation will only be accelerated by the current climate, as now is a good time to be acquisitive if you have a strong balance sheet.

"HP is not trying to be biggest software business in world, instead we want to be relevant to customers, and try to bring together those assets that the customer wants to have under one umbrella, which is why HP has built out a comprehensive IT Management portfolio. HP has successfully bought in either the #1 or #2 software solutions in every category of its portfolio, as can be seen with key acquisitions such as Opsware, Peregrine and Mercury."

Unique cultures and values with a unifying HP foundation

"HP has a simple philosophy regarding how to integrate new companies. If you go back to the Compaq days, a $40Bn business with c. 80,000 people, we didn't march in raise the HP flag and tell them the answers, it was very collaborative, and we have become even more so with time. With the Software business, our philosophy has been to go acquire really good assets that customers want, then do a thorough evaluation, and access the talent. We don't assume that an HP person will run the show, and this has been very effective. I have legacy-Mercury and Peregrine people working for me, and in fact I have only one "classic" HP person on my management team."

Has the culture changed with all of the acquisitions?

"It has evolved; but we have kept our strongest themes from when the company was set up. As we have built out different business, we have created unique cultures and values with a unifying HP foundation, each tailored to the demands of that business. If you look at the software management team, almost everyone has come from a software background, and this has led to our own specialised culture."

Management Style

When considering how his management style has been formed, Andy gives credit to the lessons he has learnt from his mentors, previous members of HP's senior management team:

"I have tried to learn something from each of my mentors. It is from them that I have seen the importance of rigorous business practices, so I place a great deal of emphasis on having outstanding operational rigour, strong execution and maintaining strategic drive. Following their example I make it a point to stay in touch with my team, walking the floor and fostering an informal yet informed culture."

Connecting the dots

"Fundamentally I am a pretty direct person. My philosophy is that people need to know what you are doing and why, and the role that they play in this big picture. I am a clear communicator in terms of what is expected of people, and I share the profit and loss of the business with everyone. This is because I believe that the more you can connect the dots between what you are doing with the shape of the P&L, the more people can understand why certain tough decisions are made, and "buy into" your strategy. This open, direct communication adds context, and I recruit strong leaders who share this philosophy and perpetuate this practice."

Career Management

"I always think two jobs ahead. I plan ahead, knowing the attributes and qualities I will need for the future. Once you have this in your mind, you can focus on building the skills you need for that job,

> **It's easy to be a spectator, but I don't want people in my organisation to sit on the sideline; I want my people to get involved, be players, be change agents**

and the network of people you will need to support your bid. We have an excellent talent team, however in a 300,000 person company, if you don't tell people what you want to do next, and focus your attention on where you want to go, they are not going guess."

Tip for success? Execute like hell

"Deliver on what you are doing, execute like hell. Focus on getting a job which is part of your career plan, and then deliver against it giving you the right to move onwards and upwards. When hiring, I'm looking for people who have executed and driven change. These tough times necessitate more invention, so always be one step ahead of the game, and don't wait for a difficult period. Do the heavy lifting now, get the cost structure down to be competitive; if you have a palatial office environment and your competitors are home-based, your cost structure is wrong and you are dead in the water. You have got to have aligned cost structures and economics in order to compete in the marketplace. I look for people who want to drive this leading edge, bleeding edge philosophy towards running a business rather than just managing and maintaining.

With all of the current uncertainty, learn to shrink the timescales. I think about annual plans and keep the "big plan" in mind, but I also look at our position against the P&L every single day. We make monthly adjustments as a management team in order to stay ahead of the curve, rather than waiting for the next cycle, if I wait until November we might not still be here."

It's easy to be a spectator

"After a couple glasses of wine, I'm an expert on the economy and could be the Chancellor. I can tell the England rugby team why they are doing a bad job and how they can improve. It's easy to be a spectator, but I don't want people in my organisation to sit on the sideline; I want my people to get involved, be players, be change agents, because these environments necessitate more change than ever before."

Balancing the books

Phil Pavitt, the incoming CIO of HM Revenue & Customs (HMRC) talks about the challenges IT faces in balancing the demands of insourcing, outsourcing and security whilst getting the most out of our taxes

This September, Phil Pavitt, formerly CIO at Transport for London (TfL), has taken on the biggest challenge of his career. As the new CIO of HMRC, Pavitt has one of the most influential IT jobs in Europe, responsible for budget of over £1bn with 1,400 staff. Pavitt will also play a pivotal role in shaping how the Government addresses IT, and must ensure that every penny spent is a cost effective investment.

Pavitt is no stranger to a challenge. At TfL he conducted an exhaustive review into how the business structured IT with one mantra in mind: "What's the cost, what's the numbers, what's best?" This resulted in a fundamental shift in the negotiating of outsourcing contracts, with the emphasis moving away from a headline number and towards flexibility; creating a shared infrastructure (placing 65% of TfL's systems on a shared common technology platform) and business processes ultimately resulting in an optimised system with a leaner budget.

Prior to his arrival, TfL spent 60% of its IT budget on 17 outsourcing contracts covering the bulk of its IT infrastructure and services, from desktop management to helpdesk. Upon his departure, 15 of the 17 contracts have been brought back in-house, cutting costs by 40% and desktop and support costs by 61%.

Pavitt's arrival at HMRC will therefore prompt questions as to whether the organisation will consequently be taking a different approach to outsourcing. However he rejects suggestions that he is a serial insourcer, instead stating that

> **"my job is not to 'reinsource', but instead to redraw the line and find the best vehicle for what the organisation is trying to deliver"**

he adopts the required solution for each unique situation:

"I try to get the best for the organisation I work for - my job is not to "reinsource", but instead to redraw the line and find the best vehicle for what the organisation is trying to deliver. I used to be part of ITNet so I see it from both sides. I'm not a serial insourcer. What annoys me is that in the massive rush to outsourcing 10 years ago we often lost the commercial ability to manage the project. The strategy, the architecture, the governance, the thinking, the intelligence were all outsourced, so after a year you sit back and think "Every time I breathe I've got to pay extra for it", and CEOs begin to wonder what

IT actually do."

"If the contract has the right level of flexibility, this encourages business process change, thus enabling contracts to become structured agreements which encourage shared infrastructure - you can therefore save money whilst retaining control. For example IT across three or four different departments can all bind their mobile messaging platforms together, optimising the heavy lifting of fix, install, resolve and engineering, allowing the business to start seeing IT as a broker and facilitator. In TfL this corporate approach was used externally, customers can look at their mobile and see where the latest tube train is to the second, and be able to look at a GSM map."

Looking forward to his newest challenge, Pavitt admits that HMRC is an organisation facing some tough requirements:

"HMRC has to collect tax efficiently, whilst targeting and paying credits to the appropriate customers as efficiently as possible. The pressure is on to make sure that every penny is spent as cost effectively as possible. My job is to get the right level of cost effectiveness into the IT organisation, and more importantly to enable the business to perform

> **"We are so busy looking for the next 'sexy' thing sold to us by Gartner, Forrester or the IT providers that we haven't wrung the potential out of the technology currently available"**

better – be that in enforcement, collection or granting credit. These are large volume jobs where IT can play a pivotal role."

When asked about the future Pavitt speaks of a "massive frustration" within the IT sector that we have not yet been able to realise the full benefits of the last five years of technology:

"We are so busy looking for the next "sexy" thing sold to us by Gartner, Forrester or the IT providers that we haven't wrung the potential out of the technology currently available. The 101 of IT is making it work effectively, with projects being broken down into manageable chunks – I think that IT should take the time to focus on Thin Client, Virtualisation and VoIP for the next few years before businesses get frustrated at seemingly unending investment without the promised return, starting to think inside the already purchased 'box'."

"A lot of people bought Oracle or SAP licenses and got massive functionality, yet never took the time to use it. If businesses become more willing to change process in order to exploit current strength we will be able to fully cash the cheque written over the last five years before we start writing the next. The industry is currently clamouring about Cloud computing, predicting that if we do not invest "then the world will end". You know what, it probably won't, and if we can consolidate our current costs and

Phil Pavitt
CIO of HM Revenue & Customs

resources, then I believe that we can face the future on much stronger foundations."

Whilst looking forward, Pavitt has the following thoughts on data security:

"At a technical level, the realisation around data management has become much more important in organisations and in IT. You must be able to consistently classify data types, manage them, put in place protocols, enable access and then restrict it with passwords. The

problem with any data is the "human factor"; this can be negated to some extent by processes (education on responsibility, repercussions etc) - and lack of tabloid headlines does indicate that this is having an effect - but the risk will never go away unless you can get rid of human intervention".

Given all that Pavitt has achieved, it is interesting that when asked about his proudest accomplishment at TfL, he immediately points to his team:

"The thing I'm most proud of is the culture of the IT team, and how the broader organisation's perception of my guys has changed completely. Before the team felt marginalised, with the emphasis on outsourcing and back end support, there was little recognition from the rest of the organisation. Now we are very visible, implementing the most up to date technology, bidding for services and taking on significantly more work across the Greater London Authority. There is a huge demand for our services, and I have a tremendous pride in what we have achieved."

Phil Pavitt CV

1996:	International CableTel, Director of Commercial Support
1998:	NTL, Director of Internet TV launch
2003:	NTL, CIO
2005:	Centrica Onetel & ICICI Onesource India, CIO and IS Transformation Director
2007:	Transport for London, Group CIO
2009:	Her Majesty's Revenues & Customs, Group CIO & Director General

Helping David team up with Goliath

Derek Ward, Atos Origin EVP UK Markets & Strategic Relationships, Tim Barnsley and Richard Griffith co-founders of Channel Dynamics discuss the reality of strategic alliances.

Derek Ward
Atos Origin, EVP UK Markets & Strategic Relationships

The creation of a strategic sales alliance between companies – whether large global corporations or small innovative start up – is an incredibly attractive proposition fraught with difficulty. Atos Origin's Derek Ward describes the appeal:

"With the right partnership everyone can win. The client gets the best solution at a competitive price. The partners can share costs and customer contacts and ultimately increase sales. If you can gear other people's sales force to sell for you, then you can realise your numbers a lot easier than if you tried to do it all yourself."

The attraction for small companies to form an alliance with a large corporate is clear; however this is not a simple solution. Richard Griffith, co-founder of Channel Dynamics - a company which provide strategic business management advice to clients - outlines a common difficulty:

"Often we work on projects with small companies to look at how they can convince a large corporate to take their product to market. It can sometimes seem as if they don't have the capability or capacity to do this independently and so look to the corporate for a quick fix rather than taking responsibility themselves."

Ward agrees that it is simplistic for a small company to view an alliance as an effortless answer to all of their sales problems, and provides some

> **" It is important to research your potential alliance partner's goals, and align your proposition to match "**
> **Richard Griffith**

insight into the frustration corporates are faced with:

"Everyone comes to the party with a slightly different agenda, with small companies thinking we have the magic key that will unlock the world for them - they can see retirement coming through a sell-out and flotation and of course get disappointed when that doesn't happen. Equally the large customers find that the fantastic innovation sold to them by the small company is actually not as robust and resilient as it seemed, so we are left wondering how on earth it can be embedded in our technology stack."

So how does a small technology company with a strong piece of technology build a relationship with a Tier 1 company? Griffith feels that the key to success is in the preparation:

"If you can structure your proposition taking into account matters such as the corporate's time to market, how their current product offering is shaped and then highlight how you can mutually add value to each other, then you have a compelling pitch. It is important to research your potential alliance partner's goals, and align your proposition to match this – the small company has to do the hard work and provide the intelligence which will generate enough enthusiasm to continue the conversation."

This level of preparation is vitally important for a small company in securing an alliance with a major corporate, as is shown through Ward highlighting the difference between an alliance of equals, and how a small company must approach agreements:

"At Atos Origin we have some very successful large scale alliances – including SAP, Oracle, Microsoft, IBM and HP as examples. These are founded on the huge amount of business that we do with each other, and both sides can afford to throw a lot of money at an alliance to make it

work. Once you drop out of the "mega league", and get to the more one-sided investment of a "David and Goliath" situation the corporates can't justify this level of expenditure for all potential candidates. Here I think that the best advice I can give you is not to overestimate the sophistication of the large company that you wish to target. Ultimately it is just a series of individuals with specific jobs to do. So throwing brochures at them doesn't work, instead talk to the right people regarding a specific opportunity if you think that you have something to help us achieve us our objectives. Track down the person who has the most interest in seeing that programme be successful, and then target them with a very specific, very short message along the lines of 'We know you're doing this. We know you're doing that – our product will help you achieve this because....'"

Over recent years, Ward has seen a major change in the world of alliances. "The traditional alliance has been seen as one that would come together with a joint go-to-market proposition. But now there's another borne out of one party understanding that they don't have all the capability themselves and having to find a partner to come and help deliver".

Channel Dynamics also highlights the recent work which is being done to put a mature structure around collaborative business relationships to help create and maintain successful business-to-business collaborations. Tim Barnsley, Channel Dynamics co-founder explains one such innovation, PAS 11000:

"PAS 11000 is a Publicly Available British Standard concerning collaborative relationship management, which is due to go live next year. It will be cross industry, and will lay out some best practice principals regarding how organisations should work together, define the customer-vendor's relationship and how to manage valuable business relationships within the supply chain. In the fullness of time it will be refined for individual industries and will highlight how we can become smarter and more professional."

Griffith points to ASAPTech (the

"never underplay the human element"

Derek Ward

Channel Dynamics founded Association of Strategic Alliance Professionals) as another important driver of change:

"ASAPTech positively influences the ability of a partner manager to articulate his case more powerfully within and across his organisation and the more people that can do that, the more these people network among themselves the more powerful the possibility of partner."

Ward also feels that the UK technology industry group Intellect is doing more for the Alliances sector that just providing a networking forum:

"With Intellect's help Atos Origin has worked together with our competitors in order to try to make things more efficient, especially in the public sector. We have created a standard form contract, although trying to get this rolled out across government is challenging. It has enabled us to have commonsense conversations with our major customers."

The final piece of advice which Ward has to offer for all companies seeking an alliance, whether small or large, is as simple as it is critical:

"One of the mistakes often made is to forget the customer. At Atos Origin we always adopt a Client First approach and, in our experience, if you can bring the customer into the alliance then that's very powerful. A good example is the Government Gateway which Atos Origin delivers with Microsoft as a partner. We want this to be adopted as the common authentication service across government, and through initially bringing the Cabinet Office on board as our champion, this has now been adopted by HMRC, the Department of Work and Pensions and many other central and local government organizations. Always remember that alliances essentially rely on the people involved, including your customers. An Alliance Manager gets out of bed because he enjoys his job and he wants to make it work, and with all of the best practice in the world that's difficult if the person on the other side of the relationship is someone you don't get on with. So never underplay the human element."

Richard Griffith
Channel Dynamics, Co-Founder

Tim Barnsley
Channel Dynamics, Co-Founder

Are stock options still a compelling way to attract talent?

Paul Gillespie, a Founding Partner of Gillamor Stephens

Stock options have always been at the heart of compensation packages offered by early stage venture backed companies. They act to offset the cash component and recognise the personal commitment made by joining a higher risk company at an early stage.

Ten years ago, the very idea of options was sufficient to motivate, but following the hard lessons learned from the tech bubble bursting, candidates take a more educated, cautious approach. The current generation of start-up veterans might be working in their second or third venture and this has led to a more pragmatic acceptance that stock options are not a 'slam dunk', and instead should only be viewed as a long term incentive to attract a certain profile of person into the company. Therefore it is not just Executive hires qualifying preferential shares, dilution, tax efficiency etc – these questions now come from every level.

Early stage ventures will always use stock options in remuneration; however the ability to "offset" the cash element of compensation will be limited by the individual's base salary "pain-threshold". When larger volumes of options come into play for Executives, options can help leverage a reduction of base salary or in lieu of a benefits package. It is important that each individual's personal situation is considered, as a married candidate with children will have different priorities to a bachelor.

Never forget that options are not just a hiring tool, but also an important retention device. If someone is looking to leave, options can be used to help reinforce their commitment to the company. Personally owning a stake in the business remains a key factor in developing and maintaining the employees' commitment.

2009 Technology Sector Healthcheck

Steve Morrison, a Founding Partner of Gillamor Stephens, provides a GS view of the current recruitment market

If levels of recruitment activity indicate the health of an industry, then Q4 of 2008 saw the technology sector being rushed to A&E. The global financial crisis and resultant lack of business confidence ensured a hiring paralysis was pervasive across the industry from "early stage" VC backed businesses through to large global corporations. Due to this diagnosis Gillamor Stephens approached 2009 with the expectation that it was going to be a very challenging year. However nine months on we have been pleased at the number of search assignments that have been conducted.

Most hiring activity has been with the VC backed businesses, despite limited levels of new funding, as the investors have sought to change and strengthen the boards of their portfolio companies. This activity has encompassed a broad spectrum of technology businesses from PCB manufacturing processes to technology enabled services and cloud computing. Location has been equally diverse, with assignments conducted across the UK, Ireland, Finland, Spain, Holland, Germany, France and Switzerland.

Proven CEOs are in particular demand; with experienced individuals capable of delivering top line and EBIT growth being much fêted, especially those whose track record includes leading companies to a successful exit in challenging times. Other companies have sought Sales Directors to galvanize sales teams, bring structure and rigour to the sales process, shape value propositions and deliver the revenue number. The VP Engineering has also entered our most wanted lists, as clients seek candidates to "productise" their offering, optimise product lifecycle management and deliver a quality product on time and on budget.

As 2009 has progressed, renewed hiring activity within the European corporate technology sector could indicate increased levels of confidence. However appointments tend to be selective and strategic, as companies seek entry to new verticals or to build new service lines. It seems that from a hiring perspective, the green shoots of recovery in the corporate technology companies may be a little later in developing than in the VC technology sector.

For examples of our recent work and a snapshot on current assignments please visit www.gillamorstephens.com